

Determinants of returnees' entrepreneurship in rural marginal China

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Abstract

Returnee entrepreneurship represents a new direction in entrepreneurial migration and a distinct mode of geographical mobility among entrepreneurs. This study focuses on the Tibetan region of Sichuan, China, in researching young adults who have returned to rural marginal areas from cities to engage in tourism entrepreneurship. The entrepreneurial ecosystem is taken as a theoretical basis to evaluate critical determinants of returnee entrepreneurs' business development from two perspectives: macro (the entrepreneurial environment) and micro (entrepreneurs themselves). The authors conducted four narrative interviews with local bed and breakfast entrepreneurs in the Ganzi prefecture. Findings reveal that local embeddedness and non-local connections are vital to returnee entrepreneurs' business development. Numerous determinants related to local embeddedness and non-local connections are also tied to entrepreneurial ecosystem elements, such as infrastructure, institutions, market conditions, and capital.

Keywords

returnee entrepreneurs; local embeddedness; non-local connections; entrepreneurial ecosystem; rural marginal areas; narrative interview

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1. Introduction

Despite the Chinese economy's remarkable growth and successful reforms in the past 40 years, increasing disparity in development among the country's three main regions (eastern, central, and western) poses a major challenge to sustainable development (Liu et al., 2017; Zheng et al., 2021). Rural poverty in western China is a particularly persistent problem. The outmigration of youth and young adults is most common in rural areas: Guzman et al. (2020) explained that young people leave rural communities in search of better educational and economic opportunities. Various other scholars have argued that rural regions can easily "hollow out" due to workforce outmigration (Carr & Kafalas, 2009; Demi et al., 2009; Smith et al., 2016). Therefore, motivating youth to find opportunities in their rural communities is essential to these areas' survival (Guzman et al., 2020).

Hulsink and Koek (2014) pointed out that youth may be especially driven to become entrepreneurs given the lower risks they usually face early in their professional careers. In addition, Müller and Korsgaard (2018) cited entrepreneurship as a major driver of rural development that can alleviate rural poverty and other problems. The current study focuses on young adults who have returned to rural marginal areas of China to engage in tourism entrepreneurship. Specifically, this work addresses the determinants required for successful tourism entrepreneurship in these areas. It also explores the importance of returnee tourism entrepreneurship.

Rural entrepreneurship continues to be recognised as a key component of job creation, economic growth, and innovation in rural development (Galvão et al., 2020). Rural areas can suffer from myriad problems related to rapid declines in employment, a poor socioeconomic environment, an aging population, and a general lack of resources and connections. Yet rural areas can still

attract entrepreneurship: the phenomenon features low costs, strong job creation potential, and informal cooperation networks (Fortunato, 2014). Despite the topic's importance, research on rural entrepreneurship remains conceptually and empirically underdeveloped (Bosworth, 2012; Meccheri & Pelloni, 2006; Sá et al., 2019; Sohns & Diez, 2018). Studies in this vein often focus on bringing new people into a community via migration. Doing so is thought to introduce fresh ideas, new resources, and broader networks that rural areas need (Bosworth & Atterton, 2012; Deller et al., 2019). Little work has considered returnee entrepreneurship in rural areas. Batista et al. (2017) suggested that migrants returning to these areas can bring productive skills and financial resources. Returnee migrants normally have existing family ties and local social networks, enabling them to launch a business more easily than incoming investors (Liu, 2020).

Several factors influence entrepreneurship in rural contexts. Some researchers have identified social capital as the main tenet of entrepreneurship, particularly in rural areas; resource access is typically limited in these settings (Besser & Miller, 2013; Moyes et al., 2015). Others have indicated that social networks support rural business development (McKitterick et al., 2016; Ring, Peredo, & Chrisman, 2010). Garrod, Wornell, and Youell (2006) discussed the relevance of rural areas given that the landscape, biodiversity, and other material features can attract entrepreneurship. Within the related literature, scholars have applied ecosystem theory to outline necessary conditions for entrepreneurs (Han et al., 2019; Roundy et al., 2018). The ecosystem approach in entrepreneurship contexts involves a web of relationships and interdependencies between actors in an enclosed system, leading to innovative entrepreneurial outcomes (Thompson, Purdy, & Ventresca, 2018). Although this theory has been adopted to understand the entrepreneurial environment, its empirical use is rare (Acs et al., 2017).

The entrepreneurial ecosystem (EE) is taken as this study's theoretical basis to evaluate critical determinants for returnee entrepreneurs' business development in rural China. Regarding returnee entrepreneurs with strong connections to local resources and a social network, this research seeks to assess whether unique determinants apply to business development in rural contexts. It also aims to establish a conceptual framework to uncover the determinants for returnee entrepreneurs. The study sample includes four bed and breakfast (B&B) owners; non-traditional activities related to tourism and the experience economy are most popular in rural business (Gaddefors & Cronsell, 2009; Tanvig, 2012).

2. Literature Review

2.1. Returnee entrepreneurship

Studies on returnee entrepreneurship have mostly revolved around migrants returning to emerging economies from abroad to pursue ventures in high-tech industries (Ma et al., 2019). This stream of literature discusses how various elements—social ties (Pruthi, 2014), knowledge transfer (Lin et al., 2016), international networks and entrepreneurial orientation (Dai & Liu, 2009), venture resources, and overseas experience (Qin, Wright, & Gao, 2017)—affect returnees' entrepreneurial activities. Scholars have also examined the benefits that returnee entrepreneurs bring to emerging economies (e.g., Kenney, Breznitz, & Murphree, 2013; Liu et al., 2010). Human mobility occurs internationally (as part of globalization) and domestically (as part of urbanization), both of which may compel former emigrants to return home. Even so, a paucity of research has considered returnee entrepreneurship in rural areas.

In this study, the term “returnee entrepreneurs” refers to talented individuals who return to their rural home region to open a business after gaining professional and/or educational

experience in an urban area (Drori, Honig, & Wright, 2009; Gruenhagen, Davidsson, & Sawang, 2020). The urbanization process has led rural areas to suffer from “brain drain” (Lin et al., 2016) due to human migration toward cities. Conversely, returnee entrepreneurship represents “brain gain” (Kenney et al., 2013) for rural areas: former emigrants bring experiences, ideas, skills, and social networks acquired in metropolitan regions to their rural communities. As opposed to in-migrants from cities who establish tourism businesses in rural destinations, returnee entrepreneurship represents a new direction of tourism entrepreneurial migration and a distinct mode of geographical mobility among entrepreneurs (Zhou, Chan, & Song, 2017).

Tourism entrepreneurial migration to rural areas has drawn academic interest (Madanaguli et al., 2021; Snepenger, Johnson, & Rasker, 1995). For example, researchers have explored the role of in-migrant entrepreneurship in the rural tourism economy of Northumberland, UK (Bosworth & Farrell, 2011). Others have examined the features and motives of tourism entrepreneurs who migrated to rural areas in Norway (Iversen & Jacobsen, 2016). Still others have investigated organizational outcomes of Chinese inward entrepreneurial migrants to rural tourism destinations (Xiong, Zhang, & Lee, 2020). Yet returnee tourism entrepreneurship, as a unique form of counter-migration from urban to rural regions in emerging economies, has received scarce attention. A notable exception is Zhou et al.’s (2017) work, which revealed inward entrepreneurial migrants’ experiences. The authors highlighted the importance of in-migrant tourism entrepreneurs’ social capital to entrepreneurial mobility at an early-stage destination in rural China. However, rather than focusing on returnee entrepreneurs, they interviewed five returnee entrepreneurs and six inward entrepreneurs new to the area. Returnee tourism entrepreneurship thus calls for closer inspection.

2.2. Importance of entrepreneurship in rural areas

Rural development is closely linked to entrepreneurship, which can potentially rejuvenate rural areas and promote community growth (Tang & Zhu, 2020). Entrepreneurship can also have pronounced effects on rural economies by generating employment opportunities for locals and by using local resources while preventing rural populations from declining further (Gladwin et al., 1989). Returnee entrepreneurship has been found to enhance information flows, connect impoverished rural areas to the national economy, provide local firms repatriated capital, and advance rural infrastructure construction (Démurger & Xu, 2011; Murphy, 1999). It may also result in knowledge spillover that infuses local areas with knowledge and innovation (Acs, Audretsch, & Lehmann, 2013; Xiong et al., 2020).

Tourism entrepreneurship in rural areas is considered an effective way to promote economic and environmental sustainability: it allows rural economies to diversify (Murphy, 1999) and become less reliant on traditional agricultural businesses. The impact of tourism entrepreneurial migration on the rural economy has been documented in the literature from positive and negative perspectives. Research around this topic has tended to focus on in-migrant tourism entrepreneurship rather than returnee tourism entrepreneurship. According to Bosworth and Farrell (2011), in-migrant tourism entrepreneurs fostered local trade and thus stimulated local businesses, boosted competition, and increased standards and ambitions among small tourism firms in a rural part of the United Kingdom. On the contrary, Zuidam and Roessingh (2018) found that local entrepreneurs were reluctant to move from traditional agricultural businesses to tourism; meanwhile, in-migrant entrepreneurs monopolized the local tourism industry and ran more

profitable enterprises, which sparked tension between in-migrant entrepreneurs and local entrepreneurs in Nicaragua.

2.3. Effects of local embeddedness and non-local connections on entrepreneurship in rural areas

The term “embeddedness” is rooted in the notion that social structures and interpersonal relationships affect economic activity (Granovetter, 1973). Embeddedness refers to an individual’s level of involvement in various types of social networks (Greenberg, Farja, & Gimmon, 2018). The concept of local embeddedness was initially proposed to depict the dynamics among geography, social relations, and economic activity; in the entrepreneurship literature, this term describes the nature, depth, and breadth of an entrepreneur’s connections to a geographically bounded network and/or institutional setting (Baù et al., 2019; Jack & Anderson, 2002).

Embeddedness in local networks is crucial to rural entrepreneurship: it sets the conditions that engender trust (Granovetter, 1985) and enable productivity (Davidsson & Wiklund, 2006). Local embeddedness also helps entrepreneurs to leverage social capital, access economic resources, and gain support during the entrepreneurial process (Müller & Korsgaard, 2018). In rural areas where resources are scarcer than in metropolitan areas, local embeddedness is particularly useful for entrepreneurs to identify and exploit growth prospects (Baù et al., 2019; Uzzi, 1999). This factor reduces the costs and hazards associated with launching a new business (Westlund & Bolton, 2003). Local embeddedness also facilitates access to tangible assets (e.g., the local labor force) and intangible assets such as localized knowledge (Baù et al., 2019). Destination-specific knowledge offers information about the local culture, local heritage, and the community’s capabilities and expectations, all of which are vital to tourism entrepreneurship in rural areas (Sanz-Ibáñez, Lozano, & Clavé, 2019). Yet local embeddedness can be a liability when, for

example, over-embeddedness in the local network restricts economic action as the social components of transactions trump economic needs (Uzzi, 1997).

Local networks' performance partly depends on how well their territories are integrated within a broader regional context (Esparcia, 2014). Accordingly, non-local connections that emerge due to geographical mobility complement local embeddedness in spurring entrepreneurship (Gaddefors, Korsgaard, & Ingstrup, 2020; Martynovich, 2017). Rural areas often suffer from depopulation; inadequate infrastructure; and limited access to resources (physical, human, and financial), markets, and services. These characteristics may harm entrepreneurial dynamics (Pato & Teixeira, 2016). By contrast, non-local connections could allow entrepreneurs to break free from the confines of rurality (Kalantaridis & Bika, 2006); exchange information and knowledge; and acquire non-local clients, suppliers, materials, and capital (Habersetzer et al., 2021). Korsgaard, Ferguson, and Gaddefors (2015) observed that entrepreneurs in small rural islands in Denmark combined local embeddedness with strategically developed non-local networks. These entrepreneurs also prioritized exhausting their localized resource base before pursuing non-local resources.

Both local and non-local connectedness are related to the understanding of “capital.” Capital encompasses the materials needed for production; the distribution of types of capital represents a set of constraints determining which production activities are feasible (Bourdieu, 1986). Capital takes many forms—natural capital, human capital, social capital, manufactured capital, and so on (Costanza & Daly, 1992; Ekin, 1992). The present study focuses on economic capital, cultural capital, and social capital for rural entrepreneurs. These types of capital are related to overall rural development. Research has shown that assets such as social capital and cultural

capital amplify economic actors' information acquisition, effectively encouraging entrepreneurship and business operations in the knowledge economy (Erel, 2010; Fountain, 1999; Landry et al., 2002). Rural embeddedness and external connectedness each contribute heavily to entrepreneurs' social, cultural, and economic capital to offer advantages when starting a business.

2.4. Entrepreneurial ecosystem theory and relevance in understanding entrepreneurship

An EE combines heterogeneous and interconnected actors and variables within a location to support and sustain productive entrepreneurship (Spigel, 2017; Stam, 2015). The core ideas of EE arose when entrepreneurship research moved away from focusing on individual entrepreneurs and their traits. Scholars instead began to recognise the importance of social, cultural, political, and economic forces and structures—as well as their interdependence—outside a new venture but within a territory in explaining the progression and outcomes of entrepreneurship (Acs et al., 2017). In brief, this concept offers a macro-level and systematic view of entrepreneurship (Cavallo, Ghezzi, & Balocco, 2019).

To establish analytical frameworks centered on EE, researchers have identified numerous attributes that characterize effective EE in traditional industries as well as in the digital age (e.g., Feld, 2012; Isenberg, 2010; Sussan & Acs, 2017). Apart from considering essential EE components, Mack and Mayer (2016) developed an evolutionary framework of EE development depicting how EE constituents interrelate and advance over time. Studies have also investigated the causal relationships between EE factors and their output. Nicotra et al. (2018) discovered that financial capital, knowledge capital, institutional capital, and social capital in an EE lead to productive entrepreneurship, which in turn creates jobs, enhances market efficiency, and commercializes innovative ideas and technology. Stam and Van de Ven (2021) analysed an EE

based on 10 elements: formal institutions, entrepreneurship culture, networks, physical infrastructure, market demand, leadership, talent, finance, knowledge, and intermediate services. They emphasised that these elements are contingent upon one another and reciprocally develop within a certain location. Furthermore, the overall quality of EE contributes to better entrepreneurial output, facilitating the establishment of businesses and accompanying regional entrepreneurial actions.

Whereas EE has been a buzzword among researchers, policymakers, and practitioners over the last decade, empirical exploration of EE—especially in emerging economies and rural areas—remains nascent (Cao & Shi, 2021; Stam & Van de Ven, 2021; Wurth, Stam, & Spigel, 2021). Cao and Shi (2021) noted that EEs in emerging economies face an array of obstacles: institutional voids (Arruda, Nogueira, & Costa, 2013); structural gaps associated with collaboration and networking (Etzkowitz, de Mello, & Almeida, 2005); and resource shortages in finance (Guerrero & Urbano, 2017), infrastructure (Sheriff & Muffatto, 2015), knowledge (Goswami, Mitchell, & Bhagavatula, 2018), and human capital (Cao & Autio, 2018). These constraints also exist in rural areas (Mile & Morrison, 2020). To develop rural EEs and support entrepreneurs, McKague, Wong, and Siddiquee (2017) proposed a social franchising business model to address market and government coordination failures. Galvão et al. (2020) stressed the importance of entrepreneurship programs that involve business associations, higher education institutions, and local development organizations in rural regions. Similarly, Mile and Morrison (2020) devised a model of rural EE development focusing on rural communities' effectual leadership. Rurality has been found to limit tourism entrepreneurial activity (Kline et al., 2014). However, few scholars have investigated the relationship between rural EEs and rural tourism entrepreneurship aside from Cunha, Kastenholz,

and Carneiro (2020), who underlined the roles of lifestyle tourism entrepreneurs in strengthening sustainable EEs in rural settings.

3. Methodology

Sichuan is one of China's largest provinces in terms of land and population. The area covers 486,000 km² and is home to 83.68 million people (as of 2021), 35.06 million (42%) of whom are classified as rural. Sichuan is also one of the country's most complex regions in geographic, cultural, and rural development; for example, 85% of its territory is mountainous and hilly. The area also features Tibetan culture with renowned folk customs and history. This study focuses on the Tibetan region of Sichuan (composed of Ganzi and Aba prefectures), which comprises 51.49% of the province's land and 2.4% of its population. Ganzi, the largest prefecture in Sichuan, is in southwest Sichuan and has a land area of 153,000 km². Ganzi's one million Tibetan people account for 82% of its population. The Tibetan area is also poor: 360,000 residents suffer from poverty, totaling 5.76% of the province's rural poor. Ganzi's Tibetan prefecture holds a leading position in rural tourism development despite poverty thanks to its unique geographic and cultural features—this prefecture received more than 100 million tourists in 2019, accounting for one-fifth of all visitors to the province.

This study focuses on the Ganzi prefecture and explores the determinants of successful returnee entrepreneurship in this area. A purposive sampling method was employed to select a set of returnee entrepreneurs in Ganzi. The researchers visited five villages in the Ganzi area. Six B&Bs were approached for case selection, as B&Bs are Ganzi's main tourism businesses. The six chosen B&Bs are the most famous in Ganzi, and all are run by returnee entrepreneurs. Four B&B

owners ultimately agreed to be interviewed. Table 1 presents basic information about these entrepreneurs and their B&Bs.

	Case One	Case Two	Case Three	Case Four
Entrepreneur	Mu Pengcuo (Tibetan), male, 31.	Deji Chu (Tibetan), female, 28.	Renqing (Tibetan), male, 30	Bu (Han), male, 28.
B&B	Donggu	Dejikangwa	Kangsa	Gonggazong
Year of establishment	2017	2018	2012	2014
Location/village	Kangding county	Danba County	Xinduqiao village	Luding Moxi Town
Investment Amount	Total of 3 million RMBe	Total of 7 million RMB	Total of 5 million RMB	Total of 5 million RMB
Employee number and business partners	No partner and 15 employees	No partner and 25 employees	4 founders and 12 employees	2 partners and 17 full time employees

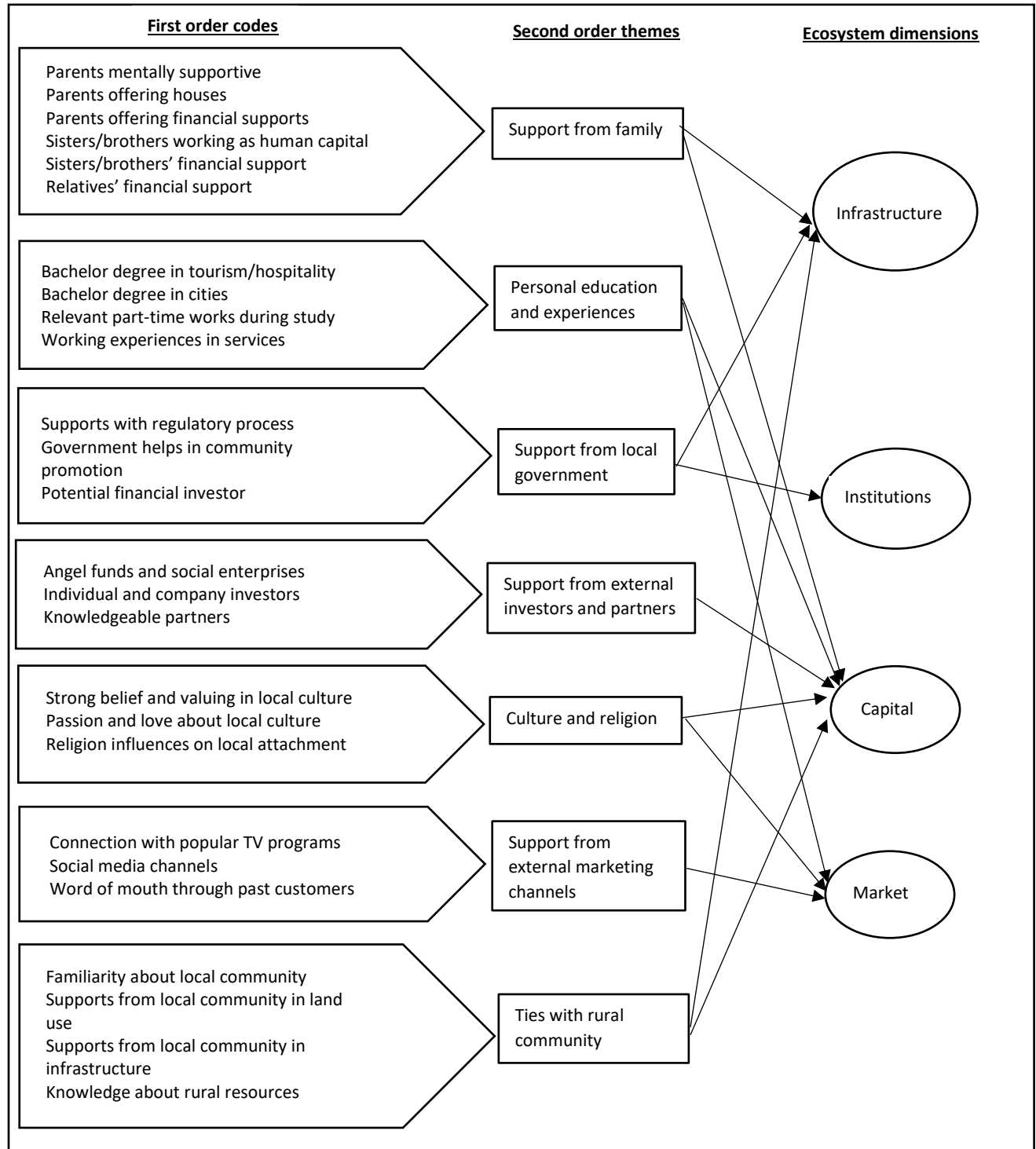
Table 1: Case Background of the study

Two rounds of interviews were arranged with the entrepreneurs. The first round of interviews was held between May and June 2020. A narrative method was adopted to afford interviewees the freedom to discuss whatever themes they wished (Heikkinen, 1993). Each interview lasted 3–4 hours. Hakala et al. (2020) stated that narratives are often adopted to give structure to empirical data but are rarely used to gather primary data in the business and management fields. The narrative method in this study helped entrepreneurs describe their childhood, past experiences, and entrepreneurial history. The story of their past and present elucidated their perceived circumstances. After the first round of narrative interviews, the researchers performed content analysis with emergent coding. Content analysis generates codes that reveal meaningful categories for analysis (Blair, 2015). Stemler (2001) explained that

emergent coding is drawn directly from text (e.g., interview transcripts) and can be considered open coding. Open coding produces a large number of codes from text. The second phase of coding was intended to identify axial and selective codes. Strauss and Corbin (1998) stressed the importance of performing axial and selective coding after open coding, as open codes represent interviewees' voices but can complicate data interpretation. Axial and selective coding present categories that engender more precise and complete explanations (Strauss & Corbin, 1998). Through these coding exercises, the researchers assembled a thematic coding system.

The second round of interviews was conducted in July 2020 using a semi-structured approach. This set of interviews further revealed areas related to determinants of interviewees' entrepreneurship. First- and second-order codes identified following the first round of interviews and coding appear in Figure 1. Semi-structured interview themes were based on second-order codes to gather additional evidence. Semi-structured interview transcripts were next coded based on second-order codes to indicate new codes. Then, together with the theoretical literature on EE, third-order themes were derived.

Figure 1: Coding system



4. Major Findings

First, results showed “support from family” to be a main attribute of entrepreneurs’ success in establishing a B&B. All four entrepreneurs’ family members were still in the villages, and strong family ties motivated the entrepreneurs to return and launch a business. For example, in the case of Donggu, Mu said:

“I have seen my family digging up herbs to sell at the market. ... It is a tough job, yet they can earn very little from it. ... I want my family to have better living conditions, and that’s why I was not satisfied with my government job with a fixed salary.”

In addition to strong personal ties, all four entrepreneurs’ initial investment came from family members. Their relatives (e.g., siblings and even parents) represented important human capital. For example, regarding Donggu, Mu quit his government job and started a B&B from scratch. He said, *“My job in the government is considered a very good job among locals. My parents thought I was crazy when I told them that I decided to quit and start my own business.”* His parents’ opposition to the idea led him to ask his older sister for help. She was hugely supportive and worked to convince their parents to assist. Mu’s family then provided the initial investment and their house to use as a B&B. His parents and sister even staffed the B&B upon opening.

In the case of Dejikangwa, Deji was inspired to open a B&B thanks to her father who owned a local B&B for many years:

“I worked with my father in his B&B when I was young. And since [I was] 16, I knew that I wanted to open one of my own. ... My parents are very supportive of this. They gave me some money as an initial investment. Although the money was not enough, it was important for me to explore more opportunities.”

In terms of Kangsa, Renqing cited his father as the most important person to guide him in starting a business. In addition, his older brother joined the B&B as the major representative of human capital and worked for him for many years. Renqing’s initial investment came from friends and relatives. He mentioned that he had some savings from his previous work and borrowed about 150,000 RMB from friends and relatives. Regarding RuodingHill, Bu stated that his parents were highly supportive of his idea and *“that is like the [backbone of my business].”* His little sister was working for him in the B&B as well. Bu’s investment came from family and savings from work. In essence, these entrepreneurs’ family support generated both financial capital and human capital when establishing successful businesses.

For these entrepreneurs, family support took the forms of both financial capital and land capital: most could leverage the family home on family-owned land to open their business. In addition, family connections in the villages enabled the entrepreneurs to rent rural land at lower prices compared to external investors. These B&B owners could therefore access land capital more easily.

Second, returnee entrepreneurs’ personal education and experiences were pivotal in driving them to launch a business. All chosen interviewees held university degrees from urban cities. Their education was either related to the service sector or they possessed relevant networks. For Donggu, Mu earned a bachelor’s degree in economics from Southwest Minzu University. He was involved

in many charitable activities organized by a few nongovernmental organizations in Sichuan Province during his studies. He also contributed to the local health system for the poor in Ganzi. These experiences grounded his decision to give back to his local village. Mu commented: *“After seeing so many poor people in Ganzi and helping them, I felt that I wanted to contribute to my local area. ... I wanted to start a business that could bring more financial benefits for local villagers.”* In Dejikangwa’s case, Deji had a degree in nursing but was long interested in the hospitality industry. She went to Hangzhou and worked in a B&B there for a few years to acquire hospitality management experience. She said:

“Thanks to my dad, I was always interested in hospitality. I know that in China, the best B&B management is in Hangzhou. So I went there after graduation, to really work there and gain experience.”

Her time in Hangzhou confirmed that she wanted to open her own B&B and made her a more confident manager.

Regarding RuodingHill, Bu earned a bachelor’s degree in computer science. Although his degree was unrelated to tourism and hospitality, he worked part-time as a tour guide while in university. After graduation, he opened a pub with his friends, where he earned his initial savings of 150,000 RMB. In the Kangsa case, Renqing obtained a degree in tourism management and worked as an international tour guide in Nepal for many years.

These entrepreneurs’ personal education and experiences guided their exploration and understanding of the market. Past experience also functioned as cultural and social capital. Entrepreneurs armed with higher education were more confident in running a business in their hometowns. They could exploit their work history to seize new opportunities. Donggu explained:

“With what I have learnt from university, I do believe that I have a better sense of the market, and that enables me to quickly react to business opportunities and changes.” Therefore, the ecosystem dimensions of “capital” and “market” are interrelated and share some similar assets.

Third, the four entrepreneurs discussed local government support. They indicated that the local government (e.g., village and county governments) provided mental support for their work but could be helpful in facilitating regulatory processes as well. Mu from Donggu stated:

“I met the local governor in a coffee shop, and we had a chat about my idea of the B&B. He was very supportive at that time. ... In the end, I don’t think the local government’s help is clear for my business. But it’s important because at least the local government helps to promote [it] among our village. ... So people get to know what I am doing here.”

Deji, in the second case, had some connections with the local government: when approached by a film producer to film the local scenery and culture in 2016, the local government asked Deji to play the main role in the documentary. The government staff had since come to know Deji well. When Deji returned with an investment for a B&B, the local government helped her apply for lower taxes and shortened the application process. Bu (Case #3) described a different situation:

“The government initially offered no help to us. In fact, they discouraged us due to the complicated land use and property problem. ... I spent a lot of time dealing with the land issue, and after sorting that out, we started our business successfully. ... After gaining a reputation, particularly through social media, we gained 170 million fans who like us. The government then approached us. This year, the county government said they were going to invest one million RMB in us. But of course, we still have not seen the money.”

This case suggests that government support is not prioritized in entrepreneurial success but could be an important component of sustainable business development. In Case 4, the local government acted as a promoter of Renqing's B&B. He said: "*The county government is being very supportive. They have put our B&B on various promotional websites and printed materials. They also invited a lot of journalists to interview us and [talk] about how we help with local culture.*" In addition to promotion, the local government offered B&B staff professional training for free.

Fourth, although the four returnee entrepreneurs earned initial financial capital from their family or themselves, they connected with non-local individuals or companies for more funding. Apart from financial capital, their non-local connections provided them knowledgeable human capital in their business. Mu has acquired more than 3 million RMB from individual investors through his network of nongovernmental organizations. Deji has received 7 million RMB from individuals and companies in Zhejiang Province who she first met while working in Hangzhou. Renqing received 5 million RMB from two sources, including a senior media investor and a senior marketer. He was approached by these investors after participating in an entrepreneurship competition. Bu received more than 5 million RMB through fundraising. Overall, contributors included angel investors and certain individuals. These investors functioned as silent partners in all four cases, although the entrepreneurs maintained full control over their business operations.

As all four interviewees were returnee entrepreneurs, they had strong connections with their villages and rural areas. Culture and religion also appeared to inspire rural entrepreneurship. Mu, in the Donggu case, said:

“I love my village. I started this business because I think my village is beautiful and I want to introduce it to more people. ... We have a very unique local culture, rural scenery, and special native produce, such as caterpillar fungus. ... These are our valuable resources which can become money to help local people.”

Further, Deji indicated that she wanted to spread her love of her hometown to people in urban cities. She said that Tibetan culture could attract more people to the village to enjoy its culture and stunning scenery. Bu, as the only entrepreneur of Han ethnicity among the four interviewees, grew up in a Tibetan area and believed that local rural resources could be transformed into *“financially valuable products.”* Besides the B&B, he set up a social media platform to help villagers sell local products. Renqing indicated that most rural villagers in Ganzi are religious. He suggested that their religion leads them to *“spread love to other people”*; therefore, he considered sharing the beauty of the rurality in their hometown to be important to their religious beliefs. He pointed out that *“We have religion. I think because of our religion, I would feel more obligated to give back to my village. The villagers are more like family. I feel that I need to help them. That actually also calls me back to my hometown.”* **A unique culture and religion embodied sociocultural capital for these entrepreneurs: both elements partly make the business owners who they are and have shaped their local connections.**

All four entrepreneurs also received support from external marketing channels. For example, Deji had connections with popular TV programs. Bu had set up his own social media site and linked it to various social media platforms. Renqing used word of mouth through customers from past jobs. Similarly, Mu developed his reputation through word of mouth from returning customers to his B&B.

Last but not least, all four entrepreneurs had developed strong ties with the rural community. All had grown up in local villages and were familiar with their local communities. Familiarity further tied them to their local area. Renqing indicated:

“I am familiar with all the rivers, trees, houses, and people, from this corner to that end of the village. ... Such familiarity lets me easily know what type of building I should build, and what décor I should choose, to make [the business] more embedded with the village.”

Mu commented, *“Familiarity with my hometown calls me back to the village. ... I love my village. I feel that the villagers are my family and friends.”* Bu explained that familiarity helped him easily decide what to introduce to visitors and how to design appropriate tourism activities.

Being a returnee entrepreneur offers many advantages besides familiarity with local resources. Such entrepreneurs can also possess strong bargaining skills with local villagers when navigating land use or facility construction. Bu’s village includes roads, parks, and entertainment facilities, with villagers contributing to all. Bu said:

“I know all of the local villagers. Some of them are like my uncles and aunts. I talked to them a few times to explain what I was trying to do. I want to bring the benefits to all of them. But at the moment, I need their help to re-construct the roads, some road signs, the bridges, parks, and some public spaces.”

Mu indicated that villagers were akin to his family: *“We argue sometimes, but we [come to an understanding] very quickly. I know how to explain the benefits of the B&B to the whole village.”* The local community was highly involved in all four cases. Mu invested in many villagers’ efforts to build their own B&B businesses, and all owners recommended customers to one another. Deji had recruited many local villagers to work for her. In addition, she would train local villagers

for free if they wanted to open their own B&Bs. Bu established two tourism companies, one of which involved more than 500 villagers. These staff could contribute their land or agricultural/local products; in return, they received monthly interest and profits. Bu also helped them sell their products via social media. Renqing helped many local villagers start their own B&B business and differentiated all village B&Bs into various categories, such as budget or luxury. He encouraged all villagers to market themselves collectively and created a brand image for the entire village. Finally, the four entrepreneurs possessed extensive knowledge about and connections with local rural resources. The more knowledgeable they were about rurality, the closer their ties to the rural community. Mu said: *“I am a village boy. I know rural areas are different from big cities. We have [a] beautiful sky, grass, animals, and we don’t have tall buildings. ... These differences make us unique and are the reasons why city people come.”* Deji commented, *“Our rural resources are our unique things. I love them. ... Another important reason for me to come back was for this rural scenery. I missed the mountains, the grassland, and even our village houses.”* Bu also mentioned repeatedly that *“We are selling rurality.”*

These second-order themes align with EE theory. First, “support from family” contributes to essential human and financial capital for the business. **In addition, family support led to a crucial form of capital, land capital, for returnee entrepreneurs.** External investors and knowledgeable partners contribute to financial/human capital. Xie et al. (2021) noted that both human and financial capital provide necessary resources for entrepreneurship, including intellectual and financial support. Second, local government support implies the government’s central position in entrepreneurship. For an economy such as China, which features strong government intervention (Chen et al., 2019), government support can guide welfare- and non-welfare-related policies for entrepreneurship; such support could even lead to financial intervention for new businesses (Aidis

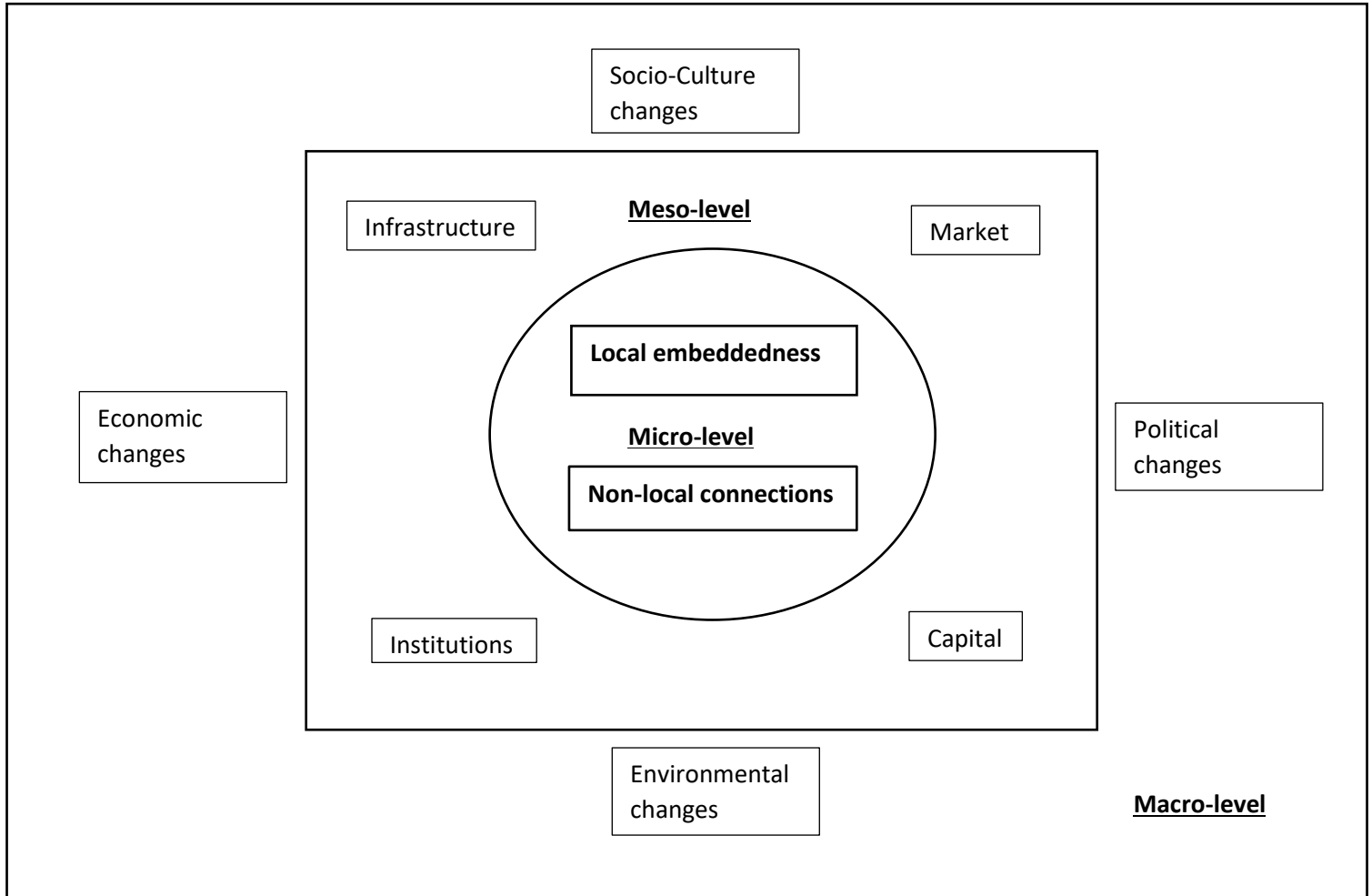
et al., 2012; Yi et al., 2021). Third, these entrepreneurs' personal education and past experiences shaped their views and knowledge about the market. Their cultural and religious beliefs further informed their unique sense of the market as well as their marketing direction. **Personal education/experiences and cultural/religious beliefs also served as sociocultural capital.** Support from external marketing channels such as TV programs and social media platforms accelerated their market connections as well. Entrepreneurs' sense of market potential is a pillar of entrepreneurial success (Acs et al., 2013; Spigel, 2017). Finally, support from the local government and local community each contribute to required infrastructure. For instance, Xie et al. (2021) indicated that physical and internet infrastructure lay a foundation for entrepreneurs to launch a business while providing them useful information about the entrepreneurial process. **Additionally, links with rural communities offered sociocultural capital by enriching business owners' cultural beliefs and social connections. These networks also helped to secure land capital: returnee entrepreneurs might possess more knowledge about renting and acquiring rural land to run their businesses.**

5. Discussion and Conclusion

The above discussion indicates that the four returnee entrepreneurs possessed intensive local embeddedness (e.g., **connections with the rural community, local government, and rurality**). Moreover, non-local connections (e.g., with external investors, partners, and marketing channels) were similarly necessary for successful entrepreneurship. Local embeddedness and non-local connections also contributed to a wider dimension of entrepreneurial success, namely that encompassing the market, infrastructure, capital, and government; EE theory supports these aspects. **Each comes under the influence of the macro environment, including sociocultural,**

political, economic, and environmental domains. Figure 2 illustrates the system determinants guiding successful rural entrepreneurship among returnees.

Figure 2: Entrepreneurial ecosystem for returnee entrepreneurs in rural areas



Embeddedness is often discussed together with returnee entrepreneurship. Lin et al. (2019) argued that returnee entrepreneurs with greater home embeddedness would enjoy stronger local relationships that foster trust, credibility, and resource acquisition. Local embeddedness represents entrepreneurs’ local social networks and relational connections with the community, which enables them to access more opportunities (Alsos et al., 2014; McKeever et al., 2014; Müller, 2016; Müller & Korsgaard, 2018). Based on the four focal cases, we found that returnee entrepreneurs’

local embeddedness comprised five components: sense of rurality, **sense of culture and religion**, **sense of rural community**, close ties with family, and ties with local government.

Rural returnee entrepreneurs' sense of rurality reflects the interpretation, meanings, and structure of feelings associated with a place (Guthey et al., 2014). In particular, cultural and territorial embeddedness with the local area can **help entrepreneurs identify business opportunities** and rural products derived from local resources (Muñoz & Kimmitt, 2019). Returnee entrepreneurs in the chosen cases acknowledged rural scenery, products, and villages as important resources for their tourism and hospitality businesses. As returnees, they were more attached to the rural area and therefore could have certain advantages over outside entrepreneurs. Their sense of rurality also included their understanding of rural poverty: the four entrepreneurs addressed their village's poor financial conditions as well as youth workforce shortages and their intentions to help remedy these circumstances.

Rural poverty (Galvão et al., 2020; Tsvegemed et al., 2018) and youth outmigration (Carr & Kafalas, 2009; Guzman et al., 2020) have become major concerns within rural areas, especially in emerging economies. Motivating youth to find business opportunities in their rural communities is challenging (Guzman et al., 2020). Nevertheless, entrepreneurs' return to their rural birthplaces in our study reflects the changing mindset of young, well-educated adults in China. Confronted with a fiercely competitive work environment and high property prices in urban areas—especially megacities—young adults seek more alluring options and demand better living conditions. The government's rural development policy has facilitated knowledge transfer to rural areas and accelerated rural revitalization. The policy, together with a healthier ecological environment, lower

cost of living, and family-based companionship, has encouraged young adults to return to rural areas to work and open businesses.

The returnee entrepreneurs profiled in this study can be viewed as part of the rural gentrification process (Qian, He, & Liu, 2013; Stockdale, 2010), which involves improving dilapidation (i.e., in rurality) through middle-class or relatively more affluent “gentrifiers” (Gocer et al., 2021; Lorenzen, 2021). In our cases, tourism activities (i.e., B&B businesses) stimulated rural gentrification. This research contributes to the literature on rural gentrification by demonstrating how local embeddedness, non-local connections, and the rural EE affect tourism-led rural gentrification and influence commercial displacement thanks to expanding hospitality services in rural marginal China. Although the topic is beyond the scope of this work, future research can investigate how returnee entrepreneurship in tourism-led rural gentrification affects regional social transformation.

While several studies have incorporated a sense of culture into rurality (e.g., Berglund et al., 2015; Muñoz & Kimmitt, 2019), our research suggests that returnee entrepreneurs’ sense of local culture and religion should be distinguished from rurality in terms of importance. The four entrepreneurship cases were within the tourism and hospitality industry; culture, traditions, and religion thus represented vital business resources. All cases were also in the Tibetan autonomous area, which features strong local Tibetan culture and religion. The entrepreneurs experienced cultural and religious belongingness in the rural context. Such belongingness drew them back to their home villages. Subsequent research could further consider destinations with strong cultural and religious backgrounds, particularly how these elements function as capital for developing businesses.

Results indicated that the entrepreneurs considered their local community as family and intended to give back to the community through business. This “sense of rural community” is also part of local embeddedness; it reflects the dialectical relationship between entrepreneurs and rural contexts highlighted in the embeddedness literature (Bizzi & Langley, 2012). Due to a strong sense of rural community, entrepreneurs in this study not only considered financial returns for villagers but also led more local villagers to become entrepreneurs. Villagers could assist with promotion, land use, human capital, and infrastructure construction. Therefore, entrepreneurs and villagers in the four villages encountered low competition. **Such a sense of rural community seems to be deeply influenced by one’s culture and connections with family. These influences could be distinct from those in other destinations. Places with strong cultural and traditional backgrounds may also demonstrate stronger local connectedness. For instance, entrepreneurs in these areas might be more driven to give back to rural communities.**

All cases involved strong ties between entrepreneurs and their families; relatives had lived in these villages for years. Family ties inspired the entrepreneurs to contribute to their families. Interviewees had also received financial and human capital support from their relatives, which represented a vital condition for entrepreneurship. Xu et al. (2020) found that entrepreneurs could fully leverage family-provided resources (e.g., labor, knowledge, information, and finances) to engage in entrepreneurial pursuits. Strong family ties could produce shared obligations and expectations (in business and other domains) between entrepreneurs and their relatives (Aldrich & Cliff, 2003). These shared views on business could help a business grow sustainably with family support. Many researchers have also argued that family embeddedness can generate conflict among family members, potentially compromising entrepreneurial processes and outcomes (Hatak & Zhou, 2019; Xu et al., 2020). However, entrepreneurs in these four cases enjoyed harmonious

family relationships, possibly for two reasons: (1) they shared cultural values with their relatives and/or (2) were the most highly educated in their family, thus being considered the family's "wise member." Within the Tibetan region, the returnee entrepreneurs' unique cultural and religious values partly underpinned family ties. Such closeness could feature more prominently in entrepreneurs' business operations within regions holding strong cultural and religious beliefs. This emphasis likely especially applies to small and medium-sized enterprises.

Scholars have further contended that the government is essential to successful entrepreneurship. For example, Beer (2014) indicated that rural entrepreneurs who collaborate with the government could achieve productive outcomes. Government intervention can influence taxation along with welfare- and non-welfare-related policies that entrepreneurship requires (Aidis et al., 2012). Yet entrepreneurs in this study explained that such assistance was limited: government officials provided direct assistance only after earning financial profit from the business. Despite relatively little government aid, ties with the local government still constituted a part of local embeddedness. These returnee entrepreneurs explained that even recognition from the local government was helpful for their businesses.

Besides local embeddedness, many studies have pointed out that entrepreneurs will go beyond their local area in search of potential target markets, partners, and resources (e.g. Kalantaridis & Bika, 2006; Korsgaard et al., 2015). All four cases had strong non-local connections, particularly for market access and financial capital. Interestingly, these entrepreneurs' initial investment came from themselves and their families; however, all four business owners found external investors for business expansion. More precisely, they used their initial investment to establish business rapport and in turn attract external funding for business operations.

Whereas the concepts of local embeddedness and non-local connections involve an entrepreneur's point of view, the notion of EE focuses on multiple agents participating in the entrepreneurial process; entrepreneurship should be considered part of a wider economic ecosystem (Adner, 2016). The theory of EE has been applied in research for many years. Even so, a key criticism within the literature concerns how to evaluate this theory and which factors to include (Cantner et al., 2021). In line with suggestions from Stam (2015) and Xie et al. (2021), our study summarizes four dimensions that exhibit dialectical relationships with local embeddedness and non-local connections: institutions (both formal and informal), the market, infrastructure, and capital (including human, sociocultural, and financial forms). These dimensions are dialectically associated with both local embeddedness and non-local connectedness: we argue that both elements consistently contribute to these dimensions. At the same time, new factors could emerge from these dimensions and influence local embeddedness and non-local connections. This relationship can evolve based on temporal and spatial changes. This study thus seeks to respond to another critique of EE, specifically regarding the theory's static nature (Alvedalen & Boschma, 2017; Brown & Mason, 2017).

Local embeddedness and non-local connectedness are considered micro-level factors, which are primarily determined by entrepreneurs themselves. The four dimensions of the EE system exist at the meso level among rural entrepreneurial factors. Macro-level situational factors, such as the political environment, sociocultural environment, and environmental and economic environmental changes, influence these dimensions as well.

This research contributes to the ongoing discussion of rural entrepreneurship and the theory of EE by providing a theoretical framework from micro, meso, and macro levels. Our work also

illuminates avenues for future exploration of rural entrepreneurship in destinations with strong cultural and religious values. These places might possess unique attributes to take into account, such as family ties and connectedness with the rural community. Our study also has a few limitations. First, we focused on one area and only four cases. Scholars can expand on this effort by integrating more cases. Second, we solely considered local embeddedness and non-local connectedness. More examination is needed of the four meso-level dimensions and the relationships among them. These dimensions contain integral determinants for returnee entrepreneurship.

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