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The Value of Migrants for International Joint Ventures

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Introduction

International joint ventures (IJVs) are a popular choice for companies looking to expand into foreign markets, but they can be difficult to manage due to cultural differences between IJV partners. Cultural differences are cited as one of the main reasons for the high failure rate and potentially bad performance of international alliances (Beugelsdijk et al., 2018; Hennart & Zeng, 2002; Slangen, 2006). Cultural differences are rooted in the distinct norms and practices of each IJV partner, and they are generally greater across than within national cultures (Hofstede, 1980). These differences can lead to the formation of separate “in-group” (the local IJV partner) and “out-group” (the foreign IJV partner) identities within the venture, hindering team cohesion and motivation and ultimately lowering IJV success rates (Mohr et al., 2016b; Salk & Shenkar, 2001).

Knowing that cultural differences are problematic in IJVs, the role of national origin and other social identities in sense-making for IJV members merits a closer investigation than has been the case so far. While some researchers (e.g., Ren et al., 2009) point out that social networks within culturally diverse teams that link people from different cultures might play an

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interesting role in counteracting conflict, empirical confirmation of that effect remains scarce. Despite over 30 years of research on IJV performance (Harrigan, 1988; Dutta & Beamish, 2013; Mohr et al., 2016a), negligible attention has been paid to social and cognitive processes in this regard. The study by Salk and Shenkar (2001) is one of the few to have done so. We seek to advance these lines of research by elucidating the black box of social identity building in IJVs to better explain the performance of these alliances.

In doing so, the focus of the present study is on the role of migrants as a valuable source of knowledge about foreign cultures and thus as a potential driver of identity formation for IJVs. Migrants possess significant knowledge about their country of origin (COO) and its culture and can act as a bridge between their COO and firms in their new host country (Hernandez, 2014). Several researchers (e.g., Gould, 1994; Javorcik et al., 2011) have noted that the presence of individuals with a shared national origin on both sides of a border can alleviate many of the challenges for MNEs when conducting business in other countries. Migrants may play a key role in reducing perceived cultural differences as they can make their own culture appear less “alien” to others. It is argued that if the cultural differences are less pronounced, IJV members start focusing more on the similarities and form a stronger connection with the foreign partner. A stronger identification with the out-group (the foreign IJV partner) reduces conflict and enhances alliance performance (Salk & Shenkar, 2001).

At the same time, we investigate how this effect behaves depending on certain demographic characteristics of the migrants as drivers for social identity building. More specifically, we focus on two demographic characteristics: gender and age. According to the literature on the social identity theory (SIT) (e.g., Tajfel & Turner, 1985), characteristics such as gender and age are among the factors most likely to trigger social identification processes among members. Due to the salience of demographic characteristics, they are readily and frequently taken as a basis of individuals to assess how much they are socially attracted to a group and to what extent they can identify with its members. In summary, this chapter aims to answer the following research question: *What is the impact of migrants on International Joint Ventures, and what role do migrants' characteristics play?*

To answer this research question, we investigated migration patterns in Austria and IJVs formed between Austrian firms and at least one international partner. Austria's strategic location at the heart of Europe not only facilitates trade and transportation of goods and services between Eastern and Western Europe but also acts as a hub for the flow of people. With over 2.24 million people with a migration background residing in Austria, accounting for

around 25% of the total population in 2021 (Statistik Austria, 2022), the country is a popular destination for migration and attracts individuals from diverse countries and cultures. Furthermore, Austria is characterized by an international economy with almost 60% of its GDP attributable to business activities abroad (Ministry of Foreign Affairs Austria, 2022). This combination of factors provides a unique opportunity to investigate the impact of migration on international business performance.

In doing so, our study contributes to the international business literature in four different ways. First, it enriches the IJV literature by linking it to migration literature and connecting the two streams. It goes beyond the insights that cultural differences can cause performance problems in IJVs (e.g., Beugelsdijk et al., 2018) and provides insights into how migrants as informants about foreign cultures can make a difference in performance outcomes for IJVs, cultural differences between the IJV partners notwithstanding. Second, this chapter contributes to the SIT. Existing research leaves a gap as to how migrants can affect social identity building within firms and especially firm alliances. This is an important omission, given that social identities are formed primarily on the basis of differences or similarities in demographic characteristics such as nationality and origin. Third, this chapter examines migrants as a broad group of people who left their COOs to settle in a new home country. Past research has primarily concentrated on expatriates who are not representative of the overall migrant population as they are typically staffed on temporary assignments with the intention to repatriate (Hajro et al., 2021). Fourth, the chapter sheds light on the characteristics of migrants that moderate the relationship between migrants and IJV performance, thereby extending research on migrants' characteristics in the realm of business activities (e.g., Gheasi et al., 2013; Kugler & Rapoport, 2011).

State of Research

IJV Performance

IJVs offer access to foreign markets and partner resources, but are also known for high conflict and dissolution rates. IJVs are defined as a temporary and mutually beneficial alliance established between a local parent and at least one foreign partner for the purpose of jointly undertaking specific projects. These collaborations offer access to foreign markets and to the complementary skills and resources of the other partner, allowing firms to produce and sell products

and services more effectively and efficiently than they could do alone. Furthermore, the IJV partner can assist in better navigating the foreign business environment in the host country (Makino & Delios, 1996). However, despite their popularity, IJVs are known to have high dissolution rates due to a high degree of conflict between the IJV partners. Harrigan (1988) found that half of the alliances investigated dissolved prematurely. Similar results were found in studies by Kogut (1989) and Franko (1971). In a more recent study (Mohr et al., 2016a), around 20% of the IJVs analyzed were dissolved. Consequently, it is not surprising that the underlying drivers for IJV performance have been researched extensively (e.g., Mohr & Puck, 2005; Mohr et al., 2016b; Reus & Rottig, 2009).

Scholars agree that IJVs are particularly susceptible to *cultural* conflict between partner firms (e.g., Beugelsdijk et al., 2018; Hennart & Zeng, 2002). Culture, in this context, refers to the shared values, norms, and priorities that are prevalent among the members of a specific group or nation (Hofstede, 1980). These cultural elements determine how things are to be evaluated and which behaviors are desirable or to be omitted. Despite cultural conflicts being a frequently cited cause of IJV breakups, research on the impact of cultural differences between partners has yielded mixed results. On the one hand, cultural distance between partner firms can increase the likelihood of ambiguities in the relationship and misunderstandings about the alliance goals and objectives (e.g., Beugelsdijk et al., 2018; Hennart & Zeng, 2002; Reus & Rottig, 2009). Furthermore, cultural distance can make it more difficult for partners to value each others' working habits and business approaches (Reus & Rottig, 2009), which negatively impacts the perceived performance of the IJV (Yehekel et al., 2001) and destabilizes the IJV overall (Meschi & Riccio, 2008). On the other hand, cultural differences may also serve as a source of admiration, resulting in more information exchange and collaboration (Ren et al., 2009). Berry et al. (2010) report that several researchers discovered a relationship between greater cultural distance and lower dissolution rates of foreign subsidiaries. For example, Park and Ungson (1997) found that IJVs that are characterized by a relatively higher level of cultural differences are less likely to dissolve compared to national joint ventures. Similarly, Vasilaki (2011) showed that cultural distance has a positive effect on the performance of acquired entities. A study by Tihanyi et al. (2005) discovered a positive impact of cultural differences for developed country investments, suggesting that diversity and heterogeneity can lead to increased benefits and opportunities for synergies. It can thus be concluded that the relationship between IJV performance and cultural differences is complex.

While the significance of understanding cultural differences in alliances and investments has been acknowledged in the field (e.g., Barkema & Vermeulen, 1997; Beugelsdijk et al., 2018; Dikova & Sahib, 2013; Hutzschenreuter et al., 2014), there is a lack of research on how and under which conditions cultural sensitivity is established. It is argued that “if there is greater cultural sensitivity in the culturally distant partners, the cultural difference may not be a strong obstacle (...) because partners appreciate their counterpart’s culture and can behave with sensitivity and understanding” (Ren et al., 2009, p. 821). Migrants, with their valuable cultural knowledge, could serve as a vehicle to create conditions that foster cultural sensitivity within IJVs. But the role migrants play in this context has yet to be explored.

Migration in International Business

Migrants are valuable “agents of change” in organizations as well as in local communities, making migration a relevant field for international business researchers (Hajro et al., 2021). Due to the specific knowledge of migrants about their COOs, they can support the creation of a knowledge pool that can serve as a source for knowledge spillovers to local companies (Gould, 1994; Kunczer et al., 2019). This knowledge pool can provide firms with foreign-country knowledge that is rare, valuable, difficult to reproduce, and has the potential to allow firms to build a unique competitive advantage (Chung et al., 2012). Through the accumulation of foreign-country knowledge, a company’s lack of familiarity with the foreign market environment can be reduced, ultimately supporting the operations of that firm in the foreign country (Hernandez, 2014).

The sharing of migrants’ knowledge can happen directly, when migrants are employed by a company, or indirectly through interactions and relationships with people in the local community (Kunczer et al., 2019). Indirect knowledge spillovers can be explained by the relationships migrants build with people in the local community either in a professional context (e.g., conferences) or in everyday life (e.g., coincidental meetings) (Oettl & Agrawal, 2008). In fact, Singh (2005) found that social interactions and interpersonal ties are key in determining knowledge diffusion, while firm boundaries (i.e., being employed by the same firm) have little impact on the probability of knowledge flow between actors. Therefore, companies can also benefit from the knowledge of their employees acquired through relationships and interactions with people outside the company (Kunczer et al., 2019).

In the past decade, IB literature has begun to explore the role that migrants' characteristics play in the acquisition and transfer of knowledge, as well as its absorption and use by companies. A study by Gheasi et al. (2013) demonstrates that the higher the level of education of migrants from a certain country, the stronger the positive impact they have on foreign direct investment (FDI). Similarly, a study conducted by Federici and Giannetti (2010) presents strong evidence of network externalities which are mainly associated with the skilled diaspora. Javorcik et al. (2011) also find a positive relationship between US FDI abroad and the presence of migrants from the host country, with the link being stronger for migrants with tertiary education.

Some scholars endorse the migrants' occupational position rather than education as an indicator of migrants' job skill levels (e.g., Aleksynska & Peri, 2014; Cuadros et al., 2019). Higher occupations, such as managerial positions, are more influential compared to lower occupations in channeling relevant knowledge and in establishing an understanding for the differences in culture and applied business approaches. Apart from their formal knowledge or capabilities, these occupations are characterized by a higher decision-making power which is expected to explain the greater, positive influence of such occupations on internationalization activities (Cuadros et al., 2019).

The gender of migrants has long been neglected and we still know very little about the role of gender or gender relations in migration and international business research. Most research has inexplicitly assumed a male-dominated pool of migrants. The long prevailing invisibility of women in the migration literature can be attributed to a false stereotype of female migrants as unskilled dependents of their spouses (Guo & Al Ariss, 2015). Today, however, we know that migrant men and women face different hurdles as well as opportunities when they emigrate to a new country, and they differ in terms of their roles in new communities, the professions they pursue, and their access to resources and services (Piper, 2006). Unsurprisingly, research has started to pay increasing attention to gender difference and recognize the importance of gender-disaggregated studies (e.g., Guo & Al Ariss, 2015; Mintz & Krymkowski, 2010).

Hypotheses

According to the SIT, cultural differences between IJV partners can lead to the formation of different social identities and nationality-based subgroups (Salk & Shenkar, 2001). The SIT was first proposed by Tajfel and Turner (1979) and explains how individuals form social identities based on their

membership in groups. Accordingly, we tend to demonstrate group behavior, such as solidarity, within the groups we identify with (i.e., in-groups), while we show discrimination against groups we do not identify with (i.e., out-groups) as part of a process to build a positive social identity and self-esteem. The following three psychological steps are central in this process:

First, social categorization describes the classification of individuals into categories based on characteristics such as organizational membership, religious affiliation, gender, age, and nationality (Hogg & Terry, 2000). IJVs which by their very nature involve parent firms from different countries tend to strongly use nationality as a differentiating factor in social identity building. In the sense of the SIT, the different nationalities of the companies can be understood as social categories (Salk & Shenkar, 2001).

Second, during the step of social identification, members of a group adopt the identity of the group they have categorized themselves as belonging to (Tajfel & Turner, 1979). The identification with a group is associated with establishing an emotional connection to that group, linking one's self-esteem to the group's social standing as well as creating a sense of identity. Salk & Shenkar (2001, p. 163) propose that the formation of social identities which are based on differences in nationality is likely within IJVs since "homogeneity of imported norms and practices might typically be greater within than across national cultures (...), and distinctiveness is theorized to be a vital basis for social identification".

The third step is social comparison, where group members evaluate their own group's prestige and social standing in relation to other groups. As Turner (1975) noted, social categorization serves to form an in-group by encouraging evaluative distinctions between in-group and out-group. More specifically, members tend to view their own group as superior to others in order to maintain self-esteem and a positive connection to the group. In an IJV context, an IJV partner is thus likely to classify the foreign partner as an out-group and categorize its own members into the in-group (Salk & Shenkar, 2001).

Salk and Shenkar (2001) point out that the formation of nationality-based subgroups (i.e., the in-group and the out-group) as part of the social identity building process can have negative consequences for the IJV, such as stereotyping and in-group favoritism. First, the perception of the foreign IJV partner as the out-group encourages generalization across individuals and groups. The in-group may deindividuate and depersonalize the members of the out-group (Ashforth & Mael, 1989). This stereotyping behavior lowers the awareness for individual characteristics while group characteristics become more prominent (Hogg, 2001). Consequently, members of the in-group tend to overlook the positive characteristics of individuals of the foreign partner firm

and attribute negative qualities to them, which they might associate with the foreign partner firm (i.e., the out-group).

Second, another consequence is in-group favoritism and the resulting justification of creating and maintaining social distance to the out-group (Smith, 1983). Members of the in-group tend to emphasize the negative aspects of the foreign partner while accentuating the positive aspects of their own group, thereby reinforcing the distinction between the two groups and strengthening identification with their in-group. Furthermore, in-group and out-group formation is associated with lower levels of interaction and information exchange since members tend to favor information from within one group over information from another group (Harrison & Klein, 2007; Mohr et al., 2016b). Also, while the out-group is seen as deserving its failures and not its successes, the opposite holds for the in-group. These underlying perceptions inevitably lead to tensions between the groups. As Ashforth and Mael (1989, p. 32) note, “in-group and out-group relations may be marked by competition and hostility even in the absence of ‘objective’ sources of conflict”. Overall, this behavior has been demonstrated to negatively impact collaboration, motivation, team cohesion, and, ultimately, performance (Killing, 1983; Salk & Shenkar, 2001). Conversely, if the out-group is perceived as less distant and is evaluated less negatively, the IJV partners will benefit from lower levels of conflict, increased trust, and cooperation. We can conclude that it is of importance to IJVs to reduce the perceived distinctiveness between in-group and out-group and encourage a more favorable perception of the out-group’s characteristics.

The process of categorizing others in an out-group can, however, also provide advantages. For example, when there is little information about individuals, social categorization helps us ascribe characteristics of a particular social group to those individuals we believe belong to that group (i.e., stereotypes) (Allport, 1954). In general, the more information is available about individuals, the lower the need to categorize them into groups based on salient demographic categories (Ertrug et al., 2013). As a result, the formation of in-groups and out-groups is less likely, and potential group affiliations are less strong the more information is available about an individual or group of individuals.

One lever to get more information is increased contact between the groups. Following Allport’s (1954) contact hypothesis, contact between different groups can lessen social categorization and intergroup discrimination. Contact makes it possible to discover similarities in values and beliefs. At the same time, it increases the opportunity to learn stereotype-inconsistent information about members of the out-group (Brewer & Miller, 1984). As individual characteristics become more apparent with increasing contact, there is less

need to rely on ascribed group characteristics. Masson and Verkuyten (1993) reported findings consistent with this reasoning. They found that contact between people of different ethnicities is associated with less in-group and out-group formation, in-group favoritism, as well as less prejudiced attitudes toward ethnic minorities. As a result, more frequent contact between social groups makes social categorization and stereotyping less likely (Chatman & Flynn, 2001), while at the same time increasing liking and respect for out-group members (Brewer & Miller, 1984).

In the IJV and migration context, this means that the more social contact members of one IJV partner (in-group) have with migrants who have knowledge of the norms, values, and practices prevailing in their COOs, the more information the IJV can gain about the cultural aspects of the other IJV partner (out-group) who shares the same culture. The information gained through more contact with knowledgeable individuals can either be negative or positive for the IJV firm's perception of the other culture. Irrespective of this, the IJV firm has more knowledge about the foreign partner that it can use to evaluate the partner (Ertrug et al., 2013). This makes social categorization, stereotyping, and group formation less likely (Brewer & Miller, 1984; Ertrug et al., 2013) and makes it easier for an IJV partner to perceive the other IJV partner's positive attributes. A more positive perception of the out-group (i.e., the foreign IJV partner) strengthens relationship characteristics such as cooperation, commitment, and trust (Salk & Shenkar, 2001)—the three key ingredients for a functioning relationship between alliance partners (Demirbag & Mirza, 2000). A strong relationship is key to prevent and manage conflicts and is ultimately reflected in a relatively stronger performance of IJVs (Krishnan et al., 2006). Accordingly, we hypothesize:

Hypothesis 1: Migration from the migrants' COO to the location of an IJV partner firm in a new host country leads to increased performance of IJVs involving partner firms of home and host country.

An IJV partner's ability to get access to the migrants' valuable knowledge depends on the individuals' willingness to invest time and energy in sharing knowledge. Important factors influencing the willingness of individuals to engage in knowledge sharing are (1) the strength of social ties (Hansen, 1999), and (2) the type of knowledge to be shared (Reagans & McEvily, 2003).

First, an individual will be more inclined to share information with another person the stronger the interpersonal connection between the two (Hansen, 1999). "The more emotionally involved two individuals are with each other, the more time and effort they are willing to put forth on behalf of each other,

including effort in the form of transferring knowledge” (Reagans & McEvily, 2003, p. 244). It has been argued that there are gender difference in the strength of social ties and, consequently, in the extent of knowledge sharing between individuals and groups. Women are more inclined to form strong social ties with other people as opposed to men (Baumeister & Sommer, 1997). While men tend to gravitate toward relationships in a broader social sphere with a larger number of people, women tend to focus more on dyadic, close relationships and seek intimate connections in which information is shared more openly (Cross & Madson, 1997). Additionally, people tend to have stronger social ties as they age. In the process of getting older, people tend to maintain emotionally significant relationships while abandoning less significant and potentially unpleasant ones (Carstensen et al., 2003). As opposed to younger individuals, elderly people put a greater emphasis on the quality of socio-emotional experiences and social interactions in the present (Fasbender et al., 2020). Hence, older people tend to have smaller networks consisting of disproportionately more meaningful and emotionally close social partners (Carstensen et al., 2003).

The influence of social tie strength on information sharing also depends on tacitness or “stickiness” of the knowledge being transferred as this affects the ease of transferring knowledge (Reagans & McEvily, 2003; Szulanski, 1996). Tacit knowledge is generally described as “any form of non-quantifiable knowledge, particularly the knowledge about social interactions, social practices, and most generally, how a group or an institution gets things done” (Linde, 2001, p. 160). Cultural knowledge which is relevant for one IJV partner to know about the other IJV partner in our scope of research represents to a large extent not explicit but tacit knowledge.

Tacit knowledge requires more effort to be transferred which is why women and older people—given their stronger social ties—might have an advantage in passing on tacit cultural knowledge. Tacit knowledge, as opposed to explicit knowledge, is difficult to codify and articulate and thus requires greater effort to be transferred (Reagans & McEvily, 2003). The transfer of tacit knowledge might be easier between strong social ties as the individuals are willing to spend more time and effort in transferring information to their close social partners as opposed to weak social ties (Hansen, 1999; Reagans & McEvily, 2003). Additionally, the specialized language and relationship-specific heuristics that tend to emerge in a strong and close relationships make it easier to communicate complex chunks of knowledge (Uzzi, 1996). A study by Balogun (2014) supports this reasoning by showing that the willingness to pass on tacit knowledge increases with age and that female study participants

were generally more willing to pass on tacit knowledge than their male counterparts.

Summing up, due to their stronger social ties, we argue that female migrants and older migrants facilitate knowledge transfer which reduces in-group and out-group formation in IJVs. Accordingly, we expect that they positively moderate the effect migrants can have on the creation of a shared social identity within IJVs and increased IJV performance:

Hypothesis 2: The positive relationship between migration and IJV performance (H1) is positively moderated by an increasing share of female migrants.

Hypothesis 3: The positive relationship between migration and IJV performance (H1) is positively moderated by an increasing share of older migrants.

Empirical Setting and Data

The data on IJV performance is provided by the Austrian Central Bank. It focuses on Austrian firms with a voting capital share of at least EUR 100,000 and includes annual data on the international operations of these firms. Data on migration in Austria at the level of political districts is provided by Statistik Austria. This chapter analyzes the performance of IJVs, defined as subsidiaries in which the Austrian multinational holds between 5% and 95% of the shares (Dhanaraj & Beamish, 2004). Wholly owned subsidiaries (>95% share) and portfolio investments (<5% share) are excluded from the sample. Additionally, this chapter excludes data of indirect subsidiaries (i.e., subsidiaries of subsidiaries).

Austria constitutes an optimal research ground for this study for two reasons. First, it has an open and international economy that is heavily reliant on foreign business activities. According to the Ministry of Foreign Affairs Austria (2022), approximately six out of ten euros generated in Austria are attributable to business activities abroad. Second, Austria is home to a significant and rapidly growing population of migrants. As of 2021, around 2 million individuals residing in Austria have a migration background, accounting for nearly one quarter of the total population (Statistik Austria, 2022).

To account for the fact that migrants' knowledge is not only passed on directly by migrants to their respective firms but also indirectly through migrants' interactions with others who reside in the same geographic area and pass on this knowledge to firms (Hernandez, 2014), two measures were taken: first, we conduct our analysis on a political district level to account for regional differences of migration and knowledge flows. And second, the sample was

limited to companies based in areas in which the knowledge provided by migrants adds an extra value to the firm. This would not be the case for global cities as companies would be surrounded by other international firms that disseminate knowledge. Consequently, we exclude firms located in Austria's capital city, Vienna, which we classify as a "global city" due to its interconnectedness to global markets, availability of advanced producer services, and cosmopolitan environment (Chakravarty et al., 2021).

Measurements

IJV Performance In this study, we examine the impact of migrants on the performance of international joint ventures (IJVs), which is operationalized as annual profits. According to Ainuddin et al. (2007), most IJVs are established with the main goal to generate profits, making annual profit a key indicator of IJV success. Annual profit data of IJVs is derived from the ADI dataset from the Austrian Central Bank and is expressed in EUR.

Migration Migration represents the main independent variable investigated. It is measured as the number of migrants who come from a subsidiary's host country (migrants' COO) and live in the political district where the parent company is situated. This measurement is consistent with previous studies that have used similar variables to capture migration flows, albeit at different levels of geographical granularity (e.g., Javorcik et al., 2011; Oettl & Agrawal, 2008). To rule out reverse causality, the migration variable is standardized and lagged by one year.

Migrants' Characteristics This study investigates the moderating effects of gender and age of migrants on the performance of IJVs. Age and gender data are available without the respective information on the migrants' COOs. Thus, we use proxy variables by multiplying the percentage of migrants in each political district belonging to a certain gender or age group by the number of migrants from the different COOs. To examine the moderating effect of older migrants on IJV performance, we consider migrants in the 40–64-year age range. This measurement aligns with prior research on the influence of age on group identification, social identification, and the formation of in-groups and out-groups (e.g., Barker, 2012).

Control Variables In this study, several control variables are considered at the country and firm level. At the country level, we control for geographic distance and cultural distance between the parent firm and the IJV. Cultural distance is measured as linguistic and religious distance. The larger the distance between countries, the more difficult communication, mutual understanding, and access to general market information might be (Dow, 2000; Hennart & Zeng, 2002). The data are sourced from Douglas Dow (Dow, n.d.). We also control for GDP per capita, GDP growth, and FDI inflows to control for the performance effects that the economic situation of a country can have on an IJV (García-Canal & Guillén, 2008). The GDP and FDI data are retrieved from the World Development Indicators provided by the World Bank. Additionally, we use the Political Constraints Index (POLCON) as a proxy for political stability, with the assumption that a higher number of political constraints indicates greater stability and reduces political hazards (Garrido et al., 2014). The stability of a political environment can influence the performance of companies due to potential adaptation costs that might arise in case of political changes in a country (Delios & Henisz, 2003). At the firm level, we control for the size of the IJV and the MNC in terms of number of employees and IJV equity ownership. The underlying assumptions are that larger firms can draw on more human resources which may influence a venture's performance (Barkema & Vermeulen, 1997) and that a higher share in the foreign subsidiary is associated with a higher willingness to allocate more resources to it (Luo, 2004) and a lower likelihood of a premature dissolution of the venture (Dhanaraj & Beamish, 2004). All firm-level variables are standardized.

Methodology

This study examines profits of foreign subsidiaries per parent company, host country, and year. We assume a linear relationship between the variables together with a hierarchical structure in the data. Thus, we use a linear mixed-effects model as an estimation technique. While the host country per se is not the focus of the present study, but migrants are, it is expected that the migrants' COO might impact the dependent variable (i.e., IJV performance). Consequently, we include the host country as a random intercept in our model. More specifically, we estimate the performance of an IJV, depending on migration from host country into the political district in Austria with the random intercept on the host country level.

Hierarchical (or multi-level) regression models are regarded as particularly fitting for IJV research settings of this kind (Hox et al., 2017; Kwon et al., 2016). Numerous researchers in IB assume a hierarchical structure as they combine different levels of analysis, integrating characteristics of a market or country with those of joint ventures (e.g., Hennart, 1988) or other firm-level characteristics (e.g., Rugman & Verbeke, 2008; Lederman, 2010). Methodologically, our analyses are carried out in accordance with the guidelines put forth by Lindner et al. (2021) to ensure our study conforms to rigorous standards and protocols when using multi-level analyses in the field of IB research.

Results

Table 12.1 depicts the results of the conducted regression analyses. Model 1 represents the control model as it relies exclusively on control variables. From among the 10 control variables included in the analyses, only one variable enters on a statistically significant level. The IJV size measured by the employee headcount has a positive effect on IJV performance. Model 2 extends the control model by the main effect of migration flows. In Models 3 and 4, we include the moderating effects of the share of female and older migrants, respectively. Model 5 represents the full model including all variables. The data lend support for Hypothesis 1 suggesting that higher levels of migration flows improve IJV performance. In Model 5, the migration inflow coefficient is positive and significant at the 0.05 level ($\beta = 0.045$; $p = 0.041$). The positive effect of migrants on IJV performance is further enhanced by an increase in the share of female migrants, thereby providing evidence for Hypothesis 2. The findings show a statistically significant positive moderating effect of female migrants in Model 5 ($\beta = 0.140$; $p = 0.000$). However, while the data reveal a significant moderating effect for older migrants ($\beta = 0.029$; $p = 0.037$) in Model 4, the full model (Model 5), including all variables, does not provide significant results ($\beta = -0.019$; $p = 0.212$). Consequently, the results provide evidence for Hypotheses 1 and 2, but not for Hypothesis 3.

The plots created in Fig. 12.1 depict the main effect and both moderating effects. All panels rely on data from Model 5. Plot 1 shows the main effect of migrants on IJV performance. The effect appears to be positive and is thus in line with Hypothesis 1. Plot 2 depicts the moderating effect of the share of female migrants. A strong positive effect of migration on IJV performance can be seen if the share of female migrants is high (upper bold line). This effect turns negative if the share of female migrants is low (lower thin line). Contrary

Table 12.1 Results of regression analysis. * $p < 0.05$; *** $p < 0.001$. Standard errors in parentheses

	(1)	(2)	(3)	(4)	(5)
Constant	0.009(0.039)	0.017 (0.041)	0.009 (0.040)	0.025 (0.041)	0.003 (0.040)
Parent firm employees	0.004 (0.013)	0.002 (0.013)	0.007 (0.013)	0.003 (0.013)	0.007 (0.013)
IJV employees	0.231*** (0.013)	0.235*** (0.013)	0.236*** (0.013)	0.234*** (0.013)	0.236*** (0.013)
Ownership share	0.009 (0.013)	0.011 (0.013)	0.007 (0.013)	0.011 (0.013)	0.007 (0.013)
Host country FDI inflows	0.013 (0.021)	0.012 (0.021)	0.008 (0.021)	0.012 (0.021)	0.010 (0.021)
Host country GDP growth	0.010 (0.015)	0.010 (0.015)	0.011 (0.015)	0.008 (0.015)	0.010 (0.015)
Host country GDP/capita	0.005 (0.031)	0.013 (0.032)	0.024 (0.032)	0.019 (0.032)	0.025 (0.031)
Geographic distance	-0.036 (0.024)	-0.031 (0.025)	-0.031 (0.025)	-0.029 (0.025)	-0.030 (0.025)
Religious distance	0.014 (0.026)	0.015 (0.026)	0.016 (0.026)	0.015 (0.026)	0.016 (0.026)
Linguistic distance	-0.078 (0.060)	-0.040 (0.064)	-0.023 (0.064)	-0.030 (0.064)	-0.029 (0.063)
Policy stability	-0.031 (0.021)	-0.033 (0.022)	-0.034 (0.022)	-0.034 (0.022)	-0.034 (0.022)
Migrant inflows		0.076*** (0.017)	0.069*** (0.017)	0.095*** (0.021)	0.045* (0.022)
Share of female migrants			0.025 (0.013)		0.032* (0.014)
Migrant inflows* share of female migrants			0.129*** (0.017)		0.140*** (0.018)
Share of older migrants				-0.010 (0.014)	-0.023 (0.014)
Migrant inflows* share of older migrants				0.029* (0.014)	-0.019 (0.015)
Observations	4525	4525	4525	4525	4525
Log likelihood	-5855.522	-5849.070	-5826.146	-5853.147	-5830.945
Akaike Inf. Crit.	11,737.040	11,726.140	11,684.290	11,738.290	11,697.890
Bayesian Inf. Crit.	11,820.470	11,815.980	11,786.970	11,840.970	11,813.400

to Hypothesis 3, Plot 3 shows that the share of older migrants has no significant moderating effect on the relationship between migrants and IJV performance. The panel shows a slight (almost negligible) positive effect of migration on IJV performance when the share of older migrants is high (lower bold line).

To check for the overall robustness of the empirical results, we further performed the following analyses: we used three other dependent variables as an

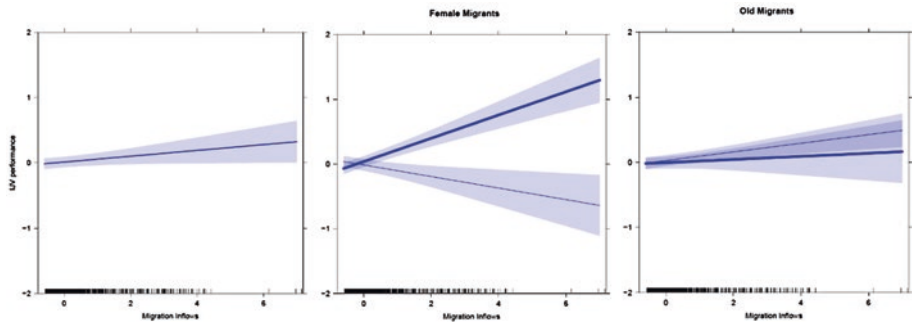


Fig. 12.1 Plots visualizing the main effect of migrants on IJV performance (Plot 1), the moderating effect of female migrants (Plot 2) and the moderating effect of older migrants (Plot 3)

alternative to annual profit to represent the performance of IJVs. The variables chosen are operating income, operating profit, and equity (or market value).¹ Furthermore, we repeated the analysis using a different random intercept (i.e., the OENACE level)² and we performed the analyses using ordinary least square (OLS) regressions as alternative econometric models. All robustness checks provide additional support for the results of this study.³

Discussion and Conclusion

This chapter extends our understanding of the impact migrants have on international business activities due to their valuable knowledge about their COOs. The findings of this study also shed light on the characteristics of migrants and their impact on the relationship between migration and IJV performance. Our empirical results are in line with previous migration research that finds that migrants are a valuable source of knowledge for MNCs and positively impact business activities abroad. Liu et al. (2015), for example, found that skilled migrants play a key role in the transfer of knowledge between firms of two countries. Migrants supported the identification of potential key contacts, the establishment of relationships, as well as the exchange of knowledge. Similarly, research by Enderwick et al. (2011) shows that firms—even those with low international experience—can still be successful in new host markets

¹ If the IJV is listed on a stock exchange market, equity equals market value. Otherwise, the variable represents the reported equity in the balance sheet.

² The OENACE represents a national classification of the economic sector the Austrian IJV partner is active in.

³ Output tables of the robustness checks can be requested from the authors.

by leveraging the knowledge and experience provided by key contacts. Thus, the findings of the present study are consistent with previous migration research in that migrants have a positive influence on the success of foreign business and internationalization operations due to the valuable knowledge and experience that they bring with them, which can be used by firms in the migrants' new home country.

In addition, the reasoning of this study is also in conformity with research on alliance success. Scholars such as Mowery et al. (1996), Rosenkopf and Almeida (2003), and Singh (2005) conclude that the success of IJVs is dependent on the strength of the relationship between the alliance partners as well as the strength of the interpersonal ties between employees from both sides. Gomes-Casseres et al. (2006) found that knowledge exchange and collaboration between different partners are highest for firms that have a close relationship with each other, share similar interests, and pull in the same direction. The present study also suggests that increasing the empathy and understanding of the members of one IJV partner (in-group) toward members of the other IJV partner (out-group) will translate into elevated levels of success for the alliance overall.

We further find that the positive effect of migrants on IJV performance can be enhanced by the influence of female migrants. The higher the share of female migrants in a certain district in Austria, the more successful the IJVs formed between Austrian MNCs based in this district and a foreign partner based in the migrants' COO (Hypothesis 2). The rationale behind this effect can be explained as follows:

First, an individual will be more inclined to share information with another person the stronger the interpersonal connection between the two (Hansen, 1999). Studies have found that there are gender differences in the strength of social ties, with women typically having stronger connections than men (Cross & Madson, 1997). Second, cultural knowledge can be classified as tacit or "sticky" knowledge (Linde, 2001) which is more easily transferred between strong social ties. This is why women—given their stronger social ties—might have an advantage in passing on tacit cultural knowledge (Balogun, 2014). Overall, it appears that the strength of social ties and the type of the knowledge being shared are both important factors in determining the extent to which knowledge is shared among individuals. Women's generally stronger social ties and tendency to share tacit knowledge may contribute to their advantage in this regard.

The empirical results do not lend support for Hypothesis 3 stating that higher age of migrants positively moderates the relationship between migrants and IJV performance. We approach the question of why age might not be a

significant moderator in this context from two perspectives: first, from the perspective of the *value of knowledge*, Foad (2009) found that age has a negative effect on FDI. He suggests that older migrants tend to have weaker ties to their COOs. Therefore, the knowledge these migrants provide to MNCs in their new home countries might be less valuable as it is less up to date. Second, from a *knowledge dissemination* perspective, empirical evidence suggests that older people, relative to their younger peers, have smaller social networks consisting of emotionally closer social partners (Carstensen et al., 2003). The consequence might be that the knowledge of older migrants is passed on to a smaller group of recipients and thus less accessible for IJVs. We conclude that the assumed benefits that older migrants can bring to IJVs may not be fully exploitable or accessible enough for firms to take advantage of.

Contributions This study contributes to IB literature in four different ways. First, we suggest a structured way of how theory can accommodate both migration and IJV success. On the one hand, researchers have devoted much effort to identifying the drivers of IJV performance (e.g., Demirbag & Mirza, 2000; Ren et al., 2009). On the other hand, scholars have expressed a great interest in the advantages migrants can bring to MNEs (e.g., Chung & Tung, 2013; Kugler & Rapoport, 2011). However, existing research has not yet connected the two streams. This study enriches the IJV literature by linking it to migration literature and connecting the two streams. It goes beyond the insights that cultural differences may cause performance problems in IJVs (e.g., Lane & Beamish, 1990) and provides insights into how migrants as informants about foreign cultures can make a difference in performance outcomes for IJVs, cultural differences between the IJV partners notwithstanding.

Second, this chapter contributes to the SIT. Existing research leaves a gap as to how migrants can affect social identity building within firms and especially firm alliances. This is an important omission given that social identities are formed primarily on the basis of differences or similarities in origin and nationality (Brewer & Brown, 1998). To our knowledge, this chapter is one of the first if not the first to take this fact into account and to discuss how social identity building in IJVs may be influenced by migrants. We argue that migrants create vital conditions for dissolving nationality-based boundaries and building a common IJV-based social identification.

Additionally, it shall be mentioned that we contribute to IB and migration literature by studying migrants as a broad group of people who left their COOs in order to settle in a new home country. In the past, the link between migration and IB has been primarily studied from the perspective of

expatriates, a subcategory of migrants (e.g., Black, 1988; Olsen & Martins, 2009). Expatriates, however, are not representative of the broader migrant population as they are staffed on temporary assignments predominantly with the intention to repatriate (Hajro et al., 2021). This study complements the small number of IB studies by properly recognizing the diversity of migrants who have a longer-term impact on business activities in their new home countries.

Fourth, the chapter sheds light on the characteristics of migrants that moderate the relationship between migrants and IJV performance. It extends research on migrants' characteristics in the realm of business activities (e.g., Foad, 2009; Gheasi et al., 2013; Kugler & Rapoport, 2011) by demonstrating that gender of migrants is a central factor to consider as it may strengthen the positive effect of migration on IJV performance.

Practical Implications Our finding that migrants can have a positive impact on IJV performance (Hypothesis 1) has several implications for practitioners. First, policymakers may actively educate the local society about the benefits of migrants for the local economy to fight the general assumption that migration and the development of a country are negatively correlated—an assumption that still governs much of the political discussion today. This may counteract xenophobic sentiments as well as the call for protectionist measures against migrants. Second, to promote successful integration, migration policies should lower job barriers and support language and cultural understanding for migrants. This is essential as migrants often struggle with the devaluation of their foreign education and experiences, hindering their ability to integrate and find employment (Hajro et al., 2021). Without effective integration policies, governments will fail to reap the full benefits migrants bring to a country as migrants' skills and knowledge remain underutilized. Third, companies seeking to expand into foreign markets by partnering with foreign firms should actively try to leverage the knowledge of migrants from their foreign partner's country by locating in areas with high migrant populations or hiring migrants directly. Additionally, implementing “migrant-friendly” policies and processes can facilitate knowledge exchange with them and even attract migrant talent to the company. Our results also show that female migrants have a positive impact on the performance of international joint ventures (Hypothesis 2). Yet, their contributions are not always recognized or compensated fairly. To address this, policymakers should educate businesses and communities on the value of female migrants and MNEs should strive to provide equal pay and a supportive work environment for this minority group.

Limitations This empirical study has several limitations. First, we only have access to limited information on migrants, such as age, gender, political district of residence in Austria, as well as COO. However, we acknowledge that it would be interesting to consider additional variables that potentially affect the knowledge of migrants and its diffusion process, such as education, employment, and occupational position. It may be worthwhile examining how many of the migrants are employed by IJV partner companies. Another limitation is that this study examined IJV performance in a single home country, Austria. We encourage future studies to validate the findings for IJVs formed between other home-host country pairs and test whether different institutional or economical contexts affect the relationship between migration and IJV performance. Additionally, this study only used annual profit as a measure of IJV performance. However, the IJV partners may consider the venture a success even though it generates low financial returns in the short term (Geringer & Herbert, 1991). We concede that financial measures assess only one dimension of IJV performance. Future research could consider using other performance measures, including non-financial measures like achievement of goals and satisfaction with the venture.

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