

Returnee entrepreneurship in China: the multi-faced story in the travel of location, time and culture

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Introduction: definition and significance

The significant contributions made by high-skilled immigrants to the developed economies such as US are widely acknowledged (Kenney et al., 2013). On the other side, the home countries, often the emerging economies, that are losing those talents allegedly suffer from “brain drain” which negatively impact on their economies (Kenney et al., 2013; Gruenhagen et al., 2020). However, the “brain drain” situation sees some recovery as the “brain circulation” (where talents returning home) phenomena starting to be observed (Lin et al., 2016) particularly in the last decade. Those people who returned to their home countries after spending considerable time abroad in more developed countries to setup new ventures are termed as returnee entrepreneurs.

The concept of returnee entrepreneurs has gone through some evolution of changes in its boundary of study. Early scholars have defined them as “scientist and engineers returning to their home countries” to set up businesses after gaining considerable experience in education and/or business in developed economies (Drori et al., 2009, p.1006). Over time, scholars start to question such restricted view and indeed argue that the term should not be constrained to just “scientists and engineers” to ensure the phenomena can be captured in a more complete and compelling way (Gruenhagen et al., 2020). This chapter follows suits of the latest trend on adopting a more inclusive definition.

With their experience, knowledge and skills accumulated in both home and host countries, returnee entrepreneurs are regarded to be the international knowledge brokers and make significant contributions to the countries’ social-economic development (Kenney et al., 2013; Liu et al., 2016). For instance, they can help with developing different industries, facilitating knowledge transfer to local areas, cultivating internationalisation activities which in turn have

positioned themselves in a key role in the entrepreneurial ecosystems (Eckhardt and Shane, 2003; Ellis, 2011; Filatotchev et al., 2009; Ahlstrom and Ding, 2014; Gruenhagen et al., 2020). However, just like any other entrepreneurs, there is no guarantee to success (Wentrup et al., 2020). Returnee entrepreneurs are at no exception and need to face their own challenges. For instance, does the knowledge and experience gained from foreign market really transferrable especially when culture differences are unavoidable? Networks and social capital are important in entrepreneurship. Having considerable time spent away from the home country, how do returnee entrepreneurs re-integrate themselves into the local community? How do they compensate for lack of local knowledge and connections compared with local entrepreneurs?

To address those questions, it is essential to first to recognise the importance of context in entrepreneurship as induced by location, time and culture. This returnee entrepreneurship phenomenon has become particularly important in Eastern and African countries. Out of these, China emerged as an important context for its high number of global mobility of citizens, the rapid development of the economy, various policies initiatives designed to attract returnees, and the national effort in high-tech industries (Gruenhagen et al., 2020). The following chapter focuses on discussing the returnee entrepreneurship in China, outlining its changing nature and current challenges and opportunities.

Returnee entrepreneurship in China

The changing perception towards returnees

Since the inception of the China's open-door policy in 1978, the number of Chinese citizens who have studied or worked abroad have grown exponentially. Recognising the "brain drain", the state government has designed various policies and initiatives in hope of bringing these talents back home. Those returnees have also been given a special label, "sea turtle", which is a homonym for "returnee" in Chinese. More than a decade ago, the perception towards returnees is predominately positive where "sea turtles" are mainly viewed as an asset (Zweig & Han, 2011). However, this overwhelmingly positive attitude starting to see a change in recent years.

The reasons behind the change in views are multi-faced. Partly, it is due to the increasing number of returnees. According to the National Bureau of Statistics of China and Ministry of

Education of China, in year 1978, 860 citizens went study abroad and 248 returned. These numbers jumped to 399,600 and 272,900 respectively in year 2012; and then to 703,500 and 580,300 in year 2019. The total number of students who studied abroad and subsequently returned between 1978 and 2019 accumulated to 6,560,600 and 4,231,700 respectively. As the country develops, people's disposable income increases drastically which drives up the number of self-funded students. As a result, it seemingly becomes much easier to study abroad in recent years: it is no longer the elite or ultra-intelligence class who are often funded by the state government can study abroad. At the same time, the massive increase in number also means the overall quality of students went abroad and subsequently returned are compromised compared with many years ago. Indeed, while some students studied abroad because of their high academic achievements, there are also a group of the students who went abroad for the exact opposite reason. There is also a general perception that the self-funded students are less capable than those funded by the states (Zweig and Du, 2021) even though the exact situation might depend on individual cases. Nevertheless, when the mix flushes back to the home country, disparities in performance start to show which in turn alert people to view the group more critically.

Another key factor is the rapid development of China economy. Indeed, as Chen and Miller (2010) pointed out such expeditious growth of the economies in the East countries together with the accelerated global integration among different economies have transformed the business reality from the conventionally "West-leads-East" to the new "West-meets-East". China's rapid evolution has enabled the country to narrow the gaps with the West and in some areas, even surpassing. On one hand, it influences people's perception towards returnees from predominately worshipping to adopt a more critical lens. On the other hand, the rapid development of the country means being abroad for considerable length of time may lead to disconnection with the local market and expectations.

On the job markets, it reflects as some employers start to prefer local graduates as they are perceived to be more familiar with the local market and expectations. As the situation develops, in 2005, there is even another term "seaweed" being developed to refer to people who returned but did manage to secure a job (Zweig and Du, 2021). On the entrepreneurship side, it poses challenges for the returnees to establish themselves in the home market and compete against with the local entrepreneurs who may have an advantage on having updated knowledge and already established social capital. Prior research has evidenced that the returning experiences

are often associated with pessimism, tensions, struggles, confusions, and maladjustment (Chen, Yuan, Jiang, Yu, & Huang, 2003; Gill, 2010; Hao & Welch, 2011; Dong, 2017). Sometimes the experience can be so negative that some returnees consider re-expatriate (Zweig and Han, 2011).

The fantasy and reality of returnee entrepreneurship

According to the 2019 report issued by the Centre for China and Globalization and Zhaopin Ltd, Sea turtles' decisions for returning can vary where the non-neglectable thoughts and the feeling of missing families and home country is the major reason; and the positive outlook of the China's continuous economic development trend comes second. Just like any entrepreneurs, returnee entrepreneurs returning home with an ambitious future painted ahead. It is true that there is no lack of headline stories of returnees made their fortune and become role models in various industries particularly in technology or related industries (Liu and Xing, 2012; Zhang et al., 2011). The experience of being abroad in more developed countries have blessed them with advantages such as having an international perspective, language abilities and sometimes knowledge on more advanced technology and innovations. It is understandable that returnees come back home with confidence. Indeed, China's modern day high-tech industry is believed to be largely shaped by returnee entrepreneurs (Zhang et al., 2011). For instance, returnees have either directly founded or brought majority of the Chinese high-tech businesses (e.g. Baidu, Sina, Sohu, Ctrip, 51job, Kongzhong.com, Suntech Power) to be listed on European and the US exchange market (Zhang et al., 2011). These listed businesses have introduced latest technologies and new operational and management systems, as well as brought in talents and overseas capital into the country (Wang, 2007). All of these have not only contributed to China's economic reform but also placed great influence on people's live particularly for the younger generation.

Upon recognizing returnee entrepreneurs' contribution, both state and local governments have introduced various policies and initiatives in hope of attracting high potential returnees to set up ventures in China. Some common incentives and benefits include providing start-up capital in form of grants or easy to access low interest loans; easing the settle down requirements and simplifying the process¹; eligible for tax-free cars; subsidising with accommodation and

¹ Getting settlement status can be attractive as it is difficult to get settlement status in big cities such as Beijing and Shanghai where many benefits and extra resources are often associated with.

assisting with arranging local schools for children. As part of a nation-wide effort, there are 224 venture parks established for returnee entrepreneurs to date. As part of the offering, returnees can enjoy an array of additional benefits ranging from investment, free office space, access to established network of resources including potential clients or partners.

While it may look promising with such nation-wide support, returnee entrepreneurs are not short of challenges especially in recent years. First of all, lack of insights of local markets and policy remain challenging. From management perspective, Western economies rely more on “legal contracts and explicit rules (formality)” whereas Eastern economies’ governance system are found to have higher associated with “social relationships and implicit norms (informality)” (Lin et al., 2015). Returnees are often found to suffer from experiencing “culture re-shock” while they re-adjusting to the home country social norms upon their return. In particular, as China experiencing rapid economic growth and the “entrepreneurship rush” partly pushed by the “mass innovation, mass entrepreneurship” initiative in 2015, the current domestic market operates more like a “test ground” where consumers are sometimes being spoiled with choices and regulations are lagging behind to protect businesses’ rights. Being away from the country and having limited first-hand experience with consumers can lead to misjudgement of the market needs and demand.

Secondly, social capital and networks are key in the successful operating of the businesses. Often such networks and connections can be difficult to establish and manoeuvre especially for returnees due to their prior absence in the country. Speed of market entry can be slowed down by such absence from the home market context (Qin et al., 2017). However, Qin et al (2017) also argue that the combination of latest technical knowledge and access to international networks can help advance China’s technology industry development. In fact, the presence of capable returnee founder can help mitigate the slow entry speed induced by the liability of novelty and foreignness. It is therefore important to take a critical lens on returnee entrepreneurship and address it accordingly.

It is also worth noting that China’s appetite for technology can lead to different stories depending on whether the venture idea falls into the category or not. Returnee entrepreneurs who possess key latest technical knowhow are generally welcomed with a wealth of support and opportunities from government, industries and venture capitalists and alike. On the other hand, venture ideas fell outside the category, for instances ideas based on replicating particular

business model into the China context may see less enthusiasm from the supporting organisations.

Conclusion and recommendations

As context has been particular empathized in recent entrepreneurship study, China's returnee entrepreneurship deserves a special place not only for its significant social and economic contributions but also for its uniqueness induced by their physical travel of locations, experiencing and adjusting to multi-cultures, as well as changes brought by time moving forward. Some common advantages associated with returnee entrepreneurs' overseas experience are acknowledged such as the global outlook, language ability and some may also come with latest technological knowledge and skills. At the same time, the challenges faced by returnee entrepreneurs should not be overlooked. The issue with culture re-integration is reflected in multi-aspects such as lack of in-depth understanding on the local markets and policies, absence of social capital and networks. It is also worth noting that while efforts are and should be made towards better understanding of the particular group, it is important to also bear in mind of the individual differences which may come from the returnees' own backgrounds, skillsets (both technical and soft skills) and the industry their venture is setup in.

In supporting returnee entrepreneurs in hope of maximising their contributions and benefits to the economy and society, it is essential to understand the context and design approaches that are guided by evidence. As Ahlstrom and Ding (2014) point out, returnee entrepreneurs have a significant role in entrepreneurial ecosystems. It is therefore important to develop and guide the development of the ecosystems with returnee entrepreneurs in mind in seeking of ways to better facilitate multi-dimensional resources flow. For instance, venture parks can act as a hub in facilitating such process. However, effectively executing this role requires key personnel to be well connected, resourceful and have a good understanding on businesses so that appropriate connections and advice can be given. At the same time, ecosystem stakeholders/players (e.g. entrepreneurs, governments, various support agents) also need to adopt a supportive and collaborative attitude in playing their part.

On the other hand, it is equally important for returnee entrepreneurs to adopt a proactive approach in their entrepreneurial endeavours. It starts with returnees apply a critical effort in

evaluating their positions taking into considerations of the advantages and disadvantages as discussed previously. In particular, acknowledging shortcomings is the first step towards improvements. In general, entrepreneurs would benefit from adopting a learning organisation attitude in rapid changing dynamic market. Additionally, being part of a relevant and supportive network or community has also reported to be beneficial. These organisations often can help smooth the re-integration journey of returnee entrepreneurs as well as providing tailor support or referrals. In fact, there is currently scarce empirical academic research looking at supporting returnee entrepreneurs from an ecosystem perspective. Therefore, a recommended future research direction would be on supporting and integrating returnee entrepreneurship from holistic ecosystem perspective.

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