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Returnee entrepreneurs in an emerging country context: the role of Ilustrados in the Manila startup ecosystem

Gerald Perry Marin and Joerg Freiling
Chair in Small Business and Entrepreneurship, Faculty of Business Studies and Economics, University of Bremen, Bremen, Germany

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Abstract

Purpose – This study aims to examine the pivotal role of returnee entrepreneurs (REs) in fostering innovation within an emerging country context, using Philippines as the research setting. It explores the heterogeneity of REs by understanding their personal profile, their entrepreneurial motivations and their transformative impact on local entrepreneurial ecosystems.

Design/methodology/approach – Based on an inductive qualitative multiple case study using constructivist grounded theory, data were collected through semi-structured interviews with Manila-based REs and experts and complemented by observations and secondary sources. Data were analyzed using the Gioia methodology, allowing the development of research propositions to link empirical findings with theoretical insights.

Findings – REs were categorized into four types: micropreneurs, freelancers, government-assisted and Ilustrados, based on their human capital and institutional integration. Ilustrados, with their high human capital and institutional support, lead innovation in the Manila entrepreneurial ecosystem through their innovative startup ventures.

Practical implications – Set in an emerging market context where there are resource scarcities, structural gaps and institutional voids limiting the ecosystem, this study offers actionable insights for policymakers to tailor support and maximize RE contributions to overcome these structural challenges as they create their ventures back home.

Originality/value – This study's originality lies in introducing the Returnee Entrepreneur Opportunity Framework, which refines the mixed embeddedness approach by categorizing REs into four distinct types. Furthermore, it identifies the *Ilustrado Premium*, the preferential treatment that Ilustrados received upon reintegration, as a novel mechanism explaining how they get an advantage in early stages of venture building.

Keyword Developing countries

Paper type Research paper

Introduction

Returnee entrepreneurs (REs) are skilled individuals who leave their home country to study or work abroad and later return to found ventures at home (Drori, Honig and Wright, 2009).

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They are widely regarded as important contributors to innovation and economic development, particularly in emerging economies, by transferring advanced technical and institutional knowledge acquired in the host country (Kenney *et al.*, 2013). Acting as international knowledge brokers, REs connect their home economies to global technological and market frontiers (Lin *et al.*, 2016), transfer knowledge to local firms (Filatotchev *et al.*, 2011), leverage transnational social capital to internationalize new ventures (Prashantham and Dhanaraj, 2010) and strengthen entrepreneurial ecosystems (Ahlstrom and Ding, 2014). REs often occupy a privileged position: they can exploit relatively lower factor costs, growing domestic markets and local business networks while maintaining international ties to customers, partners and information sources (Saxenian, 2002). The economic impact of returnees has attracted substantial scholarly attention, and an increasing number of governments and policymakers are incentivizing the return of these professionals to go for entrepreneurial endeavors (Dai and Liu, 2009; Gruenhagen *et al.*, 2020).

At a broader level, REs exemplify the shift from brain drain to brain circulation, whereby high-skilled migration can benefit both sending and receiving countries (Saxenian, 2002). This circulation manifests as dual embeddedness: REs channel technical and institutional knowledge back to the home country while sustaining host-country networks and markets (Saxenian, 2006). The underlying mechanism aligns with the mixed embeddedness perspective in migrant entrepreneurship, which foregrounds the interplay of opportunity structures and institutional contexts across levels (Kloosterman *et al.*, 1999).

The overly positive portrayals of REs may be because they have been treated as a homogeneous group in previous literature without considering the still neglected differences in the ventures and contributions they have made. This research gap aligns with Gruenhagen *et al.* (2020) who argue that returnee entrepreneurship is more multifaceted and heterogeneous. Previous research streams regard REs under the same definition, from highly skilled Chinese founders returning to national science parks back home and generating patents (Wright *et al.*, 2008), forced migrants from Bosnia and Herzegovina and Kosovo coming back to their post-conflict economies to fill institutional voids and generate jobs for their immediate social circle (Williams *et al.*, 2022) and contractual Egyptian return migrants creating micro enterprises with a high degree in informal economies (Marchetta, 2012). While each migrant develops a unique mix of human, social and financial capital that shapes their decision to return and their entrepreneurial activities (Gruenhagen *et al.*, 2020), a systematic review by Silva *et al.* (2025) revealed that it remains unclear how these resources interact with other factors in shaping the entrepreneurial trajectories of returnees.

Moreover, there are also observed regional differences in the perception of returnees, such as the negative stereotypes and views that were associated with Turkish returnees because of ethnic and cultural norms and expectations (Kunuroglu *et al.*, 2021) and the "returnee liability" experienced by Kenyan returnees from UK due to lost local connections and unfamiliarity with local practices (Mreji and Barnard, 2021). Indian returnees from the Gulf, on the other hand, look to venture creation back to get higher social status upon return (Czaika and Varela, 2015). These still insufficiently understood regional differences call for context-sensitiveness. Applying a uniform lens to analyze the diversity of returnees and their ventures risks oversimplifying their impact and overlooking the specific needs and contexts of the ventures they create.

Acknowledging the need for a deeper understanding of the still rather neglected phenomenon of returnee entrepreneurship in literature, this study aims at a more nuanced understanding of the role of REs in their specific context. In this study, we focus on the Philippines as our research setting, given its huge migration-dependent economy (the fourth largest remittance recipient country worldwide after India, Mexico and China) where returnees are structurally embedded in development strategies yet remain understudied in entrepreneurship research. Since the 1970s, a distinct culture of migration has been shaped by state policies, most notably the 1974 Labor Code, which promoted overseas labor deployment to reduce unemployment and increase foreign exchange earnings (Alonzo, 2022). Drawing on widespread English proficiency, Filipino workers have integrated readily into the global workforce, and remittances have been buoying the country's economic growth (Tullao and Rivera, 2014). Filipino returnees, commonly referred to as *balikbayans* ("return to home"), have been reframed by the state as transnational citizens whose work abroad benefits the motherland, sustaining a structural reliance on their contributions and celebrating them as "modern heroes" (Alonzo, 2022; Encinas-Franco, 2013). Estimates suggest that more than 200,000 overseas Filipino workers (OFWs) return each year, with spikes during times of crisis (Battistella, 2004; Saguin, 2020), yet systematic information about different types of returnees and their distinct reintegration and entrepreneurial trajectories remains limited.

Within this broader migration regime, Filipino returnees have been visible in the emergence of the Manila entrepreneurial ecosystem, notably in early support structures such as Ideaspace Foundation in 2012, the country's first private accelerator, and QBO in 2016 (PwC Philippines & QBO Innovation Hub, 2017), a public–private initiative with the Philippine government and JPMorgan (Tech in Asia, 2013). They also feature in early success narratives of the Manila startup scene (Ferraz, 2017), yet their specific and heterogeneous contributions to ecosystem development remain largely unexplored.

By conducting empirical research in a setting with a substantial presence of REs, the study aims to grasp their heterogeneity and examine their impact when founding new businesses within the context of a particular entrepreneurial ecosystem where returnee entrepreneurship plays a visible role. To address this research aim, the paper seeks to answer the following research question (RQ) with both descriptive and analytical ambition given the state of research:

RQ. What are the specific types of returnee entrepreneurs and their features, and how do they form ventures within an entrepreneurial ecosystem after they return?

The *RQ* focuses on identifying those REs in the landscape of returnee entrepreneurship that impact and accelerate the entrepreneurial ecosystem based on an understanding of all RE groups in Manila. It challenges a predominant homogeneous understanding of REs that dominates literature and illuminates how different RE types contribute to home country ecosystem development in rather different ways, crystallizing those REs with the strongest impact, which is relevant to home country policymakers and ecosystem actors. As one of the global hubs of RE activity, the empirical part focuses the Philippines with the Manila entrepreneurial ecosystem and its rich migration and remigration history through qualitative empirical research with interviews as prime data source and inductive theorizing.

Conceptual foundations

Returnee entrepreneurs' nature

Returnee entrepreneurship situates itself as a sub-type of migrant and diaspora entrepreneurship and exhibits not only a unique migration direction but also a specific entrepreneurial motivation (Drori *et al.*, 2009). This study uses Gruenhagen's (2020) definition of REs as "skilled individuals who return to their native country and start a new venture after having studied or worked in a more developed country" (p. 945). This provides clarity on the typical direction of migration from their developing home country to a developed host country and then back again to their developing country – although a returnee status could principally also follow other paths. Hajdari *et al.* (2023) identified that RE education level and capacity for knowledge transfer are correlated with successful business ventures, while time spent living abroad is not a key factor.

Returnee entrepreneurs' impact

Literature accentuates REs' role for their home countries in the formation of high-tech enterprises and scientific parks (Wright *et al.*, 2008; Dai and Liu, 2009; Kenney, Breznitz and Murphree, 2013). This reinforces the understanding of REs as skilled individuals who contribute to their home countries upon return (Gruenhagen *et al.*, 2020). As they frequently pursue sustainability-oriented and socially focused ventures, they are also supporting greener and more inclusive economy (Raimi and Mahmoud, 2025). They are widely perceived as key growth agents in emerging economies through advanced education, international experience and global networks that enable knowledge transfer to their home countries (Kenney *et al.*, 2013). Such transfer facilitates bottom-up entrepreneurial processes and generates developmental effects for local firms, both directly and via knowledge spillovers (Filatotchev *et al.*, 2011). Accordingly, REs constitute an important element of local entrepreneurial ecosystems (Ahlstrom and Ding, 2014).

Returnee entrepreneurs' heterogeneity

Another body of extant research highlights a distinct type of REs: contractual migrants whose remittances have powered their home economies (Banta and Pratt, 2021). These individuals face reintegration challenges upon return, and policy support includes assistance programs such as capacity building for venture creation (Opiniano and Ang, 2023). Referred to as "non-elite," these REs typically receive support for their reintegration through the creation of microenterprises (Bolzani, 2023).

In discussions involving larger populations of returnees, descriptive categorizations are used to distinguish among different returnee typologies based on the type of ventures they pursue upon returning. For instance, the study of Filipino "surplus" migrants in Dubai identifies a divide between "middle class" OFWs, who independently launch inventive social enterprises, and lower-skilled OFWs, who engage in subsistence-level, low-capital, survival-oriented businesses targeted by government-led reintegration programs (Banta and Pratt, 2021). Similarly, in Ghana, Setrana and Tonah (2016) illustrate how variables such as age, sex and education influence entrepreneurial outcomes, where women typically reenter the informal sector, while older returnees with specialized qualifications often become consultants. These types, where we build on, underscore the value of nuanced categorizations and offer a more productive platform for theorization and policy development than generalized approaches in the field.

It is useful to use multi-theoretical perspectives to better understand how REs, acting as institutional entrepreneurs, in leveraging their human and social capital to navigate diverse institutional environments with underdeveloped institutions (Bruton *et al.*, 2008). These activities of REs frequently involve in building and using informal networks and trust-based relationships (Puffer *et al.*, 2010), particularly in the face of institutional voids in developing countries, such as lacking regulatory protections for intellectual property, legal insecurity or limited access to financial capital (Bruton *et al.*, 2010). In post-conflict economies, REs face structural constraints such as weak infrastructure, market uncertainty, limited competition and corruption, which can negatively affect firm performance (Mohamed *et al.*, 2021). In addition, mismatched expectations can foster common fallacies for REs, including assumptions of lower operating costs and smooth reintegration, which may lead to disappointment (Ojo, 2017). How returnees navigate and respond to these institutional voids and reintegration challenges are underexplored in literature, being relevant to this study.

Although the literature has evolved beyond descriptive case studies to include broader structural and contextual analyses of migrant return and entrepreneurship, there remains a notable gap in evaluating the economic impact of returnees. In particular, an insufficient understanding of the specific types of ventures REs limits comprehensive assessments of their contributions to local economic development.

Returnee entrepreneurs, mixed embeddedness and the opportunity framework

Another key facet of returnee entrepreneurship is the mixed embeddedness in both the home and host country context. This construct is increasingly being used to study diaspora and migrant entrepreneurship (Kloosterman, 2010), as it situates the migrant (including returnee) entrepreneurs at the crossroads of two or more socio-cultural, economic and institutional frameworks after moving from their home to a host country and describes migrant entrepreneurs' contextual settings as a mix of social and institutional factors (Kloosterman and Rath, 2001). It also highlights the relevance of formal and informal institutions as well as broader structures at various levels in the success of migrants' economic activity has been highlighted (Engelen, 2010).

Mixed embeddedness offers a versatile framework to describe the relationship between the resources of returnees and the kind of venture opportunities they exploit. This interactionist approach sheds light on the interplay between the actor (migrant entrepreneur) and the opportunity structure in an analytical framework (Kloosterman *et al.*, 1999). Considering the dynamism of opportunity structures and how the agency and actors are embedded in the larger social structures, the mixed embeddedness approach is taken further with the development of the interactionist dynamic model (Kloosterman, 2010).

This model caters to the need to distinguish various degrees of growth potential from the opportunity structure that determines the type of businesses (institutional embeddedness) and the level of human capital acquired by the migrant entrepreneur as a strategic resource (social embeddedness) (Kloosterman *et al.*, 2018). The open design of the interactionist dynamic model incorporating key variables invites researchers to analyze the phenomenon in this framework that sits in the nexus of the changing demographic and economic macro trends (Ram *et al.*, 2016).

Social embeddedness (human capital). This concept highlights the importance of social relations and actions of individuals to the entrepreneurial and sociocultural outcomes achieved (Granovetter, 1985). Social embeddedness has been used as an analytical framework in studies examining the significance of social networks in entrepreneurship (Uzzi, 1997) and how affiliation with social groups may either promote or inhibit behavior (Portes and Sensenbrenner, 1993). For REs, their *liability of foreignness* is a social embeddedness issue emerging from their triple risk of unfamiliarity, discrimination and limited relationships after coming back home (Zaheer, 1995).

Institutional embeddedness. According to the institutional theory, formal and informal institutions can restrict or facilitate business strategy (Meyer and Peng, 2005). Kloosterman (2010) emphasizes the importance of institutional embeddedness in shaping the type of business ventures entrepreneurs pursue, distinguishing industry opportunities by their growth potential (growing or stagnating). This model considers formal rules such as constitutions and legal regulations as well as informal institutions such as codes of conduct, values and norms and ultimately forms "the rules of the game in a society" (North, 1990).

Research method

Research design

Returnee entrepreneurship research is an emerging research stream that is fragmented, plagued by insufficient theoretical foundations and currently "mapping itself out" as it expands into different disciplines, locations and related themes (Gruenhagen *et al.*, 2020). Due to these, qualitative method was chosen to avoid immediately creating direct causal assumptions and allows for a more explorative research design and an open understanding of the nature and complexity of the phenomenon (Basias and Pollalis, 2018). It provides answers on the "what," "how," "when" and "where" of the phenomenon and clarifies the uncertainties under consideration (Miles and Huberman, 1994).

Due to its qualitative inductive approach for theory building, it uses grounded theory with the constructivist iteration. Charmaz' (2014) constructivist grounded theory is used because "interpretive theory calls for the imaginative understanding of the studied phenomenon. This type of theory assumes emergent, multiple realities; indeterminacy; facts and values as linked; truth as provisional; and social life as processual" (p. 231). Further, a multi-case study approach helps provide an in-depth understanding of the different REs' motivations and experiences in their journey and allowing a more expansive exploration and a recognition of patterns in data (Eisenhardt and Graebner, 2007). To analyze the phenomenon on multiple levels, an embedded multiple case design according to Yin (2014) is chosen. This research provides a platform to study the phenomenon individually, as well as compare REs' experiences and the related entrepreneurial ecosystem context.

Data gathering

Criteria to choose the location for data gathering, consider the nature of returnee entrepreneurship as pointed out by Gruenhagen *et al.* (2020) with an accent on REs coming home from a developed to a developing country, a setting where REs play a visible and important role and the opportunity to observe a variety of different REs' settings mirrored along the dimensions of the Kloosterman (2010) matrix.

Manila's entrepreneurial ecosystem provides a clearly bounded context in which much of the country's startup activity occurs and within which diverse forms of RE involvement can be observed. The Philippines in general is one of the typical countries of remigration and REs (Philippine Overseas Employment Administration, 2010). On this note, Manila's entrepreneurial ecosystem, detailed below, was chosen as the empirical background.

Data were collected from interviews, observations and secondary sources. Primary data came from 30 face-to-face semi-structured interviews with REs in Manila (December 2017–February 2018). Supplemental interviews with four academicians (June–August 2021) provided cultural and historical perspectives. The number of interviews was guided by the research objective and question: a larger sample ensured variety among REs, while the chosen total reflected data saturation and manageable data handling (Yin, 2014).

The interviewees sourced within the Manila entrepreneurial ecosystem are part of different accelerator and co-working spaces: the government-backed QBO Innovation Hub in Makati City, private-run NGO Ideaspace Accelerator in Pasig, international franchise Impact Hub Manila in Bonifacio Global City and private-run co-working space Launch Garage in Quezon City. They are all part of Metro Manila, which comprises 16 cities with a population of more than 13 million. The following criteria were used to find the interviewees:

- Filipino citizen (either by birth or by naturalization);

- a minimum six months stay abroad and return to start their business venture; and
- working within the Manila entrepreneurial ecosystem as founder, investor or startup hub owner.

The criteria were created to ensure that the interviewees will adhere to the RE definition of leaving their home country and coming back after living, working or studying abroad while allowing different types of RE involvement within the ecosystem. No limits were set on motivation, financial background or venture stage, enabling broad sampling to capture the diversity of REs in startups.

Snowball sampling was used where interviewees referred the researcher to further participants in an iterative process (Noy, 2008). Observation notes were used to trace the evolution of ideas and enable systematic comparisons among participants (Goulding, 1999). These were taken during visits to startup hubs, conversations with founders and events, while one author's firsthand experience as a startup founder in the Ideaspace Incubator in 2016 provided richer contextual insight. Expert interviews with academicians on Philippine migration, entrepreneurship and migrant reintegration offered triangulation alongside returnee interviews and field observations (Patton, 1999). In addition, 398 pages of secondary sources including journals, consulting reports, startup news and venture fund analyses were reviewed. Key references included PwC, BCG, Gobi-Core Philippine Fund and government reports, chosen for relevance, citation by ecosystem actors and depth of updated information.

The interview guide was developed and pretested to enhance validity in qualitative data collection (Collins, 2003). Consistent with the iterative nature of qualitative research, pretesting enabled self-correction between design and execution to improve reliability and rigor (Morse *et al.*, 2002). The guide used open-ended questions with probes for depth on key topics, and interviews lasted 40–90 min. With participants' consent, sessions were recorded. The study used an anonymous survey-based approach, ensuring no collection of personally identifiable information. Participants were fully briefed on the study's aims, data use and their right to withdraw at any time. Verbal consent was recorded in accordance with ethical standards, and the research adhered to the Belmont Report principles of respect for persons, beneficence and justice.

Data analysis

The study applies the "Gioia methodology" as a systematic research approach with data analysis in three stages (Gioia *et al.*, 2013):

(1) development of analytic codes, assembled into a data structure containing first-order codes (interview partner-centered), second-order (researcher-centered) themes and aggregate dimensions;

(2) development of a grounded theoretical model through constant comparison of data over time and across the interviewees; and

(3) presentation of the study's findings through a detailed, data-based narrative, using the second-order themes and aggregate dimensions, while referring to first-order quotations (Magnani and Gioia, 2022).

Audio recordings were transcribed and uploaded into MAXQDA, alongside observation memos and secondary data, for qualitative analysis. Data were coded to identify themes, patterns, processes and linkages (Hodkinson, 2008). Line-by-line coding (Charmaz, 2014) paraphrased and categorized segments into clear labels, simplifying data and linking it to emerging theory (Maher *et al.*, 2018). Research propositions were proposed as conceptual bridges between empirical findings and theoretical insights.

Results and discussion

Returnee entrepreneur personal profile

To identify the specific types of REs, criteria help to create a meaningful differentiation of the entrepreneurs. Data allows extracting criteria that all relate to the personal profile, namely, knowledge acquisition, human capital, the “privileged background” and formal and informal institution support.

Knowledge acquisition. Knowledge acquisition is a key factor that all the interviewees have excelled at along their journey. Some have honed and capitalized on their gifted talent in acquiring knowledge from the academic setting, where they proved themselves worthy of academic scholarships from the government. Two international scholarships gave RE29 the opportunity to live abroad, while RE12 highlighted how valuable those academic skills were.

REs have also enhanced their knowledge acquisition through a professional setting. Due to their high level of performance, they got opportunities to further acquire knowledge. Being academically gifted, RE26 also challenged himself to take the risk at the beginning of his career by accepting bigger projects that were deemed too big for his peers. These returnees also understand the value of experience as their “best teacher,” which they highlight as a source of knowledge on building a startup. It served as their basis for building a business as they pursued succeeding ventures, such as RE5’s learnings based on her first startup failure.

Their social networks built from home and their host countries became rich sources of knowledge in multiple perspectives, that helped them navigate through the challenges of startup building. RE29 narrated she valued her three sets of global networks who helped her to be updated in their respective fields, built new skillsets and gave valuable advice.

By excelling academically or professionally, learning from life experiences and leveraging their social networks, these REs managed to build a solid foundation, as they recognize their importance in overall value creation:

> RP1. Returnee entrepreneurs can acquire high levels of knowledge from their education, specialized industry experience and high value social network.

Human capital. The international experience of returnees expanded their knowledge, enhanced their hard and soft skills and enriched their field of specialization. The process and experience of working and living abroad forced them to expand their human capital, given that they are now competing in an international setting. RE20 shared about the element of urgency to be hired by a large company to stay abroad after his international studies. There was no option for him to just “get by” because time was running out before his visa expiration. By pursuing this unique opportunity abroad, the competitive yet enriching international setting working with the “best of the best” helped support the REs in expanding their human capital. Similarly to RE26, this exposure with the best in class in the industry made him absorb knowledge what gave him an edge. Working to be superior in their field and networking with the “right” people helped them create an environment that pushes them forward while receiving informal help and support from their expert network. RE5 shared that her network of mentors from various industries informed her on a diverse set of topics, giving her different perspectives as she navigated the challenges in the startup world and heeded experts on unfamiliar areas.

The migration journey driven by pursuing international education, climbing the career ladder, working with the “cream of the crop” in their field and interacting with others significantly builds human capital. This level of human capital ultimately exposes REs to diverse mindsets and perspectives. Hence, we suggest:

RP2. Returnee entrepreneurs can reach high levels of human capital through more specialized knowledge/skillset, international social networks and/or high degrees of experience in their field, giving them a unique worldview that is useful in spotting opportunities back home.

(In-)Formal institutional support. Institutional support is observed from interviewees' responses as something that is easily conferred to them as returnees by local actors given their experience abroad. This can be seen in multiple ways, from discussing their international experience or just from first impressions, which immediately gives them an instant credibility boost that opens doors more quickly than for their local counterparts.

In the Philippines, Western influences are seen as credible and advantageous, giving returnees a significant edge. Absorbing Western culture and work practices helps REs gain support and be viewed as credible. REs stand out through direct communication, confidence and language skills, which RE12 used to navigate bureaucracy and close deals. Their international experience boosts bargaining power and enables them to secure partnerships and scale more easily, receiving more assistance than when working locally.

Formal institutions also seek their input to improve the business environment, as seen in RE30's experience of influencing policy change. Based on empirical data showing some kind of preferential treatment, the following research proposition explains how returnees use their experience abroad to acquire institutional support:

RP3. Returnee entrepreneurs can leverage the positive perception of having lived internationally to acquire easier access to formal and informal support for their venture.

Privileged background. All the interviewed REs acknowledged their privileged background compared to that of their local counterparts, given their international migration journey. They recognize that their family's economic and educational background, as they were growing up, played a significant role for them in developing a global mindset which gave them a different motivation to leave their home country.

Having the freedom to choose and create the life they wanted, instead of being forced to migrate out of necessity, is one key difference between the REs interviewed and the more prevalent contractual OFW situation, which is more motivated by economic reasons. This privileged background also allowed REs to pursue the best education they could, like how RE7 chose to study abroad to open her up to more opportunities. Other returnees, like RE28, were similarly fortunate to be born into high-profile families and influential networks, which made starting businesses much simpler for them when they returned.

More critically, the REs shared a deeper sense of calling to come back home and effect change, even when presented with more lucrative opportunities in their host country. Like RE25, they reached the level of self-actualization to realize their moral duty and return to help their less privileged countrymen through their venture. These differences in their personal background set these REs apart from the usual OFW narrative of one who went abroad for economic necessity and the need to provide for their family and is summarized in this research proposition:

RP4. Returnee entrepreneurs in the startup scene have a privileged background, and their return is motivated by opportunistic reasons to achieve their self-actualization.

Figure 1 lists the data structure to identify key elements that define these REs in the startup scene.

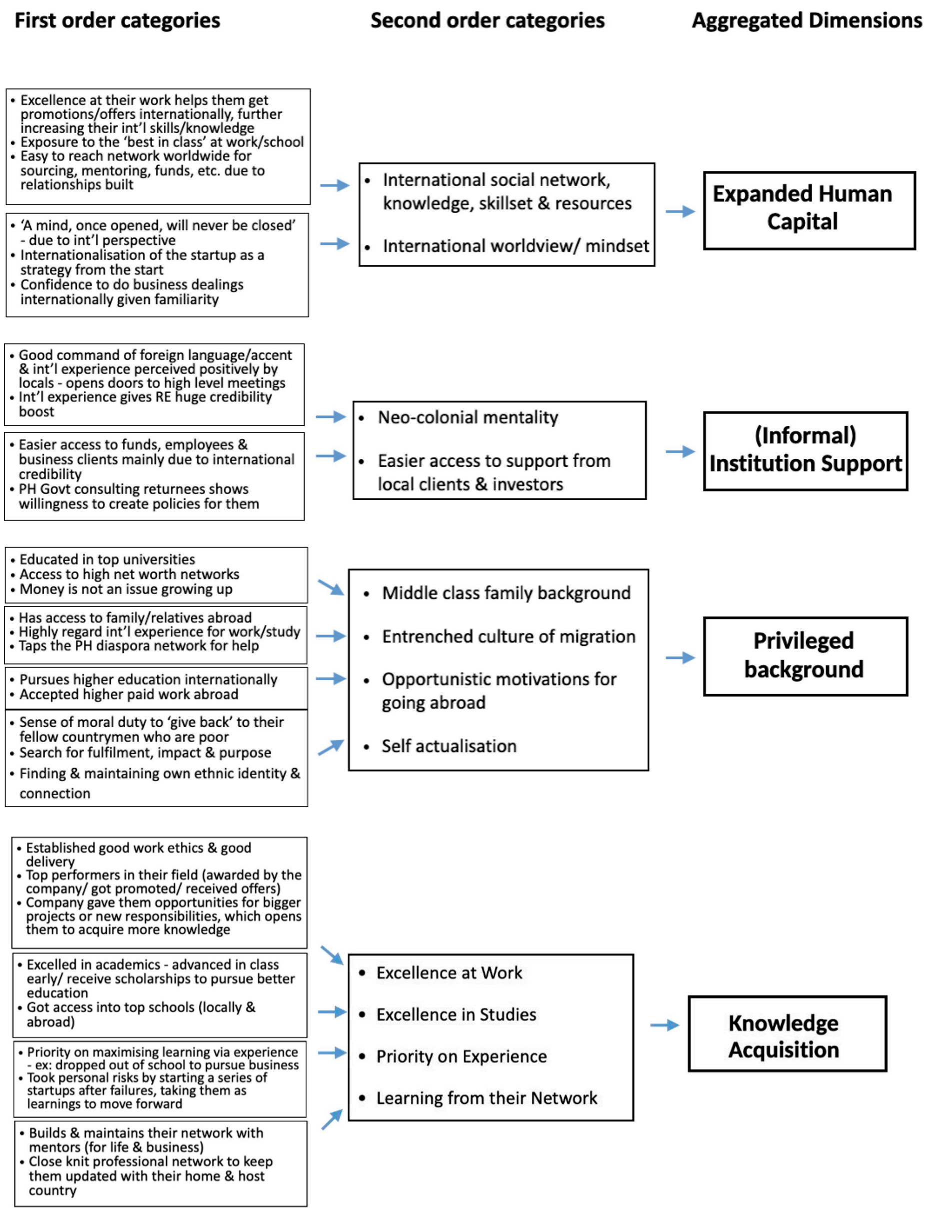

Figure 1. Data structure of the Ilustrado returnee entrepreneur profile

Opportunity framework of returnee entrepreneur types

Using Kloosterman's (2010) framework and the mixed embeddedness concept for both descriptive and analytical purposes, this study identifies four types of REs, highlighting their diverse backgrounds, business types, motivations and needs, informed by data from the Philippines.

Building from Kloosterman’s opportunity structure to show how the agency (entrepreneur) interacts with the established structure (opportunity), Figure 2 introduces the RE Opportunity Framework (REOF) as a new analytical framework for analyzing different RE types. The REOF looks at two key variables: REs’ level of accessibility in the market through their *human capital* and how they interact with the *opportunity structures* back home depending on their level of integration with the macro-institutional framework.

Human capital. The REOF examines the human capital dimension of REs, distinguishing between high (strong social and international networks, ability to overcome liabilities of foreignness) and low human capital (limited skills and local connections). This categorization depends on factors such as the entrepreneur’s knowledge, skills, financial capital and the network they can tap into. RP1 and RP2 highlight how the returnees acquired specialized knowledge abroad, contributing to high human capital.

The threshold of human capital that separates the RE types is influenced not only by the type of exposure they have abroad but also by the environment in which they were raised prior to leaving the country. Empirical data shows that REs with high human capital typically come from middle- to upper-class backgrounds and pursued studies or careers abroad (RP4), while OFWs often return with low human capital and rely on government aid for employment rather than entrepreneurship. Education level abroad in particular was highlighted by a recent study on REs as having a significant impact on their business (Hajdari *et al.*, 2023). These differing backgrounds shape how they engage in entrepreneurship upon returning.

Institutional embeddedness. The REOF explores how embedded REs are in the relevant institutions of their home country and segmented on their level of integration. In the Philippines, growing formal institutions like the entrepreneurial ecosystem and government support offer key resources for REs. They also need to adapt to informal institutions like culture, communication and local business attitudes. Lower institutional embeddedness is seen in returnees pursuing traditional business paths (e.g. franchising food businesses, property investment, freelancing) with minimal support and risk. By contrast, highly embedded REs leverage government benefits, influence policies or help institutionalize new systems (RP3). They also receive preferential treatment and informal support across the business hierarchy given their international experience (RP4).

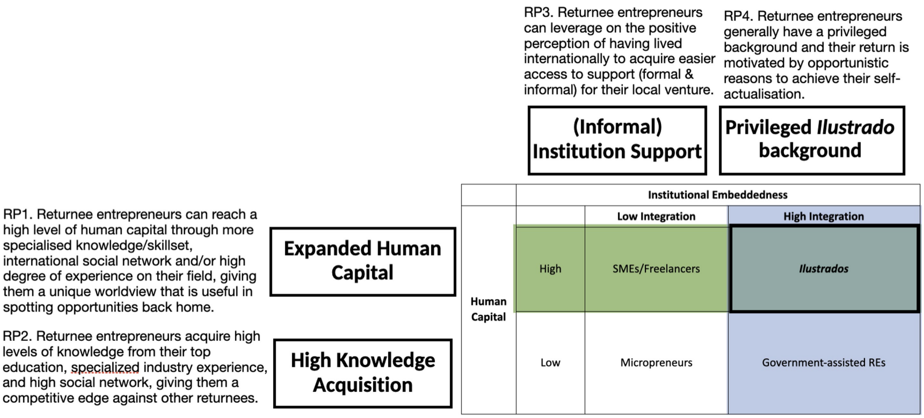

Figure 2. The human capital-based Returnee Entrepreneur Opportunity Framework (REOF)
Source: Own compilation

Returnee entrepreneur Opportunity Framework: four types of returnee entrepreneurs

The opportunity framework structure outlines the strategic window of entry that determines the nature of the returnee's business, which focuses on the accessibility of human capital and the growth potential of the industry (Kloosterman, 2010) and leads to four categories of REs.

Micropreneurs (low human capital, low institutional embeddedness). The REs located in the lower left quadrant showcase the most accessible business opportunities that a returnee can easily open and operate, given the business' low level of financial investment, low skill requirement and usually labor-intensive. The market for this is usually competitive, the demand stagnant and with low turnover. Using the Philippine case, returnees who resort to opening these micro-businesses generally service their local community in the form of small retail (*sari-sari*) stores, *carinderia/*food service or small food carts or join the informal economy and become tricycle drivers or home builders. Returnees who have acquired basic skills or low capital after their experience abroad are located in this quadrant because they have enough to start up easily. As these businesses require at best the support of their immediate community, the level of institutional support needed is limited to their friends, family, local council and immediate community and comes with limited opportunities for growth.

Freelancers (high human capital, low institutional embeddedness). Located in the top left quadrant, these REs gained in-demand skill or knowledge and seek to capitalize it upon return in a stagnant industry, usually servicing a limited localized market with stagnant growth. Popular business vehicles for returnees in this category are franchising a larger brand and bringing it to their local community, consulting or freelancing to turn their skills into self-employment. Having a high financial capital, marketable skills and/or an understanding of business management separates these REs from "micropreneurs" who cannot afford the high cost of franchising or have low business (hard/soft) skills. Although these returnees have high human capital, they usually provide their solutions within their local community and typically serve local markets, limiting their growth potential. This confined scope gives them a limited level of requirement to further embed themselves in the institutional support structures.

Government-assisted (low human capital, high institutional embeddedness). These entrepreneurs with low skills upon return are capitalizing from their affinity with mainly government-led initiatives for integration and entrepreneurship. In the Philippine context, initiatives like the Overseas Workers Welfare Administration (OWWA) provide financial literacy and entrepreneurial training to increase their human capital. These REs are characterized by having a higher potential for further growth, as they are closely integrated to access resources, such as financial and network support, due to higher institutional embeddedness. Similar to Kloosterman's (2010) model, the post-industrial/low-skilled migrants are characterized by being in the earlier phase of the product life cycle, which is open to more innovative approaches, even though they are positioned in highly accessible markets. They are also more able to move to the upper quadrants because they can upskill their way to overcome the human capital threshold. Certain reintegration programs from the government specifically help them overcome liabilities of foreignness by providing them with a local network of similar returnee backgrounds and opening opportunities for partnership with local businesses.

Ilustrados (high human capital, high institutional embeddedness). Most of the interviewed REs belong to this type. Exhibiting a high level of human capital (RP2) and high institutional embeddedness (RP3), these REs are considered the startup founders because they are primed to take advantage of their accumulated knowledge given their exposure abroad (RP1) and leverage their networks (both locally and internationally) to build their own venture (RP4). They tend to stay within the ecosystem, given the nature of the business and the support requirements they need to launch and grow the business. Given their distinguishing features compared to other REs, they are termed "ilustrados," a Spanish word meaning "the enlightened ones." This term historically refers to a group of middle-class Filipinos who studied in Europe during the late 1800s and brought back nationalist ideologies that played a crucial role in shaping Filipino nationalism during the country's struggle for independence (Dolan, 1993).

It is critical to define these ilustrados by understanding the empirical data and scrutinize how they came to be. The ilustrados' background considers the profile of an entrepreneur who acquired new knowledge and reached a high level of human capital from the host country. After reaching a certain point in their lives abroad (usually after feeling secure about their finances, career or level of education), the ilustrados were triggered to come back home and create a positive impact in the Philippines by launching a venture. Using their acquired human capital back home, they had a positive reintegration experience because of the entrenched mentality and general positive outlook on returnees in the Philippine culture.

Return migration motivations and Ilustrado Premium

Motivations. RE motivations varied depending on when in their life they left the country. Data reveals that their motivations for return migration are mainly because of patriotic reasons mixed with opportunistic intentions in their venture creation. Although not all ilustrados are born to wealthy families, almost all of the interviewees revealed that they have reached a comfortable stage in their lives with enough savings, enabling them to risk more upon return. This profile contrasts with other REs who returned primarily due to contract expiry, limited overseas opportunities or visa constraints.

Ilustrados chiefly return to satisfy higher-order needs of self-esteem/self-actualization, similar to Ojo *et al.*'s (2017) study on UK's black Africans' rationale to return being nostalgic-led, and using the business venture as their vehicle for reintegration while enhancing their social status in their homeland. Time abroad also heightened their desire to reconnect with family, friends and the Filipino community. Table 1 offers a summary of empirical data to highlight push and pull factors for their return migration.

Ilustrado Premium

Ilustrados' high human capital is influenced by the premium treatment they receive upon returning home. Building on RP4, ilustrados already experienced an advantage compared to locals simply by having lived and/or worked abroad. Although some of the positive

Table 1. Push and pull factors for return migration of Ilustrado returnee entrepreneurs

Push out of host country	Pull reasons to go back home
Finding one's self/identity (after moving away from PH when they were young)	Curious to explore home culture/reconnection to their roots
Cannot adjust to living alone/life without privileges	Better life condition back home (access to maids, services vs living alone abroad)
Felt privileged living abroad	Helping their countrymen as an obligation
Market is saturated and competitive	Good PH economic outlook with many opportunities
Limited access to business opportunities	Business is in the PH (family and network support/working with key PH industry sector)
No deeper emotional attachment to the host country/discrimination/ homesickness	Patriotism; positive reintegration and returnee acceptance by locals

treatment that returnees receive from locals is deserving, the general attitude around them as someone who lived abroad is already deemed as superior to their local counterparts:

> Suddenly because you're a Fil-Am (Filipino-American) coming back, and coming from a top school in the US, like those doors open for you – RE10.

As RE10 experienced, the fact that returnees experienced living and studying abroad serves as a credibility seal that creates opportunities for them to work and partner with key clients in the Philippines with less effort compared to locals. When asked about how being a returnee helped him in his startup back home, RE23 stated:

> Everything. Getting partners, getting clients, getting jobs. Actually, right now being in the medical industry now. I'm not a doctor, right? […] It helps them I guess believe in and understand what I'm doing because they know that I come from a very competent background. So, in that sense it helps a lot.

This showed that his credibility extends to high-skilled industries where he has less experience. This preferential treatment is also reflected in job opportunities after graduating internationally. Having a foreign accent and a good grasp of the English language is regarded positively by locals. Pronouncing Filipino words with an accent is deemed endearing rather than offensive:

> They're very welcoming, you know? They make fun of me when pronouncing [my Tagalog] is incorrect. But also at the same time they are teaching me. Right? So it's my decision to learn even faster – RE7.

However, considering all the preferential treatment they receive for being a returnee, they also felt that they must demonstrate more than they earn it:

> Obviously, there was work that went into it, but then there's also an element of luck, that I have the privilege of being able to come back when I wanted to and all these things. In that sense, you kind of have to work harder […]. You know, this country welcomed you back and was so nice to you, but you need to deserve it somehow – RE7.

This special treatment can be referred to as "ilustrado premium" as the preferential treatment REs receive back home helping them easily reintegrate back into society, opening up business opportunities more quickly and obtaining a higher level of respect and credibility among locals and other returnees. Ilustrado premium contrasts with the returnee liability, wherein REs underperform locals in their business ventures (Obukhova *et al.*, 2013) due to mismatched expectations, cultural tension such as "reverse culture shock" and mutual suspicion as its key microfoundations (Mreji and Barnard, 2021).

Returnees' smoother reintegration often reflects a colonial mentality, rooted in Spanish, Japanese and US rule, that normalizes Filipino inferiority and Western superiority. In the CMIAT, 56% of Filipinos strongly linked Filipino culture to inferiority and American culture to superiority (David, 2013). The Philippines is also low-trust: only 5.3% agree that "most people can be trusted," raising transaction costs and hurting efficiency (Integrated Values Survey, 2024). In this context, the ilustrado premium can bypass lengthy trust-building in business.

Given the historical backdrop, amplified by the local culture and norms on language and international degree, the ilustrado premium provides the ilustrados an immediate stamp of credibility. It allows REs to bypass local business formalities, speed up networking and receive preferential treatment that is useful in an early-stage startup setting in which there are not many proofs-of-concept and client history they can showcase. Ilustrado premium further boosts the human capital of ilustrados, separating them from other returnees, and serves as key phenomenon highlighting the heterogeneity among REs.

Ilustrados: returnee entrepreneurs in the entrepreneurial ecosystem

Ilustrados set themselves apart due to their high knowledge acquisition and privileged backgrounds, offering them a rich base from which they see the world and create new ventures. RP4 exemplifies this advantage, enabling international brand positioning (RE25) and tackling global health problems (RE26). This is in sharp contrast to other REs such as MSMEs who are opening small franchises or micro-groceries serving local customers.

In summary, RPs 1–4 respond to the research question and propose that a combination of high institutional support, expanded human capital, high level of knowledge acquisition and privileged background – the four key distinct features of the REs in the entrepreneurial ecosystem – differentiates them from other REs. This feature contributed to their *ilustrado premium*, which further helped facilitate their reintegration experience as they progressed in their venture creation.

Returnee Entrepreneur Opportunity Framework dynamics – movement around the quadrants

Although REs are categorized within specific quadrants, they are not confined to them. Two case studies illuminate the movement between quadrants:

Case 1. From janitor OFW to $100M startup exit – Unable to find suitable work at home, a computer science graduate took odd jobs with the US Army's Exchange Services in Iraq (janitor, merchandiser, warehouse) before moving into a resident programmer role, learning from international experts supporting the war effort. This transition proved pivotal:

> I started to learn from different people […] I became like a sponge for all that knowledge.

Returning to the Philippines, he opened a computer shop that failed, resulting in the loss of his family home. While pursuing overseas opportunities, he freelanced, developing an IT system for a recruitment agency and subsequently for other clients. In 2010, he founded a startup providing easily deployable software, scaling to millions of users through partnerships with government and IT firms, ultimately realizing an exit of approximately $100m.

His trajectory maps a progression from micropreneur to freelancer to ilustrado, underpinned by foreign-acquired human capital, credibility building and sectoral specialization.

Case 2. From freelance designer to startup founder – RE14 spent nine years in Singapore working in sales and design with AutoCAD. Returning home for family and entrepreneurial pursuits, he began freelancing with his tech skills. Supported by the Kapatid Mentor Me program (Department of Trade and Industry, 2021) and later the Department of Science and Technology's Business Technology Incubator, he shifted from employee to founder, launching a startup in 3D printing:

> I was invited by DOST to […] be one of the speakers there. And then in the invitation, they [gave me the] title of CEO, 3D Tayo. I was not expecting [it], because I still have this employee mindset of an engineer […] So that's where it started, I should go full on being on my own.

His story illustrates a shift from freelancer (top left quadrant) to ilustrado (top right quadrant) and through his speaking engagements in the community, he deepened his embeddedness while promoting entrepreneurship among OFWs.

Based on these two cases, there is no clear, distinct pathway to become an ilustrado. Although some were privileged to be socially and institutionally embedded because of their personal background, returnees can also become ilustrados as they acquire high human capital and integrate themselves in the entrepreneurial ecosystem.

The study answered the research question by identifying four RE typologies through the REOF based on human capital and institutional embeddedness: *micropreneurs*, *government assisted*, *freelancers* and *ilustrados*. Each typology forms ventures differently, ranging from small scale ventures to local businesses, to professional services and to game changing startups, respectively. Further analysis showed how ilustrados do not follow a linear path to becoming one and how ilustrado premium supports their reintegration and easier venture building within the entrepreneurial ecosystem upon return.

Conclusions

Academic implications

This paper extends Gruenhagen's (2020) efforts to map out the emerging phenomenon of returnee entrepreneurship by introducing a more nuanced approach for understanding different returnee types by leveraging and expanding from Kloosterman's (2010) opportunity framework, thereby broadening the definition of REs.

The study introduced the concept of ilustrados, a segment of the REs who are formed and nurtured by their international experience to develop their knowledge and experienced internal and external home triggers while living abroad. While this group of REs may be coined differently beyond the chosen context, the study carves out profile elements around their high human capital and institutional embeddedness being pivotal to creating high impact ventures boosting their home economy.

By examining the ilustrado type through the lens of the ilustrado premium, this study further deepens the analysis of REs' motivations within the startup ecosystem. It does so by applying Silva's (2025) three-level analytical framework (encompassing institutional, social and individual dimensions) to capture the complex interplay of factors shaping RE behavior. This adds to mirroring the real-life heterogeneity of REs, allowing for a fine-grained categorization in returnee entrepreneurship research to further refine theoretical discussions and contributes to more analytical depth by understanding the backgrounds of different RE profiles. Future work could probe each type's venture-creation motives and inter-type dynamics.

Practical implications

For *REs*, their human capital and embeddedness situation are important cornerstones that are consequential to how they fall into certain ventures upon returning home. As the ilustrado type seems to be attractive and beneficial for the RE, this study portrayed this type as benchmark and identified factors that shape trajectories toward this more advantageous type.

While *policymakers* are already aware of the potential REs offer, using the REOF may help tailoring their interventions to the identified types. Specialized support that addresses the distinct needs of each RE type can better unlock their entrepreneurial potential and enhance their contributions to the economy. Public and private sector initiatives should be strengthened to create a more supportive and equitable environment for returnee entrepreneurship. Moreover, they can support REs to move to more privileged types and invite more ilustrados back home. These can be done through offerings such as funding grants and tax incentives and increasing their social status such as institutional recognition of important returnees bringing knowledge back to the country.

Ecosystem actors (e.g. incubators, VCs) can specifically target those REs in key strategic industries and can make REs move in such a way that contributes to further ecosystem development.

Finally, understanding the multiple pathways of return migration equips *prospective migrants* with a more nuanced view of how different routes align with the venture types they may pursue upon return.

Limitations

The study did not look at the evolutionary dimension of the phenomenon because the interviews were done within three months in 2018. Although more updated sources were used to capture the most recent developments in the ecosystem, there may have been an impact of key world events since then on the returnee response, stressing the need for longer fieldwork and longitudinal observation.

In seeking interviewees, the research is limited to REs within Metro Manila. Although the ecosystem is the largest in the Philippines and the study provides a deeper analysis given the presence of different entrepreneurial actors and attributes present in the city, it cannot avoid distinguishing the location-specific characteristics that may influence the entrepreneurial ecosystem's dynamics. With this, the study cannot separate the historical backdrop, economic landscape, entrepreneurial spirit, social and cultural landscape and other institutional frameworks involved when analyzing the results compared to other ecosystems.

Outlook on future research

This study was guided by a strong descriptive ambition, accompanied by analytical steps in terms of identifying causal factors and formulating research propositions. Future research should enhance the analytical dimension for a deeper understanding of cause-and-effect structures.

The findings identify the ilustrado phenomenon as a subset of returnee entrepreneurship research. Future research should deepen understanding of this group's cognitive structures and embeddedness, examine how the ilustrado premium operates across countries and identify policies that harness its benefits while mitigating downsides. In this vein, the Manila case rests on a culture that welcomes returnees. It would be interesting to compare this with more adverse settings.

Another issue is the de-contextualization of the ilustrados as a phenomenon observed in the Philippines to find out whether similar types appear in other contexts as well.

Moreover, it would be interesting to learn more about the economic and social impact of the different types of REs and whether their contribution is type specific. Beyond this qualitative dimension, the quantitative distribution of the four returnee-entrepreneur types warrants investigation.

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Corresponding author
Gerald Perry Marin can be contacted at: geraldperrymarin@gmail.com