



# 16

## Skilled Migrants: Stimulating Knowledge Creation and Flows in Firms

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### Introduction

Skilled migrants have been shown to contribute to higher productivity, greater entrepreneurship, and increased cross-border trading in their host countries (OECD, 2011). Skilled migrants, according to the OECD (2011), are defined as foreign-born workers with a college degree (ISCED 5–6 education level) or more. Canada, Ireland, the United Kingdom, New Zealand, and the United States have the largest share of skilled migrants as a share of their foreign-born workforce, with numbers hovering around 46.9%, 43.5%, 38.9%, 31.5%, and 29.4%, respectively (OECD, 2011). To attract skilled workers from around the world to support their domestic employers' hiring needs, many countries have made changes to their migrant work authorization programs in recent years (e.g., Germany, France, and Poland), while others have launched pilot programs such as Canada's Atlantic Immigration Pilot to ease restrictive immigration policies (OECD, 2021).

It is important to acknowledge that while the definition of skilled migrants, as noted above, is an empirical convenience (as most national governments collect information on the education level of migrants), the definition of skilled migrants tends to be potentially broader in character. Conceptually

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speaking, skilled migrants are those ethnic individuals (primarily first-generation but also including second-generation migrants) who possess experiential or technical knowledge, vocational skills, or expertise in a specific domain; this broader definition of skilled migrants, therefore, includes college-educated individuals in engineering, medicine, or academia, as well as those in nursing, cooking, priesthood, tailoring, or carpentry, among others, who may not necessarily hold a traditional college degree. Similarly, many migrants may have valuable entrepreneurial skills that enable them to start and run businesses in ethnic niches and conduct cross-border trade through their social connections, but they may not necessarily have a college degree. For the purposes of this chapter, we use this broader definition of skilled migrants.

It is also important to acknowledge that first-generation skilled migrants may enter their CR using various visa routes, such as family, work, humanitarian, free movements, accompanying family of workers, or others. There might be a false presumption that skilled migrants enter their adopted CR because they are employed by a firm or university for their skills and that is the reason they come. But this may not always be the case as every visa category of migrants may have skilled workers. In other words, skilled migrants include both non-immigrant (or transient<sup>1</sup> as we call them) and immigrant categories of foreign-born workers. Non-immigrants comprise foreign students and business visa holders (or expatriates) sent by their firms on job assignments; immigrants include naturalized citizens and permanent residents, who may include refugees as well as asylees. In other words, refugees, asylees, or seasonal workers may be skilled workers as well. This distinction is quite relevant from a policy perspective and is often not understood.

Skilled migrants have long been considered valuable sources of knowledge for firms (Hornung, 2014). In addition to addressing the immediate labor shortage needs of employers in their receiving country, skilled migrants bring idiosyncratic knowledge to their receiving country. The unique knowledge about the culture, language, business system, and formal and informal institutions of their CO<sup>2</sup> is often gained through their interactions and experiences in their CO. This tacit knowledge is gained through their educational, business, and social experiences in their CO, in addition to the knowledge of their specific technological or functional domains and can be of interest to firms in their countries of residence.

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<sup>1</sup>Transient migrants are defined as those who have lived in their CR for less than seven years, following Shukla and Cantwell (2018)

<sup>2</sup>An assumption made here is that these persons have lived in their CO for a considerable amount of time and are thus familiar with the cultural heritage and institutional environment in their CO.

Moreover, due to their transnational links to their compatriots in their CO, migrants in the information age are in a unique position to orchestrate cross-border social networks through their familial, business, or ethnic ties to facilitate knowledge flows. With the rise in teleworking opportunities facilitated by increasing digitalization in firms (Verhoef et al., 2021), especially since the start of the COVID-19 pandemic, several countries (like Estonia, Costa Rica, and Greece) have developed “digital nomad” visa schemes that allow foreign nationals to stay and work in these countries on a short-term visa (OECD, 2021). This is likely to facilitate greater flows of non-immigrant or transient migrants into these countries and create new migration corridors or pathways between countries. These new human flows can also boost local economies of these countries (Choudhury, 2022) through increased innovation and entrepreneurship (Azoulay et al., 2022; Hunt & Gauthier-Loiselle, 2010; Saxenian, 2006) and facilitate knowledge flows through long-distance social networks (Saxenian, 2002b) between migrants’ CR and CO. In other words, increased digitalization and migration policy-related changes have further enabled migrants to serve as valuable cross-border conduits of knowledge flows between their CO and CR.

## **Migrants, Knowledge Creation, and the Cross-Border Activities of Firms: Taking Stock**

Aharoni (1966) was one of the first scholars to examine the role of foreign-born workers in facilitating investments in their CO. He noted that “decision making in complex organizations is a very long social process, not solely an intellectual exercise” (Aharoni, 1966: 219). Some of the more recent and extensive case studies that examine the role of high-skilled Asian immigrants in affecting regional and international economic activities have been by Anna Lee Saxenian (1999, 2002c, 2006; Saxenian & Hsu, 2001). Saxenian (1999, 2006) found that highly skilled migrants of Indian, Chinese, and Taiwanese origin have contributed to the regional economy in California. Also, she argued that Asian scientists, engineers, and entrepreneurs have helped build long-distance social networks between Silicon Valley and Asia (Saxenian, 2002c). Following the seminal works by Aharoni (1966) and Saxenian (1999), a number of empirical studies have examined the role of skilled migrants in affecting the performance of firms in their emigrating and immigrating countries.

To take stock of the role of migrants in influencing the processes of knowledge creation, recombination and international knowledge connectivity that in turn facilitate the cross-border activities of firms, we conduct an extensive review of the literature using Thomson Reuters' Web of Science database to identify scholarly articles published in top-ranked journals between 1980 and 2022. We refine our results to focus on topics of the greatest interest to international business and management scholars at the firm level. So, we exclude articles that focus primarily on macro-level concepts such as labor market outcomes, remittances, and societal-level integration efforts and outcomes for the purposes of this study. Our final list comprises over 50 articles, as shown in Table 16.1. We divide this stream of literature into four domains based on the nature of research questions and outcomes being examined by researchers. The first domain focuses on skilled migrants affecting cross-border trade and foreign direct investment (FDI) flows, the second domain focuses on skilled migrants influencing technological innovation and knowledge flows in firms, the third domain focuses on migrant entrepreneurs and their characteristics in affecting cross-border activities of firms, and the fourth domain focuses on the expatriates and human resource management aspects of migrants in firms. We begin by elaborating on these streams of literature.

## Foreign Market and Entry Strategy Selection

Several studies have examined how and to what extent skilled migrants affect the cross-border trade and FDI flows between countries. This stream of literature has argued that skilled migrants help reduce search costs for CR firms not only in the selection of foreign markets (Chung & Tung, 2013; Filatotchev et al., 2007) but also in the identification of partner firms in export–import relationships (Rauch & Trindade, 2002). For example, Ellis (2000) examined the foreign market entry decisions of toy manufacturers in Hong Kong (in 1997–1998), and found that information about foreign market entry opportunities is “commonly acquired via existing social ties” (Ellis, 2000: 462). Ellis (2000) argued that “knowledge of foreign market opportunities is contingent upon the idiosyncratic benefits of each individual’s social network” (Ellis, 2000: 448). As a result, “information search activities would appear to be selectively influenced by those existing social ties linking the initiating decision-maker (i.e., seller, buyer, or third party) with others that are in some way connected to a particular foreign market” (Ellis, 2000: 448). In other words, social ties—business, family, or friendship ties—of migrants can help identify suppliers, distributors, bankers, merger or acquisition targets, and

**Table 16.1** List of articles reviewed categorized by international business domains

<b>Foreign Market Selection and Entry Strategy</b>			
<b>Author/s</b>	<b>Year</b>	<b>Title</b>	<b>Journal</b>
Gillespie, K; Riddle, L; Sayre, E; Sturges, D	1999	Diaspora interest in homeland investment	<i>Journal of International Business Studies</i>
Ellis, P	2000	Social ties and foreign market entry	<i>Journal of International Business Studies</i>
Wong, PLK; Ellis, P	2002	Social ties and partner identification in Sino-Hong Kong international joint ventures	<i>Journal of International Business Studies</i>
Filatotchev, I; Strange, R; Piesse, J; Lien, YC	2007	FDI by firms from newly industrialized economies in emerging markets: corporate governance, entry mode and location	<i>Journal of International Business Studies</i>
Bhattacharya, U; Groznik, P	2008	Melting pot or salad bowl: Some evidence from US investments abroad	<i>Journal of Financial Markets</i>
Zaheer, S; Lamin, A; Subramani, M	2009	Cluster capabilities or ethnic ties? Location choice by foreign and domestic entrants in the services offshoring industry in India	<i>Journal of International Business Studies</i>
Madhavan, R; Iriyama, A	2009	Understanding global flows of venture capital: Human networks as the "carrier wave" of globalization	<i>Journal of International Business Studies</i>
Chung, HFL; Tung, RL	2013	Immigrant social networks and foreign entry: Australia and New Zealand firms in the European Union and Greater China.	<i>International Business Review</i>
Hernandez, E	2014	Finding a Home away from Home: Effects of Immigrants on Firms' Foreign Location Choice and Performance	<i>Administrative Science Quarterly</i>
Karreman, B; Burger, MJ; Oort, FGV	2017	Location Choices of Chinese Multinationals in Europe: The Role of Overseas Communities	<i>Economic Geography</i>
Shukla, P; Cantwell, J	2018	Migrants and multinational firms: The role of institutional affinity and connectedness in FDI	<i>Journal of World Business</i>
Li, Y; Hernandez, E; Gwon, S	2019	When Do Ethnic Communities Affect Foreign Location Choice? Dual Entry Strategies of Korean Banks in China	<i>Academy of Management Journal</i>
Gregoric, A; Rabbiosi, L; Santangelo, GD	2019	Diaspora ownership and international technology licensing by emerging market firms	<i>Journal of International Business Studies</i>

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Table 16.1 (continued)

Useche, D; Migueluez, E; Lissoni, F	2020	Highly skilled and well connected: Migrant inventors in cross-border M&As	<i>Journal of International Business Studies</i>
Cai, H; Meng, Y; Chakraborty, S	2021	Migrants and exports: Decomposing the link	<i>Journal of World Business</i>
Moschieri, C.; Fernandez-Moya, M.	2022	A dynamic long-term approach to internationalization: Spanish publishing firms' expansion and emigrants in Mexico (1939–1977)	<i>Journal of International Business Studies</i>
<b>Innovation and Knowledge Management</b>			
<b>Author/s</b>	<b>Year</b>	<b>Title</b>	<b>Journal</b>
Oettl, A; Agrawal, A	2008	International labor mobility and knowledge flow externalities	<i>Journal of International Business Studies</i>
Edler, J; Fier, H; Grimpe, C	2011	International scientist mobility and the locus of knowledge and technology transfer	<i>Research Policy</i>
Barnard, H; Pendock, C	2013	To share or not to share: The role of affect in knowledge sharing by individuals in a diaspora	<i>Journal of International Management</i>
Scellato, G; Franzoni, C; Stephan, P	2014	The mover's advantage: The superior performance of migrant scientists	<i>Economics Letters</i>
Wang, D	2015	Activating Cross-border Brokerage: Interorganizational Knowledge Transfer through Skilled Return Migration	<i>Administrative Science Quarterly</i>
Almeida, P; Phene, A; Li, S	2015	The Influence of Ethnic Community Knowledge on Indian Inventor Innovativeness	<i>Organization Science</i>
Breschi, Stefano, Lissoni, Francesco, & Migueluez, Ernest	2017	Foreign-origin inventors in the USA: testing for diaspora and brain gain effects	<i>Journal of Economic Geography</i>
Choudhury, P; Kim, DY	2019	The ethnic migrant inventor effect: Codification and recombination of knowledge across borders	<i>Strategic Management Journal</i>
Hernandez, E. & Kulchina, E.	2020	Immigrants and Foreign Firm Performance	<i>Organization Science</i>
Migueluez, E; Temgoua, CN	2020	Inventor migration and knowledge flows: A two-way communication channel?	<i>Research Policy</i>
Migueluez, E; Morrison, A	2022	Migrant inventors as agents of technological change	<i>Research Policy</i>

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Table 16.1 (continued)

<b>Migrant Entrepreneurship</b>			
<b>Author/s</b>	<b>Year</b>	<b>Title</b>	<b>Journal</b>
Bates, T	1997	Financing small business creation: The case of Chinese and Korean immigrant entrepreneurs	<i>Journal of Business Venturing</i>
Sequeira, JM; Carr, JC; Rasheed, AA	2009	Transnational Entrepreneurship: Determinants of Firm Type and Owner Attributions of Success	<i>Entrepreneurship Theory and Practice</i>
Prashantham, S; Dhanaraj, C	2010	The Dynamic Influence of Social Capital on the International Growth of New Ventures	<i>Journal of Management Studies</i>
Ellis, PD	2011	Social ties and international entrepreneurship: Opportunities and constraints affecting firm internationalization	<i>Journal of International Business Studies</i>
Ndofor, HA; Priem, RL	2011	Immigrant Entrepreneurs, the Ethnic Enclave Strategy, and Venture Performance	<i>Journal of Management</i>
Neville, F; Orser, B; Riding, A; Jung, O	2014	Do young firms owned by recent immigrants outperform other young firms?	<i>Journal of Business Venturing</i>
Sui, S; Morgan, HM; Baum, M	2015	Internationalization of immigrant-owned SMEs: The role of language	<i>Journal of World Business</i>
Dimitratos, P; Buck, T; Fletcher, M; Li, N	2016	The motivation of international entrepreneurship: The case of Chinese transnational entrepreneurs	<i>International Business Review</i>
Jiang, G; Kotabe, M; Hamilton III, RD; Smith, SW	2016	Early internationalization and the role of immigration in new venture survival	<i>International Business Review</i>
Kulchina E	2016	A path to value creation for foreign entrepreneurs	<i>Strategic Management Journal</i>
Morgan, HM; Sui, S; Baum, M	2018	Are SMEs with immigrant owners exceptional exporters?	<i>Journal of Business Venturing</i>
Kerr, SP; Kerr, W	2020	Immigrant entrepreneurship in America: Evidence from the survey of business owners 2007 & 2012	<i>Research Policy</i>
Fainshmidt, Stav; Smith, Adam W.; Aguilera, Ruth V.	2021	Where Do Born Globals Come from? A Neoconfigurational Institutional Theory	<i>Organization Science</i>
Czinkota, M; Khan, Z; Knight, G	2021	International business and the migrant-owned enterprise	<i>Journal of Business Research</i>
Azoulay, P., Jones, B. F., Kim, J. D., Miranda, J.	2022	Immigration and Entrepreneurship in the United States	<i>American Economic Review-Insights</i>

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Table 16.1 (continued)

<b>Expatriate and Human Resource Management</b>			
<b>Author/s</b>	<b>Year</b>	<b>Title</b>	<b>Journal</b>
Naumann, E.	1993	Organizational predictors of expatriate job-satisfaction	<i>Journal of International Business Studies</i>
Sergeant, A., & Frenkel, S.	1998	Managing people in China: Perceptions of expatriate managers.	<i>Journal of World Business</i>
Hung-Wen, L.	2007	Factors that Influence Expatriate Failure: An Interview Study	<i>International Journal of Management</i>
Tung, RL	2008	Brain circulation, diaspora, and international competitiveness.	<i>European Management Journal</i>
Farh, CIC; Bartol, KM; Shapiro, DL; Shin, J	2010	Networking Abroad: A Process Model of How Expatriates Form Support Ties to Facilitate Adjustment	<i>Academy of Management Journal</i>
Brannen, MY; Thomas, DC	2010	Bicultural Individuals in Organizations: Implications and Opportunity	<i>International Journal of Cross-Cultural Management</i>
Bruning, N. S., Sonpar, K., & Wang, X. Y.	2012	Host-country national networks and expatriate effectiveness: A mixed-methods study	<i>Journal of International Business Studies</i>
Fitzsimmons, SR	2013	Multicultural Employees: A Framework for Understanding How They Contribute to Organizations	<i>Academy of Management Journal</i>
Liu, X; Gao, L; Lu, J; Wei, Y	2015	The role of highly skilled migrants in the process of inter-firm knowledge transfer across borders	<i>Journal of World Business</i>
Furusawa, M; Brewster, C	2015	The bi-cultural option for global talent management: The Japanese/Brazilian Nikkeijin example	<i>Journal of World Business</i>
Kane, AA; Levina, N	2017	'Am I Still One of Them?': Bicultural Immigrant Managers Navigating Social Identity Threats When Spanning Global Boundaries	<i>Journal of Management Studies</i>
Vora, D; Kostova, T	2019	Antecedents of psychological attachment in multinational enterprises	<i>Multinational Business Review</i>
Hong, H. J., Minbaeva, D.	2022	Multiculturals as strategic human capital resources in multinational enterprises	<i>Journal of International Business Studies</i>



business partners in their CO markets (Useche et al., 2019; Wong & Ellis, 2002; Zaheer et al., 2009), as well as domestic markets (Bonacich & Modell, 1980). The knowledge shared by migrant inventors in cross-border mergers and acquisitions has been known to reduce the institutional distance between countries that are located geographically apart, especially in case of full acquisitions in high-tech sectors (Useche et al., 2019). Similarly, Foley and Kerr (2013) find that ethnic innovators in U.S. multinational firms help their firms in forming new affiliates abroad without the support of local joint venture partners in those foreign countries.

Moreover, highly educated skilled migrants who remain embedded in their CO, while establishing themselves in their adopted CR, often function as “opportunity-sensing, value-adding, and monitoring devices” (Madhavan & Iriyama, 2009: 1242); these professional and technical workers often work with venture capital partners in their CR to seek funding for new ventures in their developing CO (Madhavan & Iriyama, 2009). While Madhavan and Iriyama (2009) focused on investments from migrants’ CR to CO, other more recent studies have examined the impact of ethnic migrant communities in attracting FDI from their CO (Hernandez, 2014; Karreman et al., 2017; Li et al., 2019; Shukla & Cantwell, 2018). For example, Hernandez (2014) examines the role of immigrants in the United States in influencing the location choice and survival of subsidiaries of firms from 27 countries (into the United States) between 1998 and 2003. He finds that the chances of locating operations and surviving in a state rise with increased concentration of same-nationality immigrants and that these effects are stronger for inexperienced firms. He also finds that the effects are stronger for locations where immigrants can help facilitate industry-specific knowledge spillovers and for knowledge-seeking subsidiaries.

Studies in this domain also find that skilled migrants help build valuable linkages between countries, especially between developed and developing economies. The lack of effective governance and a relatively weak institutional infrastructure in developing countries (Dunning, 2005) make it difficult for foreign investors to get information about the investment opportunities in those countries. Skilled migrants from developing countries in a (developed) CR can help fill this knowledge gap (Sonderregger & Taeube, 2010). Migrants’ familiarity with regulatory procedures as well as their connections in local regions of their CO can give them an advantage over others who lack such connections. Anecdotal evidence suggests that migrants in top management teams are often involved in facilitating direct investments to their developing CO (Bhattacharya & Groznik, 2008; Filatotchev et al., 2007; Pandey et al., 2006; Schotter & Abdelzaher, 2013). More specifically, Zaheer et al. (2009)

argue that emerging markets, such as India, lack formal institutional structures to support entrepreneurial activity, therefore CEO's social ties with key stakeholders (such as, bankers, firm employees, bureaucrats, etc.) are important in the early stages of location decision-making. They examine the extent to which social ties as opposed to knowledge spillovers found in a cluster influence location choice for new entrants using 108 location decisions across 11 city clusters in the information technology-enabled service industry in India. They find that ethnic networks exert greater influence than cluster capabilities on location decisions of firms.

A few recent studies have taken a more nuanced look at firm heterogeneity (independent firms versus multinational firm subsidiaries, or privately owned/remotely located) when examining the role of migrants in affecting location and exporting decisions. Hernandez and Kulchina (2020) use data on foreign firms in Russia during 2006–2011 to find that independent firms have a greater need for resources from co-ethnic migrant community in a CR and depend on individual managers' social ties for accessing those resources. Similarly, Cai et al. (2021) analyze a dataset of 50,000 Chinese exporters with connections to migrants in 205 countries to find that “less-integrated migrants (in a CR) attract home exports, while privately-owned and remotely-located exporters (in a CO) with limited resources or external connections benefit more” from migrants in a foreign country.

## Technological Innovation and Knowledge Flows

In this domain, studies have examined the role of highly educated skilled migrants, specifically inventors and scientists, in enhancing either new technological knowledge creation and recombination in CR firms, or on cross-border knowledge flows between CO and CR firms. For example, Choudhury and Kim (2019) use a dataset of Chinese and Indian herbal patents filed in the United States to find that an increase in the number of first-generation ethnic migrant inventors increases the herbal knowledge capability of CR firms by 4.5%. They note that ethnic migrant inventors due to their understanding of idiosyncratic cultural knowledge can help unlock knowledge “previously locked within the cultural context of their home regions,” thereby facilitating the creation of novel technological solutions in their CR firms (Choudhury & Kim, 2019). They also find that knowledge recombination to develop new applications is more likely to be done by teams of inventors comprising different ethnic backgrounds in CR firms. Bahar et al. (2020) also analyze patent data to find that immigrant inventors enable new knowledge

creation in same technologies their COs specialize in. Similarly, Miguelez and Morrison (2022) argue that migrants facilitate the process of regional technological diversification in their CR. They examine an original dataset of migrant inventors in European regions between 2003 and 2011 to find that migrants inventors not only contribute to the development of new technological specializations in their CR but also “trigger a process of unrelated diversification” providing further evidence of migrants acting as an international business resource.

While skilled migrants have been shown to contribute to increased technological innovation in their CR firms as noted above, international mobility of migrant inventors also plays a role in facilitating knowledge flows and technology transfer (Edler et al., 2011; Oettl & Agrawal, 2008b) across borders, thereby supporting the idea of brain circulation (Saxenian, 2002a; Tung, 2008; Wang, 2015) that can be crucial to new knowledge creation in various industries. For example, Foley and Kerr (2013) find that “increases in the share of a firm’s innovation performed by inventors of a particular ethnicity are associated with increases in the share of that firm’s affiliate activity in countries related to that ethnicity,” suggesting that migrants provide invaluable cross-border knowledge linkages within multinational firms. Migrants who have lived in multiple countries or travel more regularly can be greater sources of knowledge in firms and can also provide greater connectivity between regions. Along these lines, research on return migrant inventors shows that they facilitate production of knowledge in their CO (Choudhury, 2016; Fry, 2023) and that this knowledge tends to be of higher quality (Perri et al., 2015). Acting as knowledge bridges between their CO and their CR, migrant inventors have been associated with greater integration of knowledge originating from their CO in the innovation process at their multinational firm (Marino et al., 2020). This is explained, in part, by a related finding that migrant inventors have been shown to have access to larger international research networks than native researchers who lack international background (Scellato et al., 2015).

Several studies find that migrants serve as valuable conduits of knowledge flows, especially between developed and developing countries. For example, Levin and Barnard (2013) using a sample of South African managers examine the value of interpersonal connections in facilitating knowledge flows across borders; they find that managers in less-developed countries benefit from their personal connectivity to compatriots living in more (technologically and economically) advanced countries, thus demonstrating that cross-national interpersonal ties provide a mechanism for knowledge flows and could be sources of useful knowledge, especially for firms in less-developed countries.

Evidence from the examination of patent citation data also suggests that migrants from developing countries living in developed countries facilitate the international diffusion of knowledge within the multinational network between their CO and CR (Miguel & Temgoua, 2020).

## Migrant Entrepreneurship

Several studies in the international entrepreneurship literature (Ellis, 2011; Neville et al., 2014; Sequeira et al., 2009) provide empirical and anecdotal evidence that migrant entrepreneurs leverage their unique knowledge and experience of their CO for their startup and born-global firms (Fainshmidt et al., 2021; Oviatt & McDougall, 2005; Oviatt et al., 1995). Due to their international orientation, access to capabilities (such as entrepreneurial skills, or unique technological knowledge), and knowledge of unique resources (such as availability of skilled and unskilled labor) in their CO, migrant entrepreneurs tend to be successful in foreign markets (Czinkota et al., 2021; Kulchina, 2016; Neville et al., 2014; Sui et al., 2015). For a systematic analysis of the migrant entrepreneurship literature, see Sinkovics and Reuber (2021).

Studies in this stream of literature find that socially embedded entrepreneurs capitalize on opportunities in their CO (Landolt et al., 1999; Sequeira et al., 2009) and benefit from “lower set-up, monitoring and enforcement costs” (Ellis, 2011). However, migrants’ social network can also be constrained by linguistic and psychic distance and may limit internationalization horizons for the venture (Ellis, 2011). Therefore, it is essential to consider how different types of migrant entrepreneur’s social networks, such as business advice networks, emotional support networks, or business resources networks, affect the growth prospects of entrepreneurial ventures (Arregle et al., 2015). Some evidence also suggests that while migrants with greater social capital or prior entrepreneurial experience tend to engage in ethnic markets (niche markets for cultural products or services), migrants with prior managerial experience (those who were employed as managers in CR firms) tend to engage in mainstream markets in their CR (Ndofor & Priem, 2011).

It is important to acknowledge here that there is a large literature in sociology on *ethnic entrepreneurship* that examines the various characteristics and motivations of immigrant entrepreneurs who start their small businesses in ethnic niches (Portes, 1997) to economically adapt in their new CR environment (Bonacich, 1973). While most small businesses in ethnic enclaves (Portes, 1995; Portes & Sensenbrenner, 1993) may not have the financial resources to engage in the internationalization of their firms (through

acquisitions, joint ventures, or greenfields), it is important to note that they may still engage in international trade. Research suggests that small businesses often engage in different types of cross-border trading, resulting in the creation of a variety of firms, as noted in detail by Landolt et al. (1999) in the case of El Salvadoran migrants in the United States. Also, ethnic niches are crucial for the creation of institutional affinity in CR regions which, in turn, facilitate the development of a knowledge community for migrants from a CO (Shukla & Cantwell, 2018).

## Expatriate and Human Resource Management

The initial focus by researchers in this domain was on examining the dimensions of successful expatriate acculturation (Oddou et al., 1985) and the individual and organizational attributes for success of employees sent on international assignments (Hung-Wen, 2007; Naumann, 1993) for increasing expatriate managerial effectiveness (Sergeant & Frenkel, 1998) in unfamiliar contexts. In the past two decades, however, researchers have delved deeper to understand the process of expatriate adjustment in foreign locations (Bruning et al., 2012; Farh et al., 2010) and have expanded their research questions to include bicultural (Brannen & Thomas, 2010) and multicultural managers (Fitzsimmons, 2013) due, in part, to the rise in the number of first- and second-generation immigrants in many countries (Baycan et al., 2012).

Several scholars (Brannen & Thomas, 2010; Fitzsimmons, 2013; Furusawa & Brewster, 2015) note that biculturals and multiculturals, “who are individuals with unique cultural knowledge, skills, abilities, and other characteristics,” can be valuable resources for firms in the conduct of international business due to their ability to switch internalized cultural schemas. For example, evidence suggests that skilled migrants who are bilingual and possess bicultural competence can play a vital role at each step of the knowledge transfer process between firms from their CO and CR (Liu et al., 2015). More recent studies have examined the nuances under which these individuals are more likely to become strategic resources for international firms. Along these lines, Kane and Levina (2017) find that migrant managers with bicultural competencies who are able to “embrace their home country identity” can be more successful in their boundary-spanning activities, such as teaching new technical competencies, building new relationships in CO, and receiving inputs from CO employees in cross-border knowledge-intensive projects. Hong and Minbaeva (2022) conduct an ethnographic study over two years in two multinational firms to identify individual-, team-, and firm-level factors

(which include a global mindset, language policy and practices, and team diversity, among others) that enable the transformation of a multicultural's cultural knowledge into human capital resources.

Our review of the literature that has examined the role of skilled migrants in influencing cross-border activities of export/import, born-global, and large multinational firms suggests that skilled migrants can help improve firm performance by stimulating new knowledge creation in their CR, reducing information and search costs for CR firms looking to internationalize, and in facilitating in intra-firm and inter-firm knowledge flows across borders. Their actions often result in enhanced innovation capabilities and improved firm performance through enrichment of firm-specific knowledge base, which could be market-specific knowledge, institutional knowledge, or technological knowledge, and identification of new resources and capabilities in CO location. In sum, migrants are viewed as valuable resources for places and firms.

## Theoretical Perspectives on Skilled Migrants in Internationally Engaged Firms

Researchers have relied on three main theoretical lenses to study the effects of skilled migrants in firms: (1) the role of idiosyncratic knowledge held by skilled migrants drawing on the resource-based (Barney, 1991; Dierickx & Cool, 1989) and knowledge-based view (Nonaka, 1994; Nonaka & Takeuchi, 1995) of the firm; (2) the role of social ties and embeddedness, drawing on the relational governance perspective (Burt, 2000; Granovetter, 1985; Uzzi, 1997); and (3) the role of affinity, cohesion, and solidarity within a group drawing on the social identity theory (Lee, 1999; Moreland & Beach, 1992; Tajfel & Turner, 1979). The first perspective views skilled migrants as carriers of unique institutional, cultural, market-specific, and technological knowledge, in part due to their cultural heritage and CO experience but also, in many cases, due to their international experience of living in multiple countries (experiential knowledge). As the “experience and knowledge of a firm's personnel” (Penrose, 1959) determines “what it ‘sees’ in the external world” (Penrose, 1959: 79–80), migrants are viewed as valuable resources who have a comparative advantage, relative to natives, in markets for knowledge and intermediate products. Also, it is assumed that they are willing to share this knowledge due to a positive affect toward their CO (Barnard & Pendock, 2013).

The second approach draws on the relational governance perspective (Granovetter, 1985; Poppo & Zenger, 2002) to emphasize the importance of migrants as cross-border bridges who facilitate knowledge flows through their

social networks. The underlying assumption is that international economic activities carry higher transaction costs (Coase, 1937; Williamson, 1981) due to increased liability of foreignness (Hymer, 1960; Zaheer, 1995), and skilled migrants help lower these costs through their cross-national interpersonal ties. The social proximity of migrants (in a CR) with their compatriots (in their CO), who often share a common understanding of the world (Naphiet & Ghoshal, 1998), makes the sharing, transfer, and absorption of knowledge about product ideas, technological, industry-specific, and entrepreneurial opportunities in mainstream and niche markets somewhat easier. While weak ties (as in acquaintance relationships) tend to be a source of new knowledge and ideas as they generally operate in different social circles (Granovetter, 1973; Levin & Cross, 2004), strong ties (such as those between migrants and their compatriots in their CO) have the benefit of increased “willingness to share” that plays a crucial role in cross-border knowledge transfer due to the inherent complexity of coordination arising from time zone differences, schedule conflicts, and long-distance communication (Levin & Barnard, 2013: 680). Ties also bring social benefits of trust, reciprocity, and commitment, and these translate into economic terms as lower search, transaction, and transformation costs in international transactions (Ellis, 2011).

The third theoretical perspective draws on the social identity theory (Tajfel & Turner, 1979), more specifically the psychological processes of social identification and social categorization to highlight the potential barriers and enablers for successful transformation of migrant’s idiosyncratic knowledge and abilities into human capital resources that lead to improved financial outcomes for firms. While social categorization, on the one hand, can facilitate migrant employee’s acculturation and adaptation to their CR environment, on the other hand, it could prevent migrants from sharing their knowledge in firms if migrants from a specific CO (migrants in general) face discrimination in that CR. Focusing on the individual level, this stream of literature argues that individual migrants may have access to more than one cultural profile and associated cultural schema (Brannen & Thomas, 2010) which can give them a comparative advantage relative to natives in boundary-spanning roles.

## Skilled Migrants Stimulating Knowledge Creation and Flows: When, Why, and How

It follows from the above discussion that there are two main mechanisms/processes that explain how skilled migrants stimulate knowledge creation and cross-border knowledge flows in firms: (1) as *knowledge carriers*, and (2) as



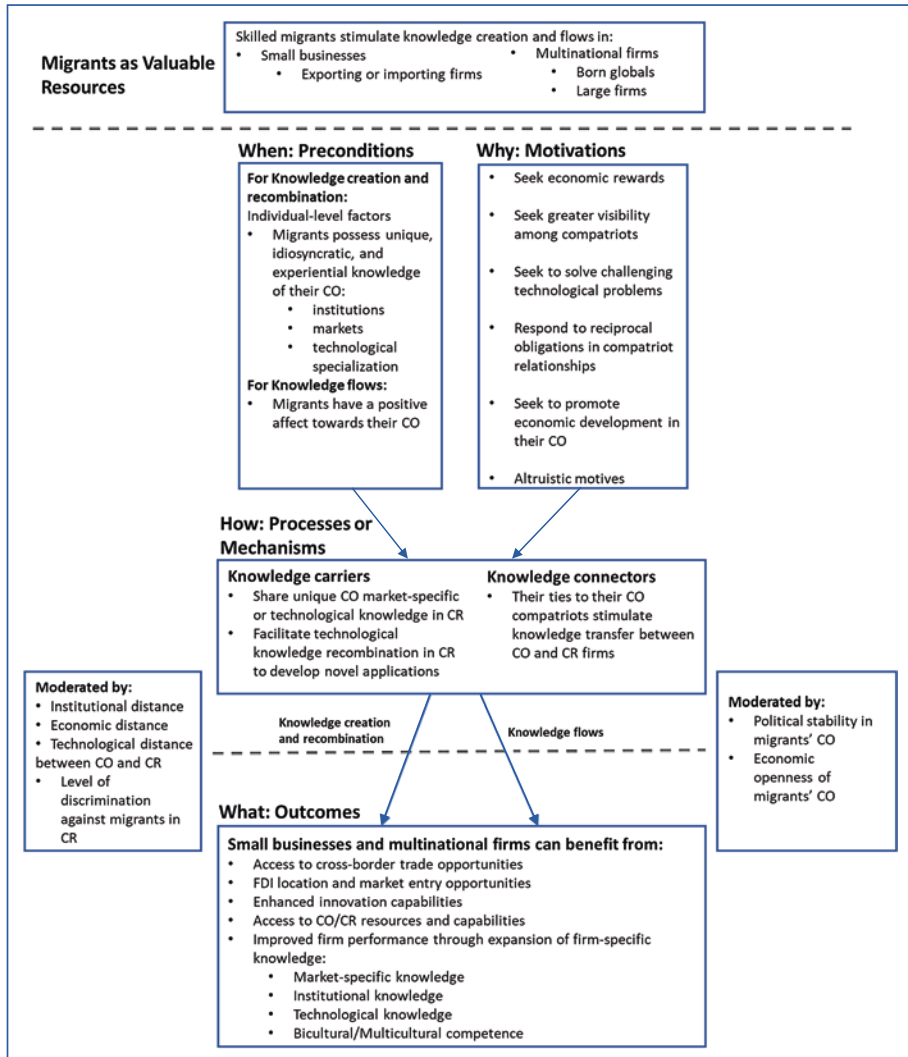


Fig. 16.1 Skilled migrants as international business resources: When, Why, and How

*knowledge connectors*. These are shown in the *How: Process or Mechanisms* component of our proposed conceptual model in Fig. 16.1. In their role as knowledge carriers, skilled migrants can be viewed as sources of distinctive knowledge and their unique contributions are visible through new knowledge creation efforts in their CR firms. A necessary precondition for this mechanism is that migrants possess idiosyncratic and experiential knowledge of their CO. In their role as knowledge connectors, on the other hand, skilled migrants can be viewed as valuable resources for their social capital and ability to use cross-national interpersonal ties to connect their CR firms to resources, capabilities,



and markets across borders. A necessary precondition for this mechanism is that migrants' have a positive effect toward their CO else they may be unwilling to facilitate knowledge flows to their CO. The *When: Preconditions* component (see Fig. 16.1) shows the necessary conditions for knowledge creation and flows to come about. It is important to acknowledge the distinction between the knowledge carrier and knowledge connector process as it allows for a nuanced understanding of the phenomenon under examination (Shukla, 2016). In most situations, both processes are likely to interact positively to further enhance the effects of skilled migrants on the outcomes (shown as the *What: Outcomes* component in Fig. 16.1). But in some cases, this may not be true. In situations where skilled migrants' connectedness to their CO is absent, as in the case of refugees or asylees where political or economic instability in their CO (as observed in countries like Syria, Afghanistan, or Ukraine more recently) allows only limited connectedness, the knowledge carrier channel is still relevant and can contribute to knowledge development not only in CR firms but also in their CR community (Shukla & Cantwell, 2018).

## Why: Motivations

Before elaborating on the knowledge carrier and knowledge connector processes, it is important to understand the motivations of skilled migrants for engaging in this behavior. Our examination of the literature suggests that there are four main reasons that motivate skilled migrants to share their knowledge or facilitate cross-border knowledge flows. First, migrants are often seeking economic rewards and career growth in their firms and by stimulating new knowledge creation or helping reduce information costs during their firm's internationalization efforts, they seek rewards for their efforts (Saxenian, 2006). Second, many migrants, specifically migrant inventors, are seeking to solve challenging technological problems, therefore, they engage in new knowledge creation through knowledge recombination efforts to develop novel applications to problems (Choudhury & Kim, 2019). Third, migrants may be responding to reciprocal obligations in their social, compatriot relationships (Agrawal et al., 2011). This is especially relevant in many collectivistic cultures (such as, China, India, Japan, and South Korea), where individuals are expected to return favors to other members of their community. Fourth, in some instances, skilled migrants may be engaging in altruistic behavior and, therefore, seeking to give back to their CO (Gillespie et al., 1999; Glennie & Chappell, 2010; Saxenian, 2006). For example, Saxenian (2006) notes that Hewlett-Packard (HP) senior manager, Radha Basu, was committed to contributing to India's economic development and took

personal risks to establish HP's Indian operations in 1985. According to Saxenian, Basu used her credibility to gain confidence and trust of the HP management and Indian government officials to successfully establish the HP-India development center (Saxenian, 2006: 282). It is worth mentioning here that these four motivators are not mutually exclusive; it is quite likely that skilled migrants are motivated for one or more reasons.

## How: Processes or Mechanisms

How do skilled migrants stimulate knowledge creation and cross-border knowledge flows in and across firms? To answer this question and improve our understanding of the two processes at work, we begin with the idea that each individual is a carrier of his own knowledge world—a world formed and continuously updated by one's life experiences, both sensory and internal, in a given societal context. As the societal context changes from one country to another, so do the life experiences of an individual. North (1994) has argued that the informal constraints that guide human interaction in a society vary from one country to another and are passed down from one generation to another as “customs, taboos, and myths that provided cultural continuity” (North, 1994: 363). This suggests that despite sub-national cultural and linguistic differences, a person of Indian origin is likely to have experiences that are common with other persons from India due to their exposure to similar economic, educational, legal, and political system across the Indian states. In other words, migrants from a CO are likely to have some shared experiences and a common understanding of the economic, political, social, legal, and educational systems of that country. These experiences are likely to provide migrants with some tacit knowledge (Polanyi, 1961) of their CO and this knowledge, as noted by several theorists of organizational culture, is unlikely to be gained by other persons new to that country, explicitly by reading a book. In sum, migrants by virtue of their experiences, interactions, and affiliations at school, and at their place of work in their CO, are likely to carry a variety of knowledge that may be relevant to their CR firms.

Migrants by virtue of their interactions with others, in the firms they work for, or the organizations in their social community (such as professional associations, cultural associations, etc.), are likely to engage in exchange and combination of knowledge through such “mechanisms as meetings and telephone conversations” (Nonaka, 1994: 19) in their CR. Combination of migrants' tacit knowledge and explicit knowledge through interactions with natives and other migrants leads to new knowledge creation in their CR (Almeida et al.,

2015; Oettl & Agrawal, 2008a). This knowledge, depending on the context and on the educational qualification and expertise of the migrant, could be of various types, such as industry-specific technological knowledge, product-specific knowledge, cultural knowledge, knowledge of business and social practices in their CO, knowledge of business contacts, and knowledge of investment opportunities, among others (Shukla, 2016). Through this process of converting tacit knowledge into explicit knowledge that can be shared with others, as well as assimilating explicit knowledge transmitted by other workers (natives and other migrants) in a firm (Nonaka, 1994), migrants are engaged in the process of sharing knowledge (or externalization) as well as learning (or internalization as Nonaka calls it) in their adopted CR. Migrants' experiential knowledge of their CO is likely to interact with firm-specific tangible and intangible assets in their CR leading to the creation of new capabilities (Barney, 1991; Teece et al., 1997) and ownership advantages (Dunning, 1980, 1988) in CR firms.

As a result of their prior connections and experience in their occupational industry as well as upstream and downstream industries in their CO, some migrants are likely to possess knowledge pertaining to technological specialization, product ideas, quality of labor, employees' attitude toward work, customer preferences, domestic competition, regulations, suppliers, and distributors; this knowledge can be a valuable resource for firms in the migrants' CR (Shukla, 2016). For example, migrant's tacit knowledge about customer preferences for differentiated ethnic products can be useful for product designers in firms in those industries (Gould, 1994) and can play a role in influencing foreign market entry decisions in their CO (Chung et al., 2010).

In sum, migrants' idiosyncratic knowledge and cross-national interpersonal ties can become a valuable and inimitable resource for firms (Barney, 1991; Zaheer et al., 2009) seeking to expand overseas, and could substitute for the experience gained by personnel in a foreign subsidiary, which is a critical factor in renewed commitment of resources in the internationalization process (Johanson & Vahlne, 1977).

## Moderators

The usability of migrant's CO-specific (or CR-specific for return migrants) idiosyncratic knowledge depends on the level of information already available in the CR (or CO for return migrants). Broadly speaking, three distances— institutional distance (due to differing business systems and language, or lack

of trade agreements and diplomatic relationships) (Liu et al., 2015; Moschieri & Fernandez-Moya, 2022), technological distance (technological specialization of countries in specific industries) (Useche et al., 2019), and economic distance (level of economic development) (Miguelez & Temgoua, 2020)—between CO and CR seem to affect meaningful and usable knowledge creation in a location and flows between CR and CO. The greater the distance between the CO and CR along these dimensions, the greater is gap in knowledge that migrants can fill in their firms. Knowledge flows are also moderated by political stability and economic openness of the countries being examined. For example, in the case of refugees or asylees from a CO that is facing political instability, cross-border knowledge flows may not be pronounced. But skilled migrants from these countries are still carriers of unique intangible knowledge that can be relevant to CR firms, hence, as noted earlier, there is a need to differentiate between migrants as knowledge carriers (and creators) and as knowledge connectors. Lastly, environmental-level factors such as biases or discrimination against migrants in general or specifically for migrants from a specific CO may raise barriers to knowledge sharing and severely constrain knowledge sharing by skilled migrants. On other hand, if social perception toward migrants is positive, the likelihood of knowledge sharing by individual skilled migrants would also increase. Figure 16.1 shows the key components and the relationships between the various components of our framework.

## Conclusion and Avenues for Future Research

At a time when increasing political polarization is fueling and swaying public perception against immigrants in many countries in Europe, as well as the United Kingdom and the United States (Hainmueller & Hopkins, 2014), it is important for migration researchers to explore the nuances of this phenomenon at the country, industry, firm, and individual levels. In this chapter, we addressed the topic of skilled migrants as an international business resource in firms by examining the current state of literature in international business to explain when, why, and how skilled migrants influence the various outcomes in international, born-global, and multinational firms. This is relevant as one-third of all adult immigrants in OECD countries are skilled migrants; this share is even more for countries such as Canada (60%) and Australia (47%) which have selective migration policies, based on 2015/2016 data (d'Aiglepierre et al., 2020).

This chapter argues that skilled migrants who possess experiential knowledge of their CO business system and are also well integrated in their CR can offer useful and often novel knowledge to their firms in technological, institutional, and market entry domains that, in turn, leads to improved firm performance through enhanced innovation, new alliances, international expansion, or new product development. Due to their ability to access more than one cultural profile in their social and business interactions, many bicultural managers have a comparative advantage relative to natives in the boundary-spanning roles of firms (Brannen & Thomas, 2010). Consequently, an opportunity exists for organizational policymakers to proactively design talent search and human resource management practices to capitalize on the boundary-spanning competencies of these managers (Fitzsimmons, 2013; Furusawa & Brewster, 2015).

An opportunity also exists for organizational policymakers to create an inclusive firm environment where migrants feel motivated to share domain-specific, unique cultural knowledge of their CO that could be applied in the CR context to enable creation of novel applications in the CR. Such inclusion efforts would also send a strong positive signal to those migrant employees, who may be less willing to share their ideas on their own due to cultural or linguistic barriers, especially when the institutional, economic, or technological distance between migrants' CO and CR is high, as in the case of developing country migrants residing in developed country contexts.

While existing research in the domain of migration international business activities of firms has provided valuable insights for researchers, practitioners, and policymakers, several recent trends deserve more attention. Since the start of the COVID-19 pandemic, remote work has taken a life of its own. For many employees, this has translated to work-from-anywhere (Choudhury et al., 2021) and many countries are offering “digital nomad” visas to skilled workers who can provide proof of income and remote employment in addition to insurance and intent to depart the country (Choudhury, 2022). These trends can lead to the creation of new migration corridors between countries (quite distinct from colonial ties-related migration corridors) as policymakers change their migration policies to attract tourists and skilled transient workers to boost their local economies.

The changing patterns in the geography of global migration with greater immigration into Europe and increasing emigration from Latin America and Asia over the past few decades has implications for international business scholarship (Hajro et al., 2022). In terms of migrant-sending countries, India has the largest skilled diaspora in the OECD countries (over 3 million tertiary-educated migrants), followed by China (2 million) and Philippines (1.8

million), the United Kingdom (1.7 million), and Germany (1.4 million) based on 2015/2016 data (d'Aiglepiere et al., 2020), and several studies have examined the contributions of these migrants in the U.S., U.K., and German contexts. With emigration rates of more than 40% observed in countries such as Guyana, Trinidad and Tobago, Mauritius, Jamaica, and Fiji (d'Aiglepiere et al., 2020), there is an opportunity for learning more about the role of skilled migrants as an international business resource in these countries. Is the phenomenon of skilled emigration from these countries reflective primarily of the brain drain phenomenon or is brain circulation and technological upgrading (Agrawal et al., 2011; Docquier & Rapoport, 2012; Saxenian, 2002a) occurring in firms of these countries?

Lastly, a recent development that is creating or in many cases deepening migration pathways between countries is the Belt and Road Initiative (BRI), which is a massive, \$838 billion infrastructure development initiative launched by China to connect over 160 countries. Especially relevant here is the increased migration observed between China and the countries on the African continent. China is Africa's largest trading partner, and an estimated 500,000 African migrants live in China (Cissé, 2021). It is important to note that African migrants to China tend to be highly educated people who are either business professionals, students, or English-language teachers (Politzer, 2008). In recent years, China has sought to attract more international students by offering scholarships, especially students from Africa and from the BRI countries (OECD, 2021). These trends present new and exciting avenues for research for scholars interested in examining the role of skilled migrants as an international business resource.

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