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Research Paper

International entrepreneurship: Insights from Laos, Cambodia, and Vietnam

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Abstract

The discipline of International Entrepreneurship (IE) conceptually rests upon the foundations of entrepreneurship and international business – with theory typically derived from larger corporations and mature markets. Through comparison between IE in emerging and mature contexts, and individual and corporate entrepreneurship, distinctive features of individual IE in emerging markets are identified. A series of case studies conducted in Laos, Cambodia, and Vietnam document how incremental innovation underpins IE; how foreignness helps IEs spot opportunities (unrecognized by locals); how simple bureaucracies (commonly found in emerging markets) invigorate IE; how startups in emerging environments embody assimilation (larger international corporations cannot match) – and how this assimilation (combined with being small and nimble) enables IEs to thrive within ambiguity and institutional voids. Most importantly, this study challenges the applicability of institutional and transaction cost theory to explain market entry modes of individual IEs in emerging markets. Contrary to conventional wisdom, institutional voids were not found to deter these IEs. Rather, these IEs' primary concerns relate to pro-business dispositions among authorities, simple bureaucracies, and uncomplicated investment climates.

Keywords: International Entrepreneurship, Internationalization, Emerging Markets, Transaction Cost Theory, Institutional Voids, Simple Bureaucracies.

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Introduction

The economic liberalization of protected markets, and their integration into the world economy, are important topics in the literature. Countries that used to be out of reach for international businesses have, over recent decades, increasingly integrated with the world economy (Nielsen et al., 2018). Many of these markets are classified as emerging and transition economies (Hoskisson et al., 2000) and a substantial part of the world's population resides in these countries.

A connected dimension in the international business literature relates to International Entrepreneurship (IE) (Kiss et al., 2012; Zucchella, 2021). Oviatt and McDougall (1995) argue the traditional dominance of multinational enterprises increasingly is being challenged by smaller entities with swift response capabilities. From an economic perspective, a vibrant entrepreneurial sector is closely tied to a country's economic health (Selmer et al., 2018; Vance et al., 2016), with IEs making a disproportionate contribution to the entrepreneurial sectors in many countries (Perényi and Losoncz, 2018; Vinogradov and Jørgensen, 2017). Indeed, the benefits of IE are particularly profound in emerging economies where the transfer of skills and knowledge acts as an economic accelerator (Karadağ, 2016; Kiss et al., 2012; Prasetyo, 2019).

Regrettably, despite the rising tide of emerging economies, and the importance of entrepreneurship for this development, limited empirical attention has been afforded to IE in emerging markets (Ireland and Webb, 2006; Kiss et al., 2012). Meyer and Peng (2016) explain this void with the assertion that research gravitates towards conventional developed contexts, with substantially less focus on the riskier and less legitimate emerging settings. Mathews and Zander (2007) insist this mature market focus is a critical omission, as the study of entrepreneurial dynamics is less fruitful in developed markets (where entrenched competitive positions limit operational adjustments). Indeed, many other scholars argue a substantial research gap needs to be filled regarding IE in emerging economies (Inkizhinov et al., 2021; Martens et al., 2016; Perényi and Losoncz, 2018; Selmer et al., 2018; Sengupta et al., 2018; Vance et al., 2016; Zolfaghari et al., 2013). Another omission relates to the corporate dominance in so much of the literature (Schellenberg et al., 2018; Vance et al., 2016). Almost three decades ago, Oviatt and McDougall (1994) called for greater emphasis on individual actors in the entrepreneurial discussion – but to this day the internationalization choices and processes among individual entrepreneurs are still poorly understood (Hennart and Slangen, 2015; Perényi and Losoncz, 2018; Verbeke and Ciravegna, 2018). To address these omissions, this study sheds light on new ventures created by individual IEs in emergent markets and compares findings with theory derived from mature and corporate contexts. Kiss et al. (2012) argue the economic and political transformations, institutional voids, and the lack of resources found in emerging economies, create settings where the behaviors of IEs are likely to differ from those in developed contexts. Thus, there is a need to assess whether theories from mature markets are valid in emerging economies (Martens et al., 2016; Perényi and Losoncz, 2018; Sengupta et al., 2018; Tabares et al., 2021; Vance et al., 2016).

The data for this study was collected in Laos, Cambodia, and Vietnam, a region that entered the emergent market classification relatively late and now is ripe with entrepreneurial opportunities. This region encompasses the liberal economy of Cambodia, the socialist-oriented Laos and Vietnam, the Confucian philosophy in

Vietnam, and the Theravada Buddhist religion in Laos and Cambodia. These diverse cultural and economic systems provide fertile grounds for generalizability and rich empirical insights. Over the last three decades economic reforms, trade liberalization, and high economic growth have gained momentum and augmented this region's status as an emerging market frontier (Chheang and Wong, 2014). Like other emerging markets (Karadağ, 2016; Kiss et al., 2012; Prasetyo, 2019) this region has been invigorated through the knowledge, competitive advancements, and exposure to new international markets that followed in the footsteps of IEs (Sorensen and Nielsen, 2018).

Thus, this empirical study contributes to entrepreneurial theory in several ways. Foremost, the focus on Laos, Cambodia, and Vietnam heeds the call for empirical research into emerging market IE (Inkizhinov et al., 2021; Ireland and Webb, 2006; Kiss et al., 2012; Martens et al., 2016; Perényi and Losoncz, 2018; Selmer et al., 2018; Sengupta et al., 2018; Tabares et al., 2021; Vance et al., 2016; Zolfaghari et al., 2013) and it counters the dominant corporate approach by bringing the individual entrepreneur center stage (McDougall et al., 1994; Vance et al., 2016; Verbeke and Ciravegna, 2018; Zucchella, 2021). Drawing on Mathew and Zander's (2007) theoretical framework outlining the early stages of IE, and through comparisons to corporate and mature contexts, this research makes an additional threefold contribution. First, it elaborates upon the methods behind individual IE's discovery of opportunities; second, it extends our understanding of resource deployment during establishment; third, it identifies sources of key competitive strategies and advantages. Above all, this study challenges the applicability of institutional and transaction cost theory to explain market entry modes among individual IEs in emerging markets. Contrary to conventional wisdom, institutional voids were not found to deter individual IEs. Rather, these IEs' primary concerns relate to pro-business dispositions among authorities, simple bureaucracies, and uncomplicated investment climates.

Literature Review

McDougall and Oviatt (2000) argue that the discipline of IE conceptually rests upon the foundations of entrepreneurship and international business, and Sapienza et al. (2006) explain early internationalization lies at the heart of the IE phenomenon. Thus, these founding disciplines will be reviewed.

Internationalization

Foreign market entry modes, and their enactment, are among the most profound factors influencing the success or failure of international ventures (Agarwal and Ramaswami, 1992). Thus, the processes through which firms expand and organize their activities internationally have been fundamental questions in the literature (Hennart and Slangen, 2015; Schellenberg et al., 2018). Over the years, the discussion of internationalization has evolved at an accelerating pace (Ribau et al., 2015). Much of the internationalization theory is grounded in economic theory, and among the original trade theories countries were the unit of analysis (e.g., Adam Smith and David Ricardo). However, with the rise of multinational enterprises in the 1960s, new theories emerged conceptualizing the processes through which enterprises expanded internationally (Mathews and Zander, 2007; Ribau et al., 2015). At that stage, internationalization was believed to be a product of monopolistic advantages that corporations exploited internationally (Hymer, 1976) through the structured extension of their brands, technologies, and organizational structures (Geursen and Dana, 2001). Thus, internationalization was thought to be reserved for larger enterprises with the capacity to negotiate the perils of internationalization (Oviatt and McDougall, 1994; Ribau et al., 2015).

This view, however, was increasingly challenged in the late 20th century. Globalization gained momentum, and many smaller and less established firms started to engage internationally (Mathews and Zander, 2007). Foreign markets, that previously were conquered by multinationals through sequences of deliberately planned stages, increasingly became opportunity-rich environments where new forms of international ventures flourished (Mathews and Zander, 2007; Ribau et al., 2015). These ventures include Born Globals (Knight and Cavusgil, 2004; Rennie, 1993), International New Ventures (Oviatt and McDougall, 1994), Global Start-ups (Oviatt and McDougall, 1995), and various forms of IE (McDougall and Oviatt, 2000). Somehow the international environment changed from a place to be conquered, first by countries and later corporations, to an opportunity-rich environment for new ventures (Geursen and Dana, 2001). At present, a key challenge is to find ways of explaining these occurrences, in particular entrepreneurial internationalization (Ribau et al., 2015; Vance et al., 2016; Welch and Paavilainen-Mäntymäki, 2014). Schellenberg et al. (2018), Verbeke and Ciravegna (2018), and Vance et al. (2016) call for fresh studies to complement prevailing theories emphasizing established businesses and mature markets – and I argue the literature has a great deal to gain from a closer examination of the dynamics behind individual IEs in Laos, Cambodia, and Vietnam.

International Entrepreneurship

In the classic entrepreneurship literature, Schumpeter (1934) contends entrepreneurs identify and pursue ideas by seeing new combinations and rearrangements. That entrepreneurial activity is rooted in uncertainty, lies outside the known, and can be considered innovative and daring. To Schumpeter (1934) entrepreneurs constitute a powerful economic force; they open new markets; they innovate; and they generate discoveries and technological advancements.

Fast forward most of a century, and the world has changed dramatically. While Schumpeter (1934) was domestically focused, entrepreneurs are no longer contextually bound to their home countries. Gone are the expectations that entrepreneurs need to establish themselves at home, building monopolistic advantages, before expanding internationally (Geursen and Dana, 2001; Zolfaghari et al., 2013). With the rise of international travel and globalization, entrepreneurial-minded individuals now identify new combinations and rearrangements in diverse geographical locations. These entrepreneurs discover and explore opportunities because their minds are not constrained by local traditions and norms (Geursen and Dana, 2001) and are a major force in the global economy (Zolfaghari et al., 2013). Intriguingly, many IEs bypass internationalization as a process (Geursen and Dana, 2001) and are international from inception (Oviatt and McDougall, 1994). They do not compete on pre-existing advantages developed domestically but rather rely on their ability to access and manage the knowledge and resources of others through networks (Geursen and Dana, 2001; Mathews and Zander, 2007; Tabares et al., 2021).

The field of IE is concerned with entrepreneurial processes that cross international borders and include the discovery, evaluation, and exploitation of opportunities for future goods and services (Oviatt and McDougall, 1995; Zolfaghari et al., 2013). While IE can be studied at the individual, group, and corporate levels (McDougall and Oviatt, 2000; Zucchella, 2021), the spotlight has traditionally centered on the latter, with calls growing to bring the individual entrepreneur center stage (Perényi and Losoncz, 2018; Verbeke and Ciravegna, 2018; Zucchella, 2021). As such, this empirical study specifically explores new venture creation among individuals in the emerging markets of Laos, Cambodia, and Vietnam – and findings are compared to theory derived from corporate entrepreneurship and mature market settings.

Methodology

From a methodological perspective, this study embraces a qualitative methodology. This design was deemed appropriate due to our limited understanding of IE in emerging markets (Kiss et al., 2012; Martens et al., 2016; Perényi and Losoncz, 2018; Sengupta et al., 2018; Vance et al., 2016; Zolfaghari et al., 2013). To explore uncharted territory, it was crucial to integrate the flexibility, interpretation, and reflection of qualitative research within the study.

A series of case studies, involving 30 respondents/businesses over four research cycles, was conducted in Laos, Cambodia, and Vietnam. Respondents in the IE communities were carefully selected through judgement and snowball sampling in relation to relevance. Data was systematically collected in person, enabling discussions to be driven by the respondent's experiences and understandings. Initial interviews were carried out at the respondent's businesses, but as new information and leads were uncovered, additional follow-on interviews were arranged through digital channels. This personalization enhanced respondent comfort with the research, allowing access to information that would be difficult to retrieve through other methods. While respondents remain confidential, it can be revealed that they were selected from across the region, most were long-serving IEs, and that a variety of nationalities were included (European, Asian, Australian, and North American). Respondents operated regional and transnational businesses in tourism, hospitality, and trading – and their primary business locations are presented in Table 1.

Table 1: The Primary Location of Respondents

Location	Number
Laos	15
Vietnam	7
Cambodia	8
Total	30

Through triangulation (data, theory, and methodological), the validity and generalizability of the findings were enhanced through examination of the IE phenomenon from multiple perspectives (Denzin, 2017). Having similar stories emerge across four field trips, from several cases, countries, respondents, and data sources added to the robustness of the conclusions drawn (Eisenhardt and Graebner, 2007, Yin, 2014). Data triangulation was accomplished through ongoing interactions with respondents across several countries (numerous data points); methodological triangulation was ensured through a variety of sources (interviews, observations, and archival records); and theory triangulation eventually consolidated the aggregated findings by establishing parallels to established theory. This concluding part of the investigation is presented in this article. Data was coded and categorized through Excel and NVivo (where relationships were examined, frequencies tabulated, and findings were linked to the supporting data).

Results

Entrepreneurial process models conceptualize the actions undertaken by entrepreneurs and Mathew and Zander (2007) identify three organizing principles, or milestones, of the early stages of the IE process. These are (1) discovery of opportunities, (2) deployment of resources in the exploitation of opportunities, and (3) engagement with competitors before industry maturity sets in. Conceptually, this paper rests upon these principles to enhance our understanding of individual IE in emerging Asian market contexts.

The Discovery of Opportunities

The discovery of opportunities provides the foundation for IE (Mathews and Zander, 2007) and refers to innovation aimed at making entrepreneurial profits (Schumpeter, 1934). It spans a spectrum from radical innovations (fundamental rearrangements) to incremental innovation (minor rearrangements) like the introduction of existing frameworks, best practices, or even established products and services to new markets (Ward, 2004).

Vance et al. (2016) explain that IE develops in two major ways; one that encompasses entrepreneurs who move abroad with preconceived entrepreneurial anticipation (necessity entrepreneurs); and another where entrepreneurship emerges through coincidences or even a twist of fate (opportunity entrepreneurs). As the name suggests, necessity entrepreneurs are driven by economic necessities and engage in entrepreneurship as a source of employment. Consistent with this view, several respondents, mainly from Asian origins, moved to their respective countries with preconceived entrepreneurial anticipation. Many of these entrepreneurs came from low socio-economic backgrounds and held trades that were in demand in their host countries. For example, Vietnamese are well-known for their manicure skills, and while the Vietnamese industry is rather competitive, migrants to Laos and Cambodia established successful operations with marginal resources. As highlighted in the following IE statements from Laos and Vietnam, the other category – opportunity entrepreneurs – are driven by desires and include most Western respondents in the region:

> *I love traveling and wanted to turn it into a lifestyle.*
>
> *Westerners view entrepreneurship as excitement and adventure.*

Mathews and Zander (2007) and Vance and McNulty (2014) argue that the discovery of opportunities among IEs is highly dependent on the geographical movements of prospective entrepreneurs. My data indicates this especially to be the case for opportunity entrepreneurs, all of whom undertook travels before discovering the entrepreneurial opportunities they would ultimately pursue. Comments from Laos, Cambodia, and Vietnam include:

> *I was born in the USA, and I traveled a lot as a kid. I think I have visited seventy-five countries, and I have lived in twenty-two. I love traveling and I never stopped.*

> *[Westerners] come over here for a few weeks' holiday and they realise they can own a whole business.*

> *I think very few foreigners [Westerners] come here with the intention to set up a business, but there would already be a seed growing in their mind that they would like to start a business somewhere in the world.*

Vance and McNulty (2014) argue that falling in love with a country, its culture, or one of its citizens encourages IE. This was widely confirmed among opportunity entrepreneurs across the region (many of whom had local partners) – and is highlighted in the following quotes from Laos and Cambodia:

> *I think people are buying into a lifestyle rather than entrepreneurship.*

> *When you are in Europe and retired, what can you do? Sit in your house, look at television. So, when I came here, I wanted a different life.*

Thus, most opportunity entrepreneurs were initially motivated by lifestyle and the prospect of adventure. Additional factors included love and the climate. Although many respondents over time developed rather successful businesses, monetary rewards were rarely an initial anticipation. As indicated by this quote from Cambodia, a hallmark of entrepreneurs (necessity and opportunity) across the region was a desire for a better life:

> *I might have fallen in love with the country, or out of love with my own country. And, for the price of buying a second-hand car in England, I can start a new life in Cambodia, and I can own my own business whereas I wouldn't have had that opportunity in England.*

This statement recaps another key reason for opportunity discovery in emerging markets: an abundance of feasible possibilities. As indicated through these quotes from Laos and Cambodia, many IEs across the region expressed entrepreneurial intent that they could not necessarily realise in their home countries (due to regulations, market maturity, and/or capital requirements):

> *If you have a few thousand dollars in your pocket, and a dream, the next day you can have a business.*

> *You need a lot less capital. The laws and bureaucracy are a lot less than in Europe, so it takes less resources. That is a similarity between Westerners and Chinese, they travel to a place where it takes less. The Chinese can own their own business instead of being a poor person at home. Westerners who establish businesses here may never have been able to do it at home because they would have needed ten times the capital.*

Based on this analysis – I posit that:

- **Proposition 1.** Among opportunity entrepreneurs, geographical movements form an essential component of opportunity discovery. Other factors that spur IE include desires for travel and adventure, love, limited competition, and an abundance of low-cost opportunities.

Shane and Venkataraman (2000) argue entrepreneurs interpret information and opportunities differently based on their backgrounds and pre-existing knowledge. Ward (2004) explains IE involves the introduction of existing ideas and concepts in new geographical settings. Both annotations were widely observed. IEs in Laos, Cambodia, and Vietnam reported discovering possibilities for introducing established ideas and concepts through travel (opportunity entrepreneurs), or social networks (necessity entrepreneurs), that would be novel in their host countries:

> *Cambodia is 10 years behind Thailand and 20 years behind Europe, so you basically look at what is popular back home. And is that something that is missing in the market here? That's why the ideas here are nothing crazy, or outrageous, it is basically something that could have succeeded at home.*
>
> *I could see the possibilities because the way things were done in Vietnam was far behind best practices.*
>
> *So, I thought, what can I do better? What is missing in this marketplace? And I got the idea to open a sports bar. Everyone want to watch the games, particularly the Premier League soccer, and there were no bars with TVs here.*

Entrepreneurial discourse in popular media emphasizes innovative breakthroughs and pioneering icons like Elon Musk. In the context of Laos, Cambodia, and Vietnam, however, the innovations and new rearrangements observed were substantially more modest and incremental. As highlighted by this statement from Cambodia, entrepreneurs across the region discovered latent combinations and customer demands based on their knowledge and experiences from more advanced countries:

> *If I said to myself, I want to be an entrepreneur and I want to make a million dollars, I would not have come to Cambodia. I would have gone to California or New York; somewhere where they have a million dollars.*

This statement affirms Oviatt and McDougall's (1995) observation that cutting-edge entrepreneurial innovations tend to gravitate toward advanced economies where resources (e.g. venture capital) can readily be sourced. Based on my data and analysis, I posit:

- **Proposition 2**. Incremental innovation underpins opportunity discovery among individual IEs in emerging market contexts.

Resource Deployment

Identification of opportunities, and the decision to explore these, is followed by a period of active resource deployment and the establishment of a firm as a legal entity (Mathews and Zander, 2007). During this process, internal and external activities and resources are coordinated, and this creates the unique characteristics of the firm. As previously discussed, firms historically built competitive advantages in their home countries before exploiting these internationally (Hymer, 1976). However, this push-oriented approach to internationalization has been widely challenged by new types of international ventures (Mathews and Zander, 2007; Ribau et al., 2015; Vance et al., 2016; Welch and Paavilainen-Mäntymäki, 2014) and the data from this study. For instance, the IEs interviewed in Laos, Cambodia, and Vietnam had no organizations in their home countries and, thus, no pre-existing advantages to exploit. Rather, it was the exposure to opportunities that pulled these entrepreneurs to internationalize. Having no organization from which to draw resources, and scarce financial assets, the resource deployment typically comprised of small investments that progressively expanded with revenue. Initial capital requirements were often sourced from networks (family and friends), and resource deployment comprised of networking and cooperation with actors in the marketplace. Tabares et al. (2021) argue networks can mitigate foreign institutional burdens and Pisano et al. (2007) emphasize networks can provide difficult-to-imitate competitive advantages (for small independent operators). These annotations were consistently emphasized among respondents in Laos, Cambodia, and Vietnam:

> *It is the connections that have got things done.*
>
> *When you stay here you learn things very quickly. We speak together and you learn everything.*
>
> *You are completely lost without connections. I know every Westerner living here, who has tried to do anything, only succeeded with having the right connections.*

Together with local networking, the expatriate communities form an important source of information for IEs in Laos, Cambodia, and Vietnam. Among opportunity entrepreneurs, online forums were highly regarded, with experienced entrepreneurs readily providing advice and peer-reviewing responses. This is highlighted in the following statement from Cambodia:

> *It is not a problem, because you just follow the Facebook groups, you ask questions, and you follow the information.*

The rationale behind this cooperation (among potential competitors) will be discussed later in this article. For necessity entrepreneurs, observations and interviews revealed that personal social networks (family and friends) were of greater importance for opportunity enactment. Based on my data and evaluations, I posit that:

- **Proposition 3**. Networking forms an essential part of the discovery and enactment of entrepreneurial opportunities. Necessity entrepreneurs typically discover opportunities through personal networks before arriving in their host countries; whereas opportunity entrepreneurs identify opportunities (through travel) and then engage in networking to evaluate ideas. During resource deployment, all respondents engaged in extensive networking to secure information, approvals, resources, and customers.

Market entry modes form a crucial part of resource deployment (Mathews and Zander, 2007) and are a field where significant work is still required to map the pathways of new international ventures (Ribau et al., 2015; Vance et al., 2016). Consistent with prior research (Nielsen and Nielsen, 2011) foreign entry modes will in this article be classified into two main categories: (1) fully controlled and (2) shared controlled. Transaction cost theory suggests rational cost/benefit calculations guide market entry modes (Agarwal and Ramaswami, 1992; Hennart, 1991; Kogut and Singh, 1988; Nielsen and Nielsen, 2011). When costs associated with overcoming market imperfections are high, international ventures generally pursue low-risk/commitment entry modes in the form of shared ownership. By the same token, when transaction costs (or market imperfections) are low, foreign investors are inclined to choose the higher return/involvement strategies of foreign ownership.

Institutional and cultural context variables extend transaction cost theory by suggesting market entry modes (full or shared ownership) are further impacted by environmental uncertainty (Nielsen and Nielsen, 2011; North, 1990). In situations of elevated institutional and cultural uncertainty, transaction costs increase, and firms limit risk exposure through shared ownership structures (Slangen and Van Tulder, 2009). Thus, the institutional and transaction cost premise suggests IEs favor shared ownership in ambiguous emerging markets (Anderson and Gatignon, 1986; Hennart, 1991) characterized by transforming institutional frameworks (Meyer, 2001); institutional immaturity (Demirbag et al., 2007); large cultural distances (Slangen and Van Tulder, 2009); institutional voids and various types of government ownership (Estrin et al., 2016, Verhezen, 2012). Consistent with this reasoning, a preference for shared ownership was documented among IEs in Vietnam:

> *There'll be tax audits, all sorts of audits, and there'll be officials checking you left, right and center in the hope that they can earn money. But, if there's a Vietnamese owner, much of that will vanish.*

Indeed, partnerships were the only entry mode encountered among respondents in Vietnam; all of whom shared similar rationales. Interestingly though, respondents in Laos and Cambodia displayed a clear preference for full ownership. At the time of data collection, the only respondents in these countries operating under joint ownership arrangements did so with their spouses:

> *The culture here has changed a lot in the last 10 to 15 years. Very few people come here and open a business with a partner.*

> *With a local partner, it can easily happen they will come in after two weeks and ask 'Hey, do we have money?' There are many things getting lost. There's not this precise working.*

Many of the pioneering IEs in Laos and Cambodia entered through joint ownership arrangements. Later, as investment regulations were relaxed, and tales of desolated partnerships circulated in the expatriate communities, ensuing entrants in Laos and Cambodia largely pursued full ownership:

> *I would never have built this [pointing at his hotel in Laos] if I had to have a local partner. That would have been extremely hazardous.*

> *Had I had to have a Cambodian business partner I wouldn't have done it. So, that was one of the big drawers for me. I could open my own business...*

When costs associated with overcoming market imperfections are high, institutional/transaction cost theory suggests international ventures reduce their risk exposure through joint ownership (Anderson and Gatignon, 1986; Demirbag et al., 2007; Hennart, 1991). Yet, this premise was consistently voided by the data from Laos and Cambodia:

> *It is ideal if you can own it yourself as much as possible.*

> *You will end up getting the wrong person to partner up with, and you will end up getting ripped off by that person.*

> *I did it all by myself. I would be very, very reluctant to ever do a business partnership with anyone. Not just from my experience, but from the experiences I see around me...*

> *Foreigners coming here are blinded by the yellow robes of the monks and smiling people. 'Ah, they are all so good, smiling friendly people'. And then…we can hear the storey end. You are never protected.*

Interestingly, according to the World Bank's Doing Business rankings (2020), in Vietnam (where respondents entered through joint ownership arrangements) the judicial processes are more reliable than in Laos and Cambodia. Yet, respondents unanimously confirmed the preference for foreign-owned ventures in Laos and

Cambodia. When investigated further, several explanations were provided. These include (1) non-financial entrepreneurial motivations; (2) difficulties finding suitable partners; (3) a lack of reliable mechanisms to safeguard contractual agreements; (4) uncomplicated bureaucracies; and (5) small initial investments. The first and the second points were previously discussed. In relation to the third and fourth points, rather than discouraging full ownership in Laos and Cambodia, as inferred by the transaction cost premise, institutional vacuums emerged as a crucial motive for full ownership in these countries:

> *Everything must be in a contract formulated by professional investment lawyers, and this can be difficult in places like Laos or Cambodia.*

> *Contracts are not important; you cannot go to court.*

> *I don't know of anyone who has done it [enforced contracts]. I certainly wouldn't do it because I know I would be wasting my money anyway.*

Legal ambiguities have traditionally been considered major deterrents for international ventures (Habib and Zurawicki, 2002; Roy and Oliver, 2009) encouraging joint ownership arrangements (Slangen and Van Tulder, 2009). However, contrary to conventional wisdom, interviews with IEs indicate these smaller and more adaptable operators were not particularly deterred by legal ambiguities. This is demonstrated by the following statement from Laos:

> *Entrepreneurs often challenge the status quo. Therefore, it is beneficial with a flexible approach to regulations.*

Adomako et al. (2019) document how institutional voids generate positive outcomes for new venture internationalization in Ghana. Similarly, many respondents in Laos, Cambodia, and Vietnam emphasized the attractiveness of uncomplicated operational environments:

> *It's wonderful not to formalise everything.*

> *Very little bureaucracy; there is no bureaucracy.*

> *Regulatory complexities can be a lot easier to solve in third-world countries.*

> *Many entrepreneurs [from advanced countries] would never have been able to open a business in their home countries; they would never have managed the planning or the bureaucracy.*

> *Less time and money wasted on things that have nothing to do with growing the business and making money. Everything is easier so you can focus on the things that really matter.*

When interviews explored the corruption that typically arises from legal ambiguities (Ali and Isse, 2002; Roy and Oliver, 2009), IEs from Laos, Cambodia, and Vietnam indicated some corruption being acceptable in return for uncomplicated investment climates:

> *[Corruption] can be simpler than legal regulations.*

> *Corruption has this really negative term, but it is not always negative.*

> *Corruption is not as big a disadvantage as often assumed. Corruption is easily handled if a country is business friendly.*

Indeed, as captured in the following statements, IEs from across the region dismissed corruption as insignificant (regularly comparing it to taxation):

> *[Corruption] is just like another form of taxation, really.*
>
> *A large part of corruption relates to standard payments for standard services.*
>
> *In Switzerland taxes are low, but public services are subjected to fees. It is a bit like that here. Taxes are low, but for all services and extras, you will pay a fee.*
>
> *In most of the Southeast Asian countries, there is endemic corruption, but payments are fixed so it easily becomes a part of doing business. No surprises and it affects everyone on the same level.*

It is important to note, that no evidence suggests IEs secured unfair advantages exploiting the ambiguous legal systems. Rather, as demonstrated by the following statement from Cambodia, IEs were found to be substantially more restrained than locals:

> *As a foreigner, I have to have work permits. I have to pay taxes a majority of the local businesses won't. They can do under-the-table deals. I would be concerned that if I did something illegitimate, I may lose my business. So, you feel it's easier to do everything by the book; it is a security thing to do everything correctly.*

Start-up firms are shaped by many factors (Mathews and Zander, 2007) and my data indicates individual IEs embody a fusion between home and host-country cultures. Being conceived within/shaped by less-developed environments, legal ambiguities and corruption were a lesser concern for most IEs. The business disposition of government officials, however, emerged as the key consideration as highlighted by this statement from Laos:

> *Corruption is not the same as uncertainty, as many assume. What matters is whether countries are pro or anti-business. Laos has gone from anti-business to pro-business. This is very important. People think you should stay away from legal vagueness and corruption, but you should stay away from anti-business countries.*

Similar sentiments were widely reiterated as illustrated in the following statements from Laos and Cambodia:

> *It's very easy to open a business in Cambodia.*
>
> *They [officials] are very, very good at helping us.*
>
> *Very helpful authorities. When you have a problem, or when you want to do something, you just go to the relevant authorities. There is no bureaucracy.*
>
> *Here the officials want FDIs to do well. They do not like problems. Problems will make it harder to attract additional FDIs.*

Considering the corruption evasion of multinationals (Roy and Oliver, 2009), ambiguous legal systems work as a severe constraint for these larger enterprises (Oviatt and McDougall, 1995). In contrast, my data indicate individual IEs are pragmatic by-products of local practices that easily thrive within ambiguities.

The fifth reason why institutional and transaction cost theory has been found less applicable in this study relates to the size of initial investments. In contrast to their corporate counterparts, IEs tend to make small initial investments – dipping their toe in the water so to speak – thereby reducing their risk exposure. This is emphasized in the following statements from Laos and Cambodia:

> *There's no way that I could open a restaurant and a sports bar in England with $9,000.*
>
> *I didn't see it as a great risk establishing my business. I took it slow, got used to the local systems, and did other things first. When the authorities like what you are doing*

then the legal systems don't matter that much. A lot of larger corporations are very concerned about legal systems – but you need to remember that the laws are often changing anyway.

Since most IEs' initial investments were small, financial risks were rarely a deciding factor for market entry modes. Rather, the prospect of a better life emerged as a prime motivator. Thus, respondents were not overly concerned about transaction cost reasoning, nor were they deterred by ambiguity or corruption. Indeed, one respondent in Cambodia talked about escaping the repressive institutions of his home country, and made comparisons between the motives of IEs and the bygone pioneers migrating to North America:

Cambodia back in 2007 was still like the wild west. There was nothing really, just coming out of the Civil War. Just starting to get tourism, so it was a real unknown and a real gamble, but I felt the excitement of being like the early settlers…But hasn't that been the reason for immigration throughout history? People look at the countries they live in and say, I cannot achieve my ambition here, something stopping me from reaching my potential, so I will go somewhere where I can achieve.

IE rests, conceptually, upon the foundations of entrepreneurship and international business (McDougall and Oviatt, 2000) and therefore, theoretically, encompasses theories of both disciplines (Perényi and Losoncz, 2018) including transaction cost (Zucchella, 2021). However, it is widely acknowledged this may be problematic – and that we need to assess whether theory derived from larger corporations and mature markets adequately explains the behaviors of IEs in emerging economies (Martens et al., 2016; Perényi and Losoncz, 2018; Sengupta et al., 2018; Vance et al., 2016; Zucchella, 2021). I posit:

- **Proposition 4**. Contrary to conventional wisdom, judicial vacuums and corruption are not major deterrents for agile IEs in emerging markets. Rather, individual IEs' primary concerns relate to uncomplicated investment climates and pro-business dispositions among authorities.

- **Proposition 5.** The applicability of institutional and transaction cost theory is reduced among individual IEs in emerging market situations of (1) non-financial entrepreneurial motivations, (2) difficulties finding suitable partners, (3) a lack of reliable mechanisms to safeguard contractual agreements, (4) uncomplicated bureaucracies, and (5) small investments.

In line with conventional wisdom, IEs in Vietnam gain access to networks and resources through joint ownership (a choice attributed to legal and bureaucratic requirements). Considering IEs in Laos and Cambodia tend to avoid joint ownership – the question arises – what do they do instead? Well, my data indicates that IEs in Laos and Cambodia employ local assistants as a substitute for shared ownership:

A lot of Westerners will have a Cambodian right hand to assist and help, obviously with the language, the bureaucracy, and with government officials. Rather than having a business partner, they have an assistant.

…without him it would have been difficult to solve the practical issues. It would have been difficult to talk to and arrange tradespeople to get hold of wood, bamboo, and everything practical.

Respondents explained that spending time and developing a relationship, ideally friendship, with a personal assistant was the soundest path to acquiring needed skills and knowledge. Additionally, across Laos, Cambodia, and Vietnam, respondents consistently stressed the need for extensive business networks and social capital development:

> *If you have goodwill and connections, it will work.*
>
> *It [networks] is something one must build up. It takes time to do that, but I can say that when it works, then it works like clockwork.*
>
> *When you have made the connection and become friends, then yes, they would want to help you.*
>
> *Here it is about building up goodwill, so everyone is on your side.*

Based on this discussion, I propose:

- **Proposition 6**. Business networks, and personal assistants, reduce transaction costs and (in many instances) serve as an alternative to joint ownership for IEs in emerging markets.

Competitive Interaction

IEs must deal with competition, whether in the form of challenging established businesses or by responding to imitation by others (Mathews and Zander, 2007). In domestic settings, entrepreneurs have traditionally co-evolved while sharing mutual institutional, competitive, and cultural heritages. The international dimension, in contrast, introduces unacquainted operational contexts, unique challenges, and different types of competitive interactions. Pisano et al. (2007) argue that emerging economies offer the potential for early entrants to secure strategic first-mover advantages, and Baumol (1993) explains that IEs temporarily enjoy monopoly powers until imitators return the market to equilibrium. Regrettably, in the case of the incremental innovation observed in Laos, Cambodia, and Vietnam (see Proposition 2), these advantages often prove short-lived. This is demonstrated by the following statement from Vietnam:

> *If you have an idea, fifteen days later locals will do the same.*

The competitive advantages gained from entrepreneurial innovation, or new rearrangements and combinations (Schumpeter, 1934), were restricted by a lack of intellectual property rights and the ease by which incremental innovation can be imitated. Another unique feature of the competitive environment is the advantages domestic competitors gain from cut-price labor and ambiguous taxation systems (that locals casually circumvent). This is highlighted in the following quote from Cambodia:

> *Operating a business in Cambodia you are at a disadvantage to the locals. Local business tends to employ their family. I don't have 15 nieces and nephews working for me for free…as a foreigner, I have to have work permits and I have to pay taxes that a majority of the local businesses won't pay. So, the locals automatically got a massive advantage on you there.*

Even so, sustainable competitive advantages were identified among IEs. These include (1) being trained professionals, (2) sourcing customers from home countries, and (3) securing other first-mover advantages (i.e., unique locations). The first of these strategies was widely observed and included Vietnamese manicures (in Laos and Cambodia) and Indian chefs operating restaurants across the region. The remaining strategies (2 and 3) were illustrated among respondents operating guest houses. A typical story would involve IEs traveling across many countries, before ultimately discovering locations for tourist resorts that could provide sustainable competitive advantages. Being new enterprises, many IEs would have no competitive advantages built at home before expanding internationally. Rather, these IEs' competitive advantages lay in the founders' abilities to see possibilities other economic actors did not realise existed. Furthermore, at the time of the early entrants, the local tourism industry relied on Westerners for revenues and growth. Being foreign enabled IEs to effectively source tourists from their home countries/regions.

Operating away from their home bases, IEs rely on external (rather than internal) skills to navigate institutional and cultural differences (Pisano et al., 2007; Tabares et al., 2021; Vance et al., 2016). This was confirmed during the research, with cooperative strategies widely observed. Respondents across the region generally subscribed to the idea that a rising tide would lift all boats. A respondent in Cambodia captured this idea:

> *…Tourists used to come from Thailand, go to Angkor Wat, and leave the next day. Now the average tourist stays 3.5 days – and that is because there's restaurants, night markets, cinemas, water parks and many other things that IEs have introduced.*

These observations are consistent with Selmer et al. (2018) and Prasetyo's (2019) assertions that IEs accelerate economic growth, build professional practice, and strengthen the labor skill base in emerging markets. The positive spillover effects on the local economies were not lost by government officials as illustrated in the following statement from Laos:

> *The government likes foreigners because we're entrepreneurial, we're doing things the right way, paying taxes, and we're putting money in their coffers.*

As can be seen from this discussion, in the fast-growing regions of Laos, Cambodia, and Vietnam, economic actors generally benefit from cooperation. An example of this cooperation was discussed earlier in this article, where experienced IEs would readily guide new entrants. In time, as market maturity sets in, the competitive dynamics may well change in line with those found in developed economies. Based on my data and analysis, I posit that:

- **Proposition 7**. Sustainable competitive strategies pursued by IEs include (1) being trained professionals, (2) sourcing business from home countries, and (3) securing unique first-mover advantages such as a unique location.

- **Proposition 8.** Operating in high-growth markets, with limited resources at their disposal, IEs benefit from cooperative strategies.

Discussion

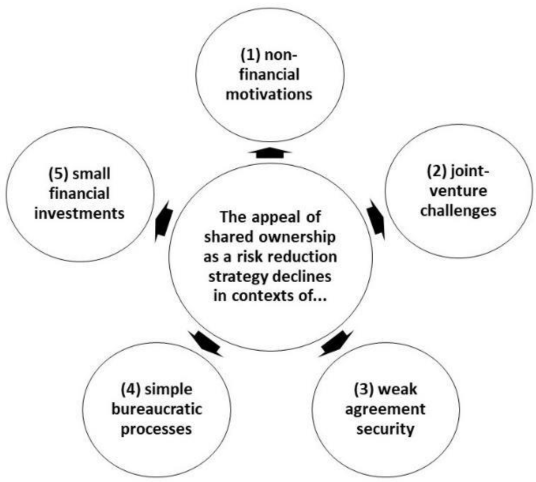
In reaching the end of this study, what have we learnt? What new insights emerged through the study of individual IE dynamics and processes in Laos, Cambodia, and Vietnam? Well, this study developed exploratory insights that were translated into propositions corroborating, elaborating, and challenging existing theories derived from corporations and established markets in relation to emergent market IE.

Through a holistic examination of the findings, this study *corroborates* prior research (e.g. Oviatt and McDougall, 1995) that individual IEs thrive in the ambiguous environments of evolving processes found in emerging markets. These entrepreneurs discover opportunities through travel and connections, because their minds are not constrained by local traditions and norms (Geursen and Dana, 2001), and they practically bypass internationalization as a process (Oviatt and McDougall, 1994, 1995). Consistent with these positions, respondents in the emerging markets of Laos, Cambodia, and Vietnam (especially opportunity entrepreneurs) almost stumble upon entrepreneurship – and they build businesses in organic and spontaneous ways through accelerated internationalization. Coming from different countries helps IEs spot opportunities (unrecognized by locals) and being small and nimble enables IEs to thrive in emerging market ambiguities (Proposition 1 and 4).

This study *elaborates* on prior research (e.g. Mathews and Zander, 2007; Tabares et al., 2021; Vance and McNulty, 2014; Ward, 2004). My findings document how motivations like travel desires, love, limited competition, and abundant and affordable opportunities spark entrepreneurial discovery (Proposition 1); how incremental innovation underpins IE (Proposition 2); how IEs (operating in high-growth markets) benefit from cooperative competition (Proposition 8); how starting new ventures whilst immersed in the foreign environment interweaves a degree of assimilation that established corporations cannot match (Proposition 4); and how IEs use networks to learn, evaluate ideas, and secure resources (Proposition 3, 6, and 8). This study also advances our existing knowledge (e.g. Ireland and Webb, 2006; Pisano et al., 2007; Wright and Hitt, 2017) by identifying sustainable competitive strategies among IEs in emerging markets, including (1) being trained professionals, (2) sourcing business from home countries, and (3) securing first-mover advantages such as unique locations (Proposition 7).

Most importantly, this exploratory study contributes to institutional and transaction cost theory by proposing institutional voids may not deter individual IEs in emerging markets – nor encourage shared ownership to reduce risk. In particular, the validity of the institutional and transaction cost theory premise, that uncertainty prompts shared ownership entry modes, was found to be reduced in emerging contexts characterized by: (1) non-financial entrepreneurial motivations; (2) difficulties finding suitable partners for joint ventures; (3) unreliable judicial mechanisms to safeguard contractual agreements; (4) uncomplicated bureaucracies; and (5) small financial investments (Proposition 4 and 5). These findings (in relation to individual IEs in emerging markets) are summarized in Figure 1.

Figure 1: Proposed Conceptual Framework



As documented in this study, the small investments, non-monetary motivations, and opportunistic behaviors of individual IEs contrast with the calculating choices of larger enterprises. Consequently, among individual IEs in emerging market contexts, this exploratory study challenges the applicability of institutional and transaction cost theory to explain market entry modes (shared or full ownership). This, however, should not necessarily come as a surprise. As previously discussed, conceptually IE rests upon the foundations of entrepreneurship and international business (McDougall and Oviatt, 2000) and encompasses theories of both disciplines (Perényi and Losoncz, 2018; Zucchella, 2021). However, it is widely acknowledged that theory developed in mature markets, typically derived from corporate approaches, may not apply to individual IEs in emergent markets (Martens et al., 2016; Perényi and Losoncz, 2018; Schellenberg et al., 2018; Sengupta et al., 2018; Tabares et al., 2021; Vance et al., 2016; Verbeke and Ciravegna, 2018). Contrary to conventional wisdom, IEs argued that ambiguities are not as disadvantageous as generally assumed, and that the absence of (prohibiting) regulations may indeed benefit and simplify entrepreneurship. Interestingly, this research documents that IEs were not overly concerned about institutional voids, their primary concerns relate to pro-business dispositions among authorities, simple bureaucracies, and uncomplicated investment climates. While this exploratory research proposes contextual circumstances that reduce the need for shared ownership, further research is encouraged to map the factors shaping market entry choices (shared or full ownership) among individual IEs in emerging market contexts.

Practical Implications for Asian Business

A primary objective of academia is to produce greater knowledge, to explain matters of relevance, and to pass along the insights of that knowledge to benefit practitioners and communities. Considering this research provides valuable insights into Asian IE, and considering the importance of IE for economic development (Perényi and Losoncz, 2018; Vinogradov and Jørgensen, 2017), this paper delivers a meaningful contribution that is closely connected to the needs of practitioners and communities. It is hoped the findings provided through this research will build a better understanding of IE in Asia, help pave the way for new investors, and that it will encourage further investment, growth, and economic prosperity for emerging markets across the Asian region.

In the context of individual IEs in emerging Asian markets, the most important finding of this research is that environmental ambiguities, such as institutional voids, are not as detrimental as generally assumed. That the absence of (prohibiting) regulations in some instances can benefit and simplify entrepreneurship. The research documents that individual IEs are not overly concerned about judicial vacuums or even corruption; their primary concerns relate to pro-business dispositions among authorities, simple bureaucracies, and uncomplicated investment climates.

These findings have practical implications for prospective IEs and governments alike. For emerging market governments, a vibrant entrepreneurial sector is closely tied to a country's economic health (Selmer et al., 2018; Vance et al., 2016). Thus, during the long and often onerous process of building institutions in less developed countries, authorities can accelerate the economic development that follows in the footsteps of IEs through pro-business policies and simplified bureaucratic processes. This is likely to attract individual IEs who will introduce new ideas and best practices from more advanced countries. The benefits of these transfers can be profound and can act as an economic accelerator for emerging economies (Karadağ, 2016; Kiss et al., 2012; Prasetyo, 2019). Thus, while the building of formal institutions will reduce transaction costs for larger investors over time, this research suggests individual IEs can be attracted earlier than generally assumed.

For aspiring IEs, emerging Asian markets represent frontier markets, where investors can get off the beaten track, where they can invest early, and where they can reap the full rewards as the rising tide of economic development gains momentum. Many of the IEs interviewed expressed entrepreneurial intent that they could not necessarily realise in their home countries (due to regulations, market maturity, and capital requirements). Emerging and less institutionalized markets were found to be especially attractive for individual IEs who lack the skills to navigate complex bureaucratic processes; who make small investments (i.e., are not exposed to significant financial risks); who operate small businesses with swift response capabilities; and who engage in incremental innovation. Thus, the common belief that institutional voids impend business and should be avoided, grounded in institutional and transaction cost theory, is not a true reflection of realities on the ground among individual IEs in emerging markets. The practical implications of this observation are more opportunities for aspiring individual IEs in emerging Asian markets.

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