



Coming back home after the sun rises: Returnee entrepreneurs and growth of high tech industries

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ABSTRACT

Recently, the role of returnees in the economic development of various East Asian nations has received much attention. The early literature on the relocation of the most highly trained individuals from a developing nation to a developed nation viewed the phenomena as a “brain drain.” Since the 1990s, a new strand of thinking has suggested that for developing nations this was actually a positive phenomenon; as these expatriates studied and then worked abroad, they absorbed technical expertise, managerial, and entrepreneurial skills. These theories stipulated that these expatriates then returned home, and ignited a virtuous circle of technological entrepreneurship leading to rapid economic development. Much of this literature gives returnees a critical role in the home country’s take-off period of the local information and communications technology (ICT) industry. This interpretative essay examines the evidence for three of the most prominent East Asian economic success stories – Taiwan, China and India – to determine the actual role played by returnees in their ICT industries’ growth. The key question is whether returnees were critical for the initial development period, or whether they played an important role only in the later, expansionary phase of the industry. We find, contrary to the current literature that returnees were not critical, in the initial formation of these countries’ ICT industries, but did play an active role in the secondary developmental phase after indigenous entrepreneurs and policy makers had laid the groundwork for the industry.

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1. Introduction

The significant contributions to the U.S. economy brought by highly skilled or, at least, bright and motivated, immigrants have long been known. The same dynamic, however, for a long time was seen as a negative “brain drain,” from the point of view of the less developed economies from whence these bright and motivated immigrants came. Brain drain was seen as a process by which the U.S., and, to a lesser degree, other advanced economies, attracted the best talent away from already poor developing nations (Adams, 1968; Bhagwati and Hamada, 1974). In recent years, the perception of brain drain has changed as an increasing number of scholars have noted that some immigrants are returning to their countries of origin to establish new businesses, and hence, becoming returnee entrepreneurs.¹ This is argued to be a “brain gain,” whereby former

emigrants return with their experiences in the metropole nation and transfer knowledge, practices, and their international networks to their home nation. This brain gain is claimed to have been critical in the formation of powerful export-based ICT industries and their supporting clusters in Taiwan, China, and India (Dai and Liu, 2009; Filatotchev et al., 2011; Saxenian, 2006). For this article, we define a returnee as a foreign national who left their home country to be educated abroad, usually in the United States, and then worked abroad for a period of time, absorbing technological, managerial and entrepreneurial know-how before returning to his or her country to start a business.²

This paper does not question the fact that returnees are and have been the carriers of important technical and organizational knowledge absorbed while in the U.S. back to their home nations. Rather, by deploying a sequential historical perspective, it questions the

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¹ In the sociological literature, these individuals have been termed “transnationals” (Guarnizo and Smith, 1998; Ong, 1999; Pries, 1999; Sassen, 1988).

² Some scholars have paid particular attention to the importance of Silicon Valley education or work experience, particularly in the Taiwanese and Indian cases. However, we bias our sample by allowing for any U.S. education or training, thus increasing the difficulty of proving that returnees did not play a critical role in the initial formative stages of industrial development in these countries.

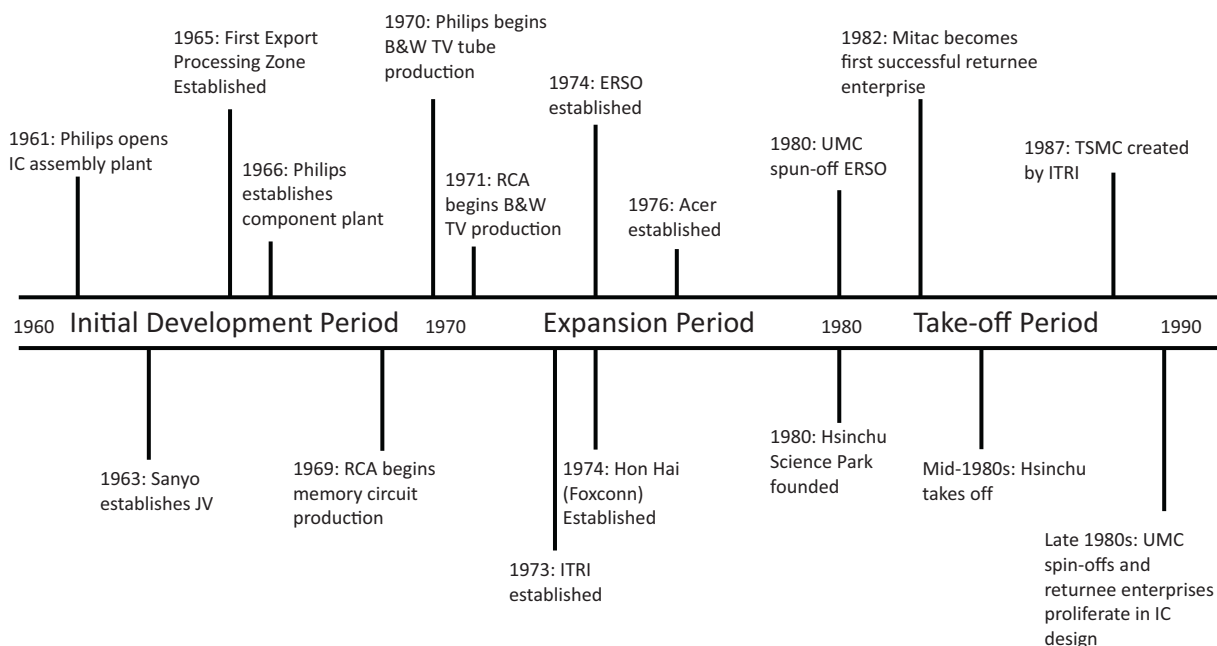


Fig. 1. Taiwan ICT industry development timeline: 1960–1990.

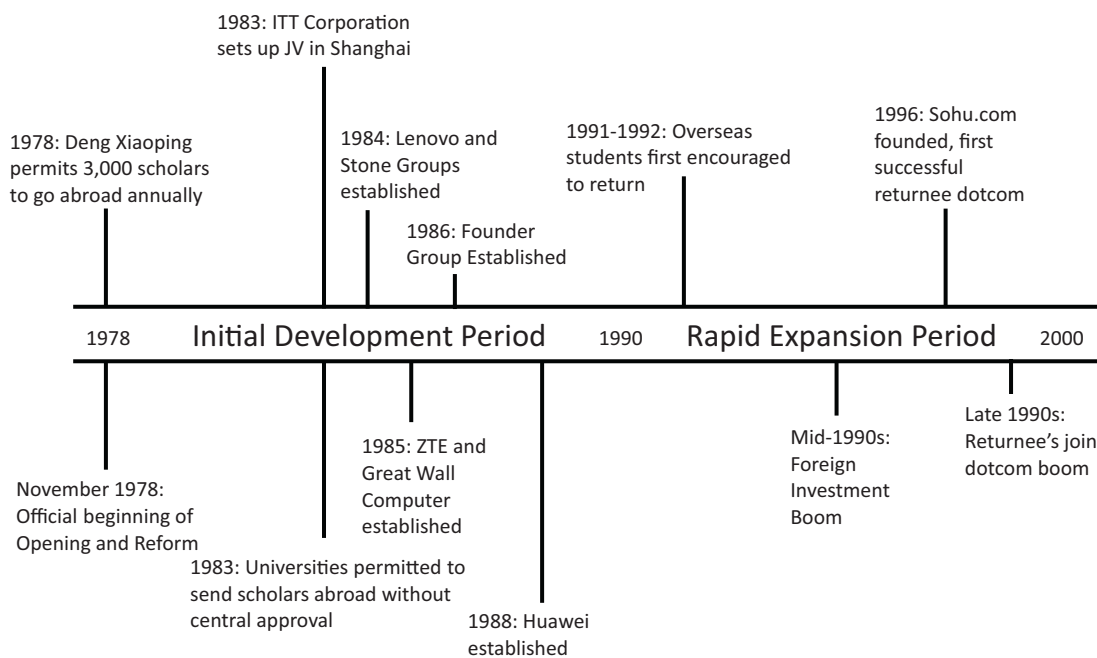


Fig. 2. China ICT industry development timeline: 1978–2000.

importance of returnees for *igniting* the initial self-reinforcing cycle of ICT entrepreneurship in India, China, and Taiwan. We argue that returnee entrepreneurs were not determinative of the seminal emergence and early development of the ICT industry in any of these cases. Most returnee entrepreneurs returned only *after* the domestic industry had already achieved international success, re-joining their home country and contributing to the subsequent rapid expansion phase of the domestic industry. For the three cases, their ICT industries' development can be roughly divided into two or three periods. For Taiwan, the initial development took place from 1961 to 1970; more rapid expansion and deepening including a more activist state role in the 1970s; take-off occurred in the 1980s and only then – and more so in the 1990s, did returnee

entrepreneurs begin to play a role. For China, initial development took place in the 1980s followed by more rapid expansion in the 1990s with early returnee entrepreneurs starting businesses in the late 1990s. For India, the 1970s and 1980s were the incipient formative period, followed by more rapid expansion and the beginnings of returnee entrepreneurship in the 1990s (see Figs. 1–3).

In all three cases, as the self-reinforcing development of the ICT industry began *before* the arrival of returnee entrepreneurs, the broader implication is that the efforts of local entrepreneurs and investment and technology transfer/learning from MNCs and public policy hold the key to the emergence and early success of high technology industries in emerging economies. *Returnee entrepreneurs begin playing an influential role only after the industry*

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