Transnational diaspora entrepreneurship in emerging markets: Bridging institutional divides

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A B S T R A C T

Transnational diasporan entrepreneurs are migrants and their descendants who establish entrepreneurial activities that span the national business environments of their countries of origin and countries of residence. We explore how business incubators contribute to the economic development of emerging markets by organizing their programs to bridge the institutional divides that transnational diaspora entrepreneurs face when establishing their multi-territorial ventures in these markets. Drawing on qualitative fieldwork conducted in the Netherlands during 2007, we present the case study of IntEnt, an incubator providing services exclusively to transnational diasporan entrepreneurs. We apply Bergek and Norrman’s (2008) assessment framework to this case, examining IntEnt’s goals, model (selection, business support, and mediation activities), and outcomes. Employing Eisenhardt’s case-based theory development approach (1989), we then leverage case findings to generate theory about the institutional challenges faced by transnational diaspora entrepreneurs and the role that incubators can play in helping these entrepreneurs overcome these challenges.

1. Introduction

Institutions provide the foundation for long-run national economic performance by structuring incentives in human exchange and interaction (North, 1990). Many emerging market economies suffer from institutional voids, due to a lack of specialized intermediaries whose actions typically serve to reduce transaction costs and encourage interaction between potential buyers and sellers. Institutional voids underpin many of the structural challenges in emerging markets and often make it challenging for firms to succeed in these environments (Khanna and Palepu, 2010). How institutions affect business strategy, operations, and firm performance is an increasing concern of international management research (Ricart et al., 2004).

Institutional voids in emerging markets often serve as “push factors,” encouraging and, in some cases, forcing individuals to leave their country of origin (COO) to seek refuge and opportunity in distant lands (Massey, 1998). Migrants in today’s globalized world often leverage developments in transportation and communication technologies to connect with their COOs in ways that were unimaginable in the past. These advancements have fostered the development of diasporas, or “social–political formations…whose members regard themselves as of the same ethno-national origin…who maintain regular or occasional contacts with what they regard as their homelands and with individuals and groups of the same background” (Sheffer, 2006:10).

As Ramamurti (2004) and others (e.g., Buckley et al., 2002; Huang and Khanna, 2003) have noted, diaspora entrepreneurs are an important subset of foreign investors in many emerging markets. Diaspora entrepreneurs are often motivated to invest in their...
COO for more than just pecuniary reasons; they may view their investments as a way to contribute to the economic development and stability of their COO, to provide friends and family back home with economic opportunity, and/or to enhance their social standing in the COO and/or their diaspora community (Nielsen and Riddle, 2009). Targeting diasporan investment and entrepreneurship has been identified as a “creative foreign investment strategy” for many nations (Gillespie et al., 1999). Many emerging markets have established policies and marketing programs to attract investment capital from their diasporas abroad (Riddle and Marano, 2008; Riddle et al., 2008).

While some diaspora entrepreneurs permanently repatriate to their COO, many more “migrate circularly,” or return regularly to the COO physically and virtually through social networking sites, electronic bulletin boards, and other online venues (Teferra, 2004). These circular migrants often establish a business with operations that exist simultaneously in both the diasporan’s COO and country of residence (COR) and travel between operational locations. Transnational entrepreneurs are believed to be a distinct type of international entrepreneur in that their entrepreneurial activities span national business environments—often concurrently (Drori et al., 2006). Transnational diaspora entrepreneurship has been described as a “social realm of immigrants operating in complex, cross-national domains, with dual cultural, institutional, and economic features that facilitate various entrepreneurial strategies” (Drori et al., p. 1).

Transnational diaspora entrepreneurship can generate opportunities for diasporans and the societies in which they operate, serving as an example of “making globalization good” (Dunning, 2005). Transnational diasporan entrepreneurs—and the ideas, resources, and employment opportunities they bring—also can exact a profound impact on the economic and social development of their home countries (Kuznetsov, 2006; Sørensen, 2007).

Yet, transnational diaspora entrepreneurship often is fraught with many difficulties. Transnational diaspora entrepreneurs often must navigate between starkly different institutional and business environments, particularly when the COO is an emerging market and the COR is a developed country. While starting any new venture is challenging, simultaneously establishing and running operations in two locations is even more time consuming, exhausting, and risky for the entrepreneur. If the diasporan has lived outside the COO for a long time and only visits the COO occasionally, she may face steep learning curves in terms of understanding how to successfully do business in the COO. Some transnational diasporan entrepreneurs charge a family member or friend with the day-to-day operations of their organization in the country of origin, maintaining some degree of organizational control from afar. Thus, the transnational command, control, and communication challenges that transnational diasporan entrepreneurs encounter are similar to those faced by multinational enterprises. Yet, the burden of transnational operations for an individual transnational diasporan entrepreneur may be quite heavy and lead to firm performance problems or eventual divestiture.

Business incubators are institutions that help entrepreneurs overcome the financial, human, and social capital impediments that they face during the “hatching” phase of business creation, thereby overcoming market failures that create a “liability of newness” for nascent firms (Bollinghoff and Ulhøi, 2005: 284). In this paper, we explore how transnational business incubators contribute to the economic development of migration-sending countries by organizing their programs to bridge the institutional divides that transnational diaspora entrepreneurs face when establishing their multi-territorial ventures in these markets. Drawing on qualitative fieldwork conducted in the Netherlands during 2007, we present the case study of IntEnt, an incubator providing services exclusively to transnational diasporan entrepreneurs. We apply Bergek and Norman’s (2008) assessment framework to this case, examining IntEnt's goals, model (selection, business support, and mediation activities), and outcomes. Employing Eisenhardt’s case-based theory development approach (1989), we then leverage case findings to generate theory about the institutional challenges faced by transnational diaspora entrepreneurs and the role that incubators can play in helping these entrepreneurs overcome these challenges in emerging markets.

This paper is organized as follows. First, we briefly review the extant literature regarding diaspora entrepreneurship and business incubation. Then, after describing the methods employed in our study, we detail IntEnt’s specific goals, model, and outcomes. We then explore how IntEnt’s activities help its transnational diaspora entrepreneur clients overcome the specific institutional challenges that they face as they seek to establish new ventures in their countries of origin.

2. Literature review

2.1. Diaspora entrepreneurship

Cross-border economic interactions between diaspora communities and their homelands have attracted scholarly attention in the social sciences. For example, research in anthropology, economics, and sociology has investigated the magnitude and impact of remittances sent from diaspora members to their families in the homeland (Cohen, 2005). The relationship between diaspora networks and international trade has been explored extensively in economics (e.g., Gould, 1994; Mundra, 2005). Diasporas have been credited with facilitating international commerce (Cohen, 1997). A World Bank study of US foreign direct investment (FDI) abroad finds empirical evidence to support the proposition that diasporas’ ethnic networks affect foreign direct investment by promoting information flows across international borders and serve as contract-enforcement mechanisms (Javorcik et al., 2006). Diaspora involvement in homeland philanthropy has also been examined (e.g., Brinkerhoff, 2009).

Diaspora entrepreneurship has played an important role in many emerging markets. Huang and Khanna (2003: 81) have observed, “with the help of the diaspora, China has won the race to be the world's factory. With the help of the diaspora, India could be the world’s technology lab.” Between 1979 and 1995, investment by the Chinese diaspora accounted for 80% of total...
foreign direct investment (FDI) in China. The Indian diaspora is estimated to have invested $2.6 billion out of $10 billion of FDI in India between 1991 and 2001 (Wei and Balasubramanyam, 2006).

Many developing and transition countries that find it challenging to compete in the global race for investment capital have targeted diaspora entrepreneurs for investment. This investment-attraction strategy has been noted to be particularly useful for countries that might be deemed less attractive by non-diaspora investors because of small domestic market size, inadequate infrastructure, or less-attractive structural characteristics (Gillespie et al. 1999). For example, between 1998 and 2004, diaspora investment accounted for 25% of total foreign direct investment flows into Armenia (Hergnyan and Makaryan, 2006). Diaspora investment has generated some of the largest investments in post-conflict Afghanistan; Afghan Wireless, Afghanistan’s market leader in telecommunications, a $25 million Coca-Cola bottling plant, and Afghanistan’s first retail mall all were established by Afghans in the diaspora.

Many diasporans start businesses in their COO but continue to live in a COR abroad, circular migrating between the two nations as they run their business. Circular migration and the transnational knowledge and social networks that it fosters create very specific opportunities for diaspora entrepreneurs. These entrepreneurs often leverage unique cultural resources or market knowledge in their new ventures (Portes et al., 2002). The transnational ventures founded by these entrepreneurs may take many forms, including circuit firms (transferring remittances and goods between the COR and the COO), cultural enterprises (selling goods from the COO to fellow immigrants in the COR), and return-migrant enterprises (firms established in the COO by entrepreneurs residing outside the country) (Landolt, 2001; Landolt, Autler and Baires, 1999).

A burgeoning literature has explored the cross-national entrepreneurial activities of these transnational diasporans (e.g., Chin et al., 1996; Gillespie et al, 1999; Portes et al., 1999). To date, the majority of scholarly work regarding transnational diaspora entrepreneurship has examined the phenomenon post hoc, exploring the social characteristics and business activities of diasporans who have undertaken successful transnational enterprises. Lesser attention has been paid to identifying the specific obstacles these entrepreneurs may face that impede the realization of their transnational venture ideas.

2.2. Business incubators

Since the creation of the first business incubator in the United States in 1959 (Hackett and Dilts, 2004), incubators have become increasingly commonplace in many other areas of the world (Aernoudt, 2004; Allen and McCluskey, 1990; Bergek and Norrman, 2008). Yet, most research regarding business incubators and their efficacy primarily has focused on the ways in which these organizations cultivate and support domestic entrepreneurs, or entrepreneurs who live and establish business operations in the incubator’s proximal economy. Key issues explored in this literature include incubators’ goals, stakeholder set, assessment procedures, and services rendered to domestic entrepreneurs.

2.2.1. Goals

Business incubators aim to improve the survival likelihood of new ventures (Allen and Rahman, 1985) and generate subsequent local economic benefits (Campbell and Allen, 1987). These benefits include job creation (both generally and for targeted social classes such as women and minorities), technology commercialization, investment attraction, the fostering of a region’s entrepreneurial climate, and the generation of economic revitalization or diversification.

Since a primary function of a business incubator is to improve the likelihood of survival of successful new businesses, identifying and focusing on those entrepreneurial candidates that appear to hold the greatest potential for success is an important first step in this process. Screening and selection is viewed as a critical function in the overall incubator process and has garnered considerable attention in the incubator literature (e.g., Aerts et al., 2007; Hackett and Dilts, 2004).

The exact nature of the screening criteria employed by various types of business incubators also varies considerably. Although the critical success factors incubator managers utilize often include the consideration of market, financial, and personal factors, the actual screening criteria used are often a function of the sponsorship of the incubator (Lumpkin and Ireland, 1988). This finding does not seem surprising in that incubator stakeholders are likely to have specific interests regarding incubator outcomes (e.g., job creation versus profitability).

2.2.2. Stakeholders

Identifying and engaging appropriate stakeholders is critical for enabling the successful start-up and growth of new ventures. Although incubators can be public, private, or a combination of the two, the actual composition of the stakeholder set is often quite diverse. In fact, incubator best-practice guides note that local and regional individuals, organizations, and government agencies contribute or facilitate access to the technical, financial, political, and other resources essential for entrepreneurial success.

The mission of a given incubator and the type of entrepreneurial activities that it is designed to facilitate often is a reflection of the stakeholders involved in the establishment of the incubator. With the exception of a spike in the number of for-profit incubators in the U.S. during the “dot.com” economic boom and bust of the late 1990s, the vast majority of business incubators are non-profit entities that rely heavily on public funding (Hackett and Dilts, 2004). As these researchers point out, this dependency on public funds has important consequences for both the actual operation of the incubator and the reporting of its performance to stakeholders. Thus, the local and regional public agencies that are often important stakeholders responsible for the initiation and funding of the incubator consequently have a substantial influence on its objectives, operations, and assessment.
2.2.3. Assessment

While a number of impact studies and best-practice manuals exist regarding business incubators (Bergek and Norrman, 2008), established performance metrics, operating procedures, and benchmarking resources are still lacking in the field (Bearse, 1998). Most incubator evaluation procedures do not measure total employment or other economic impacts generated by incubator organizations (Markley and McNamara, 1995). Measures of incubator impact often include the number of new start-ups created and the number of new jobs created (Hackett and Dilts, 2004). However, such measures do not capture subjective factors, such as the ways in which incubator activities affect the local business climate or the heightened awareness generated among the constituents of the incubator’s social network regarding the challenges of new venture creation. Although more difficult to assess, such issues represent important contributions of an incubator that seeks to foster a local environment supportive of entrepreneurial activity.

2.2.4. Services

To achieve its goals, an incubator must provide the appropriate mix of services necessary to help the entrepreneur overcome the capital-access challenges that he faces when beginning a new venture. Most business incubators today offer a variety of developmental and support services through both its internal and external resources. Bergek and Norrman (2008) have developed a three-part process to isolate the differences across incubators. According to this process, incubator objectives—and their prioritization—are influenced by the incubator’s specific stakeholder set and are assessed first. Second, the incubator’s model, or the services that it offers to entrepreneurs, is examined. Bergek and Norrman (2008) argue that the primary distinguishing components of an incubator’s model are its selection, business support, and mediation services. An incubator establishes a set of guidelines and procedures that it uses to determine which ventures to select for participation in the incubator’s program. Incubators then provide business support services, or coaching and training activities that help the selected entrepreneurs develop their ventures. They also connect the entrepreneur to others in the incubator’s program and the outside world. The final part of Bergek and Norrman’s process involves identifying how and why specific outcome measurements are used to evaluate the incubator’s performance.

2.2.5. A new breed of incubator

A handful of incubators have begun to provide specific services to transnational entrepreneurs. Although some of these organizations have been operating for more than a decade, little is known about them. How does what they do differ from that of a traditional, domestically focused incubator? What are the goals of a transnational business incubator? Who are the key stakeholders for this type of an organization? What services do transnational business incubators offer? How do they measure their performance? How do they impact the economies in which they operate? Most importantly, how do their services help transnational diaspora entrepreneurs overcome the challenges that they face, particularly in emerging markets?

3. Methods

To answer these research questions, we draw on the case study of IntEnt (Internationalization of Entrepreneurship), a nonprofit incubator headquartered in The Hague, the Netherlands. IntEnt offers business-incubation services to migrants living in the Netherlands who seek to establish a new venture with at least partial operations in their COO. IntEnt incubates transnational diaspora businesses; its founders describe its activities as a “bridging program based on the concept of circular migration” for “people [who] live in two societies and search for ways to make use of experience and insights gained in either country” (Molenaar and Joosten, 2006: 62).

As one of the few business incubators solely focusing on the needs of transnational diaspora entrepreneurs, IntEnt is a case with “rare or unique” qualities and a logical choice for “theoretical sampling” (Eisenhart, 1989; Yin, 1994). Exploring IntEnt’s business model and contrasting case-study findings with extant knowledge of the activities of domestically focused incubators crystallizes the specific challenges of transnational business incubation and isolates the modifications they need to make to successfully support transnational diaspora entrepreneurship. Stake (1995: 244) maintains that the case study method is particularly “useful when the opportunity to learn is of primary importance.” Yin (1994) argues that a single-case design can be beneficial when the case is revelatory, where there is a basis for discovery and rich description.

This case study is based on fieldwork conducted in 2007. Following Yin (1994), a study protocol, including an overview of the project, field procedures, study questions, and an initial guide for the case narrative, was developed prior to departure. The protocol was structured to gather data concerning IntEnt’s goals, model (selection, business support, and mediation services), and outcomes, issues previously addressed only in the literature regarding domestic incubators.

Multiple sources of evidence were collected and triangulated (Yin, 1994). Fieldwork included interviews with key informants, non-participant observation of IntEnt-client interaction, and archival document collection. Semi-structured interviews were conducted with informants within and outside of the IntEnt organization, including: (1) IntEnt senior, middle, and front-line management, (2) transnational diasporan entrepreneurs in the local community who were receiving IntEnt services or who had either chosen not to utilize or had discontinued the use of IntEnt’s services, (3) IntEnt’s major funding providers, (4) migrant community leaders, and (5) Dutch government officials. IntEnt interviews and meetings with potential and existing clients were observed both at their office location and at off-site functions. An extensive field diary, including the researchers’ thoughts about IntEnt’s activities, informal conversations with informants, and the content of IntEnt–client interactions was kept and recorded.
during all field work. Archival data, including numerous documents describing IntEnt's origins, historical reports of IntEnt's activities, and IntEnt's current promotional materials designed for migrant and potential funding audiences were collected. Data analysis involved a three-step process. First, interview transcripts, field notes, and archival document data were organized. Moving iteratively between data and extant theory regarding domestic incubators, we sought to develop meaningful conceptual categories (Eisenhart, 1989). Data was first coded around the study themes of IntEnt's goals, model (selection, business support, and mediation services), and outcomes. Then underlying, emergent sub-themes were identified and coded appropriately (Miles and Huberman, 1994). A descriptive summary of the case was then crafted and reviewed by key informants (Yin, 1994). In the second step, memos were written to record our thoughts about the case and how it contrasts and compares to existing literature concerning domestic business incubation (Miles and Huberman, 1994). Lastly, we “enfolded” our findings with insights from the literature on business incubators, allowing us to develop and contextualize our findings theoretically (Eisenhart, 1989).

4. Findings

IntEnt provides services to migrants who seek to establish a transnational venture with some degree of operations in their COO. Most of IntEnt’s clients originate from six emerging markets that represent the major migrant-sending countries for the Netherlands: Afghanistan, Ethiopia, Ghana, Morocco, Surinam, and Turkey. Compared to starting a business in the Netherlands, establishing a business venture in these countries is significantly more difficult. Thus, these entrepreneurs are often faced with navigating between different business environments as they establish and operate their new ventures.

4.1. IntEnt’s goals

IntEnt’s main goal is to help these transnational entrepreneurs and their businesses “bring economies and societies together,” linking migrants’ COOs to their COR, the Netherlands (Molenaar and Joosten, 2006: 61). The ultimate purpose, as IntEnt’s director told us, is to “add value to society, improving our society and economy and that of the migrant’s country of origin.” IntEnt founders claim that “migrant entrepreneurs can be the nexus between two societies and can contribute to the development in one or both societies by their initiatives built on the actual transfer of know-how, experience, and resources” (Molenaar and Joosten, 2006: 9). Thus, IntEnt’s objective in and of itself is transnational, with a bifurcated geographic focus centered on stimulating entrepreneurial activity simultaneously in the entrepreneur’s COO and COR.

IntEnt strives to achieve this objective by rendering services that identify the entrepreneur, nurture and embed his new venture in the COO economy, and develop institutions in both the COR and COO to enhance the transnational business-enabling environment. Enumerated stakeholders included a subset of entities located in Holland, the migrants’ CORs, and in migrants’ COOs.

The Dutch government is a critical stakeholder for IntEnt. An IntEnt promotional publication describes in detail the historical relationship between IntEnt and the Government, linking IntEnt’s activities to the Government’s perspective of and approach to immigration and overseas development. Essentially, IntEnt offered a “way out” of the immigration controversy that erupted in Holland in the 1990s by framing the solution as program of international business development.

Several individuals we interviewed identified economic benefits of IntEnt’s program that strengthen the Dutch economy beyond the impact on migrants and migrant businesses. For example, IntEnt’s founder, Klaas Molenaar, noted “migrant entrepreneurs use circular migration as a way to explore new markets for Holland. It would be unwise [for the Dutch government] to not be a part of it.” Indeed, the numerous IntEnt clients that have brokered joint ventures between Dutch companies and local businesses in developing countries reflects a key objective of the Ministry of Economic Development.

Migrant organizations, including religious, professional or cultural groups, also are key stakeholders for IntEnt. As Bert Spenkelink, IntEnt Program Director for Ghana, told us, “It’s important to recognize and to talk and to see what these people are doing. We also need to tell them what we are doing. Because it’s huge when the Ghanaian migrant does something with Ghana.” IntEnt’s founder explained that involvement at migrant community events enhances trust between potential transnational entrepreneurs and IntEnt, “because they say, Oh, I’ve heard about IntEnt at a festival, they are ok. We need this kind of ‘ok-ing.’”

The final and most important stakeholder for IntEnt in the Netherlands is the transnational entrepreneur and his family. Many migrants in the Netherlands originate from meager means, and those who possess substantial education and good jobs are often

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3 These challenges are reflected in the differences between the Netherlands and these countries on the World Bank’s Doing Business In index, a compilation of business-enabling institutional quality ratings across 181 countries. Whereas the Netherlands is ranked 26th on this index, Afghanistan (ranked 162), Ethiopia (ranked 116), Ghana (ranked 87), Morocco (ranked 128), Surinam (ranked 146), and Turkey (ranked 59) are ranked much lower.

4 The Dutch government provided IntEnt with pilot funding for three years (1997–2000) and yearly renewal funding for an additional three years (2001–2004). On 12 October, 2004, IntEnt signed a “covenant” with Ms. Agnes van Ardenne, Dutch Minister of Development Cooperation, and Hivos (the Humanist Institute for Cooperation with Developing Countries), a Dutch non-governmental development agency. As part of the covenant, the Dutch government decreased its direct financial support of IntEnt and Hivos became its primary funder.
just beginning to build a savings base. Thus, IntEnt clients do not pay more than 10 percent of the total costs of the services they receive. Kim Kiszelnik, IntEnt Project Manager, described IntEnt’s responsibility to its entrepreneurs:

“I feel responsible for the entrepreneurs because you have some entrepreneurs here, or clients, who work here in a low-skill job. They want to set up an enterprise, and we facilitate him in receiving [for example] €20,000 in debt. So I feel it’s my responsibility because if he fails, he hasn’t been able to save up the €20,000 in his career so far. So how will he be able to pay if he fails?”

IntEnt also offers educated and business-savvy entrepreneurs needed skills, knowledge, and connections. Mr. Seth Lokko, an ExxonMobil process technician with a graduate-level education from a European university, explained to us, “I am Dutch. But, I’d like to go back to my country [of origin] to help the country. But I was not sure where to begin, who to talk to. IntEnt helped me get started.” In general, the services that IntEnt provides offer transnational entrepreneurs the chance to become their own boss and provide possible opportunities for employment and wealth-creation for the entrepreneur’s family and friends.

The transnational entrepreneur’s COO is also a key stakeholder for IntEnt. Capital transfers made by transnational entrepreneurs contribute to the macroeconomic health of the COO by enhancing foreign exchange reserves and contributing to a positive balance of payments. These transnational businesses generate jobs, although at first local employment effects may be small and may only be offered to the transnational entrepreneur’s family and friends in the local community. Joop Vianen, chairman of IntEnt, explained to us how these new ventures can also provide a powerful “demonstration effect.” For example, take “a Ghanaian who sets up a business in Ghana, with the support of IntEnt. When he succeeds in his enterprise, he can establish an import–export link with Holland, thus creating a portal of trade, which might be an example to other Ghanaians.” In IntEnt’s view, the more entrepreneurship-enabling a COO economy becomes, its attractiveness as a Dutch investment destination increases.

IntEnt focuses on establishing sustainable economic development practices, such as developing strong relationships with local institutions who understand the needs of and success factors in the local economy. Partnerships with national investment-promotion agencies in the transnational entrepreneurs’ countries of origin also can help resource-strapped, developing-country governments achieve their investment-generation goals (Riddle et al., 2008). IntEnt currently maintains a formal partnership with Afghanistan’s Investment Support Agency and Ghana’s Investment Promotion Centre. In other countries, such as Morocco, IntEnt partners with private-sector and non-governmental organizations focused on small- and medium-sized firm development, such as chambers of commerce. In Surinam, the local partner is a community bank.

The IntEnt case illustrates several key differences between domestic and transnational incubation goals. First, while domestic business incubators concentrate on localized economic development by generating employment and economic growth in the proximal economy, IntEnt defines its economic development mission with two different geographic points of reference. Their goal is to enhance both the local economy in the Netherlands by creating meaningful employment for the local migrant population and the COO economy by creating linkages between Dutch businesses and the markets where IntEnt-sponsored new ventures are operating. Thus, the focus of an incubator’s economic development activities is a key difference between traditional, domestic business incubation and the incubation of a transnational new venture.

Second, the complex geographic focus of the transnational incubator’s purpose involves an expansion of their entire business context so that they can effectively operate in two different markets. This expansion broadens their set of key stakeholders. Domestic incubators typically define key stakeholders as comprising the local government, business community, and their client entrepreneur or enterprise. This set of stakeholders is bound within an environment comprised of similar laws, behavioral norms, rules of engagement, and business practices. These similarities contribute to domestic incubators’ abilities to assess and satisfy stakeholder needs and expectations. This is in contrast to transnational incubators that possess two distinct sets of stakeholders not operating within similar environments. IntEnt must first and foremost understand and operate within a set of rules established by the Dutch government. But, for example, in the case of a Surinamese entrepreneur, IntEnt must also understand and operate within a set of rules established by the Government of Surinam. This challenge is exacerbated by the additional need to reconcile the procedural and legal differences between the Netherlands (COR) and Surinam (COO) to ensure that money transfers, product shipments, and other operational necessities occur reliably.

However, the first step contributing to IntEnt’s success, partially defined by their positive impact on economic development, is based on their ability to identify and support the entrepreneurs that possess the critical skills and experiences to succeed in a transnational context. Therefore, we next examine how differences in IntEnt’s model are shaped by its specific stakeholders, focusing on its selection, business support, and mediation services.

4.2. IntEnt’s model

Table 1 describes the four main stages of IntEnt’s entrepreneurial development support. As the transnational entrepreneur progresses through each of these stages, she participates in IntEnt’s selection, business support, and mediation services.

During the initial phase of this process, IntEnt emphasizes an approach they call “positive de-motivation,” telling prospective entrepreneurs that to start one’s own business is indeed a challenge and opportunity. But we also stress that it [entrepreneurship] requires special traits to be successful and that success cannot be guaranteed” (Molenaar and Joosten, 2006: 65). Bert Spenkkelink, IntEnt Program Director for Ghana, explained to us that positive de-motivation is particularly needed for transnational entrepreneurs because “they’ve been away from their origin countries for so long many of them do not realize how difficult an enterprise will be.”

The prospective transnational entrepreneur first visits the IntEnt office and takes a written test. The test consists of several questions probing the entrepreneur’s personality and behavioral characteristics, such as creativity, flexibility, and punctuality. The
entrepreneur’s financial and personal social situation, her motivation for entrepreneurship, and the rationale for wanting to go back to the COO are also investigated.

In each interview we conducted with IntEnt staff, we posed the question: What type of person is the ideal IntEnt client? Common characteristics that emerged among informants’ responses included a (1) clear articulation and rationalization of a good idea, (2) previous entrepreneurial experience (e.g., starting innovative new projects, taking unusual/creative trips, or starting other businesses), (3) demonstration of what IntEnt employees refer to as a desire to be one’s own boss, to follow in the footsteps of an entrepreneurial parent, or to support particular family members in the other businesses), (3) demonstration of what IntEnt employees refer to as a desire to be one’s own boss, to follow in the footsteps of an entrepreneurial parent, or to support particular family members in the other businesses), (3) demonstration of what IntEnt employees refer to as a desire to be one’s own boss, to follow in the footsteps of an entrepreneurial parent, or to support particular family members in the other businesses), (3) demonstration of what IntEnt employees refer to as a desire to be one’s own boss, to follow 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This may result in substantial numbers of migrants that may be attracted to—be particularly important. Real or perceived employment discrimination encourages higher proportions of migrants to turn to self-entrepreneur’s spouse, and (6) relatively few family responsibilities.

In each interview we conducted with IntEnt staff, we posed the question: What type of person is the ideal IntEnt client? Common characteristics that emerged among informants’ responses included a (1) clear articulation and rationalization of a good idea, (2) previous entrepreneurial experience (e.g., starting innovative new projects, taking unusual/creative trips, or starting other businesses), (3) demonstration of what IntEnt employees refer to as a “motivation for entrepreneurship,” for example, the desire to be one’s own boss, to follow in the footsteps of an entrepreneurial parent, or to support particular family members in the COO, (4) strong family ties in the COO, (5) strong family support in the COR for the transnational venture, particularly from the entrepreneur’s spouse, and (6) relatively few family responsibilities.

The IntEnt case identifies two key differences between domestic and transnational entrepreneurial selection. First, although most incubators play some type of a selection role, the need to emphasize positive de-motivation among migrant populations may be particularly important. Real or perceived employment discrimination encourages higher proportions of migrants to turn to self-employment options (Guarnizo et al., 2003). This may result in substantial numbers of migrants that may be attracted to—but not necessarily ready for—the rigors and costs of transnational entrepreneurship. Encouraging transnational entrepreneurship, while simultaneously providing education about the challenges and sacrifices associated with this type of entrepreneurial activity, helps many migrants make better informed choices and may protect the potential loss of their scarce capital and precious time.

Second, the intense amount of travel involved in establishing a transnational venture also highlights the importance of certain personal characteristics in the transnational entrepreneurship process. Family support for the new venture and a limited role in the care of dependents or other household responsibilities may be critical selection criteria for transnational incubators to assess.

Next, we discuss the ways in which IntEnt’s business support services highlight the unique human capital needs of transnational new ventures. IntEnt’s business support services are designed to enhance the human capital of the transnational entrepreneur, arming him with the specific knowledge and skills he will need to successfully launch and operate a transnational business.

### 4.2.1. Human capital

After the transnational entrepreneur is selected for participation in the IntEnt program, she participates in a two-day training orientation seminar. Participants also receive the IntEnt Workbook, designed to walk the entrepreneur through the basic steps of business-plan design. Considerable time is spent during this phase discussing the unique challenges of transnational entrepreneurship, especially the difficulties involved with raising capital, navigating bureaucracy, establishing contacts, and training employees in the COO.

The entrepreneur then is introduced to a business advisor, who provides insight and support during the business-planning process. These advisors sometimes consist of IntEnt salaried staff but often are subcontractors retained by IntEnt. The advisor is someone who has knowledge about writing a business plan, is familiar with the COO culture, and who lives and maintains a business-plan design. Considerable time is spent during this phase discussing the unique challenges of transnational entrepreneurship, especially the difficulties involved with raising capital, navigating bureaucracy, establishing contacts, and training employees in the COO.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Activity</th>
<th>Focus of the activity</th>
<th>Services rendered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion</td>
<td>Information</td>
<td>Information</td>
<td>Direct and indirect promotion and publicity. Providing information through different channels to the target groups (info meetings, press releases, websites, migrant organizations)</td>
</tr>
<tr>
<td>Preparation</td>
<td>Selection</td>
<td>Appraisal of entrepreneurial capacity and potential for success</td>
<td>Intake interviews by IntEnt staff, referrals by IntEnt staff, IntEnt Enterprise Centre for self tests</td>
</tr>
<tr>
<td>Orientation</td>
<td>Am I an entrepreneur?</td>
<td>Training courses and individual counseling, IntEnt workbook</td>
<td>Training courses by an experienced (subcontracted) business advisor co-funded by IntEnt</td>
</tr>
<tr>
<td>Entrepreneur</td>
<td>Understanding the importance of a well-thought-of plan</td>
<td>Counseling by an experienced (subcontracted) business advisor co-funded by IntEnt</td>
<td></td>
</tr>
<tr>
<td>Formulation</td>
<td>Formulation of provisional business plan, a do-it-yourself approach</td>
<td>IntEnt Enterprise Centre, information session, facilitation of market research (co-funding costs), assistance from a local business advisor, support by a local business office Assistance from business advisor, IntEnt financial model, IntEnt Enterprise Centre</td>
<td></td>
</tr>
<tr>
<td>of the</td>
<td>Data collection (market research)</td>
<td>Business plan support services (e.g., IntEnt Guarantee Fund for Supplementary guarantees, IntEnt Social Investment Fund for participation and/or subordinated loans, financing by participating banks)</td>
<td>Business plan support services (e.g., IntEnt Guarantee Fund for Supplementary guarantees, IntEnt Social Investment Fund for participation and/or subordinated loans, financing by participating banks)</td>
</tr>
<tr>
<td>business</td>
<td>Formulation of final business plan</td>
<td>Business plan support services (e.g., IntEnt Guarantee Fund for Supplementary guarantees, IntEnt Social Investment Fund for participation and/or subordinated loans, financing by participating banks)</td>
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</tr>
<tr>
<td>Launch</td>
<td>Preparing</td>
<td>Appraisal by (external) appraisal committee</td>
<td>Appraisal of the final business plan by an independent committee of experts, advisory services</td>
</tr>
<tr>
<td>Financing</td>
<td>Arranging the start and financing of the business</td>
<td>Acting as intermediary, IntEnt Guarantee Fund for Supplementary guarantees, IntEnt Social Investment Fund for participation and/or subordinated loans, financing by participating banks</td>
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</tr>
<tr>
<td>Implementation</td>
<td>Start-up</td>
<td>Counseling by a local business advisor during the start-up phase and the first months of operation</td>
<td>Co-funding for local business advisors, support by coordination office, IntEnt Business Club</td>
</tr>
<tr>
<td>Strengthening</td>
<td>Tackling certain specific management problems in a more systematic way</td>
<td>Business clinics, training by local trainers, support by coordination office, IntEnt Business Club</td>
<td>Business clinics, training by local trainers, support by coordination office, IntEnt Business Club</td>
</tr>
</tbody>
</table>

Table 1: The IntEnt program. (Molenaar and Joosten, 2006: 64).
business in Holland. Some business advisors are former IntEnt clients, others are prominent entrepreneurs in the local migrant community, while still others are non-migrant businesspeople with considerable international business experience.

Creating a business plan, conducting market research, and acquiring information about the institutional and regulatory environment in the COO require specific knowledge and experience in the relevant business environment. This often is all the more challenging to accomplish given the numerous institutional voids and weaknesses in many COO economies (Mair and Marti, 2008). For transnational incubators, the “relevant business environment” is multidimensional and therefore more complex. Considering the example of a Moroccan entrepreneur working with IntEnt illustrates the complexity of understanding the institutional and regulatory environment. Highlighting the importance of effectively managing the dynamics of cross-border transactions, not only does IntEnt need to learn and teach this knowledge for Holland and Morocco, but it also must have an understanding of the institutional and regulatory implications of running a business in Morocco from Holland. For example, what are the entrepreneur’s tax obligations to each country? What are the implications of production standards and subsequent cost differences for securing necessary supplies? How might these implications affect the economic development of each country? These are just a few examples of what transnational business incubators like IntEnt must consider and develop expertise in to adequately serve their clients.

Transnational incubators also must cope with an additional human capital issue: helping the transnational entrepreneur navigate the unique challenges and complexity associated with doing business across multiple borders simultaneously (Drori et al., 2006). Cultural, institutional, and economic differences between the COR and the COO may affect money transfers, product shipments, and other operational necessities critical to the transnational venture. These “dynamic cross-border transactions” involve frequently changing processes (e.g., currency valuations, commerce regulations, and travel rules), which are inherently dynamic and often play a vital role in the transnational business (see Fig. 1). Preparing entrepreneurs for success depends on the environment within which they will be operating. Domestic entrepreneurs operate within a well-defined environment that has similar laws, behavioral norms, rules-of-engagement, and business practices. IntEnt’s transnational entrepreneurs must operate effectively in their COR, in their COO, and while managing the dynamics of cross-border transactions—a developmental task that is significantly more complex.

In addition to building the human capital of transnational entrepreneurs, transnational incubators also may be compelled to strengthen human capital within the institutions of entrepreneurs’ COO. According to IntEnt’s director, IntEnt is often engaged in institution-building activities to “educate and change the mindset” of those who might impede or aim to support transnational entrepreneurship. IntEnt leaders, Klaas Molenaar and Marcellian Joost, claim that IntEnt is “expected to initiate institutional development processes, e.g., assist the participating SME institutions in strengthening their implementing capacity” (Molenaar and Joosten, 2006: 71). IntEnt’s director and several country program directors regularly meet with COO government officials and others in the development community (e.g., multilateral organizations, donor-country aid agencies, and non-governmental organizations) engaged in private-sector development activities in the COOs to make them aware of the benefits and needs of transnational business ventures.

When asked to describe their primary job duties, each of the IntEnt employees we interviewed mentioned unaided that their job entailed some aspect of institutional building through training activities. Some mentioned that they were providing assistance to IntEnt’s local coordination offices in COOs, including national investment-promotion agencies and local non-governmental organizations, to help them provide higher quality and more effective services to entrepreneurs. Others were involved with educational programs for local banks and loan officers in COOs, providing instruction on the principles and processes associated with SME lending.

4.2.2. Mediation

A critical part of IntEnt’s business plan development process involves data collection and market research. Initial data is collected utilizing resources at IntEnt offices in Holland with assistance from the business advisor. Then, a field visit to the COO is planned, co-funded by IntEnt and the entrepreneur. IntEnt introduces the entrepreneur to individuals in the partnering local

![Fig. 1. Theoretical model.](image-url)
coordination office in the entrepreneur’s COO. This local coordination office provides the entrepreneur with feedback on his business plan and makes introductions for him with individuals in the local government, local banks, and among potential partners, buyers, and suppliers. Additionally, the local coordination office identifies two local business advisors to assist the entrepreneur. Data is gathered, assessed, and integrated into the business plan by the entrepreneur. The final business plan receives iterative feedback from the entrepreneur’s business advisor in Holland and IntEnt training staff until the advisor and staff are convinced the business plan is ready to proceed to the next step.

Then, the entrepreneur presents his business plan formally to an external appraisal committee, what one IntEnt trainer referred to as a “group of wise men.” This committee consists of IntEnt’s founder and several prominent individuals from the Dutch business community. This is a very difficult and crucial test for the entrepreneur as this phase is designed to identify whether the plan is innovative and attractive enough to garner financing and support from banks and other investors. Once the appraisal committee approves of the business plan, IntEnt’s various mediation services help the entrepreneur obtain the financial and social capital necessary for success.

4.2.3. Financial capital

From the initial stages of the program, entrepreneurs are encouraged to self-finance their venture to the extent possible. To identify supplemental sources of funds, the entrepreneur is introduced to individuals at lending institutions and investors in both the COR and the COO. The moment the transnational venture is operational defines “a clear cut-off point” in the IntEnt program (Molenaar and Joosten, 2006: 70). The embedded transnational business is expected to seek out the counsel and advice of the entrepreneur’s business advisors and the local coordination office in the COO. The entrepreneur is introduced to the local IntEnt Business Club, a group of IntEnt alumni operating in the COO, and is encouraged to seek and provide peer-to-peer advice. An IntEnt manager observed to us, “They [the Business Club members] are the ones who know what it is like; they share what they’ve learned.”

Business incubators facilitate their clients’ access to financial capital by directly investing in or guaranteeing and supporting the investment of financial institutions and angel investors. Accomplishing this objective within a defined domestic market can be challenging. It requires the domestic incubator to learn (1) what institutions and individuals are interested in supporting entrepreneurial ventures, (2) what kind of ventures they might prefer, getting to know individuals within the institutions who oversee funding or those working with angel investors, and (3) what elements are necessary to emphasize with potential investors to secure funding. In IntEnt’s case, these challenges are compounded because it must accomplish at least some of these goals in multiple countries and help its clients manage what are sometimes vastly different financial systems.

One technique IntEnt has employed to assist its clients in overcoming these challenges involves developing partnerships with investment-promotion agencies in the transnational entrepreneur’s COO. IntEnt’s partnership with Afghanistan’s Investment Support Agency is a relevant example.

4.2.4. Social capital

Domestic and transnational business incubators share a similar imperative regarding the need to help their clients develop social capital. Essentially, building social capital involves identifying, establishing, and continuing to develop a network of contacts in order to catalyze (1) entrepreneurial activity, (2) business development, (3) financing and investment, and (4) institutional and regulatory environment management. In essence, social capital serves as a foundation from which other forms of capital can be acquired. It is a means to an end in the acquisition of financial and human capital.

Entrepreneurs, especially early in the start-up process, should develop a network of other entrepreneurs, consultants, and advisors that they can readily access for advice and assistance. This is vitally important to help them navigate the early challenges and the unknowns that they are likely to encounter. Facilitating contact with these advisors is a key success factor for business incubators. IntEnt’s challenge is to help the entrepreneur identify a geographically diverse set of advisors, including individuals in the COR and in the COO, as well as those with experience in managing complex cross-border transactions.

The final elements necessary for developing social capital include contacts within investment and regulatory environments. Developing relationships with potential contacts in these arenas is important in helping entrepreneurs navigate the challenges they face. Domestic incubators assist their clients in overcoming barriers within distinct geographic parameters. For example, they might connect clients with local government officials who could help them identify key building code requirements. Clients served by IntEnt benefit from knowing local government officials, but to maximize their effectiveness, they also must be connected to officials in their COOs. Entrepreneurs establishing new ventures in Ethiopia need IntEnt to connect them with Ethiopian officials to help them learn specific rules of business that could be significantly different than those they have become accustomed to in Amsterdam. IntEnt is further challenged by the prospect of also connecting their Ethiopian entrepreneurs to Dutch officials

5 In some cases, IntEnt purchases equity in the venture through its Social Investment Fund. If adequate financing cannot be acquired in any other way, the business plan and entrepreneur are considered for IntEnt’s loan guarantee program. Kim Kisselenk, IntEnt Program Officer, explains how the program works.

Say the entrepreneur needs €20,000. We want the entrepreneur to form a group around him, say with two or three people. And these should be people who believe this can work... I then do an in-take interview with them and say, ok, if you are willing to put up €10,000 then we are willing to guarantee [the €20,000]. If they do not have the €10,000 already in savings, they can sign a form and the bank automatically takes off the payment in installments [out of their automatic paychecks]. We agree with the bank that they block the account(s) so that if anything goes wrong with the venture, we have a claim to the money. Before we issue the guarantee, I want to see that the entrepreneur has 10 percent of the total already saved.
familiar with doing business with Ethiopia. Navigating the complexities of cross-border transactions may require a network of Dutch officials that understand doing business with Ethiopia and Ethiopian officials who understand doing business with Holland.

4.3. IntEnt’s outcome assessment

Traditionally, IntEnt has measured its performance in terms of (1) the number of transnational enterprises it has helped to launch, (2) the amount of capital invested by IntEnt-assisted transnational entrepreneurs in their respective COOs, and (3) the percentage of IntEnt-assisted firms that are still in business three years beyond launch date. According to IntEnt’s records, by the end of 2007, the incubator had provided support to over 2500 transnational entrepreneurs. Most were from Surinam (over 800), Ghana (over 450), Morocco (320), and the Netherlands Antilles (215). IntEnt estimated that the total investment in countries of origin made possible or mobilized by IntEnt entrepreneurs by the end of 2007 equaled over € 14,500,000. Based on follow-up interviews IntEnt regularly conducts with their clients, the incubator estimates that after three years more than 85% of IntEnt-assisted firms are still in business.6

Like many organizations, business incubators must continually assess their progress to maintain funding, attract new clients, and understand what needs to be done differently in the future. Domestic incubators typically measure their progress by counting the number of new firms established locally and the subsequent amount of employment they help to generate. In contrast, IntEnt also attempts to track new firms and their employment impact in the COO, while simultaneously concentrating on specific spillover effects stemming from these successes. These spillover effects include: (1) greater funding levels from the COO’s government, (2) establishing import–export links with Holland, (3) demonstrating to COO residents that new ventures are indeed possible, potentially creating increased motivation, and (4) creating COO partnerships that might facilitate future entrepreneurs.

5. Discussion

Since the work of Joseph Schumpeter (1942), scholars in the field of entrepreneurship have argued that entrepreneurial opportunities arise from technological or economic dislocations in the environment. IntEnt recognizes that transnational diasporan entrepreneurs also can exploit another source of entrepreneurial opportunity—the specific, multi-territorial social context in which they exist.

But IntEnt also realizes that the multi-territorial social context of transnational diaspora entrepreneurship generates many institutional challenges for these entrepreneurs, and their services are designed to arm their clients with the necessary capital—financial, human, and social—to help their clients overcome these institutional obstacles (see Table 2).

For example, IntEnt’s services help their clients overcome institutional weaknesses and voids in labor market institutions in both the COO and COR. In the COR, diasporans often face formidable obstacles to full labor market incorporation due to discrimination and other structural impediments (Guarnizo et al., 2003). Labor markets in emerging-market COOs are often characterized by high levels of unemployment and/ or underemployment. By directly and indirectly promoting and publicizing information about transnational entrepreneurship, IntEnt enhances transnational diaspora entrepreneurs’ human capital by inspiring them to consider employment alternatives outside the traditional labor market and create new employment opportunities in both the COR and COO.

IntEnt’s services also enable their clients to overcome institutional weaknesses and voids in educational institutions. In both the COR and COO, diasporans often face high barriers to entry to high-quality educational institutions. Quality business education programs particularly are scarce in emerging-market COOs (Khanna et al., 2006). IntEnt’s selection and training services (e.g., intake interviews, self tests, training courses, individual counseling with IntEnt staff and business advisors, IntEnt workbook) are designed to provide diasporans with the human capital that they need to successfully plan, launch, and operate a transnational venture. IntEnt’s “Business Out of the Box” program enhances the human capital of the individuals.

Transnational diaspora entrepreneurship typically is impeded by a lack of risk capital providers in both the COR and COO. Diasporans may not possess sufficient collateral in the COR as their financial assets often are unregistered and held outside of the formal system of financial institutions (Hamilton and Orozco, 2006). Drains on diasporan wealth, such as unemployment or underemployment in the COR and/or remittance obligations to family and friends in the COO, may also increase diaspora entrepreneurs’ need for financial support and decrease their overall loan attractiveness. In many emerging-market COOs, transnational diaspora entrepreneurs are faced with inefficient local credit markets that limit debt financing for SMEs (Freedman and Click, 2006). The geographic and social distance between the COR and COO often generates asymmetrical knowledge of risk capital providers for diaspora entrepreneurs. Even when such risk capital providers are known and available to the transnational diaspora entrepreneur, the informality of his financial assets and lack of local social capital may discourage lenders from making a loan. IntEnt’s services provide financial capital to transnational diaspora entrepreneurs by brokering relationships with risk-capital providers in both the COR and COO. They encourage participation in the formal banking system in the COR through the IntEnt

6 Interviews with IntEnt leadership and its main funder, Hivos, revealed that IntEnt is currently assessing the possibility of expanding its set of performance metrics. IntEnt’s director described to us the performance assessment challenge the incubator faces:

It’s not just about the numbers. The numbers don’t tell the whole story. It’s about something bigger. …Since we are an entrepreneurship development program, we should start with everyone we kicked out. That’s a positive result because you stopped them from doing things they should not do. We also train our business advisors—how do you measure that? We contribute to policy dialog. Sixty to seventy thousand Euros per year are invested in countries of origin by our clients. These are remittances that have been prepared. Overall, it is about institution building, mindset changing, and improving the quality of life for immigrants. But this is a challenge to measure.
### Table 2

How transnational incubators respond to the institutional challenges that diaspora transnational entrepreneurs face.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Diaspora transnational entrepreneurs’ institutional challenges</th>
<th>Transnational incubator service response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>COR</td>
<td>COO</td>
</tr>
<tr>
<td>Developed market</td>
<td></td>
<td>Emerging market</td>
</tr>
<tr>
<td>Labor market</td>
<td>Obstacles to full labor market incorporation for diasporans</td>
<td>High levels of unemployment and/or underemployment</td>
</tr>
<tr>
<td>Educational system</td>
<td>High barriers to entry to educational institutions</td>
<td>Scarcity of high-quality educational institutions, lack of high-quality business education programs</td>
</tr>
<tr>
<td>Risk capital providers</td>
<td>Informality of entrepreneurs’ financial assets (unbanked wealth, unregistered assets, foreign assets) and drains on wealth creation (unemployment, underemployment, remittances sent to COO for daily family consumption needs) decrease loan attractiveness</td>
<td>Inefficient local credit markets limit debt financing for SMEs</td>
</tr>
<tr>
<td>Information analyzers and advisors</td>
<td>Asymmetrical knowledge of individuals and institutions that collect and analyze information on producers and consumers in the COO</td>
<td>Few institutions that provide information about producers, consumers, and regulatory environment</td>
</tr>
<tr>
<td>Credibility enhancers and transaction facilitators</td>
<td>Asymmetrical knowledge of individuals and organizations that provide third-party certification of the claims of suppliers and customers in the COO or those that provide a platform for exchange of information, goods, and services or institutions that provide support functions for consummating transactions in the COO</td>
<td>Lack of third-party certification of the claims of suppliers and customers; lack of institutions that provide a platform for exchange of information, goods, and services or institutions that provide support functions for consummating transactions</td>
</tr>
</tbody>
</table>
Guarantee Fund. They educate banks in the COO about the principles and processes of SME lending. They also serve as a risk-capital provider in some cases through the IntEnt Social Investment Fund.

Transnational diaspora entrepreneurs also must struggle to find information analyzers and advisors, specialized intermediaries that can provide information about producers, consumers, and the business environment in the COO (Khanna and Palepu, 2010). These intermediaries are often scarce in emerging-market COOs, and the geographic and social distance between the COR and COO creates asymmetrical knowledge of these individuals and organizations for transnational diaspora entrepreneurs. IntEnt offers several services that enhance the social capital of transnational diaspora entrepreneurs by brokering relationships with information analyzers and advisors through its Enterprise Centre, business advisor program, local business offices in COOs, a committee of business plan experts, and cross-diaspora training program. IntEnt itself also offers several advisory services.

In emerging-market COOs, transnational diaspora entrepreneurs also are faced with a lack of credibility enhancers and transaction facilitators. Credibility enhancers provide third-party certification of the claims of suppliers and customers (Khanna and Palepu, 2010). Transaction facilitators provide a platform for the exchange of information, goods, services or institutions that provide support functions for consuming transactions (Khanna and Palepu, 2010). Again, the geographic and social distance between the COR and COO often create asymmetrical information about these institutions for diaspora entrepreneurs. IntEnt’s business advisor brokering, the introductions it makes for its clients with its partnership organizations in the COO, and the IntEnt business clubs in the COO enhance the transnational diaspora entrepreneur’s social capital and enable her to overcome these institutional challenges.

A theoretical model derived from these case facts is depicted in Fig. 1. The IntEnt case illustrates the many institutional challenges that diaspora entrepreneurs face in designing, launching, and operating their transnational ventures — and illustrates how transnational business incubators can help bridge these institutional divides by providing services that enhance transnational diaspora entrepreneurs’ financial, human, and social capital. Through these efforts, transnational incubators like IntEnt generate multiple desired outcomes for CORs and COOs, such as the establishment of new firms and jobs, stimulating foreign direct investment, generating other positive spillover effects in the economy and society, including institution building.

6. Implications and areas for further research

Transnational diaspora entrepreneurs have played significant roles in the development of the larger emerging markets, such as China and India (Kuznetsov, 2006; Saxenian, 2002; Wei and Balasubramanyam, 2006). But transnational diaspora entrepreneurs have been noted to be particularly useful for countries that might be deemed less attractive by non-diaspora investors because of small domestic market size, inadequate infrastructure, or less-attractive structural characteristics (Gillespie et al., 1999). These are the types of markets in which IntEnt is operating. As more migrants leave these markets, become less willing to permanently repatriate, and engage in greater degrees of circular migration, it becomes increasingly important to identify ways to incubate transnational diaspora ventures to increase their launch and success potential and thereby stimulate economic growth in these markets.

Most of the extant work on business incubation focuses on the domestic context. While domestic entrepreneurs certainly face a myriad of challenges when beginning the journey to create a new venture, they face these challenges within a singular, well-defined environment that possesses similar laws, behavioral norms, rules-of-engagement, and business practices. Transnational diaspora entrepreneurs are different because “by traveling both physically and virtually, [they] engage simultaneously in two or more socially embedded environments.” (Drori et al., 2006:1). Successfully bridging these two contexts to incubate transnational ventures provides a distinct set of challenges that require specific amendments to an incubator’s goals, model, and outcome assessment.

The rich case of IntEnt also offers several contributions to theories concerning business incubation. It also suggests several areas for future research. First, numerous studies have investigated the ways in which incubators measure their success and how incubator performance varies relative to those metrics. But, as Bergek and Normman (2008) note, few studies have examined the ways in which an incubator’s stakeholders shape its goals, services, and outcomes. In general, greater insight into variation in incubator activity and performance could be gleaned by applying a stakeholder approach. As Freeman states, “The stakeholder approach is about groups and individuals who can affect the organization and is about managerial behavior taken in response to those groups and individuals” (1984: 48). Understanding who the relevant stakeholders are, what they want, and how they influence organizations are key features of stakeholder analysis (Frooman, 1999). Our study illustrates how the application of a stakeholder approach illuminates why incubator goals and services vary, identifies which outcome measures are appropriate to apply to a given incubator’s activities, and explains variability in incubator performance against those metrics.

We also contribute to the understanding of the relationship between incubator stakeholder characteristics and incubator goals and services by suggesting that geography matters. The IntEnt case illustrates how the multi-territorial nature of a transnational business incubator’s stakeholder set can affect the goals that it sets, the way in which it selects its clients, and the types of business support and mediation services that it provides. Further investigations of the ways in which stakeholder geography influences incubator goals and services would be particularly poignant for incubators supporting entrepreneurs with international business activities and thus distinctive geographies.

Previous research has identified a number of possible outcomes with which to assess incubator success (e.g., Chan and Lau, 2005; Colombo and Delmastro, 2002; Allen and McCluskey, 1990; Mian, 1997), but these studies rarely describe methods for actually measuring these outcomes. In particular, “few studies...put outcome indicators in relation to goals. Instead, incubators are usually examined as if they have the same outcome objectives.” (Bergek and Normman, 2008: 22). Moreover, scholars have yet to
describe incubator outcome assessment in a transnational context. Our findings suggest how the multiple geographic locations of transnational business incubator stakeholders influence their goals. These objectives, in turn, shape the number, scope, and nature of a transnational incubator’s outcome measures. Accurately measuring progress for transnational business incubators, like IntEnt, necessitates the definition of clear criteria and performance-measurement methods in both the migrants’ CORs and COOs. Because these locales are often very distinct, transnational incubators face the very real challenge of identifying and collecting data on two distinct sets of outcomes.

Most importantly, the level of institutional development within the migrant entrepreneurs’ COO impacts the scope and impact potential of IntEnt’s activities there. Especially when compared to the relatively stronger business-enabling environment in the Netherlands, the institutions pertinent to entrepreneurship in the world’s major migration-sending countries (most of which are developing countries) are quite weak. To be successful, transnational incubators may require going beyond developing the human capital of the entrepreneur. They also may be compelled to contribute to human capital development in the COO, strengthening the cognitive, normative, and regulatory institutions (Scott, 2001) that affect entrepreneurship there in order to improve their clients’ chances of new-venture launch and success.

This suggests that the performance of such incubators may need to be assessed in terms of the degree to which these organizations serve as “institutional entrepreneurs” in the COOs in which they operate, particularly in emerging market contexts (DiMaggio, 1988). Institutional entrepreneurs are actors who “have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones” (DiMaggio, 1988: 657). This substantially extends the scope of market failures that incubators are thought to theoretically fill (Bollingtoft and Ulhøi, 2005: 284).

As bridge builders between developed and emerging economies, transnational incubators like IntEnt may be well situated to address institutional voids in emerging markets. We suggest that transnational incubators may contribute to institutional change in three main ways. First, successfully supporting entrepreneurs whose operations span distinct institutional domains necessitates identifying at least some of the institutional inequalities between the two contexts. Thus, transnational incubators, like IntEnt, may be particularly effective at isolating the institutional impediments to entrepreneurship that plague a specific COO. By representing the collective interests of their clientele, transnational incubators are in a position to articulate these obstacles to the COO government as well as to other actors engaged in activities to strengthen the business-enabling environment there, such as multilateral organizations, donor-government aid agencies, and non-government organizations (NGOs). Second, as a means of supporting their clients’ business operations in COOs, transnational incubators, like IntEnt, may undertake specific activities in the COO to strengthen the transnational entrepreneurship-enabling environment in that country. These actions may generate spillover benefits, contributing to a more supportive environment for local entrepreneurship and strengthening the overall investment attractiveness of the COO. Third, because they work across COO contexts, transnational incubators may also be well positioned to identify and develop intervention strategies for entrepreneurship-impeding institutional weaknesses across developing country contexts. They may be able to leverage their cross-national experiences to codify this knowledge and the attendant intervention methods needed to improve the entrepreneurship environment in these countries and communicate these needs to development actors, including multilateral organizations, donor aid agencies, and international NGOs focused on private-sector development issues in developing countries.

Future research should further investigate the ways in which these incubators promote “entrepreneurship in and around institutional voids” in developing countries (Mair and Marti, 2008). By striving to overcome the institutional challenges their clients face, transnational business incubators may do more than just build bridges between entrepreneurs’ CORs and COOs. They may also embrace a key opportunity to contribute to economic development in many emerging markets.

References
