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Entrepreneurs and internationalization: A study of Western immigrants in an emerging market

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ABSTRACT

Our interview-based study began as an investigation of Westerners residing in Vietnam. Our sample fell into three groups: local expatriates, expatriate entrepreneurs, and hybrids (those who worked for a multinational while owning a local company). Based on this finding, we re-examined the data to explore expatriates as employers. Two themes emerged. The first revealed expatriate entrepreneurs and hybrids as active market players who were competitors for local talent and/or potential local distributors or partners in Vietnam. The second theme indicated a parallel process: the internationalization of firms entering a foreign market and the internationalization of individuals entering that same market. Our contribution is the opening of the 'homogeneous' black box of Western immigrants and the expansion of the concept of the expatriate entrepreneur, thus reinserting the role of the individual in the process of firm internationalization.

1. Introduction

Thirty years ago, Duerr (1986, p.43) commented: "Virtually any type of international problem, in the final analysis, is either created by people or must be solved by people". This appears self-evident, yet decades later we are still grappling with the constant search for workable solutions to ever-present employment needs, as the current concentration on talent management may attest (Carr, Inkson, & Thorn, 2005). While there has been concentration in the relevant literature on multinational employment requirements, there is now belated recognition that international staffing decisions involve more than the traditional expatriate¹ assignment (see Cerdin & Selmer, 2014; Collings, McDonnell, & McCarter, 2014; Chap. 16; Mayerhofer, Hartmann, Michelitsch-Riedl, & Kollinger, 2004; Suutari & Brewster, 2009). Rather, firms use a portfolio of different arrangements. For example, self-initiated assignees (SIAs) differ from traditional international assignees as they seek international work on their own volition and are 'hired on a contractual basis' (Lee 2005: 173). SIAs may supplement the local subsidiary workforce, referred to as host country nationals (HCNs), a sub-category of which are immigrants.

Compared with traditional expatriates and SIAs, immigrants as potential employees have received limited research interest Carr et al. (2005). From an international business perspective, immigrants can be viewed as a potential captive pool of labour for multinationals; either as

employees for their local subsidiary and affiliate operations or as a source of potential contracted international assignees similar to SIAs (see Richardson & Zikic, 2007; Suutari & Brewster, 2009; Vance, McNulty, & Paik, 2015). As a review of migration and business recognized, immigrants are a diverse group: "Some migrants settle down, others study and work abroad for a while and then return home, and others go first to one place and then another" (Economist, 2011: 60). In other words, not all immigrants become 'naturalized' citizens, but for various reasons elect to retain their own national status.

Seeking to redress the limited work on immigrants, we conducted an interview-based study of a group of Westerners who were immigrants or had resident-status in Vietnam. Although ranked as an emerging economy, it is becoming an attractive market for foreign direct investment (FDI), with its convenient and strategic location within Asia (see for example, Wall Street Daily, 2016). An additional reason Vietnam was considered an appropriate research site was to redress the current focus on international assignees moving from and between developed countries, and immigrants moving to developed countries; along with the weighting on Europe and North America as research settings (see for example, Enderwick, Tung, & Chung, 2011; Hipsher, 2008; Sui, Morgan, & Baum, 2015).

We began our investigation by asking whether Western immigrants in emerging economies such as Vietnam are similar to either self-initiated expatriates or host country nationals, or do they form a

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¹ Perhaps in recognition of the changing focus, the term expatriate is being replaced with 'international assignee' as a better descriptor of the wider portfolio of staffing options.

discrete sub-group? As Tharenou (2015, p152) points out, there appears to be a problem related to definitional clarity between these three types. Thus, our initial research objective was to confirm, refine or extend the existing categories used to define staffing options available to, and used by, multinationals in their global operations. A qualitative abductive study was deemed appropriate as it facilitates refinement and extension through “theoretical insights gained during the [research] process” (Dubois & Gadde, 2002: 559).

As the study progressed, and as we will later detail, our data revealed that interviewees fell into three categories. The first group referred to themselves as *local expatriates* as they considered they were similar to the traditional expatriate: they had an employment contract with a foreign firm operating in Vietnam. The second group we designated as *expatriate entrepreneurs*. These individuals had established their own business, either as sole owners or in conjunction with a local partner (usually their Vietnamese spouse). The third group we designated as *hybrids*. These individuals had what could be described as a ‘foot in both camps’: working in a foreign company alongside being a partner/sole owner of a local firm. Thus, the data suggested that Western immigrants formed a discrete group of potential staff. The effective opening the ‘homogenous black box’ of the Western immigrant can be seen as an incremental, theoretical contribution.

More importantly, though, the process of categorization revealed a broader role for immigrants than merely members of a local pool of labour upon which an entering foreign firm could draw. In keeping with our qualitative methodology (see for example, Daniels & Cannice, 2004; Chap. 9), this finding prompted us to reconsider our research purpose: to consider the Western immigrant as an employer rather than an employee. A reanalysis of the data revealed a broader role as players in the Vietnam market. Expatriate entrepreneurs who established their own companies were potential and/or active competitors for local talent. But they also represent an opportunity for foreign companies as local agents or distributors, or as localized partners to meet host government legal requirements surrounding foreign direct investment (FDI).

The abductive approach revealed another emergent theme which we have termed the internationalization of individuals. Research into the internationalization process has mainly focused on how foreign firms enter, expand and service targeted markets. This has inevitably fostered firm-centric studies that for instance, consider patterns of global expansion rather than the process (for a review see Welch & Paavilainen-Mäntymäki, 2014); or at the unit or organization level (see Aharoni, Tihanyi, & Connelly, 2011). Consequently, the role of the key decision-maker in the process of firm internationalization has been downplayed. Antecedents such as a global mindset have been included in exporting studies (see for example Welch & Wiedersheim-Paul, 1980). Likewise, the early Uppsala work on the internationalization process identified the key decision-maker as a critical component in foreign market decisions (see Johanson & Vahlne, 1977). While the recent work on ‘born globals’ or international new ventures (INVs) has stressed the role of the individual entrepreneur in rapidly taking the firm into the international arena, this has not included the individual’s antecedents that explain the process that leads to the initial foreign market entry activity (see Hewerdine & Welch, 2013). Our study suggests that the expatriate-as-entrepreneur/employer may be a starting point to redress the forgotten role of the individual immigrant in the process of firm internationalization.

The following sections explain in detail how we arrived at our theoretical contributions and their implications for further research.

2. Broadening the role of Western immigrants

The international staffing literature has long considered the use of host country nationals (HCNs) as an alternative or complement to transferring parent country nationals (PCNs). The reasons for localisation of key positions include cost reduction, lack of suitable mobile

employees, or as a response to host government dictates (see for example, Evans, Pucik, & Björkman, 2011). The highly competitive global labour market can act as a push factor in localizing positions more quickly. Various surveys conducted periodically by consultant firms indicate the growing preparedness of firms to move towards localization by replacing expensive international assignees with local employees.

Immigrants may be subsumed into the local workforce and subsequently hired by multinationals (Richardson & Zikic, 2007; Suutari & Brewster, 2009), and as such may not be easily distinguished from native-born employees for study purposes. The limited work on immigrants as potential local employees has focused on the subsidiary unit context. Carr et al. (2005) enumerate aspects such as skilled migrants having higher achievement motivation; available in significant numbers; more internationally oriented; and contribute to valuable cultural diversity. These authors focus on migration into Western countries (in their case New Zealand) in the context of the ‘brain drain and brain gain’ debate; and use careers literature as the theoretical lens.

In their review, Suutari & Brewster (2009) consider the negatives of employing immigrants. There are cultural and language barriers that may limit job prospects in the short term, along with local laws and market rates that would affect employment terms and conditions. Immigrants often require company specific training (which may also be the case for SIAs). Other factors that can inhibit employment include covert discrimination, non-recognition of educational, technical or professional qualifications at least initially. In a similar vein, Al Ariss (2010) reports on the barriers to career development that internationally mobile professionals from Lebanon faced in France. While his focus is on career development, he is careful to distinguish between immigrants and SIAs. These studies indicate that in the few instances where immigrants have been considered, research focus has tended to be on their potential as employment talent (see for example, Tharenou, 2015; Vance et al., 2015).

The concept of the expatriate entrepreneur is not new. For example, Guha and Ray (2002; Chap. 12) studied the impact of immigrants in Chinese and Indian market developments. They concluded that, compared with local counterparts, expatriates who establish their own exporting companies in a host country may succeed because of a broader knowledge of other foreign markets and technology; their knowledge of local conditions and languages; and experience working with lower-skilled employees. Likewise, Befus, Mescon, Mescon, and Vozikis (1988) report on a study of expatriate entrepreneurs in Honduras. They were interested in the behaviour of expatriates in the development of small businesses in developing countries, in contrast to the traditional view of FDI. For the majority of respondents, the decision to emigrate was for personal reasons; and almost a third originally began as sales representatives or distributors for foreign firms establishing operations in Honduras. This was in part due to the restrictions imposed at the time by the Honduran government. In his study of Thai owners in Cambodia, Hipsler (2008) concentrated on the mode of entry used. He found that several firms were started by accompanying Thai spouses. More recently, a study of Spanish immigrant entrepreneurs considered the part played by the person’s demographic profile with a stress on ethnicity (see Armengot, Parellada, & Carbonell, 2010). The focus however was on the domestic scene.

According to Sui et al. (2015, p.804), the superior foreign language skills, cultural knowledge, network connections in their home countries, and broader international business understanding are advantages that immigrant entrepreneurs may have over their domestic counterparts. These factors emerged in our data analysis. We turn now to the empirical study, beginning with an explanation of our methodology before presenting and discussing our findings.

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