



The Western immigrant as tourism entrepreneur in Morocco

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ARTICLE INFO

Editor: Dr Randle Melanie

Keywords:

Institutional theory
Hospitality industry
Migration
Liability of foreignness
Morocco

ABSTRACT

Taking into consideration the increasing phenomenon of Western migration toward developing countries and its potential for developing the local tourism industry, this study analyses the institutional challenges faced by tourism entrepreneurs when managing a small and medium-sized lodging in a developing economy. Moreover, it focuses on Western immigrants entrepreneurs to explore how effective are two processes for acquiring institutional knowledge – congenital and vicarious learning – in reducing the degree to which Western immigrants face institutional challenges when managing their lodgings. Evidence gathered from a sample of entrepreneurs with lodgings in Morocco suggests that congenital and vicarious learning are effective in helping Western immigrant entrepreneurs to face Poor policies, Corruption, and Cultural problems in Morocco.

1. Introduction

Tourism entrepreneurs are people who risk their own resources (time, money, etc.) to undertake commercial activities and in doing so contribute to the development of tourism. Although entrepreneurship in the tourism industry is consolidating as a strategic path for economic growth, research on entrepreneurship in that industry for developing countries is scarce, especially concerning the analysis of institutional conditions of nations, where developing countries present significant challenges to businesses (Altin, Memili, & Sönmez, 2017). In order to contribute to this gap in the literature, we focus on the institutional challenges faced by tourism entrepreneurs in managing small and medium-sized lodgings in Morocco. This country is a leading and established tourism destination in Africa, as the GDP of direct tourism reached 7% in 2019. It ranked 66 out of 140 economies according to the Travel & Tourism Competitiveness Index 2019 (Calderwood & Soshkin, 2019) – placing itself in a good position among African countries, shared with few other destinations on the continent.

Previous studies have provided evidence of immigrants' engagement in business activities, as well as their positive impact on entrepreneurial rates within the countries where they relocated (Selmer, McNulty, Lauring, & Vance, 2018). Although everyone who relocates to developing countries may potentially contribute to local economic growth, McHenry and Welch (2018) point to the origins of individuals to distinguish those from developing countries who usually relocate for reasons of necessity; and Westerners, who relocate for motivations other

than necessity.

An additional issue to be considered when studying entrepreneurship in developing countries is the entrepreneurs' will to integrate into the local context, specifically, whether they intend to live in their new country as residents. In the case of Morocco, considering the trends in migration and tourism (e.g., Arbouch & Dadush, 2020; Berriane, De Haas, & Natter, 2015), the role of diaspora and returnee entrepreneurs must be highlighted (Wijers, 2021). According to all the above, we distinguish five types of tourism entrepreneur in the case of lodgings:

- 1) Native entrepreneurs. People who were born in Morocco, owe their cultural values to this country, and become entrepreneurs in the lodging sector.
- 2) Returnees and diaspora entrepreneurs (Wijers, 2021). Migrants, who were born in Morocco and, over time, become entrepreneurs and started up a venture in Morocco. Some of them start up a lodging facility in Morocco while living abroad, i.e., diaspora entrepreneurs; others come back to their home country and choose to start a business in that sector, i.e., returnee entrepreneurs.
- 3) Developing country immigrant entrepreneurs. Migrants, who were raised in and owe their cultural values to a developing country other than Morocco, now live in that country, and who are anticipated to be interested in engaging in local integration.
- 4) Western immigrant entrepreneurs. Migrants, who were raised in and owe their cultural values to a Western country, and who have

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subsequently moved to Morocco, where they currently live; these people are expected to be interested in local integration.

- 5) International entrepreneurs. Western entrepreneurs that were raised in and owe their cultural values to a Western country and who do not live as residents in Morocco, and, as such, are not particularly interested in local integration. These entrepreneurs sometimes use their own lodging facility themselves during their holidays in Morocco, but also as a money-making enterprise when they are at home in their Western country of origin.

The above distinction is relevant because, on the one hand, entrepreneurs from Western countries typically have superior knowledge (Selmer et al., 2018) and potential to boost the economy within developing countries (McHenry & Welch, 2018). However, they usually face difficulties adapting to complex local conditions.

On the other hand, except for international entrepreneurs not interested in living in Morocco and the Moroccan diaspora, the remaining categories of entrepreneur face challenges integrating/reintegrating into the local environment. For example, Moroccan returnees face difficulties in cultural 're-embedding' that unfortunately, constrains their attempts at social 'rerooting' within Moroccan society, which may negatively affect their businesses success (Wijers, 2021). Diaspora and returnee Moroccan entrepreneurs have their own strategies to address such challenges – e.g., maintaining transnational networks while living abroad, holding a Moroccan passport, keeping up-to-date with their knowledge of Morocco – (De Bree, Davids, & De Haas, 2010; Wijers, 2021). Meanwhile, immigrant entrepreneurs from other developing countries can benefit from the knowledge accumulated in their home country due to similarities between their home and host countries (Dow & Larimo, 2011). The above considerations suggest focusing our study purely on Western immigrants in Morocco.

In this context, the current study has three objectives. First, to examine the institutional challenges faced by entrepreneurs managing a small and medium-sized lodging in Morocco. Second, to test whether there are differences between Western immigrant and native Moroccans entrepreneurs on the degree to which they face institutional challenges, which could reflect the existence of a 'foreigner liability'. Third, to explore the effectiveness of processes for acquiring institutional knowledge to help Western entrepreneurs overcome the 'foreigner liability' compared to native entrepreneurs.

2. Theoretical background

2.1. Institutional challenges faced by tourism entrepreneurs

Challenges faced by tourism entrepreneurs in Morocco might possibly emerge from formal and informal institutions. First, *formal institutions* concern regulations and policy interventions that prevent or promote some types of behaviour (North, 1990). They include aspects like those comprising The Worldwide Governance Indicators (see Kaufmann, Kraay, & Mastruzzi, 2011), for which Morocco has lower scores than Western countries. In particular, this is true for *government effectiveness* – quality of public services and policy –, *regulatory quality* – ability of the government to implement policies to promote the private sector –, and *rule of law* – quality of contract enforcement and likelihood of crime and violence – (World Bank, 2019). Additionally, Calderwood and Soshkin (2019) ranked Morocco lower than almost any Western country for issues relevant to the tourism industry like health and hygiene, service infrastructure, international openness and the labour market. Regulations and policy interventions are crucial in generating a setting that faces current deficiencies (e.g., an aging infrastructure, negative image due to crime and violence, low-quality business models that do not cover necessary activities the sector requires in order to be competitive on the international arena, etc.) and facilitates tourism businesses.

Second, *informal institutions* refer to cultural values and beliefs shared

by individuals (North, 1990). These include corruption – e.g., bribes to be allowed to operate in the industry – (Altin et al., 2017). According to Transparency International (2020), Morocco ranked 86 of 179 countries in the Corruption Perceptions Index 2020, signifying rampant corruption. *Informal institutions* also include long-standing business practices such as local networks built upon trust among people, and so, usually closed to outsiders (Puffer, McCarthy, & Boisot, 2010). Since informal institutions are well-established in developing countries such as Morocco, foreigners who relocate to, generally face significant cultural challenges when trying to gain acceptance and admittance from these closed networks.

In addition, although differences exist between aspects of *formal* and *informal* institutions, they are in fact interconnected (Park, 2021; Szyliowicz & Galvin, 2010), and often act in conjunction (North, 1990), sometimes as complements or as substitutes (Stephan, Uhlaner, & Stride, 2015), in order to influence individuals' behaviour. In this respect, several authors have pointed out that regulatory changes implemented by governments can be inadequate if they are inconsistent with informal institutions (North, 2005).

2.2. Knowledge acquisition by Western entrepreneurs

Western immigrants' integration into local, institutional conditions is not easy, and institutional challenges can be formidable for them. Indeed, Westerners must deal with 'foreigner liability' when managing lodging facilities in Morocco. This liability refers to difficulties (and costs) that firms and individuals must face when managing businesses abroad, costs which arise from misunderstanding the environment and an overall lack of familiarity with the cultural, political and economic aspects of the country (Zaheer, 1995). Such a liability may condition the likelihood of business success. Therefore, finding processes for Western entrepreneurs to acquire institutional knowledge of Morocco is relevant for facilitating their contribution to the local tourist industry. Of those processes, we shall focus on two in particular: *congenital* and *vicarious* learning.

First, *congenital learning* refers to any prior international experience the entrepreneur may have as a relevant source for acquiring knowledge to operate a business abroad (Bruneel, Yli-Renko, & Clarysse, 2010; De Clercq, Sapienza, Yavuz, & Zhou, 2012). However, institutional knowledge is idiosyncratic to each country, which results in institutional differences between pairs of countries. Based on this, previous literature warns about differences in institutions that prevent the simple transfer of business practices and attitudes across borders (e.g., O'Grady & Lane, 1996; Petersen & Pedersen, 2002), even in cases of countries that share language, history, and legal traditions. However, other authors have found that some knowledge can be effectively transferred among countries (Perkins, 2014), especially among similar countries (Dow & Larimo, 2011) – e.g., two developing countries.

Second, *vicarious learning* may take place when observing other organisations that are close, geographically (De Clercq et al., 2012), and that operate in the same or even a different industry. Although firms within the same industry are more illustrative as they handle analogous challenges and commonly use similar resources and technologies (Tan & Meyer, 2011). In regard to origin, firms from the same country that are located nearby within the host country can share useful knowledge about local environments. This sensitive cultural knowledge can best be acquired from compatriots (Henisz & Delios, 2001). According to previous literature, managers will pay more attention to other firms from the same home country than to those from other countries (Chan & Makino, 2007; Chen, Yang, Hsu, & Wang, 2009; Xie & Li, 2017) because the former face the same level of institutional distance as they do and, as such, are a more suitable reference to help guide decision-making when entering and operating into the host country. Consequently, firms operating in the same industry that are managed by compatriots, and located nearby, can be considered by the foreign entrepreneur as extremely helpful when beginning to operate in a developing country.

These serve as the most likely reference group.

Therefore, we expect that the greater the availability of *congenital learning* and *vicarious learning* among Western immigrant entrepreneurs, the fewer *institutional challenges* they will face when managing their lodgings in Morocco.

3. Method

3.1. Population, data collection and sample

The study population comprised entrepreneurs with small and medium-sized hotels in Morocco. Although a definition of small and medium-sized hotels was not found, previous studies classify them by the number of rooms and the number of full-time employees (Ahmad, 2015). A small lodging facility has up to 50 rooms, while a medium-sized hotel has 51–100 rooms (Ingram, Jamieson, Lynch, & Bent, 2000). Similarly, lodging facilities are considered small if the number of employees is nine or fewer people, whereas medium-sized hotels have between 10 and 99 employees (Wong, 1999).

Due to the lack of an available official census of these Moroccan tourist-based firms, and the need to collect information from a group of individuals with specific demographic characteristics to meet the research target of the current study, we decided to follow the convenience sampling procedure. We based on the Booking.com catalogue, which includes a list of lodging facilities that have chosen to register on it. Thus, we collected a nonprobability sample of cases that are accessible, and so, our subsequent analysis would offer the plausibility of relationships with no claim to generalisation by statistical inference (Asiamah, Mensah, & Oteng-Abayie, 2017; Clark, 2007).

Specifically, in April 2017, we carried out a search for accommodation in Morocco on Booking.com. We specified a standard search of a 6-night stay for two adults. The same search was carried out for different weeks of the calendar year in order to maximise the number of available lodgings. As we searched for independent hotel entrepreneurs, we filtered our options by Riads, hotels, guesthouses, villas and resorts, excluding hotels that belonged to a brand (i.e., hotel chain). These criteria resulted in 1904 lodging facilities. Of these, 867 lodgings had their own website that provided information such as their e-mail address or telephone number. These lodgings became the 'accessible population'.

We used a structured online questionnaire to collect primary data, which was offered by email in three different languages (English, French and Spanish) for respondents' convenience. The questionnaire was structured into three parts. The first part asked questions about the lodging facility itself (e.g., location, number of rooms, number of employees, and type of lodging). The second part contained a list of 26 potential problems related to institutional challenges that an entrepreneur might face when opening or managing a lodging facility in Morocco. Finally, the third part collected information about the respondent (e.g., gender, age, position, country of origin, country of cultural values, length of time living in Morocco, as well as length of time lived in any other developing country).

In order to carry out the fieldwork, an invitation (specifying that the questionnaire should be answered by the owner-manager) was sent by email to 867 identified lodging facilities. The e-mail included both online and attached versions of the questionnaire (i.e., the link to the Google form and a PDF form, respectively). After 17 separate email batches between May 2017 and January 2018 with updated invitations, we obtained 89 responses. We began receiving 8–12 responses the first three times the emails were dispatched, and then the response rate progressively decreased to reach two or three new responses with each invitation. Although each round of invitations resulted in at least two responses, we decided to end the fieldwork after carefully considering the trade-off between the size of the sample collected and the time frame allocated. In general, the responses received were complete and only occasionally presented missing values for some entrepreneurs. In

particular, out of 89 entrepreneurs, only four responses included some missing values. The maximum number of missing values per entrepreneur was two, while the maximum number of missing values per variable in the study was one.

We used filter questions for ex post checking of the respondent's proper profile, particularly concerning the small or medium-sized status of the lodging facility in question. As result, we discarded one hotel in Marrakech from the study sample, as it had 105 employees and 225 rooms, not meeting the lodging size criterion. Therefore, the final sample included a total of 88 lodging facilities. In order to categorise the 88 respondents, we considered the following information: Country of origin of the current owner; Country of cultural values ("The country where you grew up and to which you owe your cultural values"); Age; Time spent living in Morocco as resident; Time spent working at the lodging facility. Although there were cases of individuals with different migration trajectories and life experiences, on the basis of this information, we found that all respondents represented four out of the five types of entrepreneur that were theoretically identified in the literature review:

- 1) Native entrepreneurs. Moroccan people who were raised in Morocco and owe their cultural values to Morocco; 26 individuals.
- 2) Returnees and diaspora entrepreneurs. Moroccan people who had migrated and owe their cultural values to that country or to two countries (i.e., Morocco and the country to which they emigrated). Some of them still lived abroad (diaspora), while others had returned to Morocco (returnees); 7 individuals.
- 3) Western immigrant entrepreneurs. Western immigrants who were raised in and owe their cultural values to a Western country, and now live as residents in Morocco; 46 individuals.
- 4) International entrepreneurs. Western entrepreneurs who were raised in and owe their cultural values to a Western country, and who have never lived as residents in Morocco; 9 individuals.

Entrepreneurs within the fifth type, that is, developing country immigrant entrepreneurs, although theoretically plausible, were not identified in our nonprobability sample of entrepreneurs managing a small and medium-sized hotel in Morocco. Table 1 shows the socio-demographic characteristics of the four identified groups concerning the entrepreneurs and their lodging facilities.

3.2. Measures

3.2.1. Dependent variables

We measured institutional challenges through 26 items of potential problems related to six categories (see categories and items in Table 2). Selected items were based on previous research (García-Cabrera, Suárez-Ortega, & Durán-Herrera, 2016; Kaufmann et al., 2011; Kluge, 2017; Liargovas & Skandalis, 2012; Suárez-Ortega, García-Cabrera, & Knight, 2016), as well as on experts' suggestions in a pre-testing phase. Participants reported on the extent to which each potential problem affected their lodging facilities at the time the fieldwork was carried out (1: "NO", 7: "LOTS").

We ran six factor analyses with the extraction method principal component (one for each category of institutional challenge) to confirm the homogeneity of each scale, as well as to save the scores as a variable using the regression method (Table 2). The data was not standardised prior to the analyses as the variables were all measured following the same 7-point scale. The resulting one-extracted factor of each analysis was saved and later used as the dependent variable in the linear regression analyses.

In order to assess the discriminative value of the measure, the dependent variables were analysed further by using correlations between the factor scores as well as a one-way repeated measures ANOVA. Pairwise correlations between the categories of challenges (see Table 3) reflect the anticipated associations between aspects of institutions (e.g.

Table 1
Socio-demographic characteristics by type of entrepreneur.

		Native entrepreneurs N = 26	Returnees and diaspora N = 7	Western immigrant N = 46	International entrepreneurs N = 9
Gender (%)	Male	73.1	85.7	50.0	55.6
	Female	26.9	14.3	50.0	44.4
	Total	100.0	100.0	100.0	100.0
Age (Mean/SD)		38.92/9.499	56.71/12.271	56.24/9.269	56.67/9.206
Years living in Morocco as resident (Mean/SD)		38.92/9.499	16.74/22.378	9.50/6.274	0.00/0.000
Number of employees (Mean/SD)		11.32/10.866	7.86/9.907	5.30/3.663	10.78/18.840
Number of rooms (Mean/SD)		18.62/19.483	7.43/3.735	6.96/2.852	12.00/17.335
Firm age (Mean/SD)		7.27/4.796	7.86/9.907	9.17/5.938	9.67/4.555
Location (%)	Marrakech	23.1	57.1	58.7	66.7
	Fez	19.2	14.3	10.9	0.0
	Essaouira	3.8	0.0	10.9	0.0
	Rabat	0.0	14.3	6.5	0.0
	Tangier	3.8	0.0	2.2	11.1
	Others	50.1	14.3	10.8	22.2
	Total	100.0	100.0	100.0	100.0
	Morocco	100.0	100.0	0.0	0.0
	France	–	–	54.3	11.1
	Italy	–	–	17.4	11.1
Origin of the entrepreneurs (%)	Spain	–	–	8.7	44.4
	Belgium	–	–	8.7	0.0
	UK	–	–	4.3	0.0
	Switzerland	–	–	2.2	33.3
	The Netherlands	–	–	2.2	0.0
	Australia	–	–	2.2	0.0
	Total	100.0	100.0	100.0	100.0

Notes: N stands for number of entrepreneurs, and SD for Standard Deviation.

North, 1990, 2005; Park, 2021; Szyliowicz & Galvin, 2010), and the significant differences in mean values indicated by the one-way repeated measures ANOVA (see Section 3 for statistic details) point out some discriminative power.

3.2.2. Independent variables

We proxied *congenital learning* with the years the Western entrepreneur had lived in other developing countries (aside from Morocco). *Congenital learning* ranks in the sample from 0 to 50, the mean value being 3.84 (standard deviation = 9.062). We proxied *Vicarious learning* with the percentage of neighbouring compatriots, measured as the proportion of lodging facilities in the total sample within the same location where the owners had a shared cultural origin. Thus, to calculate the proxy, we considered the frequency of lodging facilities within the same location (e.g., Marrakech, Fez, Essaouira, etc.) and nationality of the owners, thereby approaching the most likely reference group (Chan & Makino, 2007; Chen et al., 2009; Xie & Li, 2017) for *vicarius learning* (i.e., peer compatriots investing in the same host country and industry). As no public information is available regarding the nationalities of entrepreneurs in the lodging facility industry within the state of Morocco, this variable was calculated by taking into account the data of the 88 respondents. In the sample, *vicarius learning* ranks from 1.10% to 9.10%, with the mean value being 3.22% (Standard deviation = 2.889).

3.2.3. Control variables

The gender of the entrepreneur, firm size and firm age are generally referred to as relevant control variables for different areas of research. First, according to previous literature on international business and entrepreneurship, women experience more difficulties than men as they are perceived and dealt with differently, which is confirmed by evidence of this in developing countries (e.g., Essers & Benschop, 2007). For example, women are not expected to be owners (Eijdenberg, Thompson, Verduijn, & Essers, 2019) and they usually experience worse conditions regarding, for instance, opportunities for financing, administrative formalities, access to the market, taxation, and social charges (Bouzekraoui & Ferhane, 2017). Accordingly, we use *gender* as a control variable in our estimations (0: men; 1: women) and expect that women will face

greater institutional challenges than men while managing lodging facilities in Morocco.

Secondly, several authors highlight firm size in terms of number of employees as an approximation of the amount of resources the firm possesses, as well as its strength, as employees help the firm deal with and overcome adversity (e.g., Esteve-Pérez & Mañez-Castillejo, 2008). Accordingly, we expect a lodging facility's size to reduce the institutional challenges faced when managing a facility in a developing country. We measured *firm size* as the number of employees with log transformation. We used natural logs of the number of employees, rather than the original raw values, because the range of the original variable is higher than that of the rest of the regressors in the model. By applying this transformation, the range of *firm size* is reduced while the differences between individuals are preserved. Accordingly, we use the transformed firm size both in the correlation and in the regression models.

Thirdly, firm age can be considered a source of experiential learning as, over time, the specific knowledge acquired while operating in a given foreign market reduces the cost of doing business, particularly for a foreigner in that particular host country (Ericksson, Johanson, Majkgard, & Sharma, 1997). Therefore, *firm age*, measured as the number of years the lodging facility has been managed by the present owner, is expected to be negatively associated with the effects of potential institutional challenges faced by the business.

3.3. Data analysis

For data analysis, we used independent-samples *t*-test, one-way repeated measures ANOVA, correlation analysis, and multiple lineal regression. First, we considered the entire sample to run a descriptive analysis of the six categories of institutional challenge by type of entrepreneur (i.e., natives, diaspora and returnees, Western immigrants and International entrepreneurs). Specifically, we calculated the mean value of the institutional problems on the scale of each institutional challenge category for each of the respondents (see items in Table 2). Mean values using the scales' range of response (Likert scales, from 1 to 7) are useful for understanding the relevance of each institutional challenge. By using these values for each of the six challenge categories,

Table 2
Factor analyses (N = 88).

Category of challenge	Items	Factor Loading	Comm	
Poor public services	Deficient land transport infrastructure	0.893	0.797	
	Inefficient air transport	0.783	0.613	
	Unsatisfactory education system	0.757	0.573	
	Insufficient electrical grid	0.743	0.552	
	Insufficient basic health services	0.731	0.534	
	<i>Cumulative variance explained (%)</i>	61.387%		
	<i>Kaiser-Meyer-Olkin measure</i>	0.834		
	<i>Bartlett Sphericity (χ^2)</i>	167.519***		
	<i>Cronbach's Alpha</i>	0.836		
	Poor policies	Inefficient public administration	0.905	0.819
Lack of expertise in planning or managing tourism at the national level		0.886	0.785	
Lack of funding to support tourism development and promotion		0.883	0.780	
Lack of effectiveness of free competition defense policies		0.839	0.704	
Discriminatory taxes		0.815	0.665	
<i>Cumulative variance explained (%)</i>		75.044%		
<i>Kaiser-Meyer-Olkin measure</i>		0.876		
<i>Bartlett Sphericity (χ^2)</i>		303.668***		
<i>Cronbach's Alpha</i>		0.916		
Low regulatory quality		Lack of suppliers	0.904	0.818
	Inefficient customs procedures and discriminatory tariffs	0.880	0.742	
	Lack of qualified suppliers	0.861	0.774	
	Delays by customs officers	0.854	0.730	
	Restrictions on investments for political reasons	0.756	0.572	
	<i>Cumulative variance explained (%)</i>	72.717%		
	<i>Kaiser-Meyer-Olkin measure</i>	0.822		
	<i>Bartlett Sphericity (χ^2)</i>	290.984***		
	<i>Cronbach's Alpha</i>	0.907		
	Rule of law	Lack of security of property rights	0.882	0.777
Risk of corporate raids		0.878	0.770	
Lack of reliability of police services		0.748	0.556	
Likelihood of crime and violence		0.746	0.559	
<i>Cumulative variance explained (%)</i>		66.560%		
<i>Kaiser-Meyer-Olkin measure</i>		0.781		
<i>Bartlett Sphericity (χ^2)</i>		131.039***		
<i>Cronbach's Alpha</i>		0.824		
Corruption		Inefficient process to grant building permissions	0.927	0.852
		Favoritism in Government officials' decisions	0.926	0.858
	Administrative problems to get the notice of completion of construction works	0.923	0.859	
	Irregular payments	0.853	0.728	
	<i>Cumulative variance explained (%)</i>	82.433%		
	<i>Kaiser-Meyer-Olkin measure</i>	0.755		
	<i>Bartlett Sphericity (χ^2)</i>	297.020***		
	<i>Cronbach's Alpha</i>	0.933		
	Cultural Problems	The way business dealings are handled	0.884	0.782
		Closing of deals in an unofficial way, without written contracts to support them	0.860	0.739
Cultural problems due to religious issues		0.786	0.617	
<i>Cumulative variance explained (%)</i>		71.268%		
<i>Kaiser-Meyer-Olkin measure</i>		0.680		
<i>Bartlett Sphericity (χ^2)</i>		83.682***		
<i>Cronbach's Alpha</i>	0.792			

Notes: Comm stands for Communality, significance levels at 1% is denoted by ***.

Table 3
Correlation coefficient of categories of challenge for the full sample. N = 88.

Variables	1	2	3	4	5	6
1 Poor public services	1					
2 Poor policies	0.562	1				
3 Low regulatory quality	0.512	0.557	1			
4 Rule of law	0.579	0.664	0.617	1		
5 Corruption	0.482	0.842	0.458	0.595	1	
6 Cultural Problems	0.486	0.782	0.556	0.586	0.836	1

Note: For all pairwise correlations the null hypothesis is rejected at the 1% significance level.

a one-way repeated measures ANOVA was run to confirm the existence of statistically significant differences between the means of pairs of institutional challenge categories, which led to obtaining a rank of institutional problems in Morocco (effect size is reported with omega squared - ω^2 -).

Second, independent-samples *t*-tests between Western immigrant

entrepreneurs (46) and native entrepreneurs (26) were run to test whether or not differences existed between them regarding the extent to which each institutional challenge category presently affected their lodging facilities (i.e., at the time the fieldwork was carried out).

Third, we focused on the 46 Western immigrant entrepreneurs and ran multiple linear regression analyses to test the effect of independent variables (i.e., congenital and vicarious learning) and controls on the dependent variables. In particular, six models were estimated, one for each category of institutional challenge, using as dependent variables the latent variables which were obtained from conducting the factor analyses carried out (i.e., the standardised values from factor analysis). In order to discard multicollinearity problems and control for potential regression coefficient instability, we analysed the correlation between independent and control variables and conducted collinearity diagnostics in the linear regressions through the condition index and the variance inflation factor. We also ran the Normal probability plot of the residuals and the scatterplots of the standardised residuals against the standardised predicted values to check for the normality and

homoscedasticity of residuals for each dependent variable.

Results from independent-samples *t*-tests between Western immigrant entrepreneurs (46) and native entrepreneurs (26) in combination with those from multiple linear regression analyses offer an approach to assessing the suitability of congenital learning and vicarious learning in helping Western entrepreneurs face ‘foreigner liability’ in comparison to native entrepreneurs.

4. Results

4.1. Institutional challenges within the lodging sector in Morocco: A descriptive analysis

Table 4 shows the mean and standard deviation for each category of institutional problem for the entire sample of 88 entrepreneurs, as well as by each type of entrepreneur. In order to describe which category of institutional challenge is truly affecting entrepreneurs within the hospitality sector in Morocco, a one-way repeated measures ANOVA of the categories of challenge (Poor public services, Poor policies, Low regulatory quality, Weak rule of law, Corruption, and Cultural Problems) was conducted regarding the extent to which the lodging facilities were affected (7-point scale). This analysis shows a significant main effect of the categories of challenge, $F(3.30, 274.01) = 12.577, p < 0.001, \omega^2 = 0.13$ (see Full sample in Table 4 for descriptive statistics). We computed the post hoc pairwise comparisons by applying the Bonferroni correction.

According to mean values, the ranking of institutional challenges in Morocco would be: *Poor policies*, *Corruption*, *Cultural Problems*, *Low regulatory quality*, *Poor public services*, and *Weak rule of law*. Nonetheless, the pairwise comparisons allow us to make the following observations.

First, *Poor policies* was a significantly greater challenge than all the other challenges (*p* values < 0.014), except for *Corruption* (*p* value = 1.000). Second, *Corruption* was a significantly greater challenge than *Poor public services* (*p* value = 0.008), and *Weak rule of law* (*p* value < 0.001). Third, *Cultural Problems* and *Low regulatory quality* were significantly different than the greater and the smaller challenges, i.e., *Poor policies* (*p* values < 0.014) and *Weak rule of law* (*p* values < 0.040). Fourth, *Poor public services* was a significantly smaller challenge than the first two in the ranking, i.e., *Poor policies* and *Corruption* (*p* values < 0.001). Finally, *Weak rule of law* presented a significantly smaller challenge than the other challenges (*p* values < 0.040), except for *Poor public services* (*p* value = 1.000). Therefore, we could say that the institutional challenges affecting small and medium-sized lodging facilities in Morocco may be classified at three levels: (1) most challenging - *poor policies* and *corruption* -; (2) medium-level challenges - *cultural problems* and *low regulatory quality* -; and (3) least challenging - *poor public services* and *weak rule of law*.

Concerning each group of entrepreneurs, we can note that natives

represent the individuals with the lower mean values concerning each category of institutional challenge (except for *corruption*), and that international entrepreneurs tend to be the ones with the higher mean values (except for *Poor public services* and *Low regulatory quality*). Returnees and diaspora entrepreneurs capture our attention because, while Moroccan people that maintain connections in their home country, they present higher mean values than Western immigrant entrepreneurs for four of the six categories of challenge, and even higher mean values than international entrepreneurs for two of the six challenges. Although statistical tests to assess the existence of mean differences are not appropriate, due to the low representation of some groups of entrepreneurs in our sample, these results certainly invite further study.

4.2. Western immigrant vs. native Moroccans entrepreneurs within the lodging sector

We ran independent-samples T-tests for Western immigrants and native Moroccans to see whether Westerners faced “foreigner liability” regarding the extent to which institutional problems affected them. Although we can observe in Table 4 that Western immigrants face greater institutional challenges than natives, in any of the categories considered – with the exception of *corruption* –, according to results from *t*-tests (unequal variances were assumed in all cases), differences are not statistically significant at the usual 0.05 level. Nevertheless, for two categories of institutional challenge, although evidence is weak ($p < 0.09$), we would like to highlight that a trend does exist. Specifically, it does seem that “foreigner liability” existed at the time of the survey in the area of *low regulatory quality* ($t = -1.963, p = 0.054$) and *cultural problems* ($t = -1.771, p = 0.081$). In the case of *poor public services* ($t = -1.668, p = 0.101$), *poor policies* ($t = -0.811, p = 0.421$), *weak rule of law* ($t = -0.562, p = 0.576$), and *corruption* ($t = 0.073, p = 0.942$), we found that natives and Western immigrants did not seem to differ in the extent that institutional problems affected their lodging facilities.

Because results show that “foreigner liability” may affect Western immigrants at present, particularly in two out of the six categories of institutional challenge, it would be worthwhile testing whether sources of institutional knowledge acquisition (i.e., congenital and vicarious learning) helped them face those institutional challenges for which foreigner liability does not seem to exist. We will test this hypothesis below.

4.3. Congenital and vicarious learning as antecedents of institutional challenges

Before estimating the regression models, we will test for potential multicollinearity in the data. Table 5 shows descriptive statistics and correlations between independent and control variables for the subsample of 46 Western immigrant entrepreneurs. In regard to

Table 4
Institutional challenges* by type of entrepreneur. Mean and Standard Deviation (in brackets).

	Challenge category	Number of items	Full sample (N = 88)	Natives (N = 26)	Returnees and diaspora (N = 7)	Western immigrants (N = 46)	International entrepreneurs (N = 9)
Formal institutions	Poor public services	5	3.07 (1.368)	2.81 (1.217)	3.29 (1.243)	3.19 (1.390)	3.04 (1.830)
	Poor policies	5	4.00 (1.940)	3.65 (1.868)	4.00 (1.960)	4.04 (2.031)	4.80 (1.670)
	Low regulatory quality	5	3.36 (1.623)	2.76 (1.137)	4.37 (1.430)	3.44 (1.724)	3.89 (1.998)
	Weak rule of law	4	2.91 (1.570)	2.79 (1.539)	3.00 (1.061)	2.91 (1.754)	3.17 (1.053)
Informal institutions	Corruption	4	3.76 (2.171)	3.78 (2.170)	3.25 (1.782)	3.68 (2.200)	4.44 (2.449)
	Cultural Problems	3	3.47 (1.813)	2.91 (1.439)	3.71 (1.758)	3.60 (1.985)	4.18 (1.709)

Notes: N stands for number of entrepreneurs; * 7-point Likert scale.

Table 5
Mean, standard deviation and correlation coefficient of control and independent variables for Western immigrant entrepreneurs. *N* = 46.

Variables	Mean	SD	1	2	3	4	5
1 Gender (0: men; 1: women)	0.50	0.506	1				
2 Firm size (ln number)	1.46	0.646	-0.114	1			
3 Firm age (number of years)	9.17	5.938	-0.215	0.390***	1		
4 Congenital learning	3.84	9.062	0.002	0.077	0.097	1	
5 Vicarious learning	3.22	2.889	0.200	0.219	0.049	-0.111	1

Notes: SD stands for Standard Deviation, significance levels at 1% is denoted by ****p* < 0.01.

multicollinearity, the general rule of thumb is that correlation should not exceed 0.75. In our data, the higher correlation between regressors is 0.390, namely, between *firm size* and *firm age* – two of the control variables.

Table 6 shows the six linear regression models estimated, one for each category of institutional challenge. All regression equations were controlled for the Western immigrant entrepreneurs' gender and the lodging facility's size and age. Specifically, *gender* seems to have a positive and significant effect on the extent to which Western immigrant entrepreneurs face problems, but only in relation to *poor policies* and *cultural problems*, meaning that women may face greater challenges in those categories. This result is coherent with associations previously stated for this control variable. In addition, *firm age* seems to reduce problems related to *poor policies*, as was previously stated in Subsection 3.2.3.

The variance inflation factor values, ranging from 1.032 to 1.254, is significantly lower than the recommended maximum value of 10. The condition index for the six regressions is 7.380. Again, these statistics suggest that multicollinearity is not likely a serious threat in the study. A normal probability plot of the residuals showed that our data closely follows the line of normality and the scatterplots of the residuals showed no clear pattern, indicating homoscedasticity for the six dependent variables. Results show that the estimated models are significant according to F-statistics in the cases of *poor policies*, *corruption*, and *cultural problems* (models 2, 5 and 6, respectively).

Concerning *corruption* and *cultural problems*, results in Table 6 indicate that *congenital learning* and *vicarious learning* reduce the negative effects of those challenges on the business (see the negative sign of the standardised Beta coefficient and their significance for congenital and

Table 6
Estimated models for Western immigrant entrepreneurs (*N* = 46).

Variables	Institutional challenges						VIF
	Formal institutions				Informal institutions		
	Model 1 Poor Public services	Model 2 Poor policies	Model 3 Low regulatory quality	Model 4 Weak rule of law	Model 5 Corruption	Model 6 Cultural problems	
Gender (0: men; 1: women)	0.225	0.245*	0.131	0.084	0.223	0.255*	1.111
Firm size (number of employees)	0.035	0.147	-0.025	0.015	0.072	-0.001	1.254
Firm age (years)	-0.142	-0.272*	-0.233	-0.267	-0.201	-0.151	1.229
Congenital learning	-0.168	-0.368**	-0.216	-0.216	-0.367***	-0.349**	1.032
Vicarious learning	-0.148	-0.184	-0.107	-0.075	-0.352**	-0.303**	1.132
F	1.039	3.191	1.431	1.331	3.491	3.087	
(<i>p</i> -value)	(0.408)	(0.016)	(0.234)	(0.271)	(0.010)	(0.019)	
Adjusted R ²	0.4%	19.6%	4.6%	3.5%	21.7%	18.8%	
Condition index	7.440						

Notes: β stands for Standardised- β coefficient, F for F-Test value, and VIF for variance inflation factor; significance levels at 10%, 5% and 1% are denoted by *, **, ***.

vicarious learning). In relation to *poor policies*, only *congenital learning* is statistically significant in reducing the potential negative effects on the business of those *poor policies*.

5. Discussion and conclusions

Focusing on the increasing phenomenon of Western migration toward developing countries and the inherent potential for developing the local tourism industry, this study collected evidence from 88 entrepreneurs that have started up lodging facilities in Morocco. We differentiated five theoretic types of entrepreneur (i.e., natives, diaspora and returnees, developing country immigrant entrepreneurs, Western entrepreneurs, and international entrepreneurs), finding four of them in our sample. We identified institutional challenges facing these entrepreneurs when managing small and medium-sized lodging facilities in the developing country. In addition, we explored the effectiveness of two processes for acquiring institutional knowledge in order to reduce the degree to which Western immigrants faced institutional challenges when managing lodgings of such size in Morocco and whether or not that acquisition of knowledge effectively helped Western entrepreneurs overcome the 'liability of foreignness' compared to native entrepreneurs.

Thus, our study contributes to filling the gaps in current literature concerning the lack of research on entrepreneurship in the tourism industry, especially in developing countries. The institutional conditions of these developing countries have traditionally presented significant challenges for tourism ventures started up by both natives and Western entrepreneurs. The main findings of the study are discussed below.

First, this study provides researchers interested in this topic with a list of 26 potential institutional problems that an entrepreneur may likely face when managing a lodging facility in Morocco. This list of problems covers six categories of institutional challenge that were the focus of the present study: *poor public services*, *poor policies*, *low regulatory quality*, *weak rule of law*, *corruption*, and *cultural problems*. The latter two correspond to informal institutions and the former four relate to formal institutions. In this way, this study goes beyond the findings from previous literature (i.e., Ahmad, 2015), expanding the list from 5 to 26 potential problems to consider when studying institutional challenges.

According to our results, the institutional challenges affecting the management of small and medium-sized lodging facilities in Morocco can be classified at three levels: (1) *poor policies* and *corruption*, i.e., the most challenging; (2) *cultural problems* and *low regulatory quality*; and (3) *poor public services* and *weak rule of law*, i.e., the least challenging. *Poor public services* and *weak rule of law* are probably perceived as the least relevant challenges because Morocco is objectively considered one of the best countries in Africa in terms of public services and infrastructure (e.g., transport, power grid, etc.), and subsequently ranks in higher

positions in the World Justice Project Rule of Law Index. Specifically, Morocco is ranked four out of eight in the Middle East and North Africa region – after United Arab Emirates, Jordan, and Tunisia – concerning Rule of Law; and three out of eight – after United Arab Emirates, and Jordan – considering Regulatory Enforcement (World Justice Project, 2020).

Second, and focusing on the analysis of Western immigrants and native Moroccan entrepreneurs, we discovered a trend that could be suggesting that foreignness is indeed a liability at the time of the field-work, particularly for two of the six categories of institutional challenge. Specifically, Western immigrant entrepreneurs seem to face greater challenges than native Moroccans in the areas of *low regulatory quality* and *cultural problems*. However, we cannot affirm that they face a higher degree of challenge related to *poor policies*, *poor public services*, *weak rule of law*, or *corruption*.

Third, and in consideration of Western immigrant entrepreneurs, our study finds that *congenital learning* and *vicarious learning* are significant sources of institutional knowledge that help them to effectively deal with some institutional challenges. In particular, both sources of learning seem to reduce the difficulties Westerners face with respect to *corruption* and *cultural problems*. In addition, *congenital learning* also helps them deal with *poor policies*.

On one hand, according to our results, it can be suggested that the number of years of residence by the Western immigrant entrepreneur in some other developing countries besides Morocco (*congenital learning*) may be the most suitable source of institutional knowledge for Westerners in dealing with institutional challenges in Morocco. First, this source of learning reduces a greater number of institutional challenges than *vicarious learning*, and indeed, covers both *formal* and *informal* institutions (*poor policies* and *corruption/cultural problems*, respectively). And second, according to the values of standardised Beta coefficients in each estimated regression, *congenital learning* has been proven to have a greater effect on *poor policies*, *corruption* and *cultural problems* than its counterpart, *vicarious learning*.

On the other hand, indirect learning through neighbouring compatriots who are managing other lodging facilities (*vicarious learning*) also seems to be relevant, but only in the case of institutional challenges related to *informal* institutions. These results are coherent with literature that underscores the value of learning through one's own work experience in similarly developed/developing markets because it can help entrepreneurs learn what it takes to enter and operate in other developed/developing markets (Banerjee, Prabhu, & Chandy, 2015; Hitt, Dacin, Levitas, Arregle, & Borza, 2000). Entrepreneurs with such previous experience do indeed attain first-hand awareness (as opposed to indirect awareness) of institutions functioning in developing countries, and so, they have a better understanding of the challenges their lodging facilities will face and the several adaptations that might be required to match the local institutional conditions.

Fourth, considering together the results obtained from the different analyses (independent-samples *t*-tests between Western immigrant and native entrepreneurs, one-way repeated measures ANOVA for the six categories of institutional challenge, and linear regression analyses on Western immigrants), we can offer some additional insight. Specifically, our results suggest the following in relation to whether or not knowledge acquisition from *congenital* and *vicarious learning* can effectively help Western entrepreneurs overcome 'foreigner liability' in comparison to native entrepreneurs.

1) *Poor public services* and *weak rule of law* seem to be the least challenging institutional aspects for lodging facilities in Morocco. Thus, although *congenital* and *vicarious learning* are not fully effective for Westerners to cope with either of them, the liability of foreignness does not seem to exist, as neither Western immigrants nor native entrepreneurs perceive those categories of institutional problem as particularly challenging for their businesses.

2) *Poor policies* and *corruption*, the two most relevant institutional challenges in Morocco, were shown to be reduced among Western immigrant entrepreneurs through the acquisition of *congenital learning* and/or *vicarious learning*, and no differences were found between them and the native entrepreneurs concerning the level of such challenges at the time of the study.

3) In contrast, we can not affirm that *congenital* and *vicarious learning* effectively help Western entrepreneurs deal with *low regulatory quality*, which was identified as a medium-level institutional challenge in Morocco. In this case, we found that Western entrepreneurs, if compared to natives, seem to suffer from "foreigner liability" when dealing with this particular institutional challenge.

Results in previous points 2) and 3) might suggest that sources of institutional learning may be effective in helping Western entrepreneurs face the 'liability of foreignness' in comparison to native entrepreneurs.

4) Although *congenital* and *vicarious learning* are effective in handling *cultural problems* – also identified as a medium-level institutional challenge in Morocco –, the cultural challenge seems to remain as a source of liability of foreignness, as we noticed a trend which could suggest that Westerners face slightly greater difficulties than native Moroccans when dealing with local culture. These results suggest that *cultural problems* can be considered a formidable challenge for Westerners, likely due to other contextual variables such as the cultural distance between the Western home country and Morocco.

According to these results, the Moroccan government should improve its regulatory quality since, even years after entering the market, Westerners' "foreigner liability" persists. A particular focus should be placed upon improving policies to create a more favourable climate for the prosperity of lodging facilities and tourist-related businesses, especially those concerning Western immigrants (e.g., more efficient public administration, discriminatory taxes, tourism planning), as well as for reducing corruption (e.g., transparency in granting building permits and notifications of completion of works). Western entrepreneurs that wish to integrate into Moroccan society, in turn, may prepare themselves by first living in other developing countries and/or locating nearby compatriots who can help them to acquire the necessary knowledge in order to successfully face institutional challenges, such as *cultural challenges* (e.g., the way business dealings are handled, deals made in an unofficial way, etc.).

Finally, research limitations and potential future research must be taken into consideration. First, from a methodological perspective, information needs to be obtained on a group of entrepreneurs with very specific demographic characteristics. In addition, there is no census of small and medium-sized hotels in Morocco. These circumstances forced us to base our analyses on an accessible-nonprobability sample of applicable cases. Although this allowed us to find plausible relationships, the sample limits the generalisation of the results. We also faced significant difficulties in obtaining data, most likely due to the negative perceptions of entrepreneurs about questions referring to, among other things, corruption as a whole, inefficient public administration and discriminatory taxes. In addition, since the research was conducted by a foreign country, some mistrust – especially among local owner-managers – may have emerged. Thus, as Elo (2016) warns, for large-scale studies, the inclusion of local, high-quality partner institutions would be recommended in order to overcome these methodological problems. In our case, although the sample could be considered small, it was taken from 19 different cities in Morocco, and covers the majority of tourism destinations within the country.

Second, due to a lack of information about local businesses, and particularly regarding the socio-demographics of the owner-managers in Morocco, the potential for self-response biases was not controlled. In the same vein, we proxied *vicarious learning* taking into account the respondents in this study, instead of taking into account the population of

Western immigrant entrepreneurs located in Morocco. Nevertheless, the aforementioned limitations do not dilute the value of this study. It adds new and useful information to the scarcely documented literature focused on small and medium-sized hotels located in African developing countries with respect to the challenges faced by Western entrepreneurs, as well as on the processes of acquiring the institutional knowledge required to operate in these developing countries.

Lastly, based on our contribution, it would be interesting to consider, for further research, differences among Westerners arriving from different countries due to the dissimilarities in cultural distances between their countries of origin and the host country, as well as comparing Western foreigners with foreigners from other developing countries. Moreover, future research should use samples collected in other African countries, and should certainly include diaspora and returnee entrepreneurs in order to answer questions such as: What institutional context, by migrant origin and/or destination, favours entrepreneurship by returnees and the diaspora? For what reasons do they return (retirement, entrepreneurship, employment, etc.)? What type of migrant is generally more interested in the tourism sector as an entrepreneurial activity? What obstacles do they have to face and how can they overcome them in order to make a positive contribution to the development of tourism in their countries of origin? Finally, new studies may benefit from the collection of additional information that was not included in the present study, such as local connections by the foreigners in Morocco (e.g., a marriage with a local partner) or some other measures of their business performance.

Declaration of Competing Interest

None.

Acknowledgements

This work was supported by the Spanish Ministry of Economy, Industry and Competitiveness [ECO2016– 80518-R].

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