



Diaspora entrepreneurs as institutional change agents: The case of Thamel.com

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ABSTRACT

Diasporans are migrants and their descendants who maintain a relationship to their country of origin (Safran, 1991). Diasporans who establish new ventures in their countries of origin comprise a special case of international ethnic entrepreneurship.

In countries of settlement, diasporans confront institutional environments that often are quite different than those that exist in their countries of origin. We refer to the exposure to and adoption of institutional roles and relationships associated with a new cultural setting as “institutional acculturation.”

Most extant work in management and marketing focuses on how a migrant’s acculturation affects his/her behavior in the new country of residence. We shift the analytical lens to the country of origin. Utilizing a case study from Nepal, we demonstrate how institutional acculturation can inspire a diaspora entrepreneur to transform institutional arrangements in his/her country of origin and generate dramatic change in society’s role expectations of the government, suppliers, and buyers.

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1. Introduction

Institutions, the “macro-level rules of the game,” structure incentives in human exchange and interaction and provide the foundation for long-run national economic performance (North, 1990). How institutions affect international business strategy, operations, and firm performance is an increasing concern of international business research (Mudambi & Navarra, 2002). Weak institutions underpin many of the structural challenges in developing countries. Institutional weakness can assume many forms, including institutional voids (Khanna, Palepu, & Sinha, 2005), formal institutional infancy (Child & Tse, 2001), institutional corruption (Kwok & Tadesse, 2006), and/or the predominance of informal institutions (World Bank, 2002). By degrading the enabling environment for business, institutional weaknesses in many developing countries impede foreign investment and constrain entrepreneurship in these economies (De Clercq, Danis, & Dakhli, 2010).

Institutional weaknesses often serve as “push factors,” encouraging and, in some cases, forcing individuals to leave their country of birth to seek refuge and opportunity in distant lands (Massey, 1998). Migrants in today’s globalized world often leverage developments in transportation and communication technologies to connect with their homelands in ways that were unimaginable in the past. These linkages create “diasporas,” or emigrant groups who maintain a relationship with their country of origin (Safran, 1991). Furthermore, some diasporans become “circular migrants” in that they return to the homeland to live for limited periods of time and/or maintain households in both the country of origin and the newly adopted

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country (see, for example, Graeme, 2003). Diasporas can create “social fields that link together the country of origin and the country of settlement” (Laurence, Ma & Cartier, 2003, 4).

Diasporic transnational identities and social structure—coupled with the increasing ease of cross-border capital and investment movement—have given rise to a special case of international ethnic entrepreneurial behavior: diaspora entrepreneurial investment (Gillespie, Riddle, Sayre, & Sturges, 1999). Diaspora entrepreneurship can assume many forms in the country of origin. Some diasporans create manufacturing facilities in their country of origin, producing goods for local and/or export sale, or establish subsidiaries for businesses based in other countries. Others set up service operations, such as restaurants, retail chains, consulting companies, or tourism-oriented enterprises. Diaspora entrepreneurs often possess unique market and operational knowledge, transnational social ties, and identification with the homeland (Riddle, Brinkerhoff & Nielsen, 2008; Dai & Xiaohui, 2009). The motivation driving their investment interest often is complex and may involve pecuniary and non-pecuniary investment motivations, including feelings of duty and obligation to contribute to the development of their country of origin (Gillespie et al., 1999; Nielsen & Riddle, 2010).

Diaspora entrepreneurship often is fraught with many challenges. If the diaspora entrepreneur has lived outside the country of origin for a long time and only visits it occasionally, he/she may face steep learning curves in terms of understanding how to successfully do business there (Riddle & Marano, 2008). When outmigration has been generated by social fractionalization, stratification, and conflict, the returnee entrepreneur may discover that he/she is not welcome in the country of origin, depending on his/her identity, association, and membership with particular social groups (Nielsen & Riddle, 2010). Diasporan entrepreneurs also often must navigate between starkly different institutional and business environments, particularly when the country of origin is an emerging market and the country of residence is a developed country (Riddle, Hrivnak, & Nielsen, 2010).

As Ramamurti (2004) and others (e.g., Buckley, Clegg, & Wang, 2002; Huang & Khanna, 2003; United Nations, 2006) have noted, diaspora entrepreneurs and investors are important sources of capital and innovation for many developing countries. The positive economic impact of diaspora entrepreneurship for migration-sending countries has been recognized by many in the development community, including the United Nations (2006), the World Bank (2007), and the US Agency for International Development (2004).² Gillespie et al. (1999) have argued that diaspora entrepreneurship and investment is particularly useful for countries that are deemed less attractive by non-diaspora entrepreneurs and investors because of weak structural characteristics, inadequate infrastructure, and/or small domestic market size. Diaspora entrepreneurs often are important first-mover foreign investors into uncertain political and economic climates (Gillespie, Sayre, & Riddle, 2001). Many countries are seeking creative ways of promoting diaspora homeland entrepreneurship and investment (Riddle, Brinkerhoff, & Nielsen, 2008).

Many of the world's migrants move from developing to developed nations (United Nations, 2006). When diasporans migrate from their origin countries to their country of settlement, they often confront new “rules of the game,” or institutional environments, that are quite different than those in their countries of origin. We refer to the exposure to and adoption of institutional roles and relationships associated with a new cultural setting as “institutional acculturation.” We ground this concept in Greif's (2006) framework for understanding institutions as rules, beliefs, norms, and organizations.

Most extant work in management and marketing focuses on how a migrant's acculturation affects his/her behavior in the new country of residence. In this paper, we examine the impact of migrant acculturation through a different lens, exploring how acculturation to the institutional arrangements in the country of residence can affect migrant entrepreneurs' behavior in the country of origin and thereby lead to institutional change. Fig. 1 illustrates our theoretical contribution. Utilizing a case study from Nepal, we demonstrate how institutional acculturation can inspire a diaspora entrepreneur to transform institutional arrangements in his/her country of origin and generate dramatic change in society's role expectations of the government, suppliers, and buyers.

This paper is outlined as follows. First, we draw on theory concerning institutions and acculturation to develop an argument for a special case of migrant acculturation: institutional acculturation. Then, we present the case of Thamel.com, an entrepreneurial enterprise founded by Nepal-born, Bal Joshi. Our analysis chronicles the ways in which this diaspora entrepreneur engendered institutional change in his home country by bringing new beliefs and norms he adopted as a consequence of his acculturation to the institutional environment of his country of settlement, the United States. In the final section, we discuss the implications of the case for future research.

1.1. Institutional acculturation

The term acculturation refers to a social phenomenon generated when groups of individuals from different national or ethnic cultures come into continuous first-hand contact, provoking subsequent changes in the original cultural patterns of

² All three organizations have established specific programs to engage diasporans in economic development activities in their origin countries. The 2006 United Nations High-Level Dialogue on International Migration and Development highlighted the importance of diasporas for economic development. Several subsequent UN expert group meetings and studies have been generated in response (<http://www.un.org/esa/population/migration/hld/index.html>). Several divisions of the World Bank currently are engaged in research and policy programs related to diasporas and economic development. The World Bank has also held several convening events to promote diaspora investment (<http://go.worldbank.org/Y5IESLGO10>). USAID's program, Diaspora Engagement: Remittances and Beyond, promotes diaspora direct investment, diaspora capital markets, and diaspora tourism and nostalgia trade, among other development activities (http://www.usaid.gov/our_work/global_partnerships/gda/remittances.html).

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