



The regulatory, normative and cultural-cognitive dimensions of the returnee opportunity and returnee liability: How institutional migration creates the two sides of the same coin

Pamela ADHIAMBO MREJI^a, Elie Virgile CHRYSOSTOME^b, Helena BARNARD^{c,*}

^a Technical University of Kenya, Nairobi, Kenya

^b Ivey Business School, Western University, London, Ontario, Canada

^c GIBS, University of Pretoria, Pretoria, South Africa

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ABSTRACT

Why do some scholars emphasize the benefits realized by returnee entrepreneurs, whereas others highlight the returnee liability? By analyzing interviews with twenty Kenyan returnee entrepreneurs, we make three contributions to scholarship on returnee entrepreneurship. First, we reconcile two well-developed but separate and almost-contradictory bodies of the extant literature by showing that the returnee opportunity / returnee liability is a duality that all returnee entrepreneurs can expect and must manage, even if their ventures are successful. Returnees might see opportunities in the institutional differences between their home and host countries, but to realize those opportunities as entrepreneurial ventures, they must navigate their homeland's de-familiarized regulatory, normative and cultural-cognitive macro-level institutional pillars. We show how returnee entrepreneurs navigate these macro-institutions as individuals, leading to our second contribution: Where people are mobile across borders, macro-institutions affect not only organizational processes, but also individuals directly. The theory of individual institutional migration suggests institutional migrants seek to regain personal control vis-à-vis a new institutional domain either by transposing knowledge from the previous institutional environment, or by internalizing the new institutional rules. Our third contribution is to advance that theory by suggesting that returnee entrepreneurs strategically seek to do both: Where they recognize opportunities in the new institutional environment (i.e. returnee opportunity), they transpose knowledge by starting innovative new ventures, but at the same time, the different macro-institutional environment imposes a burden (i.e. returnee liability) that they need to manage to gain acceptance of their ventures.

1. Introduction

Returnee entrepreneurs are individuals who have lived in a foreign host country before starting and running new business ventures in their homeland (Saxenian & Hsu, 2001). Mostly discussed in the context of Asian countries, these individuals have been recognized as important contributors to their countries' technological upgrading and economic development (Filatotchev et al., 2011; Lin et al., 2010). In addition to having gained cutting-edge knowledge (Wang, 2015), their stay abroad has been shown to provide returnee entrepreneurs with opportunities at home through their understanding of foreign markets and their connections with venture capitalists and other influential stakeholders (Dai & Liu, 2009; Kenney et al., 2013). Recognizing the value of their

technical expertise and global perspectives, many governments and policymakers in the developing world seek to bring home their diaspora communities (Chrysostome, 2019; Luo et al., 2017). Once they are home, returnees can benefit from proximity to local entities like financial institutions, supplier networks and government agencies to support their new enterprises (Gruenhagen, 2019).

At the same time, there is also evidence that returnee entrepreneurs can suffer from a returnee liability. First measured in terms of the weaker financial performance of the returnee enterprise (Obukhova et al., 2012), and later defined more generally as performing worse than locals (Mreji & Barnard, 2021), the returnee liability accrues, like returnee opportunities, because of returnees' stay abroad. Returnee entrepreneurs may not fully appreciate the changes that have taken

* Corresponding author.

E-mail addresses: echrysostome@ivey.ca (E.V. CHRYSOSTOME), barnardh@gibs.co.za (H. BARNARD).

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place in their absence when they return to an environment that is seemingly familiar (Bai et al., 2021; Li et al., 2012). Thus returnee entrepreneurs are constrained by the inadequately understood differences in the institutional environments between their host and home countries (Ahlstrom & Bruton, 2001; Drori et al., 2009).

Both the unique opportunities that returnee entrepreneurs recognize because of having been away and the liabilities faced by returnee entrepreneurs are well-documented in the literature, but these two bodies of work have not only developed in isolation from each other, but also suggest almost contradictory outcomes. In this paper, we clarify how the returnee opportunity and returnee liability relate to each other. This matters practically for the growing stream of skilled return migrants to (for example) countries like Egypt, Ghana, Senegal and Cote d'Ivoire (Ackesson & Baaz, 2015; Kinuthia & Akinyoade, 2012; Kleist, 2011), as well as for the countries that seek to benefit from their return.

We introduce a cross-border perspective into work on institutional migration, defined as “the movement of an individual from one stable institutional domain to a new, unfamiliar domain” (Lee & Whitson, 2025, p.1). Lee and Whitson (2025) theorize that institutional migrants seek to regain a sense of personal control in their new institutional domain by either “making waves” or “flowing with the current”. “Making waves” occurs when they transpose their previously acquired institutional knowledge into the institutional environment where they have newly arrived, while “flowing with the current” involves internalizing the new institutional rules. We argue that the returnee opportunity stems from knowledge that returnee entrepreneurs had acquired outside of their home countries that they can transpose into the (weak) institutional domain of their home country. Lee and Whitson (2025) suggest this as the primary pathway for regaining a sense of control. But because returnee entrepreneurs have grown distant from the institutional rules of the country of their birth – the main reason for the returnee liability – we argue that they strategically also need to engage in the secondary, “alternative” pathway by (re-)internalizing its institutional rules.

Thus our first contribution is to reconcile the literatures on the returnee opportunity and returnee liability by suggesting that they represent two sides of the same coin. They constitute a duality where the “seeming opposition of perspectives actually disguises a complementarity” (Giddens, 1986, p. 531), with both simultaneously shaping each other, rather than existing independently (Meijerink & Bondarouk, 2023). This perspective allows us to reconcile the apparent contradiction (opportunity and/or liability) in current literature on returnee entrepreneurship.

We gather our evidence in Africa, because this extreme context (Barnard, 2020) presents many opportunities to benefit from increased international connectedness and upgrading, but also many challenges: Policies regulating the private sector in Africa are still underdeveloped (Fosu & Naudé, 2009), with runaway corruption (Atiase et al., 2018), and legal systems that complicate rather than ease doing business (Olubodun et al., 2025). By qualitatively examining the cross-border institutional migration experiences of twenty returnee entrepreneurs in Nairobi, Kenya, we provide empirical evidence of Lee and Whitson's (2025) primary opportunity-seeking, “making waves” pathway and the “alternative” pathway of managing liability by “flowing with the current”.

We also contribute theoretically by showing that returnee entrepreneurs pursue both pathways at the same time. Where they recognize opportunities in the new institutional environment (i.e. returnee opportunity), entrepreneurs transpose knowledge by starting innovative new ventures. At the same time, the different macro-institutional environment imposes a burden (i.e. returnee liability) that they need to manage to gain acceptance of their ventures. For example, a returnee entrepreneur may see an opportunity in starting a business to provide previously unavailable digital processing services, but must also manage the liabilities posed by an unreliable electricity grid and potential clients distrusting the new-to-the-context technology. Returnee entrepreneurs

manage such duality through individual response across all three of Scott's (2014) regulatory, normative and culture-cognitive institutional pillars.

Scott has explained that his work is concerned with “wider environments and their effects on organizational forms and processes” (Scott, 2005, p. 461), i.e. with the macro-institutional environment. We argue that where people are mobile across national borders, macro-institutions affect not only organizations, but also individuals directly. Thus when a returnee seeks to start a new venture, and at least until they have developed their new venture, the returnee must as an individual navigate the different macro-institutions of the new location. Prior work on returnee entrepreneurship has conceptualized institutions only in general terms (Silva et al., 2025), but our work suggests the value of a more nuanced perspective. Returnee entrepreneurship involves the actions of individual institutional migrants who move from one macro-institutional domain to a different and unfamiliar macro-institutional domain. And although personal control is a key motive, their actions aim to optimally position themselves and their ventures for success in the new institutional domain. This results in macro-institutions being highly salient when individuals cross borders for economic reasons.

We continue by first developing our argument. We then explain the research design, present our findings and conclude with a discussion of the implication of our findings. We conclude with the limitations of the study and suggestions for future research.

2. The returnee opportunity and the returnee liability

Scholarship on returnee entrepreneurship long had a positive orientation, but there is also evidence of a returnee liability. We discuss these two strands of literature.

2.1. A positive view of returnee entrepreneurs

In 2001, Saxenian and Hsu documented how US-educated Taiwanese entrepreneurs were investing their skills and capital in the technology industry of Taiwan, and in the process playing a key role in its upgrading. Subsequent work documented that returnee entrepreneurs often founded high-technology, export-oriented and successful ventures (Bai et al., 2017; Dai & Liu, 2009; Filatotchev et al., 2009), showing the real benefits if potential entrepreneurs acquire skills and knowledge from abroad before returning home.

The potential benefits that regions could reap from returnee entrepreneurs has received much attention. Liu et al. (2010) found that returnee entrepreneurs meaningfully contributed to knowledge spillovers, provided there was also local investment in innovation. Wang et al. (2011) showed how both highly and moderately successful Chinese returnee entrepreneurs contributed to China's “going out” strategy, with Kenney et al. (2013) finding that returnee entrepreneurs were of greatest benefit to an economy post its nascent development stage. Thus scholars essentially took as given that returnee entrepreneurs had seen an opportunity, had started exploiting that opportunity, and were successful enough to justify a scholarly focus on regional benefits.

Scholars who did not take for granted that returnees would start an entrepreneurial venture (Qin & Estrin, 2015), or have the depth of local networks to facilitate success (Lin et al., 2016) generally sought to understand the home country networks of returnees. But whereas the importance of those networks, i.e. social capital, has been made clear (Pruthi, 2014), how an individual returnee identifies and pursues an entrepreneurial opportunity has received less attention.

Lin et al. (2016) represent an important exception, and they argue the returnees identify entrepreneurial opportunities in a process of information arbitrage. Returnees' perception that they have brought advanced technological or business knowledge back home positively affects their entrepreneurial decision, and this relationship is positively moderated by perceived support, and negatively by perceived cultural

adjustment difficulties. Comparing forced and voluntary returnee entrepreneurs to Ethiopia, Amare and Honig (2023) also find support for the importance of identifying and acting upon an entrepreneurial opportunity.

2.2. Documenting the returnee liability

The returnee liability was first documented by Obukhova *et al.* (2012) who operationalized it as the weaker financial performance of the returnee enterprise relative to local enterprises. Subsequent work confirmed this liability, and often ascribed it to the atrophied networks of returnee entrepreneurs (Li *et al.*, 2012; Lu *et al.*, 2019; Qin *et al.*, 2017). Leveraging personal networks “becomes of paramount importance” (Parente *et al.*, 2019, p.285) where institutions are weak, and because returnee entrepreneurs’ countries of origin are typically rapidly changing emerging markets with weak institutions, negative consequences can be expected if relationships are not maintained (Bai *et al.*, 2021).

However, Mreji and Barnard (2021) find that the issue is about more than maintaining ties. Local ties are often disappointed by returnee entrepreneurs, for example if they do not provide work in the new venture for job-seeking community members. Looking at Ghanaians returning from China, Wang *et al.* (2024) report that the very skills that returnees bring back can present a barrier between them and locals. Obukhova (2012) argues that the returnee liability is the rule, recounting the privileged family background of the rare exception she encountered: the son of a deputy chief of one of the ministries related to the electronics industry. Yet “very little research has addressed the challenges these returnee entrepreneurs face when creating ventures back home” (Bai *et al.*, 2021, p. 246/247).

2.3. The institutional migration of returnee entrepreneurs

In this paper, we theoretically integrate Lee and Whitson’s (2025) theory of individual institutional navigation with Scott’s (2014) three institutional pillars. Scott has explained that his work is concerned with “wider environments and their effects on organizational forms and processes” (Scott, 2005, p. 461), i.e. with the macro-institutional environment. We argue that where people are mobile across national borders, macro-institutions affect not only organizational processes, but also individuals directly. Thus when a returnee seeks to start a new venture, the returnee must as an individual navigate the different macro-institutions of the new location.

2.3.1. A theory of institutional migration

Lee and Whitson (2025) theorize how an individual transitions from one familiar institutional domain into a different, unfamiliar institutional domain, a process they term “institutional migration”. They see institutional migration as ubiquitous and develop their work by focusing on changes in the organizational context, e.g. the move from one employer to another. Migration across countries involves changes to not only the organizational but also the macro-level institutional environment. But even though it represents a more far-reaching case of institutional migration, we suggest that it nonetheless meets their definition: “the movement of an individual from one stable institutional domain to a new, unfamiliar domain” (Lee & Whitson, 2025, p.1).

Lee and Whitson (2025) suggest that individuals who migrate across institutions experience a disjuncture between the knowledge carried from their prior socialization to new rules in a new context. They argue that institutional migrants will seek to regain a personal sense of control, and to do that, they need to either change the institutional rules, or they need to adapt to the rules in their new environment. Individuals will choose to transpose the rules from their previous institutional context to the new one if they feel they have a depth of previously-acquired knowledge, if they have substantial social skills, or – as in the example of the son of the deputy minister cited by Obukhova (2012) – if they

have social standing. However, the consequences of transposing knowledge are uncertain and unpredictable, and if institutional migrants already experience a deficit of personal control, they may instead opt to internalize the rules of their new environment.

Returnees find themselves in a difficult position in the transpose previous / internalize new rules decision. First, the relationship between the “previous” and the “new” institution is not clear-cut. As return migrants, what is now “new” was once the familiar point of departure, and what is now seen as “familiar” appears novel and often puzzling to those who remained behind – people with whom returnees may well believe they have close ties. Because of the importance of their ties in their home country, returnees may want to show respect to its institutional rules, and be hesitant to fully transpose new institutional rules.

Also, many of the conditions that make internalization of the “new” rules of their homeland more likely are absent: In technologically lagging countries with weak institutions, returnees are not confronted with a unified and centralized institutional domain with elaborated infrastructure – all aspects that Lee and Whitson (2025) argue make the decision to internalize the new rules more likely. Instead, institutions tend to be dysfunctional (Barnard & Mamabolo, 2022), and a returnee with an entrepreneurial bent is likely to observe multiple opportunities for information arbitrage, as argued by Lin *et al.* (2016).

As institutional migrants, returnees do not belong fully in either the country where they were raised or in the country from which they have returned. This motivates returnee entrepreneurs (whether through a sense of duty or ambition) to adapt the knowledge they have acquired elsewhere to explore opportunities in their homeland (Lyu *et al.*, 2025). Their journey of human capital adaptation (documented by Lyu *et al.*, 2025) is neither the simple “transposition” of the institutional knowledge gained abroad, nor the “internalization” of the knowledge and rules that become apparent once migrants arrive back home. Instead, it involves “adaptation”, i.e. an attempt to do both. We argue that migrants not only attempt to both transpose and internalize institutional rules, but also that this tension lies at the heart of the returnee opportunity / returnee liability duality.

A duality involves a situation where the “seeming opposition of perspectives actually disguises a complementarity” (Giddens, 1986, p. 531), with apparently contradictory elements not independent, but actually simultaneously shaping each other (Meijerink & Bondarouk, 2023). Returnees are motivated to become entrepreneurs because they recognize their newly acquired knowledge to be potentially valuable (Dai & Lui, 2009). Frontier knowledge provides a greater opportunity for knowledge arbitrage (Lin *et al.*, 2016), especially when it is novel, complex and relevant (Wang, 2020). But relevance cannot be assumed, because new knowledge is also associated with a greater technology gap, making local assimilation less likely (Wang *et al.*, 2024). Thus returnee entrepreneurs need to engage in a “balancing act” that involves cycling back and forth “between unlearning and relearning” (Tran & Truong, 2022, p.1). Constantly assessing whether the new venture will be best served by the institutional migrant “making waves” or “flowing with the current”, using Lee and Whitson’s (2025) terminology, is key to that balancing act, and at the heart of the returnee duality.

2.4. Institutions and returnee entrepreneurs

Returnee entrepreneurs need to operate across “multiple institutional environments [that are] substantially different in many aspects, and therefore, pose a varied set of challenges to the entrepreneurs” (Drori *et al.*, 2009, p.1009). But although numerous scholars have used an institutional lens to theorize returnee entrepreneurship (Bai *et al.*, 2021; Gruenhagen, 2021; Nkongolo-Bakenda & Chrysostome, 2020; Wang, 2020), what precisely is meant by institutions has not received much scholarly attention. This is clear from a recent systematic review of the literature on returnee entrepreneurs: Silva *et al.* (2025) identify the relevance of both home and host country institutional influences, but scholars have either documented a very granular factor (e.g.

immigration laws) or frame institutions very generally (e.g. in terms of economic stability).

Bai et al. (2021) describe the challenges posed by the (once-again unfamiliar) institutional environment from the perspective of the returnee entrepreneur:

years of living in an advanced economy and becoming accustomed to how society and business function there may make it difficult for them [returnee entrepreneurs] to understand the changes that occur in policies, rules, norms, and culture in their home countries, as well as how these changes can influence venture creation and business operations (Bai et al., 2021, p.247)

Disaggregating this dense statement, it is possible to identify Scott's (2014) regulatory institutional pillar (in the mention of changed policies and rules), normative pillar (via changed norms), and cultural-cognitive institutional pillar (in the mention of culture). Indeed, many of the previously documented institutional factors facilitating returnees' new venture formation can be categorized in terms of Scott's (2014) three institutional pillars. For example, cultural-cognitive factors that have been identified include industry similarity (Wang, 2015) and cultural (re-)adjustment (Lin et al., 2016; Liu et al., 2025), while regulatory factors include policy support (Lin et al., 2016; Nkongolo-Bakenda & Chrysostome, 2020) and funding arrangements (Gruenhagen, 2019; Zhang & Guan, 2021). The importance for returnees to reorient themselves to the macro-institutional environment is underlined by the finding that returnees who are closer to government do better: local-led ventures generally outperform returnee-led ventures, but this is mitigated in returnee-led ventures with state ownership (Li et al., 2012).

Returnee entrepreneurs must deal with the de-familiarized macro-institutional environment of their homeland without the "shelter" of an employing organization. Whereas returnee employees benefit from being able to leverage the funding and existing intellectual property of their employing organization (Jiang et al., 2023), returnee entrepreneurs need to source and develop such resources on their own. Although the value of institutional intermediaries for returnee entrepreneurs has been demonstrated (Armanios et al., 2017), identifying and accessing the appropriate intermediary is itself complicated by the fact that returnees are not fully insiders. Fig. 1 visually presents our argument.

In sum, when individuals cross national borders, they can be described as institutional migrants who "experience a disjuncture between their previously acquired institutional knowledge and the rules of the domain they enter, and therefore a loss of personal control" (Lee & Whitson, 2025, p. 13). At the same time, because they are migrating from one macro institutional environment to another, the three macro-level pillars identified by Scott (2014) become salient to them, and they seek to assert personal control in the face of a changed regulatory, normative and cultural-cognitive macro-level environment. Lee and Whitson (2025) suggest institutional migrants will assert personal control either by "making waves" or by "flowing with the current", but we argue that this process is more complex for returnee entrepreneurs. This is for two reasons.

First, the institutional change experienced by returnee entrepreneurs is pervasive. For their ventures to succeed, returnee entrepreneurs need to comply with an unfamiliar set of regulations, understand often different norms, and respect cultural-cognitive institutions that may appear familiar, but from which they have grown distant. Second, the opportunity for an innovative new venture generally stems from the knowledge that returnees had accumulated in a different country, but the venture must also gain acceptance in the new and typically less developed institutional environment. Thus returnee entrepreneurs need to assess the value of the novel knowledge (the returnee opportunity) against the risk that their proposed venture is seen as inappropriate for the context (the returnee liability).

From an institutional perspective, the returnee opportunity and the returnee liability represent a duality, two sides of the same coin. Thus returnee entrepreneurs strategically engage in both "making waves" and "flowing with the current". Where they see value in their novel

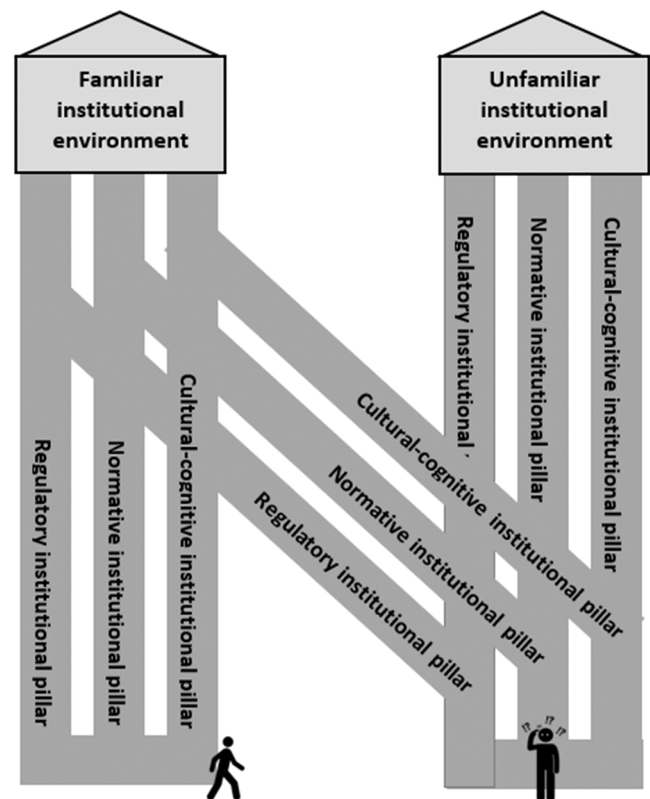


Fig. 1. Cross-national institutional migration by an individual returnee entrepreneur.

institutional knowledge, they will use it to start their new ventures. But they use their new knowledge strategically, and often act in accordance with existing institutional rules.

In the next section, we explain our empirical approach.

3. Research design

The choice of the setting was motivated by a desire to complement the strong focus on Asia in returnee entrepreneurship research with an African perspective, especially given the growing interest in returnees in that region (Ackesson & Baaz, 2015; Africa Union, 2021). However, policies regulating the private sector across Africa are still underdeveloped (Fosu & Naudé, 2009), with runaway corruption (Atiase et al., 2018), and legal systems that complicate rather than ease doing business (Olubodun et al., 2025). Thus the main objective of the study was to explore the opportunities and challenges that confront returnee entrepreneurs, given the weak institutional and social support frameworks for entrepreneurial development. Specifically, we sought to explore the environment confronting returnee entrepreneurs at both the macro and the interpersonal level, as well as how and to what extent returnees could overcome challenges to develop successful ventures.

Given our research question, an interpretivist paradigm is used for this study. This paradigm holds that "explanations of macro-level social phenomena should be in terms of individuals and their interactions with each other and with their physical and institutional environment" (Packard, 2017, p.542). In keeping with the interpretivist paradigm, we sought to integrate quality in the choices we made in the research design and data collection, data analysis, and interpretation (Leitch et al., 2010). In how we report our process, we foreground the three goals highlighted by Paavilainen-Mäntymäki and Plakoyiannaki (2025), namely to make clear our reasoning and thought processes, to appropriately contextualize the findings and to show how the evidence links to theory.

3.1. Setting and sample

Given the excitement about Kenya as the “Silicon Savannah” of Africa (Ndemo & Weiss, 2017), we focused on returnee entrepreneurs with technology-enabled businesses in Nairobi, Kenya. We identified returnee entrepreneurs via “I-Hubs”, because those hubs are acknowledged as catalysts of informal networks, knowledge sharing and business collaboration (Graham & Mann, 2013). Returnee entrepreneurs often congregate at these innovation hubs, and although not all the returnees we identified operated directly in the technology sector (they also worked in sectors like retail, real estate and logistics), all leveraged technology in their ventures.

We initially identified thirty returnee entrepreneurs and interviewed 26 before we proceeded with the final sample of twenty respondents. We selected returnee entrepreneurs who run their own ventures and have done so for the last three years, but looked for variance across several other dimensions. Table 1 gives the profile of those returnees.

Quantitative studies tend to focus on the ventures of returnees without considering how the returnee became an entrepreneur, but it seems likely differences in returnees’ motivation will differently affect how they make sense of institutions, opportunities and liabilities. This prompted us to seek variance in terms of initial entrepreneurial intent. In particular, various studies have found time to be important for explaining returnee entrepreneurs’ choices (Liu et al., 2025; Qin et al., 2017). We selected entrepreneurs who had been away for a range of periods, from five to 31 years, with 12 years the median. We also looked for variance in terms of time back before starting the venture: One entrepreneur had started the business even before returning, eight immediately upon return, and five within a year. All the others had started between one and three years after return. We also wanted variance in terms of their success, and thus asked our respondents to what extent they have achieved the milestones they had set for the business. One surpassed all targets, seven met most and one met about half of self-imposed targets. All the others felt (to various degrees) less successful.

3.2. Data gathering

Interviews were conducted face-to-face, mainly at the premises of the returnee entrepreneurs but also at locations like the country club. The first author is a returnee, and introduced herself as such to respondents. That not only made it easier to schedule interviews, but also helped mitigate social desirability bias as it gave respondents some confidence

that they were talking to someone who understood their situation. Secondary data (media reports, social media posts, public events etc.) and the appearance of offices (e.g. bustling with people or quite dilapidated) provided further clues about entrepreneurs’ success.

Respondents were first asked for personal and business details, for example their education and a description of their business. They were then asked questions about their host country stay, for example to elaborate on what they had done there, whether study, formal employment and/or entrepreneurial activities. Next they were asked about starting their new venture upon their return, for example to explain step-by-step what they did to start and grow their business. There was a specific focus on two themes that are well-documented in the literature, legitimacy (e.g. how products/services have been received in the market) and local networks. To make it easier to discuss liabilities, questions were phrased in a retrospective way, e.g. what would they have done differently and what advice they would give to others considering returning.

Interviews lasted between 90 and 120 min each, and the first author made field notes to capture elements like facial expressions and gestures. Respondents were given the opportunity to review transcripts.

3.3. Data analysis

We used the guidelines recommended by Gioia et al. (2013) and commenced data analysis with open coding, using Atlas-TI. Where possible, we retained informant terms like “the jungle” to describe the chaotic nature of the Kenyan business environment and “chai” (tea) as the term for a bribe (Gioia et al., 2013). By the end of the first phase, the initial 420 codes were merged into a more manageable list of 200 codes set in 25 code groups.

During the second stage, seeking similarities and differences among the codes, two main categories of codes emerged. Many of the codes dealt with interpersonal challenges, for example the solar entrepreneur who explained that “For me, the hardest integration was on the family side. [...] For my immediate family it was hard, especially my son”. Interpersonal challenges could be overcome, but they always represented a liability to the entrepreneur.

The other main group of codes that emerged had to do with the institutional environment. Such quotes included respondents’ perceptions of differences in the social, cultural and institutional frameworks in home and host countries and changes that had taken place in their absence. This comment by a privately-owned hub owner was typical: “River Road had changed a lot with all these phone accessory shops

Table 1
Profile of returnee entrepreneurs interviewed.

Returnee sector	Sex	Age	Host country	Years away	Time back before venture	Self-identified venture milestones met
Solar	M	47	Nigeria	15	Immediately upon return	Very few
Venture capital	M	35	UK	31	3 months	Met most
Wellness	F	32	UK	5	Immediately upon return	Met a few
Fitness/gym	M	35	UK	7	Immediately upon return	Met a few
EducTech 1 technology	F	50	USA	23	2 years	Met most
E-commerce	F	49	South Africa	12	Started before return	Met most
HR service	F	48	UK	7	Immediately upon return	Met a few
Technical Retail	F	48	USA	20	Immediately upon return	None
Project Management	M	37	UK	24	2 years	Met most
Management consultant	M	35	Somalia	8	Immediately upon return	Met most
Business Process Outsourcing	M	34	Germany	13	Immediately upon return	Met a few
Administrative Support Services to Entrepreneurs	F	46	USA	8	4 months	Very few
Incubator	M	35	USA	12	Over 2 years	Surpassed all target
Tech trainer 1	M	38	Canada	14	About 3 years	Met most
Education 2	F	38	Tanzania	8	1 year	Met half
Tech trainer 2	M	42	UK	10	6 months	None
Hub owner	M	40	USA	15	2 years	Met most
Transport	M	47	USA	12	3 months	None
Entrepreneurship Development	F	50	USA	10	Immediately upon return	Very few
Business Process Automation	M	45	Rwanda	7	3 months	Met a few

everywhere. And so many shops importing cheap stuff from China! It was like everyone was in some sort of import-export business.” Respondents’ views about what these changes meant in terms of the entrepreneurship opportunities and challenges they presented were also included.

Focusing on the institutional dimension, three main themes emerged, initially labelled as inefficiency in the system, unethical practices and lack of local knowledge. We had expected to uncover various manifestations of the returnee liability, because there is no government support for Kenyan returnees, and government support, e.g. via science parks, is virtually a given in extant literature on returnee entrepreneurs. Even the entrepreneurs who felt that their ventures had met or exceeded their expectations described various local challenges. More surprisingly, even among returnee entrepreneurs who were dissatisfied with the progress of their venture, it was not entirely clear what was “positive” and what was “negative” under each category: There was evidence of inefficiencies in the system, unethical practices and the lack of local knowledge posing a liability to returnees, but also evidence of how those elements served to generate new business opportunities.

At this point, we iterated back and forth between the literature and our data. We engaged with the data at this point by both revisiting the granular first order codes and rereading the interviews holistically. Revisiting the literature, we realized that scholars had been focused on understanding the eventual outcomes of returnees’ ventures, and had not much engaged with precisely what are the opportunities developed by these entrepreneurs. Our evidence suggested that the opportunity and the liability were closely connected: There were entrepreneurial opportunities in addressing inefficiencies in the system, unethical practices or the lack of local knowledge in the homeland, but they also posed real problems to returnee entrepreneurs. This insight allowed us to conceptualize the returnee opportunity / returnee liability as two sides of the same coin.

Mindful of Whetten’s (1989) point that good theory should address not only “what”, but also “why” and “how”, we sought to relate the returnee opportunity / returnee liability to the institutional environment. As we revisited the interviews, we noticed that both more positive and more negative returnees often felt that they were engaged in a lopsided endeavor. As the management consultant returnee put it: “just go through to the National Cereals Board, to understand what is the capacity of the [maize] silos, is like you want to be political. It’s like you want to fight government.” We eventually realized that returnees were describing an actual rather than perceived asymmetry: Individuals with little more than the hope to start a business and some savings from their time abroad were seeking to make sense of the government apparatus they were encountering. That insight provided the “why” of the returnee opportunity / returnee liability duality: Returnee entrepreneurs were navigating this de-familiarized macro-institutional environment on their own.

Once we made that connection, we realized that Scott’s (2014) macro-level approach to institutions would be an appropriate theoretical anchor. Moreover, we saw that our initial three labels – inefficiency in the system, unethical practices and lack of local knowledge – mapped quite directly onto Scott’s regulatory, normative and cultural-cognitive institutional pillars. The initial three labels were derived from an open coding process; quite a different process (iterating between prior literature and data, especially the interviews holistically) had revealed the value of using the three macro-level institutional pillars as theoretical anchor. Realizing that the two processes had converged gave us confidence that we had achieved theoretical saturation. We were finally able to connect our findings to the theory of institutional migration, and thus develop the “how” of our argument.

4. Findings

We divide our findings into three sections. We first provide a profile

of the Kenyan returnee entrepreneurs we interviewed and their experienced. We then provide quotes to support our argument that returnee entrepreneurs felt that they were, as individuals, navigating the macro-institutional environment. Finally, we discuss the three dimensions of the returnee opportunity / returnee liability duality: regulatory, normative and cultural-cognitive.

4.1. Profile of the returnees

The respondents were all skilled professionals, mostly in their mid-30s to late 40s, all married with children, with the youngest being 32 years old and the oldest 50 years. Most of them were educated to Master’s level, except two; one had an undergraduate and the other a doctoral degree.

The consensus was that the home country offers many opportunities, especially in the rapidly developing technology sector. At a high level, there was optimism that returnee entrepreneurs could profitably leverage their learnings abroad in their home country environment:

The reception was good because everyone believed that since you have been out there in this developed world, you came back with development! (Laughs). (Venture capitalist)

I think the favourable factor in Kenya is the opportunities, they are many for one who is looking to start a business and there’s a lot which we saw abroad that can work here. (Wellness entrepreneur)

Some expressed clear pride about how their businesses were proceeding, for example:

We have done well for our business, even if I can say so myself. Our company was recognized in 2015 by the Head of State in his State of the Nation address. We were also among those chosen to represent the country at the Global Entrepreneurship Week hosted by the ex-US president Barrack Obama. This recognition really gave us mileage, even with our international partners who feel they can trust us more. (Incubator hub founder)

Nonetheless, even these more successful entrepreneurs identified liabilities they had to overcome, with a range of frustrations and challenges being mentioned. Whether they experienced themselves as successful or not, returnees were very aware that they had to navigate the macro-institutional environment by themselves, as individuals.

4.2. Navigating macro-institutions as individuals

Kenyan returnee entrepreneurs face a very different world to that of most extant literature, where returnees set up ventures in government science parks, and can draw on the support of intermediaries. Instead, none of the returnee entrepreneurs we interviewed had benefited from government support. Government is generally experienced as a maze, with numerous returnees speaking of their desire for a single point of connection:

I wish there was one body in Kenya, where you can go to one office and they give you all the information you need (Transport)

One of the things which I really miss is, I wish we had one place where we could get all the information which we need as SMEs (Business development officer)

Because few expected of government to play a supportive role, the engagement with government was seldom deliberate:

Maybe my expectations have been fairly low of institutions, so I haven’t expected, say with government, that there’s anything that government is going to do (Project management)

Government almost accidentally tells you where they are going to spend money, through their strategic plans. But not many returnees read those strategic plans. It is something valuable I have learnt with time since coming back and it has helped a lot in helping us target our money in the right sectors. (Solar entrepreneur)

Even seeking the support of intermediaries could backfire. Intermediaries could at best provide pointers in the right direction, but because returnee entrepreneurs did not know local conditions,

intermediaries could also exploit them:

They might give you advice, the ones that have been around, and they might be able to connect you but you still have a lot to do on your own. (Tech trainer)

You get all sorts of people who tell you they can help you get the licenses and they take you round and round, using your money – only to run away and stop taking your calls. It takes a while before you know you have been conned. (Wellness operator)

I eventually got one cousin who was bit trustworthy and sympathetic towards my cause to be going around with me as I chased the necessary documents and other things. (Venture capitalist)

Many of the entrepreneurs expressed the wish for a community where they could connect with others in the same boat. The venture capitalist explained why he spent time at the I-Hub:

Most of whom [other returnee entrepreneurs] have alluded to going through similar experiences, which have actually made us a close knit community, guiding each other and looking after each other, especially the new people just landing back really need our assistance in helping them navigate this hostile landscape where opportunities are many but exploiting them is a thorny process (Venture capital)

However, returnee entrepreneurs mostly sought to operate on their own. One returnee entrepreneur explained:

I think that the only propelling force is you, the individual. Because in most cases even the things that you tell people that you want to do sound so out of this world, and so unbelievable, that nobody is willing or able to support it. (Business process automation)

4.3. *The institutional dimensions of the returnee opportunity / returnee liability duality*

Returnee entrepreneurs see themselves as the “propelling force” in navigating the institutional environment. Thus they need to on their own directly engage with the regulatory, normative and cultural-cognitive institutional environment. This juxtaposition creates both opportunities and a liability.

4.3.1. *The regulatory institutional dimension of the returnee opportunity / returnee liability duality*

The dysfunctional regulatory environment came up frequently, for example in comments about unhelpful regulations:

What is missing is the regulations from the government side, they are not aligned to reality on the ground. For example, you are in the energy sector and you are given licenses. These licenses are given to individuals who are practitioners. As a company, you have to find an individual with a license, then he nominates your business. [...] So for you to get someone to do business with, you end up paying him almost half of the money you need to start the business. (Solar entrepreneur)

So there are people there in terms of quantity, if you put out a job advert they are there, people will be coming along, but in terms of having the skills set and being able to meet what you want, there is a mismatch with that. Yet the regulations as they stand do not allow you to get the skills from abroad. (Project Management)

It is also clear that returnee entrepreneurs’ experience elsewhere provided a reference point, and that they missed the kinds of structure and support to which they had access when they lived abroad:

The business environment out there [US] is well-structured; they have clear policy guidelines and rules, and people tend to follow them. (Retail)

Yah, out there [South Africa] you go online, submit your forms and within 24 h your account is up and running. So literally, it is just within a day you can have everything done and your business running. But here it is different. To register a company, you had to go there physically and explain what you want to do and why, only to be denied the license because my business is registered abroad and has international partners. (E-commerce entrepreneur)

Of course, returnee entrepreneurs are argued to help uplift their

home country precisely because they are aware of, and can help fill, the gap between practices in more developed countries and at home. Thus the founder of the incubator hub saw an opportunity in offering the type of support that he observed the US government offering smaller enterprises:

Out there, they have government support programs that bring business development and advisory to small and medium enterprises, provide skills and tools to help all entrepreneurs who need them, but here even being accepted to an incubator is a challenge as they are so few and in between. (Incubator hub founder)

The business process automation entrepreneur also saw opportunity in the inefficiencies of government, and targeting government as a main market:

Most of the processes are in government, so that’s where we are starting, to improve government efficiency, by improving their processes. We’ve been targeting payments processes as an entry point, because that’s where we feel government would have a savings if the processes were automated. (Business process automation)

In other words, although there clearly is a regulatory institutional dimension to the returnee liability, there are also cases where returnee entrepreneurs find opportunity in the regulatory dysfunction.

4.3.2. *The normative institutional dimension of the returnee opportunity / returnee liability duality*

In the case of the normative dimension of the returnee opportunity / returnee liability duality, there were two elements. The first, corruption, presented only a liability. The second, the fact that new innovations were often seen to challenge and even violate existing norms, was often associated with returnee opportunities.

Various returnee entrepreneurs complained about corruption, and explained not only that it was a local norm to bribe, but also that they were disadvantaged relative to locals who better understood those norms.

It [corruption] was not a secret. Everybody knew that if I don’t bribe, I don’t get anything done, so it became a culture. People accepted it as a norm. (Human resources)

They even get worse when they notice in the license office that the business is registered in the UK, with partners in the UK. It’s like they see that it must then have so much money, and need to pay higher bribes (Wellness)

The venture capitalist was puzzled by the repeated requests for tea by the receptionist of a senior government official whom he was eager to meet. He finally asked his cousin whether he should take tea in a flask, only to be met with amused laughter: “chai” was the local term for a bribe, and he had wasted several days because he did not know he was expected to pay about \$2 to be given access to the official. This returnee entrepreneur was one of several who were willing to pay bribes to get the services they urgently required, but not knowing how much to pay, nor with whom exactly to engage, they often lost money:

Even simple things like how much to pay as the kickback was often a challenge to me, but he [the cousin] knew how much, thereby saving me quite a lot of headache and funds. (Venture capitalist)

They [locals] know how the corruption system in Kenya works. They know who to talk if they want to procure, whom do you pay, how much you pay and how much you charge. Those of us from the diaspora don’t know how much to charge in Kenya. Sometimes when we charge, we charge too low; sometimes we charge too high. Those are the challenges. (Management consultant)

The second normative dimension related to innovation. Innovation is central to the contribution that returnee entrepreneurs can make to a society, but the returnee entrepreneurs generally experienced a lack of support for their ideas. Many returnee entrepreneurs expressed disappointment that they needed to adjust their ideas “backwards” to fit within what was seen as acceptable in the country. The undertone of these statements was consistently that people in the home country would not deviate from the (sub-optimal) norms that had been

established over time.

Because of the level of novelty and professionalism, this was the direction you'd want things to move so that you can offer your services towards your country. The issue was that you'd provide consultancy services and write documents, then the implementation is not done right, because they do not understand it, which is discouraging for somebody who wants to see it done right from beginning to end. And also one who is used to seeing things done professionally. (Business development officer)

One of returnee entrepreneurs entered into a partnership with a local partner, and his account of how they worked to align their ideas indicates how returnee entrepreneurs needed to be mindful of local norms:

We [returnee entrepreneur and local partner] needed to align our thoughts so that we are speaking the same language. This was not as easy as it seems. Often what I said looked so totally different from what he knew and while he thought we needed to do it the way it's done here, I told him that's how we came in. We wanted to be different, not the same as others. The question was how different and would we still be relevant to that market. (Fitness)

In other words, the very fact that ideas were novel introduced a normative institutional dimension to the returnee liability – they were violating existing norms. As for the regulatory dimension, this normative challenge to the status quo represents a double-edged sword. The potential opportunity for returnee entrepreneurs stems from the novelty of their ideas – but resistance to that novelty is part of the liability they face.

4.3.3. *The cultural-cognitive institutional dimension of the returnee liability*

Cultural-cognitive institutions represent the taken-for-granted ways that “things are”. In addition to their sense that their proposed business ideas challenged local norms, returnee entrepreneurs often felt that their superior knowledge and skills were not understood by local stakeholders. Variants of “they do not understand” statements were frequently made:

I wrote the proposal but the implementation was not done right, because they do not understand it. They ended up giving the contract to locals who I believe were less qualified, and the story ended there. (Project management)

I just could not understand how they did things and they also could not seem to understand me and I did not want to be bothered with trying to adapt to their way of doing things. (Support services for entrepreneurs)

All financial institutions I approached declined my funding request as they could not understand the concept which was still new to the market (Wellness entrepreneur)

Another entrepreneur pointed out that some form of conformance to the local way of thinking was needed to overcome the cultural-cognitive dimension of the returnee liability:

You kind-of have to try and conform to their way of thinking for them to accept to even listen to your ideas, which they consider wild in most cases (Business process automation)

Others suggested that locals knew “how things work”, and having a local network was useful to help them overcome that liability:

Yes, the locals definitely have it easier. They know the local market more, they understand the culture better, they are aware of how things work... So that takes time for us to build. And they have connections – which is important for business in today's world. (Tech trainer)

I would advise them to get a local partner, someone who has been around who either co-runs the business with them or will sort-of guide them over a period, sort-of a consulting period. Even if it's a 3-month contract, it has to be someone who is seasoned. Someone who knows how things work in this country because even from talking to friends who have also come back recently to start businesses, the not-knowing how things work here has really cost them huge sums of money. (Solar entrepreneur)

In contrast, international partners were seen as a mixed blessing:

Having foreign partners is both good and bad. Many times we have suffered major setbacks because of having foreign partners and because the business is registered abroad, we have missed out on some very lucrative tenders. However, having foreign partners has also helped to boost our profiles especially with international partners and especially with venture capitalists. (Venture Capitalist)

Once again, a duality is clear. Although returnee entrepreneurs are exploring opportunities to introduce innovative new products and services, they are penalized for their blindness to many cultural-cognitive institutions.

5. Discussion

We make three contributions in this paper. First, we reconcile the fragmented literature on the advantages faced by returnees with the literature on the returnee liability. Second, we show that when individuals change to a new macro-institutional environment, they experience and must negotiate macro-level institutions are individuals. This helps us advance a multi-level understanding of institutions. Finally, by applying the theory of institutional migration to cross-border migrants, returnee entrepreneurs, we empirically test that theory and show that the same people can both seek to change and to internalize institutional rules.

5.1. *An institutional returnee opportunity / returnee liability duality*

In the paper, we contribute to scholarship on returnee entrepreneurs by reconciling two well-developed but separate and largely contradictory bodies of literature, namely scholarship that foregrounds the positive contributions of returnee entrepreneurs, and work on the returnee liability

Regardless of how well they felt their ventures were progressing, all our respondents expressed a range of complex and frustrated, often negative emotions about being a returnee entrepreneur. There was no relationship between returnee entrepreneurs' sense of the success of the venture and the liabilities they ascribed to having started their businesses after living abroad. Li et al. (2012, p.257) suggests that the success of returnees' ventures seems to be “the net effect of their advantages and disadvantages”. We argue this is not simply a case of adding advantages and subtracting disadvantages. Instead, we suggest that the returnee opportunity and returnee liability constitute a duality where the “seeming opposition of perspectives actually disguises a complementarity” (Giddens, 1986, p. 531). Both simultaneously shape each other, rather than existing independently (Meijerink & Bondarouk, 2023). By taking an institutional view of the returnee opportunity and returnee liability reveals, we can see that they are two sides of the same coin. This allows us to reconcile the apparent contradiction (opportunity and/or liability) in current literature.

Before adding more to a construct that is still quite diffuse, we want to underline what it is not. Any returnee – whether an entrepreneur or not – is likely to experience challenges in readapting to their home environment, the “reverse culture shock” that has long been documented (Howard, 1974) and continues to be documented among populations as diverse as students (Fanari et al., 2021) and employees (Banai, 2022). It can therefore be taken as given that returnee entrepreneurs also experience reverse culture shock.

The interpersonal dimension to returnee entrepreneurs' liability differs from reverse culture shock in two ways. First, whereas reverse culture shock reflects “the challenges faced when relearning to ‘fit in’” (Mreji & Barnard, 2021, p.5), returnee entrepreneurs experience a liability not as they seek to fit in, but instead as they seek to change the local context in some way. And second, locals with whom entrepreneurs believed they had a good relationship may withhold support when returnees behave differently to how they did when they were abroad, for example when remittances are no longer paid (Mreji & Barnard, 2021). Conceptually, there is little potential upside to the interpersonal

returnee liability – old relationships must be repaired or new networks forged for the returnee entrepreneur to overcome that liability. In contrast, when the returnee liability has institutional roots, it stands in a direct relationship with returnee opportunities.

The returnee liability is also not simply a liability of newness. The liability of newness perspective holds that new ventures experience a liability because they often lack skilled employees, other resources and existing clients (Aldrich & Yang, 2012). Like any founder of a new enterprise, returnee entrepreneurs suffer from the liability of newness. However, there are additional liabilities that are specific to returnee entrepreneurs. Those liabilities have to do with the institutional environment – but the institutional environment is also the origin of the opportunities that returnee entrepreneurs can exploit upon return.

It has long been known that innovation is “illegitimate” (Dougherty & Heller, 1994), and thus starting an innovative new venture is in some ways a violation of expectations of appropriate behavior. Returnee entrepreneurs challenge the status quo because they see opportunities in an institutional environment to which others have become used (Mreji & Barnard, 2021). Amini Sedeh et al. (2022) speak of the “cultural stigmas” (p. 1214) of high-risk innovative ventures, and find that it is “burdensome” for individual entrepreneurs to overcome this stigma, even though entrepreneurial motivation can help bridge legal and financial gaps. Experiencing the duality is thus not a sign of failure, but is an expected part of the returnee entrepreneur’s experience.

We want to underline that the institutional dimension is key here: The returnee opportunity / returnee liability duality occurs because the returnee entrepreneur is essentially an arbitrageur between different institutional environments. The importance of the institutional dimension would also explain why there are occasional accounts of the “asset of foreignness” (Mallon & Fainshmidt, 2017) in addition to the long-standing literature on the “liability of foreignness”, the term used to reflect the disadvantages firms face for not being from a given location (Zaheer, 1995). Sometimes there are opportunities in arbitrage between different institutional environments; sometimes the differences between those contexts simply confer a liability.

Our work can therefore guide scholars who seek to understand when a specific firm characteristic can function in a dualistic way, and when not. Some liabilities exist relative to a given institutional environment, not only the liability of foreignness, but also the liability of outsidership (Carney & Dieleman, 2024) or of origin (Ramachandran & Pant, 2010). Others, like the liability of newness and also smallness (Anderson & Ullah, 2014) less so. We suggest that a different institutional environment carries the potential to introduce both liabilities and advantages, and suggest that future research be done to better understand this duality.

In particular, we reconcile the apparently contradictory results on the returnee opportunity / returnee liability by showing that entrepreneurs who engage in knowledge arbitrage with knowledge from a developed economy in an institutionally weak context experience a duality: The novelty of an opportunity also introduces a liability. It seems likely that neither the opportunities nor the liabilities will be as severe when two economies are closer in terms of levels of development, but further research is needed to assess whether this duality occurs more widely, and if so, under what conditions.

5.2. The functioning of institutions at different levels

The literature on returnee entrepreneurs has long been fragmented, with scholars not very precisely differentiating between the effects of returnee entrepreneurship at the country, venture and individual levels. In a review study, Silva et al. (2025) seek to integrate the fragmented literature, and indeed identify individual as well as social and institutional (the latter both for the home and host country) factors as important in explaining the process of return migrant entrepreneurship. Our work advances the conversation not only by focusing on the institutional dimensions of the returnee opportunity / liability duality, but

also by showing its complex functioning across different levels of analysis.

Many studies have focused on the numerous country-level benefits to returnee ventures (e.g. Filatotchev et al., 2009; Lin et al., 2010; Saxe-nian, 2005). Returnee entrepreneurs assimilate new knowledge and bring innovative practices back to their home countries (Kuznetsov & Sabel, 2006), and because they have the ability to forge connections with venture capitalists and other influential stakeholders abroad, opportunities for bilateral trade and international business between their host and home countries are enhanced (Dai & Liu, 2009; Kenney et al., 2013; Wang et al., 2011).

When Obukhova et al. (2012) first conceptualized the returnee liability, it was in terms of venture performance – returnee businesses often perform no better (and sometimes worse) than the ventures of peers who had never left. But more work can be done at the level of the firm to explain why some ventures perform better than others. Aspects like the sector (most studies focus on the high technology sector), length of stay abroad and social capital are all known to be relevant. There may be threshold effects; the success of a venture may positively reinforce to a returnee entrepreneur that the choice to return home was the right one, thereby reducing perceptions of a returnee liability. Systematically examining how such factors affect the performance of the returnee venture (and thus the returnee opportunity / liability) is an important area for future research.

The returnee liability has also been identified at the individual level of analysis (e.g. Manimala et al., 2019; Mreji & Barnard, 2021), but primarily because of the quite common lack of differentiation between the entrepreneur and the entrepreneurial venture. In this paper, we make a contribution by deliberately juxtaposing the entrepreneur as individual with the macro-level institutional environment.

Entrepreneurs are individuals who hope to create an organization but are still operating as individuals. It is likely that entrepreneurs need to make sense of the macro-environment as individuals until they have an established business, but the macro-environment is generally familiar, and thus not particularly salient. This is different when entrepreneurs cross borders: the macro-environment is unfamiliar or, in the case of returnee entrepreneurs, de-familiarized. Our work shows that returnee entrepreneurs navigate their new macro-institutional environment as individuals.

Thus our work contributes theoretically by challenging the strict distinction between macro- and micro-institutions for economically active and globally mobile individuals. Further research can usefully examine other instances where Scott’s (2014) three macro-institutional pillars can explain individual actions, specifically to identify boundary conditions. The absence or weakness of an organization that can provide stability and predictability via clear roles and “scripts” as well as the personal benefit that can be realized by successfully navigating an unfamiliar macro-institution seem key. Thus Scott’s (2014) institutional pillars likely matter more to migrant entrepreneurs than to self-initiated expatriates who essentially seek organizational employment (Doherty, 2013). Business travelers who for short and often high-stakes visits cross national borders likely also need to be mindful of macro-level institutions, especially if they travel for independent work, e.g. as consultants, rather than within-company.

Practically our work makes a contribution by highlighting a tension: When returnee entrepreneurship succeeds at the individual and venture-level, it is also beneficial at the country-level. But individual returnee entrepreneurs typically carry the liability on their own. This provides useful insights about how best to support returnee entrepreneurs. The Kenyan returnee entrepreneurs we interviewed not only struggled with ill-defined government policies and regulations, but moreover often could not rely on locals to guide them – many report being swindled by self-appointed intermediaries. The importance of local ties to provide support to returnee entrepreneurs (Pruthi, 2014; Wang, 2015) and especially in underdeveloped contexts (Anwar & Chan, 2016; Nyame-Asiamah et al., 2020) is well-known, and not being able to trust

locals therefore poses a particularly severe challenge to returnee entrepreneurs.

The Chinese example should be closely examined, as studies set in Zhongguancun Science Park in China dominate scholarship on successful returnee entrepreneurs (e.g. Dai & Liu, 2009; Filatotchev et al., 2011; Guo et al., 2022; Sun et al., 2025). The key role of the Chinese government is well-known (Tan, 2006; Zhou, 2005), providing guidance to countries that want to attract and support returnee entrepreneurs. But returnee entrepreneurs tend to come from less developed countries where institutional dysfunction is the norm. Even in a country like India with a strong tradition of returnee entrepreneurship, returnee entrepreneurs are frustrated with local bureaucrats (Zweig et al., 2021). How are such returnee entrepreneurs to navigate their macro-institutional environment?

The vast numbers of returnee entrepreneurs to China are less often mentioned, but entrepreneurs not only returned in large numbers, but also remained quite close to each other. By 2006, more than 275,000 overseas Chinese scientists and graduates are reported to have returned to China, setting up over 2000 high-tech ventures in the Zhongguancun Science Park (Dai & Liu, 2009). This clustering helped local firms to benefit from returnee entrepreneurs (Ning et al., 2023), suggesting that returnee entrepreneurs have a greater influence on the local environment if they work together.

We accessed our respondents through privately-owned innovation hubs where they tend to congregate, with some explicitly expressing appreciation of those spaces. Returnee entrepreneurs stayed in those spaces because they felt supported there. They were with peers who were seeking similar types of opportunities but also suffering similar liabilities. Among themselves, operating innovatively was legitimate and expected. Thus clusters became institutions in their own right, offering domain-level institutional rules that “sheltered” the individual returnee entrepreneur from the macro-institutional environment. Inside a cluster, the viability of a different normative and cultural-cognitive paradigm can be demonstrated without directly challenging the status quo – making it easier for all concerned to engage with innovations developed in the cluster. This potential mechanism needs to be validated in further work, specifically to understand the effect of having innovation hubs run entirely privately or with (some level of) government support.

5.3. Refining a theory of institutional migration

Lee and Whitson (2025) propose a general individual theory of migration, and in this paper, we have empirically tested it in an extreme context where there is institutional migration not only to a different country, i.e. to an institutional environment that differs at the macro-level, but moreover from one macro-institutional environment to another at a very different level of development.

Our research confirms the central tenets of the theory. The tension between fitting in (“flowing with the current”) and doing something novel (“making waves”) in the new institutional environment was a central consideration for the returnee entrepreneurs, and the desire for a sense of control in that environment permeated the interviews. Explaining that she “just knew I wouldn’t fit in”, one returnee opted for entrepreneurship because, as she explained, “So... So... But at least I have control” (Technical retail). Lee and Whitson (2025) suggest that the depth of previously acquired institutional knowledge and a sense of social standing and social skill will motivate institutional migrants to “make waves” and seek to transpose their new knowledge, while a unified, centralized institutional domain with an elaborate infrastructure was proposed as informing institutional migrants’ decision to instead internalize the new institutional rules.

Returnee entrepreneurs saw themselves as having a deep understanding of the countries from where they were migrating, and comparing those countries with Kenya, they saw the institutional environment of their home country as being less strongly institutionalized.

Various permutations of that insight underpinned returnees’ decision to opt for entrepreneurship, i.e. to transpose ways of doing from their prior to their new environment. In our sample, returnee entrepreneurs introduced wellness and fitness services, various management services (e.g. human resources, project management and management consultancy), solar mini-grids, business incubation services and others.

Our work also adds significant nuance to the theorized relationship. Lee and Whitson (2025) present transposing rules from the previous environment – “making waves”, and in our case, pursuing entrepreneurial opportunities arising from the differences in the two institutional environments – as the primary pathway. “Where primary control is unavailable or ineffective, an alternative pathway is ‘secondary control,’ the pursuit of personal control through changes to oneself that accommodate the environment” (Lee & Whitson, 2025, p.4). Thus the two pathways are presented as either / or options. Our work refutes that, and instead shows that the two pathways function not only at the same time, but are also closely related.

The returnee entrepreneurs in our study spoke about “how different” they could be and still get acceptance, and of “kind-of” conforming to what locals expected to improve the reception of their ideas. Seeking to retain distinctiveness while conforming reflects the “strategic balance” proposed by Deephouse (1999). For institutional migrants, this suggests firstly that both the primary and the secondary pathways can be used, and secondly, that the pathways will be used strategically.

The principle is likely to be a general one. Institutional migrants carry some prior knowledge that they deeply value. As they seek to navigate their new environment, letting go of that knowledge will represent a real loss of perceived control. But it is unlikely that all institutional knowledge will be experienced as equally meaningful, and in some cases, institutional migrants may decide to go with the flow and to internalize the new rules. Thus most people are likely to use both the primary and the secondary pathways, and in fact, will strategically decide between transposing and internalizing institutional rules. A number of respondents explained that they had to rework initial ideas and develop less innovative offerings to get market acceptance. For example, one respondent explained the shift from offering training to offer a service directly:

The old service was to do facilities maintenance training to start understanding the mentality to one day be able to provide facilities management. I have to say, now we are at a point where they are starting to understand what facilities management is all about and its benefits.

We believe that the insight that both the primary and the secondary pathways can be used at the same time, and moreover, that they can be *strategically* combined, is an important additional insight to the theory of individual institutional migration. Strategically combining the two pathways is likely especially the case when individuals navigate substantial institutional change, for example across different macro-institutional environments. In other words, with greater institutional complexity, individuals may need to use more complex personal control strategies. We hope that future research that is done using the theory across other institutional domains will consider the both / and option as a viable pathway in its own right.

6. Conclusion

Our work is based on the perceptions of returnee entrepreneurs from a single city, Nairobi, in a single country, Kenya. We do not know how successful they really were, nor how severe the liabilities they faced. We believe that our analytic focus – the individual returnee entrepreneur – means that these shortcomings are not fatal to the study, but in seeking to generalize to other contexts, we can only conclude that our work is likely to resonate primarily where returnee entrepreneurs lack a supportive macro-environment.

Nonetheless, we make three important contributions. First, we build on Lee and Whitson’s (2025) theoretical model of institutional migrants. We argue that setting up an innovative new business represents an

attempt to transpose the institutional knowledge that returnees acquired by being outside of their home countries into the (weak) institutional domain of their home country. But we find that returnee entrepreneurs need to both make waves and flow with the current, as Lee and Whitson (2025) put it, thus showing that those responses are not either / or responses, but complementary.

Second, as institutional migrants, returnee entrepreneurs encounter and must navigate macro-institutions as individuals. We thus link their individual-level responses directly to Scott's (2014) macro understanding of institutions, and show that the disjuncture experienced by the individual returnee institutional migrant encompasses the regulatory, normative and culture-cognitive pillars. This nuance in how institutions is conceptualized is absent from prior work that conceptualizes institutions only in general terms (e.g. Lee & Whitson, 2025; Silva et al., 2025).

Finally, we show that interaction with their once-again unfamiliar institutional environment imposes across all three institutional pillars a real burden (i.e. the returnee liability) even as returnee entrepreneurs recognize the opportunities in the new institutional environment (i.e. the returnee opportunity). Thus we not only show the duality of the returnee opportunity and returnee liability, but also show that this duality stems from the fact that returnee entrepreneurs must engage with macro-institutions as individuals.

Returnee entrepreneurs continue to be recognized for the contribution they make to their home countries, and we believe that our insights will assist scholars and practitioners to better understand the opportunities and the liabilities they face in seeking to make that contribution.

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Data availability

Data will be made available on request.

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