INTERNATIONAL ENTREPRENEURSHIP: EVIDENCE FROM EMERGING MARKETS

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This article answers calls for research into the field of international entrepreneurship (henceforth IE) in the context of emerging economies. In doing so, the research simultaneously heeds appeals for greater methodological variety to broaden the scope of inquiry in the field of international business research. Drawing on internationalization and entrepreneurial process modelling theory, this multiple-case study provides unique insights into the phenomena of IE in emerging market settings. It elaborates upon the processes behind IE's discovery of opportunities; it extends our understanding of IEs resource deployment; and it identifies sources of competitive advantages among IEs in emerging markets. Insights gained from this empirical study were translated into propositions corroborating, elaborating, and challenging existing theory and assumptions. Above all, this research questions our understanding of institutional and transaction cost theory in the internationalization processes of IEs.

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Keywords: international entrepreneurship, internationalization, emerging markets, transaction cost theory, qualitative, triangulation, Vietnam, Cambodia, Laos.
Introduction

The economic liberalization of protected markets, and their integration into the world economy, have been important topics in the internationalization literature. Markets that used to be out-of-reach for international businesses have over recent decades increasingly integrated with the world economy (Aulakh and Kotabe 2008). Many of these markets are classified as emerging and transition economies (Hoskisson et al. 2000) and a substantial part of the world’s population reside in these economies across Asia, Africa, Latin America, and Central and Eastern Europe (Mingo, Morales, and Dau 2018; World Bank 2019).

Another thriving dimension in the international business literature relates to IE (Zucchella 2021; Kiss, Danis, and Cavusgil 2012). Oviatt and McDougall (1995) argues the traditional dominance of multinational enterprises (MNEs) is increasingly being challenged by smaller entities with swift response capabilities. From an economic perspective, a vibrant entrepreneurial sector is closely tied to a country’s economic health (Selmer et al. 2018; Vance et al. 2016) with IEs making a disproportionate contribution to the entrepreneurial sectors in many countries (Perényi and Losoncz 2018; Zolin and Schlosser 2013; Vinogradov and Jørgensen 2017). Indeed, the benefits of IE are particularly profound in emerging markets where the transfer of skills and knowledge acts as an economic accelerator (Karadag 2016; Kiss, Danis, and Cavusgil 2012; Sanyang and Huang 2010; Prasetyo 2019).

Regrettably, despite the rising tide of emerging economies, and the importance of entrepreneurship for this development, marginal attention (especially empirical) has been afforded IE in emerging markets (Kiss, Danis, and Cavusgil 2012; Ireland and Webb 2009). Meyer and Peng (2016) explains this void with the assertion that research gravitates toward conventional developed contexts, with substantially less focusing on the riskier and less legitimate emerging settings. Mathews and Zander (2007) argues this mature market focus is a critical omission, as the study of entrepreneurial dynamics is less fruitful in developed markets (where the entrenched competitive positions limit operational adjustments). Indeed, many more scholars argue a substantial research-gap needs to be filled regarding IE in emerging economies (e.g. Martens et al. 2016; Sengupta, Sahay, and Croce 2018; Perényi and Losoncz 2018; Selmer et al. 2018; Zolfaghari, Criado, and Nowiński 2013; Vance et al. 2016). Another critical omission relates to the corporatist dominance in so much of the literature (Verbeke and Ciravegna 2018; Vance et al. 2016; Schellenberg, Harker, and Jafari 2018); something that creates a need to emphasize the individual actor in entrepreneurship discussions (McDougall, Shane, and Oviatt 1994; Davidsson and Wiklund 2007; Zucchella 2021). To address these omissions, this empirical study focuses on new ventures created by individuals in emergent market contexts. Kiss, Danis, and Cavusgil (2012) argues the economic and political transformations, institutional voids, and the lack of resources found in emerging economies, create settings where the behaviors of IEs are likely to differ from those in developed contexts. Thus, there is a need to assess whether theories from mature markets are valid in emerging economies (Martens et al. 2016; Sengupta, Sahay, and Croce 2018; Vance et al. 2016; Perényi and Losoncz 2018; Tabares et al. 2021).

The data for this research was collected in Indochina; a region that entered the emergent market classification relatively late. Indochina encompasses the liberal market of Cambodia and socialist-oriented Laos and Vietnam – and the Confucian philosophy in Vietnam and the Theravada Buddhist religion in Laos and Cambodia. These diverse cultural and economic systems provide fertile grounds for rich empirical insights and enhanced generalizability. Over the last two-three decades economic reforms, trade liberalization, and high economic growth have gained momentum and boosted Indochina’s status as an emerging market frontier (Chheang and Wong 2014). Like many other emerging markets (Karadag 2016; Kiss, Danis, and Cavusgil 2012; Sanyang and Huang 2010; Prasetyo 2019) the economies of Indochina have been invigorated through the knowledge, competitive advancements, and exposure to new international markets that followed in the footsteps of IEs (Sorensen and Nielsen 2018).

Thus, this empirical study extends prior research in several ways. Foremost, the Indochinese focus heeds calls for empirical research into emerging market IE (Martens et al. 2016; Sengupta, Sahay, and Croce 2018; Vance et al. 2016; Perényi and Losoncz 2018; Tabares et al. 2021) and it counters the dominant corporate approach by focusing on individual entrepreneurs (Zucchella 2021; Davidsson and Wiklund 2007). Drawing on
Mathew and Zander’s (2007) theoretical framework outlining IE processes, this research makes an additional threefold contribution. First, it elaborates upon the motivations and processes behind IE’s discovery of opportunities; second, it extends our understanding of the processes through which IEs internationalize and deploy resources during their establishment; third, it identifies sources of key competitive advantages among IEs in emerging market contexts. McDougall and Oviatt (2000) argues the discipline of IE conceptually rests upon the foundations of entrepreneurship and international business, and Sapienza et al. (2006) elaborates early internationalization lies at the heart of the IE phenomenon. Thus, each of these disciplines will be reviewed.

**Internationalization**

Foreign market entry modes refers to the way international businesses enter and organize their activities in foreign countries. It is widely recognized that foreign market entry modes, and its enactment, are among the most profound factors influencing the success or failure of international ventures (Agarwal and Ramaswami 1992). Thus, the processes through which firms expand internationally have been a fundamental question in the international business and entrepreneurship literatures (Schellenberg, Harker, and Jafari 2018; Hennart and Slagen 2015). Over the years, the discussion of internationalization has evolved at an accelerating pace (Ribau, Moreira, and Raposo 2015). Much of the internationalization theory is grounded in economic theory, and countries were the unit of analysis among the original trade theories (e.g. Adam Smith and David Ricardo). However, with the rise of MNEs in the 1960s, new theories emerged conceptualizing the processes through which enterprises expanded internationally (Mathews and Zander 2007; Ribau, Moreira, and Raposo 2015). At this stage, internationalization was believed to be a result of monopolistic advantages that corporations exploited internationally (Hymer 1976) through structured extension of their brands, technologies and organizational structures (Geuren and Dana 2001). Thus, internationalization was thought to be reserved for larger enterprises with the capacity to negotiate the perils of internationalization (Oviatt and McDougall 1994; Ribau, Moreira, and Raposo 2015).

This view, however, was increasingly being challenged in the late 20th century. Globalization gained momentum, and many smaller and less established firms started to engage internationally (Mathews and Zander 2007). Foreign marketplaces, that previously were conquered by multinationals through sequences of deliberately planned stages, increasingly became opportunity-rich environments where new forms of international ventures flourished (Mathews and Zander 2007; Ribau, Moreira, and Raposo 2015). These ventures include Born Globals (Rennie 1993; Knight and Cavusgil 2004), International New Ventures (Oviatt and McDougall 1994), Global Start-ups (Oviatt and McDougall 1995) and various types of IE (McDougall and Oviatt 2000). Somehow the international environment changed from a place to be conquered, first by countries and later corporations, to an opportunity rich environment for new types of ventures (Geuren and Dana 2001). At present, a key challenge is to find ways of explaining these occurrences (Mathews and Zander 2007; Vance et al. 2016; Welch and Paavilainen-Mantymaki 2014; Ribau, Moreira, and Raposo 2015). An entrepreneurial story that inspired this research:

In the late 1980s a German citizen taught English lessons in Thailand. Simultaneously, over the border, the sleepy country of Laos was stirring. For years, entry had been tightly restricted, but in the early 1990s this German secured a tourism-visa. The dense jungle, startling scenery, and a traditional culture evoking reminiscent feelings, convinced this foreigner that Laos represented substantial tourism-potential. Over the next few years, and with cooperation from travel agencies in Germany, a tour-operation (Wanderlust) was established arranging tours of Laos and surrounding countries. While operating Wanderlust, this IE discovered a charismatic village wedged in between towering mountains covered in thick jungle. Having observed tourism development in the region, the IE recognized the tourism-potential of the location. At the time, tourism in the region was negligible, and a unique land-allotment was secured for modest funds. A few years later, with a guesthouse completed, the importance of tour-operations diminished in favour of guesthouse-operation for Wanderlust.

Traditional wisdom suggests firms internationalize after domestic maturation. That in order to withstand the
rigors of internationalization, firms require established resources and knowledge about international trade, foreign laws, and cultures (Oviatt and McDougall 1995). Yet, conventional wisdom is clearly challenged in the above narrative, where an openminded individual almost stumbled upon entrepreneurship. Schellenberg, Harker, and Jafari (2018), Verbeke and Ciravegna (2018) and Vance et al. (2016) call for fresh studies to complement prevailing theories emphasizing MNEs and mature market settings – and I argue the entrepreneurship and internationalization literatures have a great deal to gain from a closer examination of the dynamics behind Wanderlust (and similar cases) in emerging market contexts.

International Entrepreneurship

In the classic entrepreneurship literature, Schumpeter (1934) contends entrepreneurs identify and pursue ideas by virtue of seeing new combinations and rearrangements. That entrepreneurial activity is rooted in uncertainty, lies outside the known, and can be considered innovative and daring. To Schumpeter (1934) entrepreneurs constitute a powerful economic force; they open new markets; they innovate; and they generate discoveries and technological advancements.

Fast forward most of a century, and the world has changed dramatically. While Schumpeter (1934) was domestically-focused, entrepreneurs are no longer contextually bound to their home countries. Gone are the expectation that entrepreneurs need to establish themselves at home, building monopolistic advantages, before expanding internationally (Helms et al. 2014; Zolfaghari, Criado, and Nowinski 2013). With the rise of international travel and globalization, entrepreneurial minded individuals now identify new combinations and rearrangements in diverse geographical locations11It should be noted that data for this study was collected before/in the early phases of Covid-19. Although this global pandemic will have profound consequences for IE (Zahra 2021) that discussion rests outside the scope of this article.. These entrepreneurs discover and explore opportunities because their minds are not constrained by local traditions and norms (Geursen and Dana 2001) and are a major force in the global economy (Zolfaghari, Criado, and Nowinski 2013; Busenitz, Gomez, and Spencer 2000). Intriguingly, many IEs bypass internationalization as a process (Geursen and Dana 2001) and are international from inception (Oviatt and McDougall 1994). They do not compete on pre-existing advantages developed domestically, but rather rely on their ability to access and manage the knowledge and resources of others through extensive networks (Mathews and Zander 2007; Geursen and Dana 2001; Tabares et al. 2021).

The field of IE is concerned with entrepreneurial processes that crosses international borders, and includes the discovery, evaluation, and exploitation of opportunities for future goods and services (Oviatt and McDougall 1995; Zolfaghari, Criado, and Nowinski 2013). While IE can be studied at the individual, group, and corporate levels (McDougall and Oviatt 2000; Zucchella 2021), the spotlight has traditionally focused on the corporate level, but growing calls are made to bring the entrepreneur center-stage (e.g. McDougall, Shane, and Oviatt 1994; Davidsson and Wiklund 2007; Zucchella 2021). As such, this study specifically explores new venture creation by individuals in the emerging markets of Indochina.

Methodology

Fletcher, Loane, and Andersson (2011) argues a fruitful way to expand knowledge is to study a phenomenon from multiple perspectives. This is supported by (Nielsen et al. 2020) who also calls for greater variety in the methodological preferences to enhance the rigor, and to broaden the scope, of inquiry in the field of international business. Thus, from a methodological perspective, and to complement the dominant quantitative (archival and survey) paradigm in the international business literature (Nielsen et al. 2020), this study embraces a qualitative methodology. This design was further deemed appropriate due to our limited understanding of IE in emerging markets (Martens et al. 2016; Sengupta, Sahay, and Croce 2018; Vance et al. 2016; Perényi and Losonczi 2018; Zolfaghari, Criado, and Nowinski 2013; Kiss, Danis, and Cavusgil 2012). To effectively explore new territory, it was critical that evolving themes could be pursued, that interpretation and reflection was embedded, and that data collection could capture the rich ambiguity of entrepreneurial processes. Indeed, this article specifically answers calls for qualitative research to probe more deeply into
Emerging market IE (Kiss, Danis, and Cavusgil 2012; Perényi and Losoncz 2018; Keupp and Gassmann 2009; Tabares et al. 2021).

Eisenhardt (1989) argues that because case study methodologies do not rely on previous empirical evidence, theory building from case studies are useful in situations where little is known about a phenomenon. This is supported by Benbasat, Goldstein and Mead (1987) who argue case study research is particularly suited for theory in its early formative stages. Yin (2014) distinguishes between single and multiple case studies and argues that given a choice, the multiple case study is preferable as the findings are more robust and generalizable. For these reasons, a multiple case study design was chosen for this study. The level and depth of information required, the need to reflect and interpret on entrepreneurial practices, and the characteristics of researching new emergent market territory all supported this methodology.

A series of case studies, involving 30 respondents over four fieldtrips, were conducted in Indochina. Respondents in the IE communities were carefully selected through judgment and snowball-sampling in relation to relevance. Data was systematically collected in-person through semi-structured interviews, enabling discussions to be driven by the respondent’s experiences and understandings. Initial interviews were carried out at the respondent’s businesses, but as new information and leads were uncovered, additional follow-on interviews were arranged through digital channels. This personalization enhanced respondent comfort with the research, allowing access to information that would be difficult to retrieve through other methods. While respondents remain confidential, it can be revealed that they were selected from across Indochina, and that a variety of nationalities were included (European, Asian, Australian, and North American). Respondents operated businesses in tourism, hospitality, and trading. To ensure confidentiality, the name of the main case study followed through this article was altered to Wanderlust.

Examination of the IE phenomenon from multiple perspectives through data, methodological, and theory triangulation (Denzin 2017) enhanced the validity and generalizability of the ultimate findings. Having similar stories emerge across four fieldtrips, from several cases, countries, respondents, and data sources added to the robustness of the conclusions drawn (Eisenhardt and Graebner 2007, Yin 2014). Data triangulation was accomplished through ongoing interactions with respondents across several countries (numerous data points); methodological triangulation was ensured through a variety of sources (interviews, observations, and archival records); and through theory triangulation the aggregated findings were consolidated through the establishment of parallels to established theory. Data was coded and categorized through Excel and the NVivo analytical software (where relationships were examined, findings were linked to the supporting data, and frequencies tabulated).

**Analysis and discussion**

Entrepreneurial process models conceptualizes the actions and operations undertaken by entrepreneurs (DeTienne 2008; Cardon 2005). Mathew and Zander’s (2007) model identifies three organizing principles, or milestones, of the early stages of the IE process. These are (1) discovery of opportunities, (2) deployment of resources in the exploitation of opportunities, and (3) engagement with competitors before industry maturity sets in. Conceptually, this paper rests upon these principles with an aim of enhancing our understanding of IE in emerging market contexts.

**The Discovery of Opportunities**

The discovery of opportunities provides the foundation for IE (Mathews and Zander 2007) and refers to innovation aimed at making entrepreneurial profits (Schumpeter 1934). It spans a spectrum from radical innovations (fundamental rearrangements) to incremental innovation (minor rearrangements) like the introduction of existing frameworks, best practice, or even established products and services to new markets (Ward 2004).

Vance et al. (2016) explains IE develops in two major ways; one that encompasses entrepreneurs who move abroad with a preconceived entrepreneurial anticipation (necessity-entrepreneurs); and another where
entrepreneurship emerges through coincidences or even a twist of fate (opportunity-entrepreneurs). As the name suggests, necessity-entrepreneurs are driven by economic necessities and engage in entrepreneurship as a source of employment. Consistent with this view, several respondents, mainly from Asian origins, moved to their respective countries with a preconceived entrepreneurial anticipation. Many of these entrepreneurs came from low socio-economic backgrounds and held trades that were in demand in their host countries. For example, Vietnamese are well-known for their manicure skills, and while the Vietnamese industry is rather competitive, migrants to Laos and Cambodia established successful operations with marginal resources. As highlighted in the following statement, the other category, opportunity-entrepreneurs, are driven by desires and included most Western respondents:

“Westerners view entrepreneurship as excitement and adventures.”

In the case of Wanderlust, the discovery of opportunities involved a long process of geographical movements and pre-venture activities. While a desire for IE emerged early during this individual's globetrotting, it was an extended process of observations across many countries that ultimately led to the discovery of opportunities. During this process, new incremental combinations and rearrangements were continuously evaluated in diverse locations. The entrepreneur explained about his motivations:

“I did not want to stop travelling. I love travelling and wanted to turn it into a lifestyle.”

Mathews and Zander’s (2007) and Vance and McNulty (2014) argue that the discovery of opportunities among IEs are highly dependent of the geographical movements of prospective entrepreneurs. My data indicates this especially to be the case for opportunity-entrepreneurs, all of whom (similar to Wanderlust) undertook travels before discovering the entrepreneurial opportunities they ultimately would pursue. Comments include:

“I was born in the USA, and I travelled a lot as a kid. I think I have visited seventy-five countries, and I have lived in twenty-two. I love travelling and I never stopped.” “[Westerners] come over here for a few weeks holiday and they realize they can own a whole business.” “I think very few foreigners [Westerners] come here with the intention to set up a business, but there would already be a seed growing in their mind that they would like to start a business somewhere in the world.”

Vance and McNulty (2014) argues falling in love with a country, its culture, or one of its citizens encourages IE. This was widely confirmed among opportunity-entrepreneurs in Indochina (many of whom had local partners):

“I think people are buying into a lifestyle rather than entrepreneurship.” “When you are in Europe and retired, what can you do? Sit in your house, look at television. So, when I came here, I wanted a different life.”

Thus, most opportunity-entrepreneurs were initially motivated by lifestyle and the prospect of excitement and adventure. Additional factors included love and the climate. Although many respondents over time developed rather successful businesses, monetary rewards were rarely an initial anticipation. A hallmark of all entrepreneurs (necessity and opportunity) was a desire for a better life:

“I might have fallen in love with the country, or out of love with my own country. And, for the price of buying a second-hand car in England I can start a new life in Cambodia, and I can own my own business whereas I wouldn’t have had that opportunity in England. But haven’t that been the reason for immigration throughout history?”

This statement recaps another key reason for entrepreneurial opportunity discovery: an abundance of feasible possibilities. Many IEs expressed entrepreneurial intent that they could not necessarily realize in their home countries (due to regulations, market maturity, and capital requirements):

“If you have a few thousand dollars in your pocket, and a dream, the next day you can have a business.” “You need a lot less capital. The laws and bureaucracy are a lot less than in Europe, so it takes less resources. That is a similarity between Westerners and Chinese, they travel to a place where it takes less. The Chinese can
own their own business instead of being a poor person at home. Westerners who establish businesses here may never have been able to do it at home because they would have needed ten times the capital.”

Based on this discussion – I posit that:

**Proposition 1:** Among opportunity-entrepreneurs geographical movements form an essential component of opportunity discovery. Other factors that spur IE includes excitement, travel-desires, love, limited competition, and an abundance of low-cost opportunities.

Shane and Venkataraman (2000) argues entrepreneurs interpret information and opportunities differently based on their backgrounds and preexisting knowledge, and Ward (2004) argues IE involves the introduction of existing ideas and concepts in new geographical settings. Both annotations were widely observed in Indochina; with IEs discovering possibilities for introducing established ideas and concepts through travel (opportunity-entrepreneurs) or social networks (necessity-entrepreneurs) that would be novel in their host countries:

“Cambodia is 10 years behind Thailand and 20 years behind Europe, so you basically look at what is popular back home. And is that something that is missing in the market here? That is why the ideas here is nothing crazy, or outrageous, it is basically something that could have succeeded at home.”

“I could see the possibilities, because the way things were done in Vietnam were far behind best practices.”

“So, I thought, what can I do better, what is missing in this marketplace, and I got the idea to open a sports bar. Everyone wants to watch the games, particularly the Premier League Soccer, and there were no bars with TVs here.”

Entrepreneurial discourse in popular media often emphasise innovative breakthroughs and pioneering icons like Elon Musk. In the context of Indochina, however, the innovations and new rearrangements were substantially more modest and incremental. Most entrepreneurs discovered latent combinations and customer demands, based on their knowledge and experiences from more advanced countries:

“If I said to myself, I want to be an entrepreneur and I want to make a million dollars, I would not have come to Cambodia, I would have gone to California or New York; somewhere where they have a million dollars.”

This statement corresponds well with Oviatt and McDougall (1995) observation that cutting-edge entrepreneurial innovative tend to gravitate toward advanced economies where resources (e.g. venture capital) can readily be sourced. Based on my data and analysis, I posit:

**Proposition 2:** Incremental innovation underpins opportunity discovery among IEs in emerging market contexts.

**Resource deployment**

Identification of opportunities, and the decision to explore these, are followed by a period of active resource deployment and the establishment of a firm as a legal entity (Mathews and Zander 2007). During this process internal and external activities and resources are coordinated, and this creates the unique characteristics of the firm. As previously discussed, firms historically built competitive advantages in their home countries, before exploiting these internationally (Hymer 1976) through the structured extension of their brands, technologies, and/or organizational structures internationally (Geursen and Dana 2001). However, this push-oriented approach to internationalization has been widely challenged by new types of international ventures (Mathews and Zander 2007; Vance et al. 2016; Welch and Paavilainen-Mantymaki 2014; Ribau, Moreira, and Raposo 2015) and the data from this study. For instance, in the case of Wanderlust, the founding entrepreneur had no organization in his home country and, thus, no pre-existing advantages to exploit. Rather, it was the exposure to resources (a scenic country/region) and opportunities (tourism potential) that pulled this entrepreneur to internationalize. Having no organization on which to draw resources, and scarce financial assets, the resource deployment initially comprised of small investments that progressively expanded with revenues. Initial capital requirements were sourced from networks (family and friends), and resource deployment comprised of networking and cooperation with actors in the marketplace. These included travel agencies in Germany (arranging groups of tourists), local friends and connections (providing
advice and favors), local government officials (outlining procedures and issuing approvals), local operators in the tourism industry (providing services and tourists), and other IEs (providing knowledge and information).

As illustrated in the case of Wanderlust – social capital and networks mitigate foreign institutional burdens (Ellis 2000; Vance et al. 2016; Tabares et al. 2021) and even provide difficult-to-imitate competitive advantages for small independent operators (Pisano et al. 2007). Indeed, participation in networks was consistently emphasised as critical among respondents:

“It is the connections that have got things done.” “When you stay here you learn things very quickly. We speak together and you learn everything.” “You are completely lost without connections. I know every Westerner living here, who have tried to do anything, ever succeeded with having the right connections.”

Together with local networking, the expatriate communities forms an important source of information and resources for IEs. Among opportunity-entrepreneurs, online forums were highly regarded with experienced entrepreneurs readily providing advice and peer-reviewing responses:

“It is not a problem, because you just follow the Facebook groups, you ask questions, and you follow the information.”

The rationale behind this cooperation (among potential competitors) will be discussed later in this article. For necessity-entrepreneurs, observations and interviews revealed personal social networks (family and friends) were of greater importance for the opportunity discovery and enactment. Based on my data and evaluations, I posit that:

Preposition 3: Networking forms an essential part of the discovery and enactment of entrepreneurial opportunities. Necessity-entrepreneurs typically discover opportunities through personal networks before arriving in their host countries; whereas opportunity-entrepreneurs identify opportunities (through travel) and then engage in networking to evaluate ideas. During resource deployment, all respondents engaged in extensive networking to secure information, approvals, resources, and customers.

Market entry modes forms a crucial part of resource deployment (Mathews and Zander 2007) and is a field where significant work is still required to map the pathways of new international ventures (e.g. Vance et al. 2016; Ribau, Moreira, and Raposo 2015). Consistent with prior research (Nielsen and Nielsen 2011) foreign entry modes will in this article be classified into two main categories: (1) fully-controlled and (2) shared-controlled. The choice of market entry mode is commonly explained through institutional, cultural, and transaction cost variables (Brouthers 2013). Transaction cost theory suggest rational cost/benefit calculations guide market entry modes (Nielsen and Nielsen 2011; Hennart 1991; Kogut and Singh 1988; Agarwal and Ramaswami 1992). When costs associated with overcoming market imperfections are high, enterprises generally pursue low risk/commitment entry modes in the form of shared-ownership. By the same token, when transaction costs (or market imperfections) are low, foreign investors are inclined to choose the higher return/involvement strategies of foreign-owned ventures.

Institutional and cultural context variables extend transaction cost theory by suggesting market entry modes (full or shared ownership) are further impacted by environmental uncertainty (Nielsen and Nielsen 2011; North 1990; Brouthers 2013). In situations of elevated institutional and cultural uncertainty, transaction costs increases, and firms limits risk exposure through shared-ownership structures (Slangen and Van Tulder 2009). Thus, the institutional and transaction cost premise suggests IEs favor shared-ownership in ambiguous emerging markets (Anderson and Gatignon 1986; Demirbag, Glaister, and Tatoglu 2007; Hennart 1991) characterized by transforming institutional frameworks (Meyer 2001); institutional immaturity (Demirbag, Glaister, and Tatoglu 2007); large cultural distances (Slangen and Van Tulder 2009); institutional voids and various types of government ownership (Estrin et al. 2016, Verhezen 2012). Consistent with this reasoning, a preference for shared-ownership was documented among the IEs in Vietnam:

“There’ll be tax audit, all sorts of audits, and there’ll be officials checking you left, right and centre in the hope that they can earn money. But, if there’s a Vietnamese owner, much of that will vanish.”
Partnerships was the only market-entry mode encountered among respondents in Vietnam; all of whom shared similar rationales. Interestingly though, respondents in Laos and Cambodia displayed a clear preference for full-ownership. At the time of data-collection, the only respondents in Laos and Cambodia operating under joint-ownership arrangements did so with their spouses. One respondent in Cambodia explained:

“The culture here has changed a lot in the last 10 to 15 years. Very few people come here and open a business with a partner.”

This reluctance toward part-ownership reflects the experiences of Wanderlust. While a part-owned resort was initially established, full-ownership was attained after disparities emerged in their strategic and tactical positions (e.g., the local partner insisted upon employment opportunities for his extended and unskilled family). Another pioneering IE, who similarly attained full-ownership from his local partner, explained:

“With a local partner it can easily happen they will come in after two weeks and ask ‘Hey, do we have money?’ There are many things getting lost. There’s not this precise working.”

Many of the pioneering IEs in Laos and Cambodia entered through joint-ownership arrangements. Later, as investment regulations were relaxed, and tales of desolated partnerships circulated in the expatriate communities, ensuing entrants largely pursued full-ownership:

“I would never have built this [pointing at his hotel] if I had to have a local partner. That would have been extremely hazardous.” “Had I had to have a Cambodian business partner I wouldn’t have done it. So, that was one of the big drawers for me. I could open my own business…”

When costs associated with overcoming market imperfections are high, institutional/transaction cost theory suggest international ventures reduce their risk exposure through joint-ownership (Anderson and Gatignon 1986; Demirbag, Glaister, and Tatoglu 2007; Hennart 1991). Yet, this theoretical premise was consistently voided by the data from Laos and Cambodia:

“It is ideal if you can own it yourself as much as possible.” “You will end up getting the wrong person to partner up with, and you will end up getting ripped off by that person.” “I did it all by myself. I would be very very reluctant to ever do a business partnership with anyone. Not just from my experience, but from the experiences I see around me…” “Foreigners coming here are blinded by the yellow robes of the monks and smiling people, ah, they are all so good, smiling friendly people. And then...we can hear the story end. You are never protected.”

Interestingly, according to The World Bank’s (2020) Doing Business rankings, in Vietnam (where respondents entered through joint-ownership arrangements) the juridical processes and enforcement of contracts are more reliable than in Laos and Cambodia. Yet, respondents unanimously confirmed the preference for foreign-owned ventures in Laos and Cambodia. When investigated further, several explanations were provided. These include (1) difficulties finding suitable partners; (2) a lack of reliable mechanisms to safeguard contractual agreements; (3) uncomplicated bureaucracies; and (4) small initial investments. Difficulties finding suitable partners was discussed above. In relation to the second and third points, rather than discouraging full-ownership in Laos and Cambodia, as inferred by the transaction cost premise, institutional vacuums emerged as a crucial motive for full-ownership:

“Everything must be in a contract formulated by professional investment lawyers, and this can be difficult in places like Laos or Cambodia.” “Contracts are not important; you cannot go to a court.” “I don’t know of anyone who has done it [enforced contracts]. I certainly wouldn’t do it because I know I would be wasting my money anyway.”

Legal ambiguities have traditionally been considered major deterrents for international ventures (Roy and Oliver 2009; Habib and Zurawicki 2002) encouraging joint-ownership arrangements (Slangen and Van Tulder 2009). However, contrary to conventional wisdom, interviews with IEs indicate these smaller and more adaptable operators were not particularly deterred by legal ambiguities:
“Entrepreneurs often challenge the status-quo. Therefore, it is beneficial with a flexible approach to regulations.”

Indeed, many respondents emphasized the attractiveness of noncomplicated investment climates stemming from legal ambiguities:

“It’s wonderful not to formalize everything!” “Very little bureaucracy: there is no bureaucracy!” “The laws and bureaucracy are a lot less, so it takes a lot less resources!” “Regulatory complexities can be a lot easier to solve in third-world countries!” “Many entrepreneurs would never have been able to open a business in their home countries. They would never have managed the planning or the bureaucracy.”

When interviews specifically explored the corruption that typically arises from legal ambiguities (Ali and Isse 2002; Roy and Oliver 2009), IEs indicated some corruption being acceptable in return for a non-complicated investment climate:

“[Corruption] can be simpler than legal regulations.” “Corruption has this really negative term, but it is not always negative.” “Corruption is not as big a disadvantage as often assumed. Corruption is easily handled if a country is business friendly.”

Indeed, as captured in the following statements, many IEs dismissed corruption as insignificant (regularly comparing it to taxation):

“[Corruption] is just like another form of taxation, really.” “A large part of corruption relates to standard payments for standard services.” “In Switzerland taxes are low, but public services are subjected to fees. It is a bit like that here. Taxes are low, but for all services and extras you will pay a fee.” “In most of the Southeast Asian countries there is endemic corruption, but payments are fixed so it easily becomes a part of doing business. No surprises and it affects everyone on the same level.”

It is important to note, that no evidence suggests IEs secured unfair advantages by exploiting the ambiguous legal systems, quite the opposite:

“As a foreigner I have to have work permits. I have to pay taxes a majority of the local businesses won’t. They can do under the table deals. I would be concerned that if I did something illegitimate, I may lose my business. So, you feel it’s easier to do everything by the book; it is a security thing to do everything correctly!”

Start-up firms are shaped by many factors (Mathews and Zander 2007) and my data indicate IEs embodies a fusion between the host and home-country cultures. However, while many local practices are imitated, IEs tend to be substantially more restrained than locals exploiting judicial vacuums. My data indicates this is particularly the case among IEs from universalist, or rule based, backgrounds. That said, IEs recognized they were considerably less constrained by corporate policies and ethical guidelines than MNEs:

“The Davos-manifest states companies must pay their taxes; have zero tolerance in regard to corruption…” “The codex of MNEs causes restraints. Listed companies must work against corruption and can be severely punished if caught.”

Thus, being conceived within, and shaped by, foreign environments – legal ambiguities and corruption were considered inconsequential for most IEs. Rather, the business-disposition of government officials emerged as the key consideration:

“Corruption is not the same as uncertainty, as many assume. What matters are whether countries are pro or anti-business. Laos has gone from anti-business to pro-business. This is very important. People think you should stay away from legal vagueness and corruption, but you should stay away from anti-business countries.”

Similar sentiments were widely reiterated:
“It’s very easy to open a business in Cambodia.” “They [officials] are very very good at helping us. They don’t extort you; they don’t ask for bribes all the time; they want to help you.” “Very helpful authorities. When you have a problem, or when you want to do something, you just go to the relevant authorities. There is no bureaucracy.”

Considering the corruption evasion of MNEs (Roy and Oliver 2009) ambiguous legal systems works as a severe constrain for these larger enterprises (Oviatt and McDougall 1995). In contrast, IEs are pragmatic by-products of local practices that can thrive within judicial vacuums. The final reason, why institutional and transaction cost theory have been found less applicable in this study, relates to the size of initial investments. Opposite their corporate counterparts, IEs tend to make small initial investments, to dip their toe in the water, thereby reducing their risk exposure:

“There’s no way that I could open a restaurant and a sports bar in England with $9,000.” “I didn’t see it as at great risk establishing my business. I took it slow, got used to the local systems, and did other things first. When the authorities like what you are doing then the legal systems don’t matter that much. A lot of larger corporations are very concerned about legal systems – but you need to remember that the laws are often changing anyway.”

Since most IEs’ initial investments were small, financial risks were rarely a deciding factor for market-entry modes. Rather, the prospect of a better life emerged as the prime motivator. Thus, respondents were not overly concerned about transaction cost reasoning, nor were they deterred by ambiguity or corruption. Indeed, one respondent talked about escaping the repressive regulatory institutions of his home country – and made comparisons between the motives of IEs in Indochina (notably Cambodia) and the bygone pioneers migrating to North American seeking fortunes with scarce resources:

“Cambodia back in 2007 was still like the wild west. There was nothing really, just coming out of the Civil War. Just starting to get tourism, so it was a real unknown and a real gamble, but I felt the excitement of being like the early settlers… But haven’t that been the reason for immigration throughout history. People look at the countries they lived in and say, I cannot achieve my ambition here, something stopping me from reaching my potential, so I will go somewhere where I can achieve.”

This was reiterated by another respondent (in Laos) who elaborated:

“You need significantly less capital, and the laws and bureaucracy are a lot less than in Europe, so it takes a lot less resources. Chinese entrepreneurs can own their own business instead of being a poor person at home. Westerners who establish businesses here, may never have been able to do it at home, because they would have needed ten times the capital.”

IE rests, conceptually, upon the foundations of entrepreneurship and international business (McDougall and Oviatt 2000) and therefore, theoretically, encompasses theories of both disciplines (Perenyi and Losoncz 2018) including transaction cost (Zucchella 2021). However, it is widely acknowledged this assumption may be questionable – and that we need to assess whether theory derived from larger corporations and mature markets applies to IEs in emerging economies (Martens et al. 2016; Sengupta, Sahay, and Croce 2018; Vance et al. 2016; Perenyi and Losoncz 2018; Zucchella 2021). Based on my data and analysis, I posit:

**Preposition 4**: Contrary to conventional wisdom, judicial vacuums and corruption are not major deterrents for IEs in emerging markets. Rather, IEs primary concern relates to non-complicated investment climates and pro-business dispositions among authorities.

**Preposition 5**: The applicability of institutional and transaction cost theory to explain market entry modes of IEs are reduced in emerging market situations of: (1) difficulties finding suitable partners, (2) a lack of reliable mechanisms to safeguard contractual agreements, (3) uncomplicated bureaucracies, and (4) small investments.

In line with conventional wisdom, IEs in Vietnam gain access to networks and resources through joint-ownership (a choice attributed to legal and bureaucratic requirements). Considering IEs in Laos and Cam-
bodia tend to avoid joint-ownership, the question arises, what do they do instead? Well, my data documents IEs employ personal assistants as a substitute for business partners. This is illustrated in the case of Wanderlust:

“Without him it would have been difficult to solve the practical issues. It would have been difficult to talk to and arrange tradespeople to get hold of wood, bamboo, and everything practical.”

This was corroborated in Cambodia:

“A lot of Westerners will have a Cambodian right hand to assist and help, obviously with the language, the bureaucracy, and with government officials. Rather than having a business partner, they have an assistant.”

Respondents explained that spending time and developing relationship, ideally friendship, with a personal assistant was the soundest path to acquire needed skills and knowledge. Additionally, across Indochina, respondents stressed the need for extensive business networks and social capital development:

“If you have goodwill and connections, it will work.” “It [Networks] is something one must build up. It takes time to do that, but I can say that when it works, then it works like clockwork.” “When you have made the connection and become friends, then yes, they would want to help you.” “Here it is about building up goodwill, so everyone is on your side.” “If you can spend the time to develop your connections, which is actually developing friendships, it is going to be a much more pleasant experience.”

Based on this discussion, I propose:

**Preposition 6**: Business networks reduce transaction costs and (in many instances) serves as an alternative to joint-ownership for IEs in emerging markets.

**Competitive interaction**

IEs must deal with competition, whether in the form of challenging established businesses or by responding to imitation by followers (Mathews and Zander 2007). In domestic settings, entrepreneurs have traditionally co-evolved while sharing mutual historical, institutional, competitive, and cultural heritages. The international dimension, in contrast, introduces unacquainted operational contexts, unique challenges, and different types of competitive interaction. Furthermore, Pisano et al. (2007) argues emerging economies offers the potential for early entrants to secure strategic first-mover advantages, and Baumol (1993) explains IEs temporarily may enjoy monopoly power until imitators return the market to equilibrium. Regrettably, in the case of the incremental innovation observed in Indochina, these monopolistic advantages often prove short-lived:

“If you have an idea, fifteen days later locals will do the same.”

The competitive advantages gained from entrepreneurial innovation, or new rearrangements and combinations (Schumpeter 1934), were restricted by (1) a lack of intellectual property rights and (2) the ease by which incremental innovation can be imitated. Another unique feature of the competitive environment are the advantages domestic competitors gain from cut-price labour and ambiguous taxation systems (that locals casually circumvent):

“Operating a business in Cambodia you are at a disadvantage to the locals. Local business tends to employ their family. I don’t have 15 nieces and nephews working for me for free...as a foreigner I have to have work permits and I have to pay taxes that a majority of the local businesses won’t pay. So, the locals automatically got a massive advantage on you there.”

Even so, sustainable competitive advantages were identified among IEs. These include (1) being a trained professional, (2) sourcing customers from home countries, and (3) securing other first-mover advantages (i.e. unique locations). The first of these strategies were widely observed and include Vietnamese manicures (in Laos and Cambodia) and Indian chefs operating restaurants across Indochina. The remaining strategies (2 and 3) are illustrated in the case of Wanderlust. This IE traveled across many countries, before ultimately discovering a location for a tourist-resort that could provide sustainable competitive advantages. Such a
unique location of immense beauty was discovered, and secured, in Laos in the 1990s. Having observed development across many countries, the IE behind Wanderlust recognized this location in time would provide unique competitive advantages. Being a new enterprise, Wanderlust had no competitive advantages built at home before expanding internationally, nor any specialized skills in guesthouse operations. Rather, Wanderlust competitive advantages lay in the founder’s ability to see possibilities other economic actors did not realize existed. Furthermore, at the time of Wanderlust’s establishment, the local tourism industry relied on Westerners for revenues and growth. Being German enabled the founder of Wanderlust to negotiate cooperative arrangements with travel agencies in his home region.

Operating away from their home-bases, IEs often rely on external (rather than internal) skills to navigate institutional and cultural differences (Ellis 2000; Vance et al. 2016; Tabares et al. 2021; Mathews and Zander 2007; Pisano et al. 2007). This was confirmed during the research, with cooperative competition widely observed in the emerging markets of Indochina. Respondents generally subscribed to the idea that a rising tide would lift all boats. For example, Wanderlust would be the primary benefactor of the tourists brought to Indochina through this business, but the economic benefits would trickle-down to many other parties in the community. These include other resorts where the Wanderlust clients would stay, restaurants, bus and aviation companies, night markets, and the many roadside stalls where clients would purchase snacks. A respondent captured this idea:

“...Tourists used to come from Thailand, go to Angkor Wat, and leave the next day. Now the average tourist stays 3.5 days – and that is because there’s restaurants, and night markets, and cinemas, and water parks and many other things that IEs have introduced.”

These observations are consistent with Selmer et al. (2018) and (Prasetyo 2019) observation that IEs accelerate economic growth in emerging markets, builds local professional practice, and strengthens the local labour skill base. The positive spillover effects on the local economies were not lost by government officials (as illustrated in the following comment):

“The government likes foreigners because we’re entrepreneurial, we’re doing things the right way, paying taxes, and we’re putting money in their coffers.”

As can be seen from this discussion, in the fast-growing region of Indochina, economic actors generally benefit from cooperation. An example of this cooperation was discussed earlier in this article, where experienced IEs would readily help new entrants. In time, as market maturity sets in, the competitive dynamics may well change in line with those found in more developed economies. Based on my data and analysis, I posit that:

**Preposition 7**: Sustainable competitive strategies pursued by IEs include (1) being a trained professional, (2) sourcing business from home countries, and (3) securing unique first-mover advantages such as a unique location.

**Preposition 8**: Operating in high-growth markets, with limited resources at their disposal, IEs benefit from cooperative competitive strategies.

**Conclusions, limitations, and further research**

So, reaching the end of this study, what have we learned? What new insights emerged through the study of IE dynamics and processes in Indochina? Well, before drawing final conclusions, an understanding of the research limitations is required. It is important to beware, that accompanying any qualitative study are limitations in relation to narrow sampling, scope, and interpretations. Regardless of all due care taken through the design and enactment of the multiple case-study, and the extensive triangulation, findings may well have differed had other contexts or industries been examined. It is important to remember, however, that this exploratory study developed insights rather than new theory. And, to that end, I believe this study was rather successful. These insights were translated into propositions corroborating, elaborating, and
challenging existing theory – aimed at addressing research voids in relation to emergent market IE and to inspire further research into this omitted field.

Through a holistic examination of the findings, this study corroborates prior research e.g. Oviatt and McDougall (1995) that IE thrives in the ambiguous environments of evolving processes found in emerging markets. Opposite their MNE counterparts, these international new ventures are not competing on preexisting advantages, nor are they expanding internationally through deliberately planned stages (Mathews and Zander 2007; Ribau, Moreira, and Raposo 2015; McWilliam and Nielsen 2020). Rather, these entrepreneurs discover opportunities through travel and connections because their minds are not constrained by local traditions and norms (Geursen and Dana 2001) and they almost bypass internationalization as a process (Oviatt and McDougall 1994, 1995). Consistent with these positions, respondents in the emerging markets of Indochina (especially opportunity-entrepreneurs) almost stumble upon entrepreneurship – and they build businesses in organic and spontaneous ways through accelerated internationalization. Additionally, coming from different countries helps IEs spot opportunities (unrecognized by locals) – and being small and flexible enables IEs to thrive in the ambiguity and shifting winds of change found in emergent markets.

Through empirical insights into IE dynamics in emerging markets, this study elaborates on prior research (e.g. Pisano et al. 2007; Ireland and Webb 2009; Tabares et al. 2021). It documents how motivations like travel desires, love, limited competition, and abundant and affordable opportunities sparks entrepreneurial opportunity discovery; how incremental innovation underpins IE; how IEs (operating in high-growth markets) benefit from cooperative competition; how starting new ventures while immersed in the foreign environment integrates a degree of assimilation (MNEs cannot hope to match); and how IEs use networks to learn, evaluate ideas, and secure resources. This study also develops our knowledge (e.g. Pisano et al. 2007; Ireland and Webb 2009) by identifying sustainable competitive strategies among IEs in emerging markets, including (1) being a trained professional, (2) sourcing business from home countries, and (3) to secure unique first-mover advantages (such as unique locations).

Finally, in the context of IEs in emerging market contexts, this study challenges the transaction cost premise that uncertainty prompts shared ownership entry modes (Nielsen and Nielsen 2011; Hennart 1991; Kogut and Singh 1988; Agarwal and Ramaswami 1992). In Laos and Cambodia, IEs largely pursued fully-owned ventures. In Vietnam, shared ownership was embraced, but less by choice, and more because of legal considerations. Many respondents argued the absence of prohibiting regulations benefits entrepreneurship, that being a foreigner is not necessarily a liability, and that ambiguities are not as disadvantageous as generally assumed. The main concern among IEs relates to non-complicated investments climates and pro-business dispositions among authorities. Indeed, for many independent IEs, networks and personal assistances effectively serves as an alternative to joint-ownership and business partners.

Thus, institutional and transaction cost theory appears to fall short when used to explain market entry modes of independent IEs in emerging market settings. This, however, should not necessarily come as a surprise. As previously explained, theoretically IE rests conceptually upon the foundations of entrepreneurship and international business (McDougall and Oviatt 2000) and encompasses theories of both disciplines (Perenyi and Losonczi 2018; Zucchella 2021). However, it is widely acknowledged that theory developed in mature markets, typically derived from corporatist approaches, may not necessarily be applicable to independent IEs in emergent markets (e.g. Martens et al. 2016; Sengupta, Sahay, and Croce 2018; Vance et al. 2016; Perenyi and Losonczi 2018; Tabares et al. 2021). As documented in this study, the small investments, non-monetary motivations, and opportunistic behaviors of IEs contrast to those of larger corporations and mature market settings historically emphasized in the literature (Verbeke and Ciravegna 2018; Schellenberg, Harker, and Jafari 2018). Thus, among individual IEs in emerging market settings, we need to further examine our assumptions about entrepreneurial dynamics; in particular the transaction-cost premise that cost-minimization and risk-adjusted return on investment underpins foreign market entry choices (Nielsen and Nielsen 2011; Hennart 1991; Kogut and Singh 1988; Agarwal and Ramaswami 1992; Anderson and Gatignon 1986).
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