

Resources of Transnational Entrepreneurs Achieving Competitive Advantages

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Abstract

The concept of transnational entrepreneurship (TE) is becoming increasingly important in the context of globalization, and this topic has emerged as an attractive research area in recent years. Transnational entrepreneurs have unique skills and resources that other entrepreneurs do not possess. Over the years, the role of transnational entrepreneurs become imminent as they maintain economic, social, and cultural linkages to their country of origin (COO) and also from the country of destination (COD). The existing literature on TE's emphasizes on reasons, conditions, and process of building a new business in the adopted countries. There is a shortfall of studies on the unique features of TE's and how they develop competitive advantages in their entrepreneurial activities. To fill the research gap, this study aims to answer two research questions. 1) What unique resources do TE's possess, and how do they utilize these resources? 2) How do they bring advantages to transnational entrepreneurial activities? The resource-based view is used as a theoretical lens in developing seven research propositions in this study. The finding of the study shows that the network, experience, and knowledge are the three pillars of resource of the TE of which network is the key resource element which grants them access in getting market information, capital and support of entrepreneurs in both countries. Therefore, they can create knowledge spillovers with positive impacts on the economy in both COO and COD.

Keywords: *Transnational Entrepreneurs, Competitive Advantage, Resource-Base View*

1 Introduction

The concept of transnational entrepreneurship is a manifestation of the effects of globalization. This relatively new phenomenon is stimulated by modern transportation systems and easy access to faster communication, which made it more affordable to travel across countries and more accessible for people to move in search of job opportunities, education, and a better quality of life. The increasingly interconnected world leads to running companies internationally. This process is not only open to large firms but also comprises smaller companies and individuals. Individuals carrying out entrepreneurial activities in a cross-national context and embedded in at least two economic and social fields are called transnational entrepreneurs (TE) (Veréb & Ferreira, 2018). The special characteristic of this kind of entrepreneurship is that business exchange usually takes place between TE's country of origin (COO). The countries of destination (COD) (Lundberg & Rehnfors, 2018) and that TEs maintain economic, social, and cultural linkages to their COO and the adopted COD (Drori, Honig, & Wright, 2009). As a result, TEs have special skills and resources that

other entrepreneurs do not possess. To explain the importance of resources that TEs have, the resource-based view (RBV) is suitable. This approach of systematic planning explains the causes of economic success and which measures are possible to maximize success. In addition, this approach is appropriate for describing why organizations or individuals operating in the same industry differ in their performance over time (Barney, Ketchen, & Wright, 2011; Hoopes, Madsen, & Walker, 2003).

The topic of transnational entrepreneurship has emerged as an attractive research area according to their economic activities in recent years (Bagwell, 2015; Moghaddam et al., 2018; Patel & Terjesen, 2011). Existing literature investigates reasons, conditions, and processes of building a new business in the adopted countries using the resources and opportunities arising from maintaining business-related relationships with their home countries (Drori, Honig, & Wright, 2009; Harima & Baron, 2020). Nevertheless, there is a lack of information about the uniqueness of resources TEs have. Besides, explanations as to how TEs develop competitive advantages in their

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entrepreneurial activities are missing (Moghaddam et al., 2018). Our research paper aims to find out which resources and abilities TEs combine to achieve sustained competitive advantage (SCA) and how they develop those resources to special bundles, which allow them to be unique in comparison to other entrepreneurs. The following paper will answer the research questions:

“What unique resources do TEs possess, and how do they utilize these resources?”

“How do they bring advantages to transnational entrepreneurial activities?”

We develop a causal assumption to emphasize the uniqueness of TEs regarding their unique resources and especially their abilities to access and build up unique resource bundles to achieve sustained competitive advantages. We focus on the resources of TEs because this investigation will be built on the RBV, which means a concentration on the resources of the entrepreneurs instead of other entrepreneurial parts.

This paper is structured as followed: after this introduction part, we will give theoretical background information about the TE itself, about the RBV, and after that, we combine the two topics and give an insight into the Transnational Entrepreneurship through the lens of the RBV. After this theoretical part, we develop seven research propositions in chapter three to give some information and insights about the uniqueness of TEs and their knowledge and resources in comparison to other entrepreneurs. These propositions then lead to our penultimate chapter, which includes expected contributions based on our research. Closing this paper, we will give a wrap up in chapter five, which is our conclusion.

2 Theoretical Background

2.1 Transnational Entrepreneurs

Individuals who migrate from one country to another and conduct business by combining resources from COO and COD are called TEs. They are engaged in border-crossing business activities that exhibit business-related linkages to their COO and their COD (Lin & Tao, 2012; Lundberg & Rehnfors, 2018). Therefore, their strategies are shaped by different social and

economic areas, which lead to special opportunities and access to resources from more than one country (Drori, Honig, & Wright, 2009). Exploiting cross-national business opportunities, TE's generate competitive advantages utilizing resources outside a firm's domestic market. This ability could even be enhanced through business activities between COO, COD, and a third country (Chen & Tan, 2009). Based on their research in multiple economic fields, Lin and Tao (2012) determine that the success of TEs depends on regular contact with foreign countries.

Literature lists several reasons why a TE operates in his or her home country and the host country. In principle, it is discussed whether business opportunities or homeland sentiments are the main reason for the cross-border activities of TEs. Lin and Tao (2012) state that TEs are, first of all, businesspersons. They move from one country to another in the hope of finding more promising opportunities and expanding their business. TEs are motivated to pursue market opportunities, access network resources, access finance, and promote knowledge and learning (Dimitratos et al., 2016). However, social security in the form of proximity to family members, relatives, and friends is also an important reason (Lin & Tao, 2012). Although there are motivational differences between cultures, it can be said that TEs take care of both personal and economic needs (Dimitratos et al., 2016; Lin & Tao, 2012).

Besides the TE, there are other types of immigrant entrepreneurs such as international entrepreneurs, ethnic entrepreneurs, or returnee entrepreneurs (Drori, Honig, & Wright, 2009). The main difference to other immigrant entrepreneurs is that TEs are linked to both the COO and the COD (Veréb & Ferreira, 2018). The combination of two or more countries means that TEs have access to resources, such as new markets, cheaper labor, or other resources that would otherwise not be available (Alvarez et al., 2018; Terjesen & Elam, 2009). TEs take advantage of the opportunities arising from at least two networks and optimize resources where they are most effective (Drori, Honig & Wright, 2009). At the same time, TEs act as relevant development agents by influencing internationalization, technology transfer, innovation, and employment (Alvarez et al., 2018; Harima, Harima, & Freiling, 2020). The nature of TE can be seen in Figure 1.

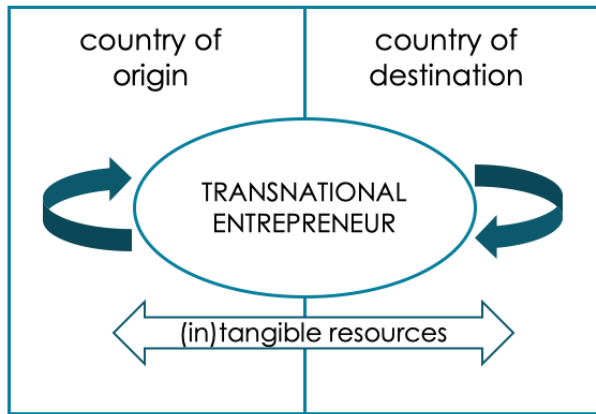


Figure 1: Nature of TE
Source: Own presentation

2.2 Resource-Based View

The Resource-based View (RBV) is a theory of strategic planning, and this is also a part of strategic management. Even though the relevance of organizational resources was already known, the RBV of the firm was first shaped in the 1980s (Barney et al., 2011). Back then, the RBV was developed as a complement to the industrial organization (IO) view, which puts the determinants of firm performance outside the firm. The RBV searches for the internal sources of SCA and intends to explain why the performance of organizations in the same industry might vary. Hence, it complements the IO view rather than replacing it (Kraaijenbrink, Spender, & Groen, 2010). Since then, it has grown to one of the most popular theories for understanding organizations and has contributed to install the relevance of resources and capabilities for understanding the sources of SCA for ventures. Furthermore, it defined resources and capabilities as parcels of material and immaterial assets, which contain management skills of the company and organizational procedures, as well as the company's inherent knowledge and resources to select and implement strategies. Above all, RBV has become so much more complicated, precise, and sophisticated that it must currently be referred to as a theory rather than just a view. Hence, about thirty years after the introduction of the RBV, most scholars speak of the resource-based theory (Barney et al., 2011).

The central proposition of the RBV is that a firm must obtain and control valuable, rare, inimitable, and non-substitutable (VRIN) resources and capabilities to achieve a state of SCA. These criteria are also called VRIN-criteria. Additionally,

the organization should be in a place that can absorb and apply these resources and capabilities. Moreover, the RBV follows the assumption that organizations are profit-maximizing entities. These are led by boundedly rational managers operating in distinctive markets that are moving towards the equilibrium and are, to a certain degree, predictable. This means that the RBV accepts an asymmetric distribution of information about a resource's future value. Due to its focus on the resource as the significant constituent of an organization and its view of firms as resource bundles, the RBV is noticeably reductionist. Even though the essential message is appealing, easily comprehended, and taught, it has been criticized for many weaknesses as well (Kraaijenbrink et al., 2010).

2.3 Transnational Entrepreneurship through the Lens of RBV

The key element of the RBV is that firms have heterogeneous internal resources and capabilities (Barney et al., 2011). Referring to entrepreneurs, this means that entrepreneurial success goes ahead with garnering additional resources. Mobilizing additional resources is the primary purpose of developing a strategy for competitive advantage to be sustainable (Lynch & Baines, 2004). In the light of the link between RBV and TE's intangible and tangible resources and capabilities, it is essential to identify and bundle those resources and abilities that generate the most significant impact for SCA over other types of entrepreneurs.

TE literature also states that each TE possesses a distinctive set of resources (Drori, Honig, & Wright, 2009). In the TE literature, there are no precise definitions of resources. Resources can be referred to financial (e.g., money, material possessions), human (e.g., skills, internal mindsets), social (e.g., relationships, network ties), cultural (e.g., education, experience) and symbolic (e.g., legitimacy, credibility, power, status) capital. The resources that go with it provide sources of competitive advantages (Terjesen & Elam, 2009).

Furthermore, TEs benefit from the access to more diversified sets of resources of all fields because they are simultaneously embedded in multiple environments. For instance, migration experience and foreign business knowledge of at least two contexts give them an extraordinarily creative,

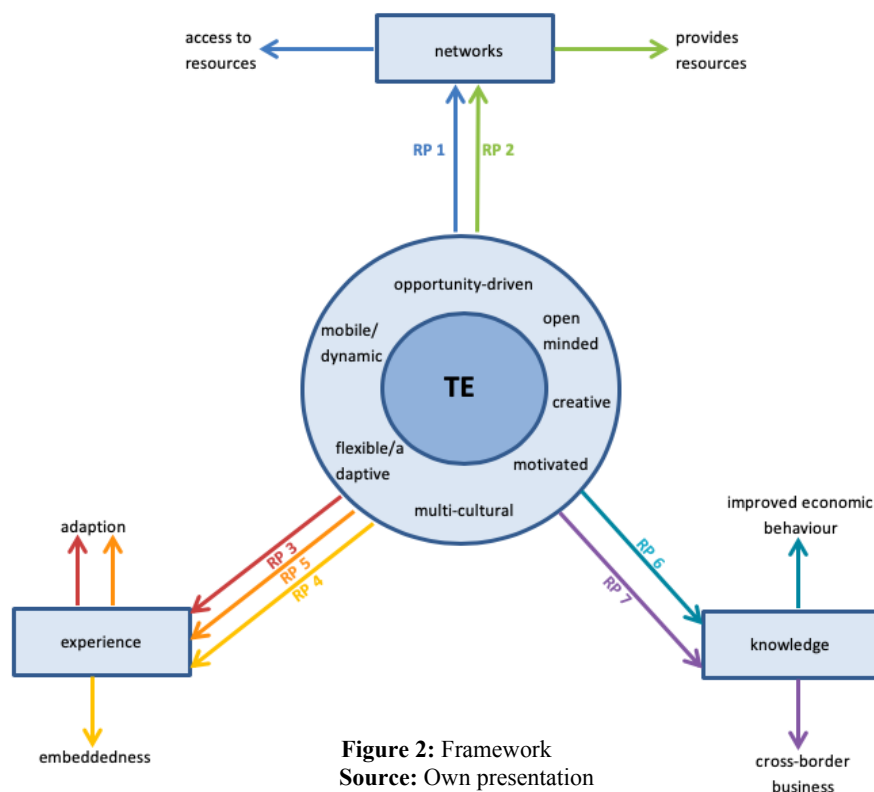


Figure 2: Framework
Source: Own presentation

social, and cultural comprehension. They can introduce processes or products to the COD based on the profit of the entrepreneurs' contacts in their COO (Lundberg & Rehnfors, 2018). Furthermore, they maximize their resource base by combining resources of their multiple fields. Thus, more diverse resources and TE's ability to identify and exploit new opportunities facilitate more value-added combinations (Patel & Terjesen, 2011). This also leads to the fact that TEs develop new skills that other entrepreneurs in single institutional settings do not possess.

TEs can achieve SCA by collecting, combining and managing resources and abilities in unique synergistic combinations in the form of resource bundles that are valuable, rare and inimitable, used in the right set of institutional environments (Barney et al., 2011; Drori, Honig, & Wright, 2009; Terjesen & Elam, 2009).

3 Development of Assumptions

Based on research on TE with theoretical lenses of RBV, we will discuss how TE creates resources bundles to achieve SCA while developing research propositions in this chapter. The following framework (Figure 2) provides an overview of the interrelationships of the aspects outlined, as

described in detail in the research proposition 1-7.

3.1 Networks as Providers of TE Resources

TEs travel both virtually and physically between their COO and their COD. Belonging of at least two social environments, they can maintain critical global relations because they have knowledge about the environments where are embedded. Through this knowledge, TEs can enhance their resource base concerning creativity, dynamics, and logistics, as TEs are social actors within at least two social fields in which they continuously aim to detect new business opportunities. These opportunities can only be found using new networks, ideas, information, and practices. Especially the multiple social fields and network relationships enable the TEs to maximize and optimize every resource needed to attain special leverage.

TEs do have social capital, which emphasizes the importance of networks to secure access to other forms of capital. Those other forms are variable. However, especially the monetary capital can be obtained through networks, since minority groups, to which TEs belong, often do not have access to such resources in their COD (Lin & Tao, 2012). Networks constitute a means to gain access to

instrumental resources. Those resources are, for example, any information, capital, market, technology, and expressive resources like emotional support from other people. From which we infer:

RP-1: TEs gain access to resources and can acquire new resource bundles through social network relationships of two embedded countries.

TEs' business activities require frequent travel to other countries (Portes, Haller, & Guarnizo, 2002). But this does not mean that the activities are only conducted between the home and the host country. They could entail any country within their diaspora network (Bagwell, 2015). This means that TEs can be allocated to at least two geographical locations giving them access to and supporting unique flows of information. Through this, TEs can identify and make use of opportunities like transnational contacts that might be unnoticed or unreachable to entrepreneurs only acting within one geographical location (Drori, Honig, & Wright, 2009).

The most crucial aspect of transnationalism is the benefit that TEs acquire from transnational networks, which can be viewed as an enhanced form of social capital. These networks allow them to attain specific otherwise unavailable resources and grant access to new market opportunities and business ideas. Especially the transnational contacts TEs gain from the networks are a rich source of inspiration for new business concepts, processes, and products. The contacts help to procure introductions to new customers and new consumption markets as well. Additionally, they lower the frequency of the travel TEs need to do for their business activities (Bagwell, 2015). Moreover, family members, who are also counted as transnational contacts, could be a great help for TEs by giving input and feedback about a business idea (Mustafa & Chen, 2010). For example, Bagwell (2015) interviewed a Vietnamese nail salon owner in the United Kingdom who was able to keep up with the nail design trends arising from the USA because she could visit relatives and friends there. This analysis shows that TEs can gain an SCA through their transnational contacts, and this leads to research proposition 2:

RP-2: TEs' transnational networks are

advantageous sources of inspiration for new business ideas, products, and processes.

3.2 TE Skills based on Adaptation and Embeddedness

TEs rely on both global and domestic contacts as well as a certain degree of knowledge and skills (Solano, 2015). Since they engage in at least two or more socially embedded environments, they can maintain essential cross-national relations that improve their ability to creatively, dynamically, and logistically maximize their resource base (Drori, Honig, & Wright, 2009). For example, one significant advantage of TEs is that they can draw on the work experience, which they have gained in their COO, to develop unique relations that allow them to manage transnational business operations (Solano, 2015). Furthermore, life experience regarding travel and migration allows for a differentiated view on the world and utilizing resources from all over the world (Terjesen & Elam, 2009). These relations represent social networks that are not only essential for running the transnational business itself but can be another business advantage of TEs in cutting transaction costs or providing resources. Also, the same networks can be used to conduct the TE's business outside the COD or to gain access to information, which is a resource in its own right. Above that, TEs develop transnational activities by exploiting the resources, which are provided through these networks of contacts in their COO and COD (Solano, 2015). Therefore, we propose:

RP-3: TEs enhance their ability to creatively, dynamically, and logistically maximize their resource base by maintaining essential global relations.

TEs show that entrepreneurship may create knowledge spillovers, which can be beneficial for the COD but also for the COO. The fundamental precondition, therefore, results from their business-related linkages to both countries, which leads to a strategy shaped by cross border circumstances (Drori, Honig, & Wright, 2009). Veréb and Ferreira (2018) conclude that TEs have significant knowledge about both areas and a unique position to exploit opportunities out of that, which is reflected in their skills to enhance the economy. Thus, the two geographical locations enable TEs to migrate with access to the knowledge and resources

of both countries. Therefore, it is about maintaining linkages to the COO while building new ones in the COD. In doing so, the combination of resources from dual environments leads to comparative advantage (Patel & Terjesen, 2011).

The distinct advantage based on this cross-national context certainly is the emerging transnational capital focusing on the recombination of the home and host networks to a dually connected system, which enhances the interconnection and integration of its members. Furthermore, one aim lies in the knowledge spillover, which means the creation of knowledge that can be used by entrepreneurs in both countries without any significant compensation (Veréb & Ferreira, 2018). In summary, TEs may be the leading force towards economic growth, and knowledge flows between both areas (Drori, Honig, & Wright, 2009). While establishing innovation in COD and maximize their resource base, they are also able to benefit the circumstances in their COO and, in general to generate more entrepreneurial gain than other entrepreneurs embedded in only one country (Veréb & Ferreira, 2018). This leads us to the following research proposition:

RP-4: TEs are in a position to approve, redevelop, and innovate the existing framework conditions of the COD while also having a positive impact on entrepreneurs in the COO.

TEs identify and exploit entrepreneurial opportunities by finding previously unoccupied niches, unfulfilled needs, and unused processes and strategies based on observations and combining them with their ideas and knowledge from their home and host countries (Sequeira, Carr, & Rasheed, 2009).

Acting in different geographical locations of at least two countries provides TEs unique flows of information, which improves their ability to recognize opportunities (Drori, Honig, & Wright, 2009). TEs are in frequent contact with other people in the home and host countries, so they can identify market changes, such as new technologies, legal and economic changes or changing customer expectations more quickly than other entrepreneurs (Sequeira, Carr, & Rasheed, 2009). At the same time, they try to adapt to market changes by quickly

locating foreign partners and introducing new strategies and processes (Saxenian, 2002).

Solano (2015) explains that previous work and life experiences are other crucial factors in identifying and exploiting entrepreneurial opportunities. In particular, practical knowledge in the form of foreign business knowledge, such as knowledge of clients, the market or competitors, and foreign institutional knowledge, such as knowledge of government, rules, and norms, improve entrepreneurial qualities (Lundberg & Rehnfors, 2018). TEs are uniquely positioned because they combine their knowledge and experience from different national contexts in a way that enables them to develop a strategy and adapt it to market conditions. For the reasons discussed above, we can develop the next research propositions:

RP-5: TEs can quickly adapt to changes in their environment and recognize previously unoccupied niches, unmet needs, unexploited processes, and strategies due to the opportunity-driven characteristic.

3.3 Advantages Arising from Cultural Experiences and Knowledge

In theory, entrepreneurs with higher education are more likely to have the ability to run a business. Furthermore, critical thinking skills required to evaluate complex business situations, establish priorities and make decisions. (Coleman, Cotei, & Farhat, 2013). Transnational studies have also shown that education and high occupational skills have a significant role (Portes, Haller, & Guarnizo, 2002). Lin and Tao (2012) emphasize a typical portray of a TE as being male, 45-year-old, or older, having a Master's degree or higher education and work experience. Moreover, Solano (2015) posits TEs as slightly better personal skilled, higher educated, more business-related, and professionally experienced than other entrepreneurs. These facts show that higher education is strongly related to entrepreneurial success. Advanced education is also one condition for the cultural experience. Furthermore, TEs develop cultural experiences out of their upbringing, career experience, or travels. Having diverse cultural experiences enables TEs to view things from different perspectives. Looking at different perspectives results in higher tolerance

and open-mindedness to otherness (Schmoll, 2012).

Furthermore, TEs can adapt to new or existing cultural repertoires (Terjesen & Elam, 2009). This ability can lead to cultural similarity, which is caused by the self-integration of the TE and the host country's tolerance towards immigration (Baltar & Icart, 2013). This process has a positive impact on the perception of business opportunities in COO and COD and enhances creative business activities. In addition, cultural knowledge of the COO, seen as irrelevant in the COD, can achieve a competitive advantage in transnational activities (Chen & Tan, 2009). With these two intangible resources, TEs are able to navigate in multiple cultural settings like their COO and COD. Knowledge of different cultural contexts leads to better economic behavior (Lundberg & Rehnfors, 2018). This general defines the following assumption.

RP-6: TEs possess a higher level of education and cultural experience, which leads to a promotion of a different perspective and improved economic behavior a SCA.

Culture has a rather action-oriented role in transnational entrepreneurship due to the association with the core of transnationalism and the assumption that cultural boundaries are blurred and indirect (Drori, Honig, & Wright, 2009). Because of their frequent travel to various countries, TEs gain a global mindset, cultural sensibility, and cross-cultural skills (Lundberg & Rehnfors, 2018). This fact and the multiple geographical locations TEs occupy, provide, and support unique informational flows. Due to the different social contexts, TEs need to pay particular attention to the cultural and knowledge patterns. Therefore, their actions and responses to accomplish their purpose are led by the actor's predispositions, knowledge, and creativity (Drori, Honig, & Wright, 2009). Furthermore, the cultural capital for TEs encloses knowledge of overseas markets, international management knowledge, as well as bilingualism (Bagwell, 2015).

Their familiarity with various cultures helps TEs to increase trust and also lowers transaction costs connected with cross-border business activities. Additionally, their skill to align to or adopt existing cultural reservoirs qualifies them to intermediate

trade directly or indirectly. This aspect is crucial because it provides TEs to manage successfully in familiar as well as unfamiliar settings (Terjesen & Elam, 2009). This means that they can understand and get along with local business practices and customs and make out how they should interact with local parties, such as employees, suppliers, and customers, which leads to a reduced risk of misunderstandings and conflicts. Moreover, TE's embeddedness in multiple cultural societies with the inherent cultural tools gained improves their negotiation skills and their skill to handle opportunities for business creation, maintenance, and outcomes. In addition to that, it affects their decision to start a cross-border business (Drori, Honig, & Wright, 2009). It also makes it possible for them to bypass the psychological distance, which could help them to gain a SCA (Lundberg & Rehnfors, 2018). This analysis leads to research proposition 7:

RP-7: TEs global cultural experiences facilitate the cross border business activities and unique flow of information.

4 Expected Contributions and Future Perspective

As we found out through our research, the topic of transnational entrepreneurship still shows some research gaps towards the uniqueness and the competitive advantage of TEs that have to be filled. TEs differ from other entrepreneurs in their multiple embeddedness and their access to resources of more than one country. Therefore, our framework initially shows their fundamental characteristics, which are essential for their behavior and their business-related linkages to the COO and COD. TE's typical qualities are, for example, that they are opportunity-driven, flexible, dynamic, and creative. These characteristics enhance TEs' possibilities towards adapting to changes in their environment and recognizing niches and unexploited processes.

Furthermore, our framework generates an overview pointing out the connection between networks as the leading providers of the resources needed, the TE skills based on adaption and embeddedness, and the advantage towards their cultural experience. Together, it leads to the unique resource-bundles of TEs that maximize their resource base and could not be reached by

entrepreneurs embedded in only one country. Our research propositions also highlight their unique position to enhance the economy in both countries because they establish a new business in the COD while maintaining linkages to their COO that constitute a new network, including home and host country. Thus, in general, our constructed propositions fill a constitutive research gap in merging the topic of TE with the approach of the RBV, which facilitates a new perspective on the SCA and the main difference towards other entrepreneurs.

In the context of globalization, the concept of transnational entrepreneurship is becoming increasingly important. A large number of studies have focused on the topic of TEs. However, it shows the lack of information on the relationship between TEs and their ability to get access to specific resources and on how they uniquely combine these resources. For this reason, we support further research for a theoretical framework that better explains the link between TEs and RBV. The framework generated could be used as an essential foundation. Our seven research propositions are each based on theoretical foundations and provide a basis for more intensive research towards this topic.

For example, through our research propositions, it is possible to investigate which specific factors give TEs a sustainable advantage over their competitors. Entrepreneurs can take an active approach and use their existing resources efficiently. Our proposals cover several different topics despite their common resource-based perspective. Thus, it is possible to find out, for example, which intrinsic characteristics transnational entrepreneurs possess by nature and how they can use them to achieve sustainable advantages. Research proposition 7 fits in with this. It targets the cultural resource of entrepreneurs and suggests that they have a more sustainable economic behavior through their different views on different cultures and thus achieve a SCA. This would be an interesting topic for further research because of the cultural perspective, which is unique for TEs in comparison to other entrepreneurs. No other entrepreneurs have this advantage, and it would be interesting to know how important the cultural experience and knowledge are for a SCA. Our propositions give the first hint to this, and further research is possible.

Moreover, future research could validate the research propositions, for example, by implementing empirical investigations and long-term studies. In addition, future research could identify the dynamics of highly diversified TE activities: What additional resources do TEs have if they become entrepreneurs in three or more countries, and how do they combine them? How do the social structures and contexts of TEs change if they operate only in developed economies, only in emerging economies, or both in developing and emerging economies?

5 Conclusions

To sum up, the essential resources of TEs refer to human, social, and cultural resources. The uniqueness does not persist in the resources themselves but rather arises from the combination as resource bundles created by TEs. The most critical SCA results from their embeddedness in at least two social and economic environments with different types of resources so that they can maximize their base in general. Therefore, the networks mentioned are crucial because they enable access to market information, capital, or even to support other entrepreneurs in both countries. This leads to a unique flow of information, which enhances the business-related linkages of TEs to their home country but also helps them to enter new markets and find unoccupied niches in their host country. Furthermore, they create knowledge spillovers with positive impacts on the economy in both COO and COD.

Overall, TEs develop better economic behavior by combining their knowledge and experience of more than one country, which enables them to reach more entrepreneurial gain than other entrepreneurs embedded in only one country.

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