EMPOWERED BY FOREIGNNESS: FROM LIABILITIES TO ASSETS

Introduction

International business research shows that firms operating outside their home countries face additional costs of conducting business activities in a host country commonly described as liabilities of foreignness (LOF) – costs that native actors do not usually incur (Hymer, 1976; Kindleberger, 1969; Zaheer, 1995; and Baik, Kang, Kim, and Lee, 2013). Recent research, however, witnesses an increasing interest in the beneficial prospects that stem from foreignness, that is, viewing foreignness not as a liability but as an asset (Nachum, 2010a; Denk, Kaufmann and Roesch, 2012; Joardar, Kostova and Wu, 2014). While the discussion on assets of foreignness has been growing, scholars have yet to outline the scenarios when positive or negative outcomes will prevail as a result of experienced foreignness (Joardar, Kostova and Wu, 2014).

This paper investigates the characteristics of a foreign entry and context in which foreignness emerges as a viable asset. We look at foreignness on the individual level as is known to be an essential element that allows better understanding of organizational foreignness, especially in small entrepreneurial ventures (Joardar, et al., 2014). In addition, the adopted level of investigation aims to test the established understanding that foreign nationals are often observed to be in an unfavorable positon when compared to the locals of the host country, due to their socio-cultural differences, lack of network embeddedness, and access to information (Sunkyuet al., 2001; Joardar and Wu, 2011).

This study examines the operations of transnational entrepreneurs (TEs) from Bulgaria in the UK, focusing on how these actors capitalize on their ethnic identity to gain exclusive access to a Diaspora network that incubates skills and capabilities that give string operational advantages. Thus, observed assets of foreignness are twofold, first, gaining

network access that may be denied to others, and second, developing and updating organizational capabilities.

Research Background

Prior research has identified that firms suffering from LOF possess fewer firm-specific and context-relevant advantages (Nachum, 2003; Rangan and Drummond, 2004) and experience difficulty in conducting internal knowledge transfers (Schmidt and Sofka, 2009). Nevertheless, recent research has suggested that foreignness can be an asset as opposed to a liability (Nachum, 2010b). Thus, it should be possible to observe scenarios in which the foreign actor will be able to engage in the quick and efficient management of country-specific knowledge sources soon after internationalization. This ability should in theory not only compensate any associated market uncertainty, but it should also lead to long-term competitive advantages. This proposition, which the current study tests, is in line with the latest development in research, which "stresses the importance of knowledge transfer effectiveness to address the hazards of LOFs and their outcomes" (Denk et al., 2012:328).

Prior research on assets of foreignness suggests that the context of such a scenario should have a strong social grounding in order for the study to "better understand the social processes underlying [TEs'] participation in socially integrated and complex inter-organizational relationships" (Denk, Kaufmann, and Roesch, 2012:331). Our study is in line with the assumption that examining social processes and their context are crucial for understanding the institutional environment and the mechanisms through with foreign actors can leverage their foreignness (Orr and Scott, 2008).

In this context, new TE actors might capitalize on the opportunity to use the legitimacy that they are granted by fellow ethnic Diaspora members based on cultural and social commonalities to reduce the potential friction between the host and home countries'

cultures, which disrupts actors' market integration capacity and undermines legitimacy (Zaheer, 1995).

Access to Diasporas for particular nationals is relatively easy because of the group-level characteristics based on "bounded solidarity" and "enforceable trust" (Portes and Zhou, 1992). *Bounded solidarity* is formed by immigrants based on their foreign status in the host country. This leads to a sense of being culturally different, and the common origin and heritage link co-ethnic members and shape a community. *Enforceable trust* encompasses members' unwritten promise to follow established codes of conduct. The blend of these group-level characteristics is rooted in the structures of Diasporas and creates prospects for gaining rich social capital and opportunities for entrepreneurial development (Zhou, 2004).

Knowledge is believed to be a significant enabler of strategic actions and decisions and set the direction of a venture's further development. Knowledge conversion and transfer capabilities are important for the competitiveness of a venture, as they constitute a valuable organizational asset (Sajeva and Jucevicius, 2010). Having access to knowledge allows the transnational entrepreneur to develop capabilities that help in overtaking competitors. Therefore, the proximity, not only physical but also social, to sources of information and knowledge is a major asset and a key factor in venture development.

For that reason, the current study tests and confirms the proposition that contemporary Diaspora organizations may be regarded as complex knowledge management networks that support TEs and develop strong market advantages. The exclusive access that TEs gain in the network, based on their ethnic belongingness, may serve as a proof of the assets stemming from their foreignness.

Methodological Approach

Field of Observation and Data

The current study is based on the investigation of 12 cases. The selected field of observation consisted of Bulgarian transnational entrepreneurial companies located and operating in London. We used non-probability, purposeful sampling. The approached entrepreneurs were filtered by means of a survey that had the purpose of separating transnational entrepreneurs, who act as bridges between nations and cultures, from ethnic entrepreneurs (that is persons serving only a particular ethnic community), as well as making sure that the selected cases fulfil other set criteria. The selection criteria were that companies fall under the Drori et al. (2009) definition of the transnational entrepreneur cited in the introduction, be considered SMEs, be located in the Greater London area, and engage in consulting services (as declared in their company profile).

To gather data, we used a combination of semi-structured interviews, participant observations and oral/life stories. The interview structure was designed for a series of 60-90 minute semi-structured interviews. In each of the 12 companies studied, one interview was conducted with the owner (all of whom were males); these 12 interviews were then transcribed, coded, and analyzed. Further interviews with at least three company employees were conducted for the purpose of triangulation and to garner additional insights into the strategies engaged in by the various firms. The employees interviewed for this purpose were suggested by the owners. They held various positions but were all referred to by the owners as experienced professionals who are in the core of the companies' operations and active participants in the companies' development. These conversations tended to be rather informal and of varying length, and were always conducted following the interview with the owner, and in his absence.

Data Reduction and Analytical Approach

All interviews and field notes were transcribed and analyzed through narrative analysis. Word and phrase counts were implemented in order to attain coding and allow the emergence of theoretical constructs that explicate the research phenomenon.

The analysis was divided into three coding stages: *open coding*, *axial coding* and *selective coding*, which has made it possible to thoroughly examine the categories in the data. During open coding, the general nodes of information that the data provide are identified. Moreover, open coding assisted in the identification of the properties and the dimensions of the information nodes of interest. This approach revealed the first order themes in the data, which were later specified during the axial coding stage to construct an explicit set of phenomena under investigation. The last stage, selective coding, has aided the selection of aggregate dimensions that emerged as fundamental for the present study.

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