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## **Are 'sea turtles' slower?**

### **Returnee entrepreneurs, venture resources and speed of entrepreneurial entry**

Fei Qin <sup>a,\*</sup>, Mike Wright <sup>b</sup>, Jian Gao <sup>c</sup>

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#### **Abstract**

We add to neglected research on how venture resources and founder experience outside the home country interplay in facilitating venture creation speed. In particular, we investigate how returnee entrepreneurs influence the role of venture resources in the speed of

entrepreneurial entry. Using a novel sample of 388 new ventures covering a range of technologies in China, we find that returnees from abroad are slower in new venture entry in the home country, compared with homegrown entrepreneurs. At the same time, ventures with innovative technology and backed by foreign capital are slower to set up due to higher levels of liability of newness and liability of foreignness. However, when these firms have a returnee founder who can leverage their experience with foreign resources and technological knowhow, such negative effects on entry speed are significantly mitigated. We discuss implications for further research and practice.

**Keywords:** Returnee entrepreneurs, Liability of foreignness, Entrepreneurial entry, Speed of entry, New venture creation

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## Executive summary

A developing research stream has analyzed the unique role of returnees in filling important entrepreneurial gaps in markets in emerging economies. Of particular importance in emerging economies that feature great uncertainties and fast changes in market opportunities is the time spent converting an idea into a business. However, we lack understanding of how returnee founder characteristics and venture resources play out in shaping the speed of opportunity enactment during the process of new venture creation.

The capability of returnees to make better use of advanced technological knowhow and foreign capital resources resulting from their experience abroad may help them speedily overcome the hurdles in establishing their ventures because of the benefits they offer in boosting the development of technology industries in their home countries. However, by virtue of having been away from their home market they may lack knowledge about home market institutions or social capital from not being able to develop local networks, which may slow their ability to establish their ventures. Hence, contextual influences on the different resources available to returnee entrepreneurs may have positive or negative influences on their entry speed. Accordingly, our research questions are: To what extent does returnee entrepreneurs' lack of immediate embeddedness in domestic institutional environment slow their speed of entry compared to local entrepreneurs? To what extent can returnee entrepreneurs help ventures with innovative technology and those backed by foreign capital in the speed of creating the business?

We develop and test hypotheses on a representative sample of 388 new technology firms in 13 major incubators and science parks in Beijing with follow-up face-to-face interviews with 36 returnees and non-returnee founders.

We find that returnees are slower in new venture entry in the home country, compared with homegrown entrepreneurs. But ventures with innovative technology and backed by foreign capital are slower to set up due to higher levels of liabilities of newness and foreignness. However, if these firms have a returnee founder who can leverage experience with foreign resources and technological knowhow, such negative effects are mitigated.

By comparing the gestation process between returnee and local entrepreneurs, we contribute firstly by advancing research on returnee entrepreneurship by adding to an emerging series of studies addressing the challenges faced by returnee entrepreneurs compared to their local counterparts. Interestingly, while past research has placed emphasis on resources associated with social capital for returnee entrepreneurship, we find insignificant coefficients in respect of our variables relating to the role of family and friends. Rather, speed of entry by returnees is strongly related to financial and technology resources.

Second, by exploring the speed of entry by returnee entrepreneurs in an emerging market context, we contribute by showing that absence from the home market context can slow entry speed. Finally, and more generally, we extend limited previous analyses that have suggested the importance of experience in different institutional environments to highlight that time to entry may vary between different types of founders.

Our findings suggest returnee entrepreneurs need to be aware that exposure to commercial environments in developed economies is not sufficient to facilitate speedy entry into their home market. Returnees able to access foreign capital as a result of their experiences in developed economies build financial resources that enable speedier access to markets. Returnees able to develop innovative technology prior to entry may be at a resource advantage and thus are able to enter environments of technological deficits more speedily.

## **1. Introduction**

Returnee entrepreneurs are migrants returning from work or education in a developed economy to their home country to start a new venture. A developing research stream has analyzed the unique role of returnees in filling important entrepreneurial gaps in emerging economies (Li et al., 2012; Qin and Estrin, 2015; Saxenian, 2006; Wright et al., 2008). Although much attention has been devoted to the outcomes of businesses created by returnees (Kenney et al., 2013; Liu et al., 2010; Wright et al., 2008), very little is understood regarding the process of their venture creation activities, in particular the pre-launch phase. The time spent converting an idea into a business is particularly important in markets that feature great uncertainties and fast changes in market opportunities (Lévesque and Shepherd, 2004), such as emerging economies. However, we lack understanding of how returnee founder characteristics and venture resources play out in shaping the speed of opportunity enactment during the process of new venture creation.

The capability of returnees to make better use of advanced technological knowhow and foreign capital resources resulting from their experience abroad may help them to speedily overcome the hurdles in establishing their ventures because of the benefits they offer in boosting the development of technology industries in their home countries (Wright et al., 2008). However, by virtue of having been away from their home market they may lack knowledge about home market institutions or social capital from not being able to develop local networks, which may slow their ability to establish their ventures. Hence, contextual influences on the different resources available to returnee entrepreneurs may have positive or negative influences on their entry speed.

Accordingly, our research questions are: To what extent does returnee entrepreneurs' lack of immediate embeddedness in the domestic institutional environment slow their speed of entry compared to local entrepreneurs? To what extent can returnee entrepreneurs help ventures with innovative technology and those backed by foreign capital in the speed of creating the business? We investigate these issues in the setting of China – the world's largest emerging economy featuring highly dynamic and uncertain market situations. China is also well known for being one of the countries observing accelerated returnee entrepreneurship by the so-called 'sea turtles' (Li et al., 2012; Wright et al., 2008).

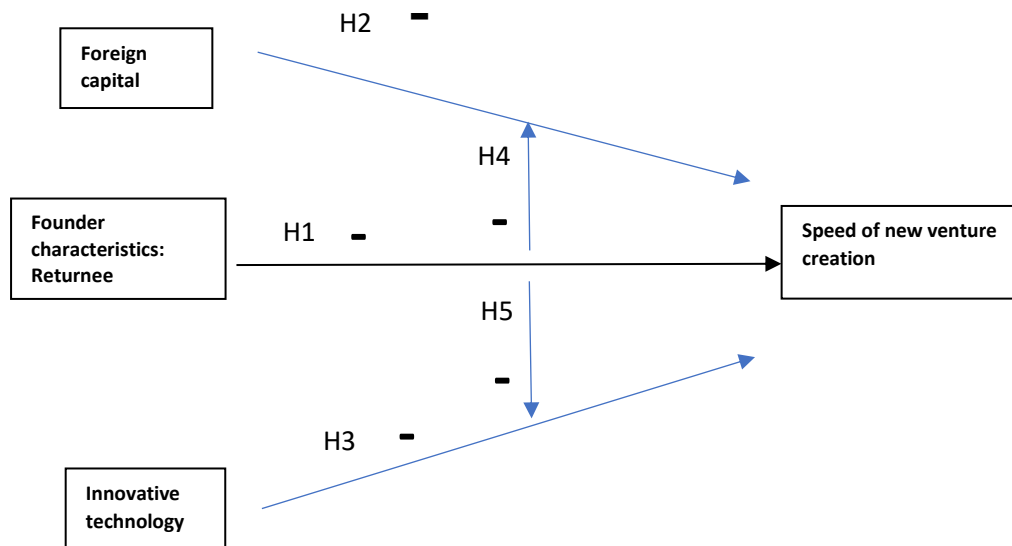
Using a novel survey of new ventures covering a range of technologies in China, we find that in general returnees are slower in enacting an entrepreneurial opportunity in their home country, compared with homegrown entrepreneurs; it takes longer for them to set up the business. However, their presence can significantly expedite the entry of ventures backed by foreign capital and involving

innovative technology, while ventures of these kinds usually suffer liability of foreignness and liability of newness, and are much slower to set up.

Our study makes several contributions to the literature. First, we advance research specifically on returnee entrepreneurship by adding to an emerging series of studies addressing the challenges faced by returnee entrepreneurs compared to their local counterparts. While past research has placed emphasis on resources associated with social capital for returnee entrepreneurship, in contrast we find that speed of entry by returnees is strongly related to financial and technology resources. While returnees' absence from the home market context can slow entry speed compared with local entrepreneurs, returnee founders who can leverage experience with foreign resources and technological knowhow can mitigate the negative effects of the liabilities of newness and foreignness experienced by local entrepreneurs.

Second, our findings contribute by shedding new light on the business gestation process in different contexts (Davidsson, 2016; Liao and Welsch, 2008; McMullen and Dimov, 2013; Samuelsson and Davidsson, 2009) by showing that time to entry is influenced by the nature of the different institutional environments where entrepreneurs have gained experience, that is whether entrepreneurs are returnees or local. As such we also extend explanations of important variations across gestation processes along the temporal dimension.

**Figure 1 Determinants of time to entrepreneurship entry**



## 2. Theory and hypotheses

### 2.1. Business gestation and time to entry

Entrepreneurship scholars have long been interested in the process of venture founding (Shane and Khurana, 2003). While considerable insights have been generated about factors determining success or failure of venture emergence, much less is understood regarding the attributes of its process. Among these attributes, temporal issues are perceived to 'uniquely and explicitly characterize the entrepreneurial process' and 'contemporary studies of entrepreneurship connote a dynamic of movement across time' (Bird and West, 1997, p.5).

Speed constitutes a critical competency for any firm (Wiggins and Ruefli, 2005). It is particularly relevant to businesses operating in high velocity environments (Eisenhardt, 1989). Previous research has generated rich insights into the performance outcomes of speed (e.g., Chen et al., 2012; Capelleras et al., 2010). Although evidence of the performance outcome of speed has not been conclusive, and faster is not always better, such time-based foundation characterizes important strategies of entrepreneurial firms. As time is a scarce resource (Markman et al., 2005), and especially so for entrepreneurs (Capelleras and Greene, 2008), by accelerating the pace of converting an idea into a business, entrepreneurs are more able to capture the window of opportunity in a fast-changing environment and obtain an upper hand in competition. Entry speed is becoming increasingly important given fast technological advancement and intensifying competition from global markets.

Previous research on speed has usually examined it in the contexts of decision making (Bakker and Shepherd, 2017; Forbes, 2005), innovation and new product development (Chen et al., 2010; Markman et al., 2005), investment (Pacheco-de-Almeida et al., 2015), market entry (Hawk et al., 2013), and mergers and acquisitions (Bauer and Matzler, 2014). Through a meta-analysis, Chen et al. (2010) grouped the antecedents of new product development speed into strategy, project, process, and team.<sup>1</sup> Most settings for these studies concern established organizations.

Resource acquisition, however, is central to entrepreneurial firms. The ability to assemble desirable resources is essential to success in the enactment of entrepreneurial opportunities in both resource munificent and resource scarce environments (Hayward et al., 2006). While resources are central to the strategic entrepreneurship literature in general, the bricolage literature recognized that in resource scarce environments entrepreneurs create from what they have in hand (Baker and Nelson, 2005). Neither literature has paid much attention to the speed of entrepreneurship entry. How fast entrepreneurs can realize their idea and move from a concept to a real business largely depends on the acquisition of critical resources and the nature of those resources. Therefore, in what follows we bring resources to the analysis of the important temporal aspect of entrepreneurship entry and delve deeper into the interplay between resources and founder characteristics. The theoretical framework we develop is presented in Fig. 1 and the associated hypotheses are developed in what follows.

## 2.2. Returnee entrepreneurs and entry speed

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<sup>1</sup> With a few exceptions, for example Markman et al. (2005) who highlighted the role of experience and competency of university technology transfer offices, the extant literature on speed, in general, has made little explicit reference to resources. Although resources have been extensively studied in the context of venture entry (e.g. Knight and Cavusgil, 2004), the discussion on speed of venture entry is scant.

Returnee entrepreneurship offers an intriguing setting to study entry speed. Entrepreneurs who enter international markets are likely to experience a liability of foreignness as operating in a foreign market often requires knowledge different from that accumulated in the domestic market (Johanson and Vahlne, 1977). The differences in institutional environment between home and host countries may limit returnees' ability to transfer organizational practices smoothly across borders (Xu and Shenkar, 2002). This problem may be especially acute due to the institutional differences between developed and emerging economies (Bruton et al., 2013).

Emerging economies feature distinctive institutional environments that are, in many aspects - be it regulatory, normative, or cognitive – different from developed economies (Hoskisson et al., 2000, 2013). When the overall institutional environment is drastically changing and, at the same time, formal institutions are still underdeveloped, knowledge about institutions can often only be obtained through experience and networks. For instance, Zhu et al. (2012) find that regulations faced by small and medium sized enterprises in China are frequently unclear and, in particular, the proceedings concerning enterprise establishment approval and registration are complicated and time-consuming.

Although returnees may have accumulated human capital and financial capital through overseas experience, they have missed exposure to the fast changing domestic institutional environment. Understanding the fine-grained local setting is particularly important in the Chinese context due to its distinct regulatory environment. Regulations in China are largely formulated and enforced at the local level (Peng, 2000; Zhou, 2013). Understanding the local regulatory regime takes time and is an especially difficult task to manage at a distance for returnees. Thus unfamiliarity with the institutional environment may constitute a big obstacle to returnees in their actions and processes in setting up a business.

Meanwhile, the important role of *guanxi*, or informal networks, in doing business in China is well-recognized (Peng and Luo, 2000). As it is usually much easier for people to develop social networks in geographically proximate locations, compared to their local counterparts, it usually takes returnees more time to build connections with local suppliers, clients, and distribution channels, as well as other important stakeholders. Navigating the business environment, gaining knowledge about informational institutions, and establishing networks with important stakeholders all take time.

In sum, while returnees may have certain advantages in identifying market opportunities, their lack of direct experience and knowledge about domestic institutions may constrain their ability to enact their entrepreneurial idea and thus impede their venture creation process. In other words it may take them longer to transform the idea into a business. Hence:

*H1. Returnees take longer than homegrown entrepreneurs to set up their businesses.*

### 2.3. Liability of foreignness and liability of newness in entrepreneurship entry

In this section we set out our baseline hypotheses regarding the effects of foreign capital and innovative technology.

#### 2.3.1. Foreign capital

A key insight of international business research concerns the liability of foreignness that foreign firms suffer when entering a new market (Wuebker et al., 2010). Capelleras and Greene (2008) argued that entrepreneurs who rely on nearer sources of finance move faster to create their venture. In contrast, ventures seeking finance from overseas may be slowed in their entry process. At the selection stage, foreign capital providers take longer to make investment decisions as they need to assess very incomplete information about the venture in a distant environment (Bruton and Ahlstrom, 2003). Foreign capital providers likely take longer to build the contacts they need for this process, hence creating greater delay. Further, local investment managers may need to refer the proposal to the firm's overall investment committee in the home country head office for approval (Wright et al., 2002). Early-stage capital plays a very important role in new venture performance as it provides ventures not only with financial resources but also advice, contacts, and experiences, as well as organizational support such as corporate governance practices (Wright et al., 2005), helping founders overcome uncertainty and risks associated with new venture creation (Gompers and Lerner, 2001). Foreign capital is constrained in these aspects in comparison with domestic capital. With more limited support from foreign capital, higher transaction costs and longer learning process, firms backed by foreign capital can be expected to be much slower to set up. Thus our baseline hypothesis regarding foreign capital is:

*H2. Ventures backed by foreign capital take more time to set up.*

### 2.3.2. Innovative technology

New ventures, in general, typically suffer a liability of newness (Stinchcombe, 1965) which could be especially severe for firms with novel technology. Previous research has distinguished initiators from imitators (Amason et al., 2006). Innovative technology constitutes valuable resources for firms, yet ventures with new technology need to manage without the benefit of precedents. While their less novel counterparts can learn by watching, they can only learn by doing (Amason et al., 2006). This learning process could significantly slow the setting up of the business.

Moreover, innovative technology can make the start-up process more complex, requiring a longer duration for the venture opportunity to be enacted (Samuelsson and Davidsson, 2009). Ventures with innovative technology likely require more actions to proceed, and it takes more time around planning and activities such as intellectual property protection (Samuelsson and Davidsson, 2009).

In addition, legitimacy problems could be exacerbated where the founders need to spend time on convincing stakeholders about the value and reliability of their key technology resources.

Innovative technology also leads to higher uncertainty regarding the technology, legal protection as well as market uncertainty (Buddelmeyer et al., 2010). Resolving this uncertainty likely contribute to a longer duration for the entrepreneurs to enact the venture idea.

Hence our baseline hypothesis regarding innovative technology is:

*H3. Ventures with innovative technology take more time to set up.*



#### 2.4. Expedited entry—the moderating effects of returnee founders

From the resource-based view and dynamic capabilities perspectives, a firm's distinctive abilities to coordinate, combine, and transform firm-specific assets are key to organization outcomes (Teece et al., 1997). In particular, a CEO's international experience is more likely to generate value when bundled with organizational resources in a complementary way (Carpenter et al., 2001).

Research on returnees has suggested that compared to domestic entrepreneurs their competitive strengths typically lie in a) their access to international networks to better mobilize global resources especially finance and b) their superior technological knowhow (Filatotchev et al., 2009; Liu et al., 2010; Wright et al., 2008). Thus, returnees who build their businesses around these strengths, namely successfully deploying substantial international resources and engaging in technological innovation, are more able to capitalize on these unique competencies, leading to smoother execution of their business ideas and strategies. On the contrary, returnees who do not leverage these advantages can be considerably constrained in their actions.

Further, the resource profiles of entrepreneurs can serve as a mechanism for important stakeholders to overcome information asymmetries (Robson et al., 2013). The provision of entrepreneurial finance is typically under-developed in returnees' home economies (Bruton et al., 2013). At the same time, home country economies may be able to benefit from technology spillovers (Filatotchev et al., 2011). Entrepreneurs able to demonstrate their strengths in the above-mentioned areas, namely access to foreign sources of finance and innovative technology, could be rated favorably by local stakeholders and face lower barriers to setting up their businesses. Therefore in what follows we focus on the role of returnees in facilitating the entry of ventures with foreign capital and innovative technology.

##### *2.4.1. Returnee founders and foreign capital*

The resource-based view emphasizes the interaction between human capital and other forms of capital in wealth creation, of which financial capital is one of the most important in the venture creation process. Indeed, the lack of access to finance is particularly challenging to start-ups (Westhead and Storey, 1997). Networked financing becomes an important vehicle that substitutes for formal channels to gain access to financial capital in emerging markets (Batjargal and Liu, 2004), which is not readily available to returnee entrepreneurs who have limited local networks to mobilize. Such networks take time to build. Returnee founders able to tap into financial resources from abroad can save precious time from navigating the local financial system and successfully kick start the new business faster. This issue is particularly relevant in setting up a business in China with its distinct regulatory and normative institutional environment (Becker, 2000).

Sources of financial capital may affect speed of entry not only because of varied screening approaches and the information sources adopted in the due diligence process, but also due to their interactions with founders in arriving at critical strategic decisions concerning business launch. Entrepreneurs rarely act in isolation in the venture creation process, rather important exchange partners, particularly outside investors, have considerable influence over their actions (Vanacker et al.,

2013). Seed-stage equity investors are often deeply involved in the early decision making process as important sources of financial capital and strategic advice (Collewaert and Fassin, 2013).

Investor-founder relationships can be a major source of dysfunctional conflicts and thus impede the venture creation and development process (Collewaert and Fassin, 2013). Escalated conflicts can retard decision making and actions, and even result in failure. Therefore, these interactions and dynamics between the founders and investors likely affect venture creation speed. Common experiences can provide a shared basis for communication and building mutual trust, and enable decision makers to take strategic actions faster (Rousseau and Parks, 1993). Since shared understanding is more likely to be reached between founders and investors from the same normative environment, we would expect that returnee entrepreneurs are more able to communicate and reach consensus in a time-efficient manner with foreign investors, reducing due diligence concerns of foreign investors that introduce delays in the investment decision process and moving faster in accomplishing the tasks needed for setting up the business. Thus:

*H4. Having a returnee founder moderates the effect of foreign capital on entry speed, such that a returnee founder weakens the negative effect of foreign capital on entry speed.*

#### *2.4.2. Returnee founders and innovative technology*

The competitive advantage of returnees, compared to their local counterparts, oftentimes lies in their advanced technological knowhow resulting from their experience abroad (Kenney et al., 2013). Governments from emerging economies, including China, have been proactive in attracting returnees back and facilitating returnee entrepreneurship (Qin, 2016). Returnees are viewed as 'conveyors of vital knowledge for the development of innovation activities' (Filatotchev et al., 2011, p454). The value added/contribution of returnee entrepreneurs includes the 'latest technology' developed and brought back by them (Filatotchev et al., 2011, p454). However, past research has rarely looked into the differences among returnee-founded firms in their technological capabilities. The degree of innovativeness could vary considerably. Some returnees build their businesses around advanced technology they brought from overseas; others are merely lured by the booming market opportunities in the home country, seeking to capture the 'rent' from filling a market gap, without bringing back new and advanced technology (Qin, 2016).

Returnee founders with innovative technology can be in a much stronger position to overcome hurdles relating to environmental scanning, resource gathering, networking, or obtaining training associated with preparation for entry into entrepreneurship (Katz, 1990). This is because they benefit from a more focused opportunity search and analysis while doing environmental scanning and a much quicker process in attracting and liaising with critical partners and in assembling resources, therefore significantly shortening the time in actualizing their ideas. The new venture creation process involves three main types of activities: legitimacy building activities, relationship building activities, and resource acquisition activities (Delmar and Shane, 2004). "Returnee entrepreneurs" are a special category of people in the Chinese economy, manifested in the fact that the label "sea turtles" is not only well established in the business community but also written into official government policies. "Sea turtles" or returnees are viewed as strategically important and valuable to the development of Chinese economy due to their contribution to technology upgrading in the home country. The typical profile of a desirable

returnee entrepreneur is one that can bring back advanced technology in scarce supply domestically (Wadhwa et al., 2011). There are many programs offering returnees with advanced technology differential and favorable treatment. In some programs the benefit is only available to returnees who fit into the “high tech” category, involving lower challenges in building legitimacy and access to better resources.

As a result, returnee entrepreneurs with innovative technology are also more motivated to move forward in setting up a business. Individuals are not equally motivated to complete the activities necessary in the gestation process (Samuelsson and Davidsson, 2009). This is also the case for returnees among whom many face high opportunity costs in creating a new venture in the home country. As innovative new ventures should have more potential upside gain (Samuelsson and Davidsson, 2009), returnee entrepreneurs have more confidence in the new venture, and are more eager to complete the process.

Moreover, the presence of returnees can enhance a firm's absorptive capacity relating to new technology (Liu et al., 2014). Similarly, Alnuaimi et al. (2012) found that Indian organizations that hire inventors from foreign organizations can be more productive than hiring inventors from other Indian organizations; when the inventors are recruited from abroad, their impact is even higher. Amason et al. (2006, p127) suggest that innovation is fundamentally ‘the introduction of something new’. In our context, some technologies that have been brought back by returnees are not absolutely novel to the world, but new to China and need to be further developed locally. While locals have little experience working on these technologies in China, returnees who have the exposure to such technologies from their overseas experience and understand them better could move faster in the further development and utilization of them. Thus it can be expected that novel technology in the hands of returnee entrepreneurs can be utilized faster, leading to expedited entry.

Returnees bringing technology from abroad may also yield benefits to local firms in the same high-tech industry through knowledge spillovers (Filatotchev et al., 2011). These returnee entrepreneurs can be more attractive to domestic firms, with the latter gaining access to more advanced technology that is otherwise unavailable to them (Wright et al., 2008). As a result, returnees with innovative technology are expected to be more welcome in the local business communities, which can in turn enable them enjoy an accelerated speed of entry. Hence:

*H5. Having a returnee founder moderates the effect of innovative technology on entry speed, such that a returnee founder weakens the negative effect of innovative technology on entry speed.*

### **3. Data and methods**

#### **3.1. Setting and data**

Information about the process of business creation, especially regarding the pre-launch stage, is usually difficult to obtain for quantitative analysis. We draw from a unique dataset comprising a wide range of technology start-ups in China. The data is built from a survey of technology firms in 13 major incubators and science parks in the biggest cluster of technology firms, Beijing and provides a suitable

setting in which to examine our research questions. Being able to capture emerging opportunities in a timely fashion is particularly important in a highly dynamic market environment. China features a rapidly changing and competitive environment, and Beijing is a hub of technological entrepreneurship in China. A significant proportion of high-tech firms are concentrated in Beijing, and these are largely located in designated areas in the city with science parks and incubators. These science parks and incubators have attracted a substantial number of both returnee entrepreneurs and local entrepreneurs. Thus our setting presents an ideal laboratory to explore the process of early venture creation. A notable feature of the data is its coverage of a wide range of technology ventures across many science parks and incubators.

The survey focused on the early phase of venture development process, and collected rich information about founders' background and prior experience, the venture creation process, as well as the characteristics of the new businesses. The unique information about entrepreneurs' activities in the pre-launch seed stage provides an excellent opportunity to test our hypothesized effects on speed of entry.

The questionnaire was distributed to randomly selected 1000 technology firms in 13 major incubators and science parks in Beijing in 2008. Four hundred and thirty questionnaires were returned, resulting in a response rate of 43%.<sup>2</sup> Our final sample consists of 388 firms reporting complete information. The industry distribution of firms in our data is in line with that of the population, indicating no systematic differences between the respondent and non-respondent firms across industries. Subsequent to the survey, in 2016 we also carried out additional face-to-face interviews with 36 founders, comprising half returnees and half non-returnees, to verify their perceptions of our survey questions and to dig more deeply into the mechanisms behind the patterns we found in the data.<sup>3</sup>

### 3.2. Variables

#### *3.2.1. Dependent variable*

Our dependent variable, speed of venture entry, relates to the time taken by the entrepreneur to set up the new venture. With a clear focus on the pre-launch phase of the business gestation process, we examine the time elapsed from 'the conception of the business idea' to 'the launch of the company'

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<sup>2</sup> Consultation was carried out with administrators and entrepreneurs in these science parks and incubators and the questions were pretested. We checked the interpretations of key questions by different respondents and there were no systematic differences across returnees and non-returnees.

<sup>3</sup> For instance, we asked specifically "Do you remember the time when you first came up with the idea of this business?" "When was that? Please describe the situation." The entrepreneurs could clearly recall the situation how they came up with the business idea and when that took place, with the accuracy of the time and situation. Many entrepreneurs commented that it was an unforgettable "Bingo" moment and an important turning point. Returnees did not interpret this question differently from non-returnees.

– the very initial stage of venture creation process. Given the complex and multi-faceted nature of the sequencing of start-up activities, to pinpoint the start point and end point of a gestation process is challenging to operationalize (Davidsson and Gordon, 2012; Dimov, 2011; Gordon, 2012). We chose to study the duration between the conception of the particular venture idea and the launch of the business, based on a careful review of measures discussed in the extant literature as well as our understanding of the context. McMullen and Dimov (2013, p. 1499) suggest that as entrepreneurship studies ‘the conditions under which the very nature of the unit of analysis transforms from one form (e.g. idea) into another (e.g. product, firm, etc.),’ the starting point is with an idea. Similarly, Gordon (2012) summarized two solutions for identifying when a venture creation process commences, one being when the particular venture creation idea is acknowledged. We chose firm launch as the ending point based on insights from previous research. For instance, McMullen and Dimov (2013) proposed two conclusions to the entrepreneurial journey – one in reference to a new product offering, the other relating to the firm that is responsible for introducing this new product offering.<sup>4</sup> Building on these insights, we believe studying the duration that concludes with the launch of the firm is meaningful and relevant. We do not view it as the end to the venture creation process, but an important output in this process. Some scholars have posited the accumulation of venture creation activities as ‘progress’ toward venture creation (Samuelsson and Davidsson, 2009). If we view the entrepreneurial process as comprising important milestones (Cunneen et al., 2007), business launch is one of the most important milestones in this process. To check that the measures we adopted were suitable for the specific (Chinese) context, we held discussions with entrepreneurs, academics, administrators of the science parks (who play an important role in the entrepreneurship ecosystem in the locality that we study) who confirmed the validity of the attributes of the measures.

We constructed our dependent variable as the additive inverse of the logarithm of the months involved in this process.<sup>5</sup>

### 3.2.2. *Explanatory variables*

Our key independent variable, returnee entrepreneur, is constructed as a dummy variable, which takes the value 1 if the founder is a returnee from overseas, and 0 otherwise.<sup>6</sup> We also include key variables reflecting venture's resources – source of financial capital and technology novelty. In order to measure sources of capital, we construct a dummy variable foreign capital, derived from the information on the firm's ownership at the time when it was launched. It takes the value 1 if the firm was backed by foreign capital, 0 otherwise. To measure innovative technology, we construct a dummy variable that takes the value 1 if the new venture has novel technology. Consistent with other studies (Amason et al., 2006; Gordon, 2012), and because of the early stage and wider variety of technology across the sample, we adopt a subjective measure measured by whether the respondent

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<sup>4</sup> Our interviews revealed a great variation in the interpretation of the exact time for a new product offering, and there was less confusion or misunderstanding when it came to the launch of the business.

<sup>5</sup> The log form is adopted to account for the convexity effect.

<sup>6</sup> We followed the commonly used definition of returnees (United Nations, 1998; Lemaitre, 2005; King, 2012).

agreed with the statement that the venture's technology was not available before, or better than what was available before.<sup>7</sup>

### 3.2.3. *Control variables*

We also include in our analysis a number of control variables that may affect the outcome of speed of venture creation. In particular, we control for aspects of career experiences that previous studies have suggested to be relevant to entrepreneurship entry. Previous studies have suggested that entrepreneurs who have founded a business before can be more effective and successful in starting up subsequent ventures (Westhead and Wright, 1998; Westhead et al., 2009). Hence we control for former firm-founding experience (novice entrepreneur = 1, 0 otherwise). Domain knowledge, especially industry experience, is another important factor influencing entrepreneurship entry (Rotefoss and Kolvereid, 2005). Thus we control for previous industry experience.

We also include demographic information such as age and measurement of human capital such as the level of education. Formal education is associated with entrepreneurship entry (Lazear, 2004; Ucbasaran et al., 2008). As in our sample almost all entrepreneurs have university-level education and above, we control for advanced degree at the Masters level and beyond. Another possible influence on the venture creation process could be the features of the founding team (Clarysse and Moray, 2004; Delmar and Shane, 2006; Steffens et al., 2012). There might exist significant variation in the size of founding team. Thus we add the size of the founding team to our set of control variables. Setting up a new venture is psychologically a big step (Samuelsson and Davidsson, 2009), especially for returnees who engage in risky venture creation activities in a less familiar environment. Thus who are in the founding team might affect the speed to entry. Taking advantage of the unique information we have in our data about the founding team, we controlled not only team size but team make-up. We include two dummy variables reflecting whether the founding team includes friends or family members who can provide support that helps to overcome the psychological challenges in the process.

Features of the new venture could matter to the speed of setting up the business. New ventures might be created to capture different types of opportunities (Samuelsson and Davidsson, 2009; Shane and Venkataraman, 2000). Thus we controlled for opportunity characteristics. Based on respondents' declarations about what triggered them to start the company, we differentiated between technology-driven opportunities, market-driven opportunities, and others. We included two control variables, technology-driven opportunities and market-driven opportunities, in the regressions.

Summary statistics are reported in Table 1. The average age of founders is around 36 years, and three quarters have received advanced education. There is a roughly even divide between returnee and local founders – around 60% of the firms were founded by returnees from overseas; such variation makes this sample desirable to examine the effect of entrepreneurs' foreign (versus local) experience.

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<sup>7</sup> Similar operationalization of novel technology is used in other studies such as Liao and Welsch (2008) and Gordon (2012). We experimented with various alternative measures and chose the one that best suits the context. Our interviews also revealed that more complex alternative measures used in other studies (e.g., whether the technology is new to the firm, to the community, to the country, etc.) caused confusion in this context.

On average it takes 8.3 months to move from the conception of the business idea to launching the business. The correlation matrix is reported in Table 2. We checked multicollinearity using variance inflation factors (VIFs) which are well below 10, showing no concerns about multicollinearity in the data.

The proposed hypotheses in the theory section are tested using ordinary least square (OLS) regression analysis.

**Table 1: Summary statistics of key variables**

Variable	Mean	Std. Dev.	VIF
Speed	-2.11	0.65	
Returnee	0.61	0.49	1.27
Foreign capital	0.10	0.30	1.13
Innovative technology	0.85	0.36	1.17
Founder graduate degree	0.75	0.43	1.23
Previous industry experience	0.37	0.48	1.14
New entrepreneur	0.79	0.41	1.05
Log founding team size	1.16	0.63	1.05
Age	36.39	7.29	1.24
Co-founder friend	0.75	0.43	1.65
Co-founder family	0.11	0.31	1.65
Market opportunity	0.38	0.49	1.04
Technology opportunity	0.59	0.49	1.21

#### 4. Results

Table 3 shows the results of the regression analysis on venture creation speed. Four models are reported in the table. Model A presents the main effects; Models B and C include the interaction terms between returnee founder and innovative technology and between returnee founder and foreign capital, respectively; Model D includes the complete set of variables specified in Section 3.

**Table 2: Correlation between key variables**

	Speed	Returnee	Foreign capital	Innovative technology	Founder graduate degree	Previous industry experience
Speed	1					
Returnee	-0.1947	1				
Foreign capital	-0.1669	0.2011	1			
Innovative technology	-0.0923	0.0656	0.1184	1		
Founder graduate degree	-0.1429	0.4059	0.137	0.0584	1	
Previous industry experience	-0.1435	0.0593	0.1411	0.1894	0.0154	1
New entrepreneur	-0.0576	-0.0555	-0.0712	-0.0424	-0.0544	0.0132
Log founding team size	-0.0493	-0.1387	-0.0671	0.0271	-0.1256	0.0975
Age	-0.1529	0.1311	0.2784	0.2312	0.1416	0.1981
Co-founder friend	-0.036	-0.0657	-0.002	-0.0561	0	-0.0633
Co-founder family	0.0511	0.0629	0.0153	-0.0362	0.0711	0.0497
Market opportunity	-0.0613	0.0744	0.0341	0.0123	0.0061	0.1478
Technology opportunity	-0.0287	0.1625	0.1274	0.3121	0.0998	0.2104

**Table 2: Correlation between key variables (cont'd)**

	New entrepreneur	Log founding team size	Age	Co-founder friend	Co-founder family	Market opportunity	Technology opportunity
New entrepreneur	1						
Log founding team size	-0.0007	1					
Age	-0.1858	-0.0162	1				
Co-founder friend	0.0213	0.0737	0.0007	1			
Co-founder family	0.004	-0.0847	0.0034	-0.6157	1		
Market opportunity	0.003	-0.0172	-0.015	0.0015	-0.037	1	
Technology opportunity	0.0126	-0.0292	0.2574	-0.0163	-0.0063	0.1063	1

Hypothesis 1, concerning the effect of local versus overseas experience on venture entry speed, receives strong support; there is a negative association between returnee entrepreneurs and the speed to set up the business, and the coefficients are statistically significant (at the 1% level in models A, B, C,



and the 0.1% level in the full model). Hypothesis 2 posits a negative effect between foreign capital and venture entry speed. A strong negative effect on venture entry speed is found for foreign-capital-backed firms across the four models (at the 5% level in model B, C, D), lending support to this hypothesis. Hypothesis 3 about the effect of innovative technology on venture entry speed is supported in Model B and Model D (at the 5% level), where the interaction term of innovative technology and returnee founder is included in the regressions. The results reveal a negative effect between the two variables.

The results also show evidence in support of the two hypotheses on the interaction effects between returnee founder and venture's resources. A positive effect of the interaction term between foreign capital and returnee entrepreneurship on the speed to entry is observed. Ventures backed by foreign capital, in general, have a much slower speed to set up than domestic ventures. However, foreign-capital-backed firms led by a returnee founder can significantly speed up the process of launching the business, in line with Hypothesis 4. The interaction term between innovative technology and returnee is positive, consistent with Hypothesis 5 that postulates a positive moderating effect of returnee founder on the relationship between innovative technology and speed to entry.

To further illustrate these interaction effects, we plot the effects of technology and foreign capital resources on entry speed for ventures with returnee founders and for those with homegrown founders. As shown in Fig. 2, the gap in entry speed between foreign-capital-backed firms and domestic-capital-backed firms is much smaller when the venture is led by a returnee entrepreneur. This is consistent with Hypothesis 4 positing that returnee founder mitigates the negative effect of foreign capital on entry speed. The interaction plot between innovative technology and returnee founder is displayed in Fig. 3. It shows that for ventures led by home-grown entrepreneurs, the speed to entry is much slower for those with innovative technologies. Having a returnee founder changes the situation: when led by a returnee founder, the entry speed is faster for ventures with innovative technology. This pattern is consistent with Hypothesis 5.

The results also demonstrate some interesting patterns concerning our control variables. As anticipated, prior firm-founding experience shows a significant effect on venture creation speed; it takes novice entrepreneurs longer to enact the business idea than more experienced entrepreneurs. In addition a negative association between the entrepreneur's age and the speed to entry is observed, indicating that younger entrepreneurs act faster in moving from the idea to setting up the business.

#### 4.1. Robustness check

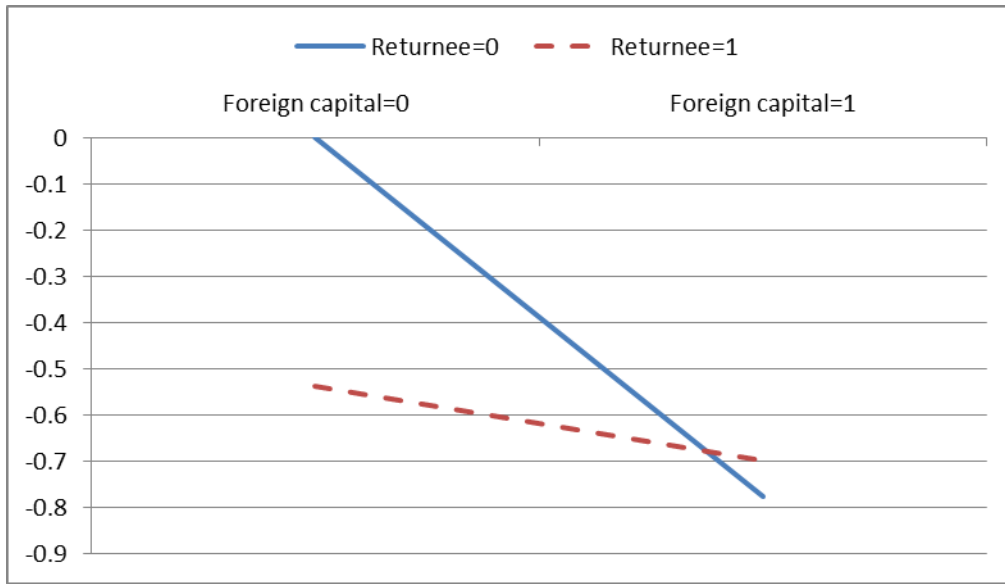
We performed the following robustness checks. First, to account for possible variations across industries and over time, we controlled for industry dummies and year dummies. These variables are not significant. Second, to account for the time lag between returning to China and starting up a business, we added a variable capturing the time since returning from abroad. The key hypothesized relationships remain unchanged after these changes to the model specification.

**Table 3: Regression results of entry speed**

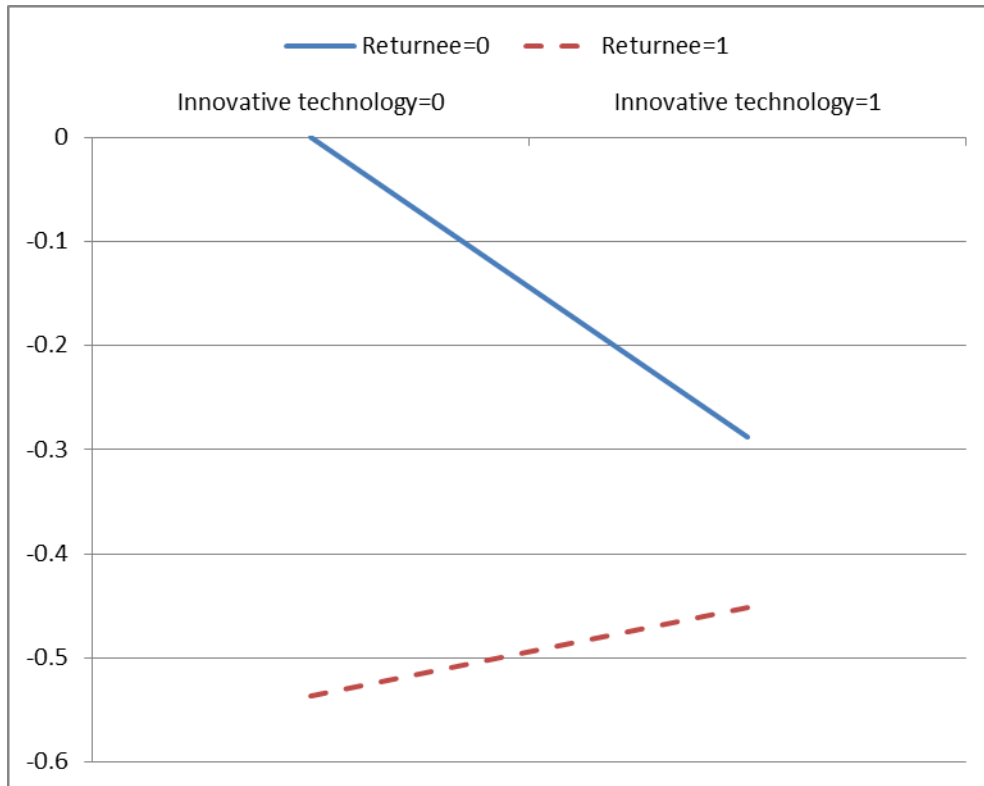
Variable	Model A Coefficient	Model B Coefficient	Model C Coefficient	Model D Coefficient
Returnee (H1)	-0.2029** (0.0737)	-0.5331** (0.1668)	-0.2327** (0.0749)	-0.5365*** (0.1663)
Foreign capital (H2)	-0.2126~ (0.1117)	-0.2269* (0.1113)	-0.8154* (0.3221)	-0.7748* (0.3213)
Innovative technology (H3)	-0.091 (0.0968)	-0.3037* (0.1364)	-0.0907 (0.0964)	-0.2882* (0.1362)
Founder graduate degree	-0.1126 (0.0817)	-0.1236 (0.0814)	-0.1069 (0.0814)	-0.1176 (0.0813)
Previous industry experience	-0.1292~ (0.0703)	-0.1389* (0.0701)	-0.1242~ (0.0701)	-0.1337~ (0.0699)
New entrepreneur	-0.157* (0.0796)	-0.1619* (0.0792)	-0.1551~ (0.0793)	-0.1599* (0.079)
Log founding team size	-0.0731 (0.0523)	-0.0648 (0.0522)	-0.0727 (0.0521)	-0.065 (0.052)
Age	-0.0095~ (0.0049)	-0.0089~ (0.0049)	-0.0091~ (0.0049)	-0.0086~ (0.0049)
Co-founder friend	-0.0163 (0.0948)	0.0002 (0.0947)	-0.0092 (0.0945)	0.0055 (0.0944)
Co-founder family	0.1199 (0.1305)	0.1374 (0.1301)	0.1192 (0.13)	0.1355 (0.1297)
Market opportunity	-0.0546 (0.0672)	-0.0615 (0.067)	-0.051 (0.067)	-0.0577 (0.0668)
Technology opportunity	0.1097 (0.0714)	0.0969 (0.0712)	0.1099 (0.0711)	0.098 (0.071)
Returnee*Innovative technology (H5)		0.4023* (0.1826)		0.3734* (0.1828)
Returnee*Foreign capital (H4)			0.6748* (0.3383)	0.6145~ (0.3382)
Constant	-1.2484*** (0.2281)	-1.0958*** (0.2373)	-1.2611*** (0.2273)	-1.1184*** (0.2369)
Number of observations	388	388	388	388
R-square	0.1038	0.1153	0.1133	0.1231

Standard deviations are given in the parenthesis. P-value key: \*\*\*<0.001, \*\*<0.01, \*<0.05, ~<0.1. P-values are computed using two-sided tests.

**Figure 2: Interaction plot: returnee and foreign capital on entry speed**



**Figure 3: Interaction plot: returnee and innovation technology on entry speed**



## 5. Discussion and conclusion

In this paper, our model and empirical analysis have sought to advance understanding of key resource influences on venture creation speed by returnee entrepreneurs. Scholars have called for closer scrutiny of the intersection of time and entrepreneurial organization (Bird and West, 1997; McMullen and Dimov, 2013). Yet limited empirical progress has been made with respect to the understanding of temporal dimensions of the entrepreneurial process. We believe that this temporal dimension is crucial to entrepreneurial actions and subsequent performance of ventures created by returnee entrepreneurs. There is scant research on the roles of venture resources and founder characteristics in facilitating venture creation speed (Capelleras and Greene, 2008). By exploring how the founder is a returnee or not influences the role of venture resources in the speed of venture entry, we show that absence from the home market context can slow entry speed. Firms with innovative technology and with foreign capital are slower to set up due to higher levels of liability of newness and liability of foreignness. However, when these firms have a returnee founder who can leverage their experience with foreign resources and technological knowhow, such negative effects on entry speed are significantly mitigated.

By studying how returnee entrepreneurs interact with venture resources to influence venture creation speed, we contribute firstly to advancing research on returnee entrepreneurship. New venture creation activities undertaken by entrepreneurs returning from overseas have attracted increasing attention among entrepreneurship scholars (e.g. Liu et al., 2014; Qin and Estrin, 2015; Wright et al., 2008). Returnees assume a unique role in filling important entrepreneurial gaps in emerging markets (Li et al., 2012; Liu et al., 2010) and in bringing back new knowledge (Qin, 2015, 2016; Wang, 2014). Returnees' possession of advanced technological knowhow and access to global networks can help boost the development of technology industries in their home countries. Much attention has been devoted to the outcomes of businesses created by returnees (Wright et al., 2008; Liu et al., 2010). We contribute by adding to an emerging series of studies addressing the challenges faced by returnee entrepreneurs compared to their local counterparts by exploring factors that facilitate or impede their venture creation. Interestingly, while past research has placed emphasis on resources associated with social capital in the context of returnee entrepreneurship (Lin et al., 2015), we find insignificant coefficients in respect of our variables relating to the role of family and friends. Rather, speed of entry by returnees is strongly related to financial and technology resources, pointing to the importance of these dimensions. Further research is needed to explore the role of various types of resources, perhaps on other outcome variables related to venture creation and performance.

Second, in studying returnees and non-returnees in China we contribute by shedding new light on the temporal dimension of the business gestation process in different contexts. A paucity of analysis of context in entrepreneurship research has been noted by a number of entrepreneurship scholars (e.g., Foss et al., 2013; Sarasvathy and Venkataraman, 2011; Ucbasaran et al., 2001; Zahra et al., 2014). In particular, prevailing theory on speed, while placing emphasis on psychological traits and management processes, is contextually limited (Forbes, 2005). By comparing the gestation process between returnee and local entrepreneurs, we extend the limited previous analyses that have suggested the importance of experience in different institutional environments (Forbes, 2005; Markman et al., 2005) to highlight that time to entry may vary between different types of founders.

Our findings suggest a number of implications for practice and policy. Returnee entrepreneurs need to be aware that exposure to commercial environments in developed economies is not sufficient to facilitate speedy entry into their home market. Returnees able to access foreign capital as a result of their experiences in developed economies build financial resources that enable speedier access to markets; this may imply that ventures need to be at a more advanced stage of gestation in order to attract such finance. Returnees who can develop innovative technology prior to entry may be at a resource advantage compared to local entrepreneurs and thus are able to enter environments of technological deficits more speedily. Similarly, local governments may find it attractive to focus policy support on enabling domestic entrepreneurs to obtain spillover benefits from entry by returnee entrepreneurs.

Our study has several limitations providing opportunities for further research. First, our study is based on a cross-sectional survey. However, such a survey was necessary in order to capture the variables of interest. Although beyond the scope of this study, an avenue for future research addressing questions concerning the success of entry could be to resurvey entrepreneurs at a subsequent date and/or to link survey work with archival datasets. Second, future research might usefully undertake a qualitative exploration of the speed of the gestation process in order to understand how returnee entrepreneurs access finance and how they go about setting up their venture. Such work would seem to need interviews with returnee entrepreneurs as well as finance providers, local officials and local suppliers and customers. Third, our measure of innovative technology is self-assessed and, although similar operationalization has been commonly used in entrepreneurship research, future studies might attempt to identify more objective measures. Fourth, as there was a possibility of biases due to a lack of instrument equivalence, where questions/responses mean different things for returnees vs. other founders, our interviews sought to explore to what extent these differences were present but did not identify issues relating to interpretation of meaning. As all firms were from science parks and incubators, we suggest that this provides for a commonality of understanding of the venture creation process that serves to mitigate the potential problems of instrument equivalence. Fifth, although we undertook some checks for potential recall bias, as noted in the Method section, future studies might seek to adopt a longitudinal approach that follows the development of the start-up process in real time in order to reduce issues of memory decay and hindsight bias (Davidsson and Reynolds, 2009). Given such data is still scarce and particularly difficult to organize in emerging economy settings like China, the data we currently have is valuable in that it gives unique insights into entrepreneurship in China. Furthermore, our focus has been on technological ventures based in science parks and incubators. Future research on speed of entry by returnees may also seek to explore non-technology based ventures. Our analysis focused only on returnees to China, yet returnees are also found in India and elsewhere. Emerging economies differ in terms of their institutional regimes (Hoskisson et al., 2013) and the extent of their entrepreneurial activity (Acs et al., 2015). Further studies are required of the role of resources in venture entry speed in other emerging economy contexts with different institutional regimes and entrepreneurial activity. Finally, our theoretical arguments relate to general mechanisms and since at the time of our study the science parks had been established for some 20 years, our findings relate to a quite evolved stage of an emerging market. Future studies using more recent data could be undertaken to confirm or disconfirm our findings.

Notwithstanding these limitations, our study provides new insights regarding the interplay of venture resources and founder experiences in the speed of venture entry and opens up opportunities

for further research into the contextual influences on temporal dimension of the gestation process in entrepreneurial ventures.

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