

CHAZEN INSTITUTE RESEARCH BRIEF

# The Globalization of Entrepreneurship

## KEY TAKEAWAYS

- ✓ Cross-border ties bind skilled professionals with connections outside their home countries and facilitate knowledge transfer vital to venture formation.
- ✓ Returnees with strong cross-border ties are more likely to start a new business, especially one that does business abroad.
- ✓ International restrictions amid COVID-19 are reducing the global supply of entrepreneurs and potentially slowing the economic recovery worldwide.

Establishing and maintaining social networks is crucial to the success of any entrepreneur. These networks serve as channels to explore ideas, identify opportunities, and leverage resources. Which types of networks are most beneficial in helping entrepreneurs get new ventures off the ground, however, still remains a question.

In “[When do return migrants become entrepreneurs? The role of global social networks and institutional distance](#),” **Chazen Senior Scholar Dan Wang** finds that cross-border social networks—connections to individuals outside one’s home country—are vital for people looking to start a new venture, particularly if they worked abroad before returning to their home country. The paper, published in the *Strategic Entrepreneurship Journal*, has important implications for entrepreneurs around the world and for the global economy post-coronavirus.

## Research

Wang surveyed 3,840 professionals who worked in the United States before returning to 98 different home countries. This is the largest study of venture formation among highly-skilled return migrants ever conducted.

This research builds on previous work by Wang on [knowledge transfer](#), as well as other literature on social networks and entrepreneurship. He establishes that, as a baseline, cross-border ties are a feature of three types of knowledge transfer, which benefit returnee efforts to found ventures.



- The first type is *novel knowledge*, or knowledge that is new to a given market environment. Novel knowledge enables returnees to identify market opportunities in homelands that might be less perceptible to someone without such knowledge.
- The second type is *complex knowledge*, or knowledge that is tacit and multifaceted. Complex knowledge enables returnees to reach a comprehensive understanding of the interdependent elements of venture-related knowledge.
- The third type is *relevant knowledge*, or knowledge that can be usefully applied in a market environment. Relevant knowledge enables

returnees to put the knowledge to immediate use in founding a venture in their local markets.

## Results

The data reveal that returnees with cross-border ties are more likely to start new ventures in their home countries. Compared to returnees who have no contact with connections abroad, returnees who stay in weekly contact with connections abroad are 55 percent more likely to start a business. In addition, these returnees are also more likely to start ventures that do business globally. The effect weakens, however, for returnees in home countries that are institutionally dissimilar from the US.

The results contribute to a deeper understanding of social networks and

entrepreneurship in a global context, particularly at a time when many countries are restricting international migration due to the COVID-19 pandemic. Wang says the implications are tremendous: By restricting immigration and stifling flows of migrant entrepreneurs, countries are losing out on a key source of global talent. More importantly, reducing the global supply of entrepreneurs could potentially slow the overall economic recovery.

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