

FOOTLOOSE AND FANCY-FREE:  
SOJOURNING ENTREPRENEURS IN CHINA

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Working Paper No 14/2012

November 2012

**Research No. 04420100**

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This paper was partially financed by the Henry Crown Institute of Business Research in Israel.

The Institute's working papers are intended for preliminary circulation of tentative research results. Comments are welcome and should be addressed directly to the authors.

The opinions and conclusions of the authors of this study do not necessarily state or reflect those of The Faculty of Management, Tel Aviv University, or the Henry Crown Institute of Business Research in Israel.

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## ABSTRACT

At the beginning of the 21<sup>st</sup> century we are witnessing a new phenomenon of international entrepreneurship; skilled entrepreneurs from developed countries are temporarily moving to emerging economies in order to pursue business opportunities. While anecdotal evidence exists, very little theoretical development has taken place so far explain to this phenomenon.

In this paper, we present two short cases based on such anecdotal evidence. These cases form the basis for the development of a conceptual framework which entails a profile of entrepreneurs who have the ability to establish and operate new business ventures in an emerging economy which is characterized by a high psychic distance .

Using Siu's work on immigrant laborers (1952) we suggest that skilled, professional entrepreneurs from Israel, who seek business opportunities in China, have a profile that differs from typical immigrant entrepreneurs described in literature and is closer to the immigrant laborers described by Siu and we suggest therefore naming them “sojourning entrepreneurs”. They have the ability to overcome liability of foreignness, without integrating in the host society, and without becoming part of the local culture and the ability to engage both networks in the home country and in the host country to further the entrepreneurial venture in the host country. We pose that these foreign entrepreneurs will be more successful in China when using local partners or strategic alliances and that their success will be based on the ability to leverage their foreignness and temporarity and become liaisons and mediators between agents in the home and in the host country.

**Keywords:** China, sojourning entrepreneurs, international entrepreneurship, Israel.

# 1. INTRODUCTION

The powerhouse that is called the People's Republic of China (the PRC or in short, China) has been attracting much attention over the last decade. In terms of international trade, China (when including Hong Kong) became the largest recipient of foreign direct investment – FDI - (WIR UNCTAD, 2010) and the largest exporter in the world, overtaking Germany in 2009<sup>1</sup>. China's international trade relations create much fascination and interest in the world at large.

The internationalization of its multinational enterprises (MNEs) has been analyzed extensively (i.e. Alon, *et al.* 2008; Deng, 2008; Fetscherin & Sardy, 2008; Mathews, 2006; Shenkar, 2005; Yang & Stoltenberg, 2008), while experiences of Western companies investing in China has been researched as well (Fung, *et al.* 2004; Fung, *et al.* 2002; Gassmann & Han, 2004; Von Zedtwitz, 2004). Research has focused mostly on investments and trade relations between China and MNEs from developed nations. During the 1990s and the first decade of the 21<sup>st</sup> century, MNEs from developed countries invested in China mainly for resource-seeking reasons and in order to overcome trade barriers. One of the main reasons for this behavior was (and still is) the existence of cheap labor costs. Indeed, much research has focused on Western manufacturing companies that seek cheap labor, outsourcing and off-shoring opportunities (Farrell & Agrawal, 2003; Pyndt & Pedersen, 2006).

Recently however, China is considered also as a potential market for a host of products and services due to its improved infrastructure, ongoing urbanization and greater purchasing power (Enright, Scott & Ka-Mun, 2005; Gassmann & Han, 2004). Especially when considering knowledge intensive FDI, foreign companies are encouraged by the government of China to engage in local R&D activities and to

operate technology-based firms on a local basis. One of the reasons is because multinational enterprises in a host country significantly affect the innovation performance of domestic firms when absorptive ability is taken into account. Specifically, research has found that international technology spillover sources and indigenous efforts have a large impact on the innovation performance of Chinese high-tech sectors (Liu & Buck, 2007; Simmons, 2008; Walsh, 2003). Thus, China has become a recipient of investments related to knowledge based industries and is considered more frequently as a potential market for knowledge based products.

These changes not only encourage large MNEs to invest in endeavors in China, but they appear to encourage foreign entrepreneurs to do the same. Recently, the Israeli daily Ha'aretz published an article about Israeli entrepreneurs who move to China to establish an entrepreneurial, knowledge- intensive venture in that country<sup>ii</sup>. Senor and Singer (2009) in their book 'Start-Up Nation', discuss the 'Koolanoo Group (KGIM)' which was established by Guy Grinberg and O.D. Kobo, two young entrepreneurs with a clear vision who wanted to tap China's enormous potential for the internet. Guy Grinberg, who served as president of KGIM.com until 2009, is Israeli born and educated, and O.D. Kobo has been raised in Hong Kong, and educated in New York and England. Mr. Kobo and Mr. Grinberg draw on long histories of successful start-up investments in general and in the internet industry specifically<sup>iii</sup>. The two invested in Koolanoo when it was a Jewish social networking site (BusinessWeek, 2010). Consequently, the entrepreneurs moved the venture to China, where they identified much better opportunities for social networking. The Israeli venture capital firm 'Giza' invested in the venture. Today, the management team of this company exists of an international group of Israeli and Chinese

executives and Guy Grinberg has moved back to Israel, while O.D. Kobo still resides in Beijing.

While entrepreneurs from poor and/or less developed countries migrating to Western, developed countries is a well-documented phenomenon (i.e. Barrett *et al.*, 2002; Clydesdale, 2008; Engelen, 2001; Jones *et al.*, 2000; Kloosterman, *et al.*, 2001; Rusinovic, 2008) less research exists regarding skilled, professional entrepreneurs from developed countries such as Israel, moving to an emerging economy such as China, to exploit business opportunities in that country.

This paper is organized as follows; first we offer a literature review that presents different theoretical views of international entrepreneurship. Subsequently we describe two short case studies of Israeli entrepreneurs in China which form the basis for the beginning of a “grounded theory” (Glazer & Strauss, 1967) of the proposed new type of entrepreneur whom we propose to call the "sojourning entrepreneur". At the end of the paper two propositions are proposed and conclusions and recommendations for future empirical work are presented.

## **2. THEORETICAL BACKGROUND**

International entrepreneurship is addressed by different streams of literature. While business and organizational scholars mainly examine the international entrepreneurial venture (i.e. Almor & Hashai, 2004; Freeman & Cavusgil, 2007; Luostarinen & Gabrielsson 2004; Madsen & Servais 1997; Oviatt & McDougall, 1994; 1997; 2005), sociologists focus on immigrants and immigrant entrepreneurial actors (i.e. Barrett, *et al.*, 2002; Clydesdale, 2008; Light & Isralovich, 1997; Rusinovic, 2008; Rijkschroeff, 1998; Van Den Tillaart, 2007) and others address the international entrepreneur as an actor that is located in a developed country and uses

networks, knowledge and experience to develop a knowledge based, international, entrepreneurial company (Oviatt & McDougall, 1994; 2005;2000; Saxenian, 2006; Senor & Singer, 2009; Sperling, 2005).

Most literature that focuses on the entrepreneur, examines characteristics of the individual, antecedents to success and characteristics of the venture (Lerner and Handless, 1993; Thomas and Mueller, 2000; Thornton, 1999; Shane and Venkataraman, 2000). Literature that addresses the international new venture focuses on the internationalization process of the venture and its success. Sociological research on immigrant entrepreneurs has mostly concentrated on those that move from emerging economies to developed countries such the US (Thomas and Mueller, 2000). To the best of our knowledge, existing literature has not addressed different types of entry modes of individual entrepreneurs into a foreign country, especially when the entrepreneur hails from a developed country and seeks to enter an emerging economy; neither has their success and type of integration been addressed. In this respect, we focus on international entrepreneurs that move from developed to emerging economies and coin the term sojourning entrepreneurs to denote them.

By employing an existing sociological concept, the sojourner, we attempt to bridge a gap in the entrepreneurial business literature. Below we first present a short overview of the different streams of literature and subsequently develop the theoretical concept of the sojourning entrepreneur.

### **The International Entrepreneurial Venture**

The exploitation of business opportunities around the world is examined by business and organizational researchers. During the last decade, various researchers have focused on international entrepreneurial ventures that are able to operate (and offer their shares) internationally at very early stages of their existence. These

companies are reported with increasing frequency all over the world (Oviatt & McDougall, 1994, 1997; Freeman, *et al.*, 2010; Knight & Cavusgil 2004). While their existence is also reported in large countries, these firms seem to emerge frequently in small countries with advanced economies (Gabrielsson & Kirpalani 2004; Moen & Servais 2002). Such firms are often referred to in literature as ‘born global’ firms or as ‘international new ventures’ and are characterized as fast growing, knowledge-based companies that are very nimble and able to exploit business opportunities around the world, without regard for their lack of business experience, lack of local footing and small size (Bell, *et al.*, 2003; Moen 2002; Rialp-Criado, *et al.*, 2010). Most studies published so far on international new ventures address issues of internationalization and have focused on why and how born global companies internationalize early on (i.e., Almor & Hashai 2004; Hashai & Almor 2004; 2008; Jones & Coviello 2005; Oviatt & McDougall, 1994; 1997; 2005). While much research has been published the last decade regarding the behavior, motivations and development of international new ventures, these studies rarely address the international entrepreneurial actor as such.

### **The Immigrant Entrepreneur**

Literature on immigrant entrepreneurship and entrepreneurial actors has tended to focus on first-generation immigrants in self-employment situations. This literature mostly examines entrepreneurs and ethnic diversity, first and second-generation immigrants, immigrant absorption, minority ethnic groups and policy issues (Barrett, *et al.*, 2002; Clydesdale, 2008; Evans, 1989; Light & Isralovich, 1997; Portes *et al.*, 2002; Portes and Hao, 2002; Rusinovic, 2008).

Typically, the immigrants that are studied are those that have been migrating for economic and political reasons from economically less developed and from politically repressed countries, to economically better developed democratic

countries. For instance, Rijkschroeff (1998) has thoroughly examined the Chinese community in the Netherlands. He showed that these immigrants moved to the Netherlands to better their own financial situation as well as that of their families in China. He concluded that over 70% of all Chinese immigrants to the Netherlands have at some time worked in Chinese restaurants in that country and that many had established Chinese restaurants. He further reported that many of these immigrants are related to each other and to immigrants who had previously arrived in the Netherlands. Rijkschroeff concluded, among others, that while strong ties with the home country and culture remained, these immigrants adopted the Netherlands as their new country.

Gold (1997), in his study among long- term Israeli residents of Los Angeles, a group that included many self-employed, reported similar findings. He showed that while the immigrants retain strong social ties between each other and strong ties with their ethnic community, they continue living in the US.

According to this stream of literature, immigrant entrepreneurs mostly move from emerging economies to developed countries in order to better their own and their families' economic, political and financial situation. Although they attempt to retain their relationships with their ethnic community they invest efforts to integrate in the host society in order to become successful entrepreneurs and employees.

Most of this literature views entrepreneurship as an outcome of the migration process. Thus entrepreneurship is a necessity to succeed in a new and foreign country which does not look kindly upon foreigners and does not provide many employment opportunities for these immigrants.

## **The International Entrepreneur**

Saxenian (2006) argues that entrepreneurs of the 21<sup>st</sup> century, whom she names “New Argonauts”, are those who run their businesses on a global scale, using their international networks and experience to build technology intensive, global businesses. According to Saxenian, they are mostly scientists, engineers and various types of professionals who were born outside the US, pursued an education in the US and remained there or returned to their home countries. Thus, foreign born entrepreneurs, engineers, lawyers, bankers and researchers who have linguistic and cultural abilities as well as institutional knowledge to collaborate with their home country counterparts are able to establish business relationships in one country, while maintaining social and professional ties with another, thereby creating new business models and ties between the two countries. In her work, Saxenian mainly addresses foreign professionals who are educated in the US and use their education and their experience in the US to develop high tech clusters in their home countries.

International entrepreneurs are found not only in the US but for instance also in Israel. What characterizes them, according to Sperling (2005) is their attitude towards global market opportunities. Indeed, Roberts & Senturia (1996) as well as Moen (2002) found that the entrepreneur’s global orientation was an important factor in creating an international new venture. Sperling, who examined Israeli international entrepreneurs, found that those in his sample had an international outlook, established their ventures in Israel and exploited global business opportunities.

Thus, literature regarding international entrepreneurial actors focuses either on professionals who use their knowledge to develop knowledge-intensive ventures either in their home countries or in the US, or on immigrants from less developed and/or poor countries that seek a better life in other countries but are hampered by

lack of education, lack of local knowledge and experience and lack of language and culture and retain strong ties with the mother country. Literature that examines fast growing international new ventures focuses on the venture rather than on the entrepreneurial actor(s) and does not provide many explanations regarding these actors.

For business ventures, borders seem to become less significant and distance seems to change its meaning as it is bridged by different types of communication and technologies. This context seems to allow for the development of a new type of entrepreneur who does not necessarily immigrate for a life time, but is able to move nimbly between countries while exploiting various business and educational opportunities.

Investments by individual entrepreneurs in China are relatively uncharted territory. Gassmann & Han (2004) argue that pioneers in such investments frequently are high tech companies or entrepreneurs from relatively small countries, such as Israel, which create knowledge based products (Hakanson & Nobel, 1993a; 1993b).

### **Israel: Entrepreneurial country**

Israel, located in the Middle East, is a democratic country that has a small, open economy. In 2010, it had a population of around 7.5 million and a GDP per capita PPP of \$ 29,500<sup>iv</sup>. The prosperity and economic success of Israel is highly dependent upon international trade and on the ability of the country to encourage its firms to engage in international business as well as to attract international firms to invest in Israel. Israeli GDP per capita in PPP more than doubled between the years 1990-2008 and exports increased fivefold (mainly to the US and the EU), contributing significantly to the economic growth of Israel. Figures further show that while in 1990 about 40 percent of exports came from low tech industries, about 75 percent of Israel's

industrial exports are now accounted for by high and medium-high knowledge intensive industries (excluding diamonds). Despite the crisis of 2008, Israel's export has continued growing since the beginning of the 21<sup>st</sup> century (Almor, 2011). Indeed, despite the negative press the country gets in the world, Israel is one of the largest centres in the world for start-up enterprises, with more than 3,850 start-ups in 2008 (Senor & Singer, 2009). A percentage of these start-ups become exporters that are responsible for the high percentage of high-tech export.

Already in the 1990s, Israeli telecom companies such as ECI and advanced irrigation systems companies such as Netafim, explored ways to do business with China. Figures published by the Central Bureau of Statistics (Statistical Abstract of Israel, 2009)<sup>v</sup>, show that already in 2008 combined exports and imports amounted to about 11.5 billion USD, representing nine percent of Israel's international trade, and turning China into Israel's third largest trade partner and one of Israel's most important export markets, surpassing all individual countries but the US.

Israel's trade with China is relatively balanced, while exports for 2008 amounted to 5.43 Billion USD – representing nine percent of total export - imports amounted to 6.1 Billion USD – representing roughly 10 percent of total import (Central Bureau of Statistics, Statistical Abstract of Israel, 2009). This is surprising as China has a trade surplus with most of the world (Lum & Nanto, 2007). Israel is a small, high tech oriented country that has relatively much experience trading with China, not only for resource seeking purposes but also for market seeking purposes. Israeli knowledge based companies have been doing business in China for the last twenty years and this experience and knowledge has disseminated over time among companies and individuals.

As Israel is a very entrepreneurial country, seeking opportunities on a worldwide basis is quite common. This collective entrepreneurial experience in Israeli society seems to be strong enough to enable individual Israeli entrepreneurs to try their luck in third countries that provide business opportunities.

The current paper, aiming to develop a profile of a type of entrepreneur which has not received attention yet in literature, was inspired by the 'Koolanoo' story as well as others which will be presented below in detail. These stories encouraged us to attempt and develop a conceptual framework based on their shared narrative.

In this paper, we would like to propose that a new type of international entrepreneurial actor is developing who is not bound by the local market or to the ethnic culture, but is international by choice and according to business opportunities. In order to create a basis for our propositions, we first would like to present two short case studies of Israeli entrepreneurs in China. Subsequently we will present the description of this new type of entrepreneur and the propositions derived from this description.

### **3. ISRAELI ENTREPRENEURS IN CHINA: TWO SHORT STORIES**

Lately, a number of articles have been published in different newspapers and books (i.e. Senor & Singer, 2009) regarding Israeli entrepreneurs who decided to move to China temporarily in order to exploit business opportunities.

Based on published materials (newspaper articles, company websites, internet sites), skype and face-to-face interviews as well as emailed questions, we will present two stories of three Israeli entrepreneurs in China. The entrepreneurs of Meijob.com were interviewed by means of semi-structured, personal interviews that were recorded and later transcribed. In addition, notes were taken during the interviews. The

entrepreneurs were asked about the reasons for moving to China, their experience during the period, what they achieved and which areas presented them with challenges. Interviews lasted about one hour. Data gathering and analysis were based on the case study methodology (Eisenhardt, 1989; Yin 1994).

### **Meijob.com**

Meijob.com is China's fastest growing job search engine. Meijob's website was the first fully bilingual (both Chinese and English) job site in China, which is used by more than 1,000,000 subscribers and visited by more than 2.5 million users per month. Jobseekers use Meijob's bilingual search engine to browse jobs by location, industry, position, requirements and employer type, or combine these details to zone in on positions relevant to them. Meijob's automated application process provides employers with all the relevant information about each applicant in a clear, coherent way. After less than a year of operation, Meijob.com was ranked first of the vertical job search engines in China.<sup>vi</sup>

The company was established in 2006 by Barak Paz-Tal and Guy Rotberg, two Israeli entrepreneurs who, while in their late twenties, met in Shanghai at a conference on internet business (Menahem, 2010). *"As a result of the conference we wrote a business plan together, based on an Israeli company by the name of "Alljobs" and approached our friends and family for initial funding"*.

Barak Paz-Tal has over 11 years of experience in the internet and mobile industries in Mainland China and Israel. He currently holds the position of Board member in Meijob.com. Prior to Meijob, Mr. Paz-Tal was customers marketing manager at Partner, a leading Israeli mobile phone company. He returned to Israel in 2009 and works as a consultant to Israeli and international firms that want to do

business with China. *"In 2009 I returned to Israel for personal reasons, and decided to use my experience and relationships in China in order to help others that want to establish businesses in China".* Barak's current website states the following: *"My name is **Barak Paz-Tal**, and I want to get you started down the fast track to start a business in China or expand your current operations to China. After I studied Chinese in Beijing Culture & Language University, I found myself spending four priceless years in Beijing, learning to do business in China totally from scratch and setting up two internet companies with over **50 Million** visitors. I've discovered some **tested and proven fundamentals that work** – all pieced together in a strategy that will take you from zero to success, faster than you'll believe possible."*

Paz-Tal, who decided in 2004 that interesting business opportunities exist in China as a result of a book he read while on vacation in Thailand, convinced his wife and in 2005 they moved to China to learn Chinese and study business opportunities there, which resulted in the establishment of Meijob.com. Paz-Tal's first months in Beijing were spent learning basic Chinese. During a conference in Shanghai he met local people who were looking to establish small high tech firms in China and they started to give tips regarding the establishment of an entrepreneurial venture in China. In the first half of 2006, Rotberg and Paz-Tal began working together, starting their own business.

Guy Rotberg has experience in the internet, HR and legal industries in Mainland China and Israel. He further has six years of experience as an Israeli lawyer. He currently serves as a Board member of Meijob.com. Today, Guy Rotberg lives in California with his family and is involved with entrepreneurial ventures in the US.

Rotberg moved to China in 2004 with his wife, a Sinologist, who had received a scholarship to study in China. While in China he started out as an employee for BGI

China, a period during which he learned basic Chinese and started to understand the local culture. He established the legal recruitment department for BGI China, a leading Chinese search and recruitment firm, with offices in Beijing, Shanghai and Guangzhou. Quite soon however, he got infected by the “entrepreneurial bug” and the need to establish his own business. While looking around for business opportunities he got aware of the fact that at that time China did not have internet sites where one can look for jobs. After meeting with Barak Paz-Tal the two decided to establish such an internet site.

Together, Paz-Tal and Rotberg decided to establish Meijob.com, the idea of which was based on a similar venture that already existed in Israel and with which both were familiar. Rotberg took the CEO seat while Paz-Tal took responsibility of the marketing and sales aspect. *"After writing the business plan we understood that we need venture capital. At first we requested help from family and friends, after that we also approached Israeli angels who invested a few tens of thousands of USD. However, most of the seed money was provided by a local Chinese investor who also was involved in the establishment of the venture."* Before long, they obtained their first private investments pull of several hundred thousand dollars from Israeli investors. From the start, local people helped run the firm. *"The Chinese investor provided the contact through which the first employee was hired; she in turn helped to hire the subsequent employees. My wife also helped us as her Chinese was much better than ours. After that existing employees would bring in new ones."*

*"We deliberated how to build the internet site and then we attended a series of lectures that addressed the topic of "China Entrepreneurs". There we met an Israeli who tried to establish a social network site in China, which did not succeed. We invited him and his team to help us build our internet site, which became a big*

*success.*" An international team of three programmers developed the needed software. Two of the programmers were Israeli, although not Israeli born, and one was Chinese.

The two Israeli entrepreneurs could not read or speak Chinese as fluently as needed, they were troubled by heavy paperwork in the preparations for the founding of the company and they were troubled by questions as to what kind of team they should construct. Finally, Rotberg and Paz-Tal decided to build a multinational team based on the concept of localization. In order to encourage employees from different nations and backgrounds to cooperate and work together, they determined the company's guiding values: Simple, Together, Possible, Honesty and Creative. <sup>vii</sup> *"We understood that our grasp of the local language and culture was not enough to hire new people and to run the company. We needed locals to help us. Luckily we had the help of our local Chinese investor, with whom we already had a previous relationship and we had our local employees".*

After three and a half years of running the company, it became clear to the entrepreneurs that they needed a professional manager to take Meijob.com to the next stage. An Australian manager was found who started out as the COO and eventually became the CEO of the company. *"After a period of three and a half years we understood that we need a professional manager to take the company to the next step. We used LinkedIn to look for a Chief of Operations and we found an Australian guy who fit the bill. At first we made him the COO of the company and after half a year he became our CEO."*

*"Personally, I was not able to continue, my wife was awarded a scholarship in the US, and I felt that I would not be able to travel back and forth. Life in China is very intensive, and it is very difficult to live in China for an extended period. While we were naïve in the beginning, which helped us to establish the company, both Barak*

*and I understood that we need someone with more managerial experience and also someone who speaks the language to run the company. Now I have different entrepreneurial ventures in the US, which is a lot easier".*

### **Infinity Private Equity Fund<sup>viii</sup>**

Infinity Private Equity Fund manages more than US\$700 million through nine funds, of which seven are in China. Founded in 1993 and backed by prominent partners and investors such as the Israeli IDB Group and China Development Bank, the Infinity Group has gained a solid reputation as a leading funds management company with an impressive track record that is the world leader in Chinese international RMB funds.

Infinity has been able to establish vital and trusting relationships with the authorities and business community in China, which continues to open investment and development opportunities for both Israel and China. The success in launching the Infinity-CSVC fund in 2004 was evident in that it was the first limited partnership off shore fund fully endorsed by both the Chinese and Israeli governments. The company has offices in Tel Aviv, Hong Kong, Beijing, Shanghai, Suzhou, Harbin, Shijiazhuang, Changzhou, Ningbo, Tianjin and New York. Infinity manages and invests in advanced Chinese and Israeli companies seeking to enhance their existing business activities in China. Infinity looks for Chinese operational enterprises that display well established entrepreneurial, sales and production skills, and which are seeking cutting-edge technology and know-how. Its core strategy is to invest in companies that could become the leaders in the fast growing Chinese market, while leveraging Israeli know-how and technology.

Much of Infinity's success is the result of Amir Gal-Or's entrepreneurial spirit. Gal-Or, an Israeli international private equity/venture capitalist, is the founder and managing partner of the Infinity Group. In 2004, Mr. Gal-Or championed the establishment of the first limited partnership on shore equity capital fund in China (China fund No 00001). Mr. Gal-Or is also a co-creator of the new IP Bank headquartered in Suzhou, China. The IP Bank in Suzhou is the first of a series of IP Banks in China intended to centralize the technology cooperation and investment activity in both Israel and China of Infinity and its respective partners at the various Infinity JV funds across the country<sup>ix</sup>. Mr. Gal-Or who has years of experience in Israel with entrepreneurs and their ventures, recognized China's need for venture capital incubators and technologies. According to Gal-Or: "*China wanted to establish more and more venture capital incubators with private equity activity supporting that process like the Israeli government did in the '90s. And in a way, we took the role of the Americans in terms of using our experience to build the joint funds in China with the Chinese government. We have done that through multiple relationships starting from the prime minister, Ehud Olmert at the time, and China's vice premier and through personal contacts, and the fact that we are part of the IDB Group, which is the largest conglomerate in Israel.*"<sup>x</sup> It is doubtful that Israeli venture capital would have found its way into China at the beginning of this century if not for Amir Gal-Or.

Amir Gal-or was born in 1962 in Israel and served as a combat pilot in the Israeli Air Force. He graduated from Harvard University's program in venture capital and private equity investments and he has a MBA Tel Aviv university. Mr. Gal-Or is a member of the World Economic Forum and has been invited to speak at equity capital forums and conferences pertaining to business in China. His career as a private

entrepreneur began at the Technion incubator in 1990 when, together with his mother, he established two materials companies which were eventually sold.

In 1994, Gal-Or was nominated as a manager of Mati Ra'anana, a business development center. Mati Ra'anana provides professional consulting services, business plan formulation, professional business training, on-going consulting and mentoring, and assistance in obtaining the necessary funding to realize the goals set in the business plan assistance to small and medium sized businesses, and technological start-ups.

In 1998 Gal-Or switched over to venture capital, and joined Infinity. In 2002 the Office of the Chief Scientist (OCS) of Israel began a program to privatize the technology incubators. Under the umbrella of Infinity, Gal-Or founded Maayan Ventures, a publicly traded company, where he serves as chairman. Maayan, headquartered in the southern Israeli town of Beer Sheva, is a working partner of the Israeli government for seed investments and manages more than 60 investment holdings<sup>xi</sup>. In 2004 he moved to Hong Kong where he established the first limited partnership on shore equity capital fund in China and the predecessor to Infinity I-China.

The stories, including 'Koolanoo' mentioned in the beginning, seem to share a number of characteristics. While the 'heroes' of the stories – the entrepreneurs - operated in different industries, all moved to China with a very specific purpose in mind and with the idea that they will be able to exploit business opportunities in the host country.

None of the entrepreneurs was looking to immigrate to China or to become a Chinese citizen. Therefore, none of them made serious attempts to master the language or adopt the religion, nor did they attempt to integrate in Chinese society.

Moreover, of the four Israeli entrepreneurs mentioned in this paper, only one currently resides in China, the others have already moved on. We further can see from the stories that all used their extensive Israeli networks, their previous experience and professional knowledge to establish the various ventures in China. Moreover, all were able to create interest for their Chinese ventures in Israel and receive funding from Israeli venture capital, banks and angels. They further used their existing Israeli networks to find capable employees, programmers and managers. At the same time however, they also established new, local networks, which enabled them to find local employees, local capital and local business opportunities.

#### **4. THE SOJOURNING ENTREPRENEURS: A CONCEPTUAL FRAMEWORK**

The cases presented above seem to differ from the existing taxonomy of international entrepreneurship. While no unifying and clear theoretical or methodological direction exists so far regarding international entrepreneurship (Mcdougall & Oviatt, 2000) we would like to add to the existing discussion surrounding this topic.

To the best of our knowledge, literature does not address international entrepreneurs that originate in developed countries and move to developing countries to exploit business opportunities. In this paper we suggest to add a new type of international entrepreneurship to the existing taxonomy.

Siu (1952), who studied immigrants and empirically examined Chinese laundry-men in the US, developed the concept of ‘the sojourner’. Siu defines the sojourner as “a type of stranger who spends many years of his lifetime in a foreign

country without being assimilated by it” (Siu, 1952:34). Siu suggests that the sojourner does not become assimilated and does not realize ‘full adjustment’ in the new country (Coates, 2005). Instead, the ‘adjustment’ of the sojourner involves the development of a new way of living that is *neither* characteristic of life at home, *nor* of the dominant cultural group. The sojourner will have an ultimate goal in the host country and will interact with the host culture to the extent that this will assist with this goal attainment.

Therefore, the sojourner moves back and forth between the home and host culture and maintains strong ties with the home country when abroad while return trips affirm the purpose of the sojourn. The social expectations, sentiments and attitudes of members of the primary group provide the visit home and the sojourn itself with meaning.

In this paper we told the stories of three international entrepreneurial actors who (temporarily) moved from a developed country (Israel) to an emerging economy (China), in order to exploit perceived business opportunities in that country. These strangers, who entered a foreign country and never fully assimilated, were able to exploit local business opportunities, while using their knowledge, experience and social networks they had developed previously. This paradoxical phenomenon of a stranger who keeps his distance from the host environment, but nevertheless succeeds in entrepreneurial terms, seems very similar to the phenomenon described by Siu.

We suggest coining the term ‘sojourning entrepreneurship’ in order to describe this type of entry mode of skilled, professional entrepreneurs into an emerging economy. We argue that this entrepreneur can be characterized as a person who views the world as a natural playground and does not allow factors such as language, local culture, local ethnic group or local ties to restrict his entrepreneurial behaviour. The

sojourning entrepreneur has a well set goal in the host country, namely to exploit a business opportunity and to establish an entrepreneurial venture.

We further argue this type of entrepreneur is a person who does not immigrate to another country, but rather views living in different countries as a way to exploit business opportunities temporarily, while exploiting existing networks, previous knowledge and experience that are gained in other contexts. Moreover, we argue that the sojourning entrepreneur does not need to make the local culture his own, neither in terms of language, religion or customs, but rather retains the status of a visiting outsider. The sojourning entrepreneur views the stay in the host country as a temporary episode.

Thus we propose in this paper to add a new type of international entrepreneur to existing types. New Argonauts (Saxenian, 2006) receive their education and experience in foreign developed countries and take this knowledge back to their home countries to develop entrepreneurial businesses. Immigrant entrepreneurs are mostly uneducated people from developing countries who immigrate for life to developed countries to better their economic situation (Barrett, *et al.*, 2002; Clydesdale, 2008; Evans, 1989; Rusinovic, 2008; Rijkschroeff, 1998). Necessity based entrepreneurs are mostly uneducated entrepreneurs who move within the realm of developing countries (Reynolds *et al.*, 2002). In this paper, we propose to add a new type of entrepreneur which we name the sojourning entrepreneurs. These entrepreneurs are educated and experienced and hail from developed countries. They use their education, experience and networks in the home country to exploit business opportunities in developing countries on a temporary basis (see Figure 1).

=====  
INSERT FIGURE 1  
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The sojourning entrepreneur, being an outsider from a developed country, brings along many resources and capabilities that do not necessarily exist in the host country. The sojourning entrepreneur brings along know-how, international contacts and experience, relations with venture capital, entrepreneurial experience and so on. The sojourning entrepreneur starts with a personal resource endowment at the beginning of the entrepreneurial process. The sojourning entrepreneurs have the ability to establish and operate new business ventures in a foreign country which is characterized by a high psychic distance (Johanson & Vahlne, 1975; Vahlne & Wiedersheim-Paul, 1977). They have the ability to overcome the liability of foreignness, without integrating in the host society, and without becoming part of the local culture and the ability to engage both networks in the home country and in the host country to further the entrepreneurial venture in the host country. Resources such as education, experience, reputation, knowledge of the industry and network contacts are part of the sojourning entrepreneur's tool kit. As a sojourning entrepreneur (a stranger) he can see the business world in the host country with fresh eyes and use his unique and different perspective to spot opportunities that locals are missing. This experience and know-how is extended to international experience and the ability to establish an international entrepreneurial business (Westhead, Wright and Ucbasaran, 2001).

On the other hand, the sojourning entrepreneur by being an outsider lacks local contacts, local social networks, and local social capital as was exemplified in the story of Meijob.com. In China especially, the local social network is considered very important for business success and especially entrepreneurial success. These kinds of informal and interpersonal ties and social network resources are called '*Guanxi*' and are considered critical for success in the local Chinese market. Sojourning

entrepreneurs, typically lack Guanxi and will always be considered as foreigners in China by their local business contacts (Lu, 2007; Lin, Tau, and Liu, 2006; Luo, 2007).

Thus while the sojourning entrepreneur is able to exploit many of his resources in China, he also encounters difficulties and drawbacks by being a foreigner and by his lack of interest in becoming part of the local Chinese society. Therefore we would like to pose that in order to leverage his wealth of resources and know-how and at the same time overcome his lack of Guanxi he needs to create for himself an external source of local social capital. Thus we pose that a relationship exists between his individual entry mode (sojourning) and his business entry mode, i.e. the way in which the business in China is established and developed. In other words, in order to overcome his lack of Guanxi, the sojourning entrepreneur needs a local business partner. The stories presented in this paper show that the Israeli entrepreneurs had local business contacts that helped them establish and run their businesses. Therefore we propose that:

- 1. Sojourning entrepreneurs will be more successful in China if they use local partners in order to establish their business in China. Either the local partner becomes part of the entrepreneurial business or strategic alliances can be used.*

The unique characteristics that the sojourning entrepreneur develops over time and the local contacts and abilities that he creates through his strategic alliance enable him to straddle both cultures and thus develop a bridging function between the host and home country. While entering into the host country but still keeping the knowledge and managerial routines from home country, the sojourning entrepreneur can balance domestic and international learning simultaneously and become acculturated to the business environment in the host country (Zheng and Khavul,

2005; Altio, Sapienza and Almeda, 2000). One example is Barak Paz-Tal, who returned to Israel and established a company that provides consulting to others that want to enter the Chinese market. Another example is Amir Gal-Or who represents Israeli investment funds that are interested in investing in Chinese start-ups. Both entrepreneurs use their experience in the host country as well as their knowledge and network from the home country to create new knowledge which may help others bridge the gap between the home and host country. Thus we propose that:

2. *Successful sojourning entrepreneurs will leverage their connections with local business functions such as suppliers, regulators, banks etc. in order to act as liaisons and mediators for new entrepreneurs that are entering the host country as well as for businesses located in the home country.*

## **5. CONCLUSIONS**

At the dawn of the 21<sup>st</sup> century, China is a land of opportunities for many. In this paper, we showed that China presents business opportunities for foreign entrepreneurs as well. Based on the case studies presented in this paper, which told the stories of three Israeli entrepreneurs who each created businesses in China, we proposed that a new type of entrepreneur can be discerned.

The cases presented here tell the stories of entrepreneurs from developed countries that exploit business opportunities in developing countries in ways which seem to be novel. We argued that entrepreneurs who discern such business opportunities are a new type of entrepreneur, which we suggest to name ‘sojourning entrepreneurs’. We further explained why such entrepreneurs are likely to hail from small countries such as Israel, and invest in entrepreneurship. The sojourning entrepreneur seems to be footloose and fancy free regarding his entrepreneurial

preferences and capabilities. The business success of this type of entrepreneur seems not to be restricted by lack of belonging to the host country, lack of local knowledge, lack of language and lack of supporting ethnic group in the target country, variables which are supposed to influence entrepreneurial success according to literature.

The sojourning entrepreneur seems to be new as it is based on a person who has a variety of different resources and capabilities, created in developed countries, which he exploits in emerging economies. As discussed in this paper the sojourning entrepreneur is very much of an outsider who intends to remain so, but is interested in establishing a successful business venture in the host country. We hypothesized that the unique combination of know-how, knowledge and experience gained in a developed country together with the desire to establish a business in an emerging economy such as China, creates the need for a critical path of success. Based on the case studies, which showed that the entrepreneurial success is related to the ability to create a local network and work with local people, we posed that the sojourning entrepreneur can succeed by creating an entrepreneurial business either with a local business partner or by means of a strategic alliance. We further posed that by becoming a liaison or mediator for other sojourning entrepreneurs or companies from his home country the sojourning entrepreneur is able to create business opportunities also after having left China. Thus, by being "footloose and fancy-free" the sojourning entrepreneur can create business opportunities in developing countries not only by themselves for themselves but also be functioning as a bridge between the home and the host country. Exploitation of the new network seems to allow these entrepreneurs to create a host of new business opportunities for others as well as for themselves.

While investments by sojourning entrepreneurs may seem small in comparison to FDI of large high tech firms, they boost local entrepreneurship, creating local

clusters and thereby, a high potential for future growth (Saxenian, 2006). Similarly to born global companies who seem to use FDI often to acquire new capabilities and strengthen their competitive advantage in the host country (Gabrielsson & Kirpalani, 2004; Luostarinen & Gabrielsson, 2004; McKinsey & Co., 1993; Oviatt & McDougall, 1997), the 'sojourning entrepreneur' also invests in the host country in order to acquire new capabilities and to strengthen competitive advantages which allow him to succeed in a foreign country.

By encouraging sojourning entrepreneurs to establish their businesses in China, while maintaining their business contacts and relationships in their home countries, new entrepreneurial hubs are established, which eventually create more knowledge based activities and opportunities for entrepreneurs as well as for well-established international companies. We believe that this phenomenon in turn, will allow China to catch up and become more advanced, creating new, innovative products and services which can, subsequently, be exported to other countries.

This paper developed a conceptual model of Israeli sojourning entrepreneurs in China. Currently, the model is based on a few case studies and data are still very limited and preliminary. In order to get a better understanding of such entrepreneurs it is necessary to gather more data from additional entrepreneurs and examine the phenomenon also among non-Israelis. We assume that the phenomenon also exists among other nationalities and needs to be studied further. Thus future research should attempt to interview more entrepreneurs and also seek entrepreneurs in China from additional countries. Once a database exists it will be possible to study the propositions posed in this paper.

In this paper we have presented a profile of a new type of entrepreneur which we name the 'sojourning entrepreneur'. We believe that along with the growth of

emerging economies and especially of China, this type of entrepreneur will become more prevalent and will be responsible for more volume of foreign investments in such countries. Understanding the opportunities and challenges facing this new type of entrepreneur will not only have theoretical but also practical implications.

China, which is on the verge of becoming the largest economy in the world, provides many opportunities for such entrepreneurs. These entrepreneurs on the other hand, bring resources and capabilities to China which are scarce or even unique in the Chinese market, thereby creating a situation in which both sides can profit. If these entrepreneurs will indeed be more successful in China when using alliances rather than wholly owned foreign enterprises (WOFEs) and if their unique capabilities enable them to become liaisons and mediators as we pose in this paper, it can lead to practical implications and guidelines for such entrepreneurs as well as for the Chinese government. Therefore we suggest continuing with this line of research in order to verify the existence of this new type of entrepreneur, enlarging the data base and encouraging comparative analysis with different countries of origin and different patterns of entrepreneurship. We expect that in the Chinese century more entrepreneurs will be footloose and fancy free and exploit opportunities in globally emerging markets.

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FIGURE 1

**International Entrepreneur**

	Educated/skilled	Uneducated/unskilled
<b>Foreign country</b> Developed	New Argonauts	Immigrant Entrepreneur
Developing	Sojourning Entrepreneur	Necessity Entrepreneur

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