

Diaspora and trade facilitation: The case of ethnic Chinese in Australia

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Abstract Using a sample of 135 Australian firms with operations in Greater China (Mainland China, Hong Kong, and Taiwan), this paper seeks to examine whether members of an ethnic diaspora can facilitate trade between Australia and their countries of origin. Specifically, it found that companies that are owned by immigrants and/or hired immigrants in key decision making positions (immigrant effect or IE, in short) were (a) more likely to resort to a higher resource commitment when entering into the target market; and (b) used more extensively in target markets where there are greater variations in customer behavior. There was no significant difference (a) in the deployment of immigrants between Australian firms operating in Mainland China vis-à-vis those in Hong Kong/Taiwan; (b) where there were variations in product life cycle stages between the home and target markets; (c) based on the length of operations in the target market; and (d) in performance between firms with IE and those without in the target markets. The influence of firm size, overall international business experience, variations in political-legal, economic, and competitive environments between the home and target markets, and industry type were also examined. The findings of the study with implications for theory and practice are discussed.

Keywords Ethnic Chinese · Diaspora · Australia · Immigrant effect · Trade facilitation · Foreign market entry · Performance

“Diaspora” is derived from two Greek words that mean “a scattering or sowing of seeds” and refers to the displacement or dispersion of members of an ethnic group

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from their country of origin (COO), either forcefully or voluntarily, to foreign lands. The term was initially applied to the Jews who were exiled from Israel first by the Babylonians in 607 B.C., and again by the Romans in 70 A.D. (Wikipedia, 2008b). The term has been applied subsequently to large migrations of other ethnic groups from their homeland.

Traditionally, members of an ethnic diaspora were viewed as victims from the dual perspectives that, one, they have been displaced from their COO; and, two, they have to live as aliens in another country, including learning a foreign language and custom (Ma & Cartier, 2003). However, Cohen (1996) hypothesized that globalization may actually have turned their fortunes around because members of an ethnic diaspora could now establish a dual presence in their adoptive country of residency (COR) and their COO to partake in opportunities and developments in both countries. In other words, members of an ethnic diaspora could indeed assume the mantle of “challengers” as far as bilateral trade between their COO and COR is concerned because of their unique knowledge and ties in both countries. Cohen (1996: 124) has labeled the Chinese as a “trade diaspora” by providing evidence that Chinese entrepreneurs engage “in trading activities at a greater rate than other ethnic entrepreneurs in Australia.”

This paper seeks to examine the validity of the “trade diaspora” hypothesis by using empirical data from a sample of 135 Australian firms to investigate whether (a) Australian firms that are owned by Chinese immigrants and/or who hired Chinese immigrants in key decision making positions are likely to adopt a higher resource commitment mode (i.e., such as wholly-owned operations or joint ventures) when entering into Greater China (Mainland China, Hong Kong, and Taiwan); and (b) given their unique knowledge of and possible networks in the target market, they are more likely to meet with greater success than Australian firms that are not owned nor hired Chinese immigrants.

The ethnic Chinese diaspora in Australia represents an interesting case for study for at least four important reasons. First, while Australia enjoys an abundance of natural resources, by virtue of its small population (21 million) and large landmass, its inhabitants are, by nature, outward-looking and, hence, place a strong emphasis on trade and economic relations with other countries. Second, as a member of the British Commonwealth with many of its earlier settlers from the UK and other European countries, its economic ties were primarily with New Zealand, the US, the UK, and Europe. After the UK joined the European Common Market (now the European Union), its trade focus shifted to Asia and ever since then, its economic destiny has been more closely intertwined with that of Asia Pacific. Third, because of its sparse population, Australia has welcomed immigration—an estimated one-third of its population is born overseas. However, until the abolition of the “White Only” policy in 1973, the settlement of Chinese emigrants was relatively sparse. This situation has changed and by 2001, Greater China has emerged as one of the top five source countries for emigration to Australia (Australian Bureau of Statistics, 2008). Fourth, to fuel domestic economic development in China, Australia has become an important source country of natural resources. In 2006, approximately 12% of Australia’s merchandise exports were destined for China. Besides exports, Australia has also become a popular destination for China’s burgeoning outward foreign direct investment (FDI) and the two countries have begun negotiations for a

possible bilateral free trade agreement (Wong, 2007). In November 2008, China became Australia's largest trading partner, a position which Japan had held since 1967 (Zappone, 2008).

This paper will first provide a brief overview of the ethnic Chinese diaspora in Australia, and then review the literature pertaining to social capital, foreign market entry modes, and performance to arrive at the hypotheses to be tested on the empirical data collected from a sample of 135 Australian firms.

The ethnic Chinese diaspora in Australia

The ethnic Chinese diaspora refers to the settlement of Chinese outside of Mainland China or the People's Republic of China. Its size has been estimated at between 32.8 million (Ma & Cartier, 2003) to 60 million (Pan, 1994). The bulk of the ethnic Chinese diaspora has settled in Asia (see Table 1).

Every year since 2002, according to A. T. Kearney's Foreign Investor Confidence Index, executives from around the world have ranked China as the most attractive destination for FDI. According to Khanna (2008), shortly after China's liberalization of its economy, nearly 80% FDI into that country came from overseas Chinese (also see Ahlstrom, Bruton, & Yeh, 2008). Between 1980 and 2004, an estimated one-half of the \$336 billion of FDI into China came from overseas Chinese (Geithner, Johnson, & Chen, 2004). In 2006, Hong Kong and Taiwan ranked as the largest and sixth largest foreign direct investor in China, respectively (USCBC, 2007).

According to the 2006 Australian Census, approximately 3.4% of Australians identified themselves as ethnic Chinese, with higher concentrations in major cities such as Sydney (7%) and Melbourne (5.1%) (Australian Bureau of Statistics, 2008).

Table 1 Distribution of Chinese overseas.

	Total population in 1997 (million)	# of Chinese overseas in 1997	As % of total population
Asia	2,382.6	25,515,000	1.1%
US	267.7	2,723,000	1.0%
Canada	30.1	920,000	3.1% (average N.A.1.2%)
Middle America (Panama, Costa Rica)	160.1	274,200	0.2%
South America	324.2	821,500	0.3%
Europe	590.2	1,937,900	0.3%
Oceania (ANZ, French Polynesia, PNG, Fiji)	28.7	528,200	1.8%
Australia	18.5	372,000	2.0%
NZ	3.6	111,300	3.1%
Africa	218.1	120,300	6.6%
Total	4,001.7	32,804,100	0.8%

Source: Adapted from Ma and Cartier (2003: 13-1).

Since the early Chinese settlers into that country were primarily from the Pearl River Delta in southern China (including Hong Kong), most Australian Chinese hail from that region, although in the recent past, there has been a marked increase of Chinese emigrants from Taiwan and China (Wikipedia, 2008a).

While Chinese Australians share a common cultural heritage, there are at least five important differences among those who emigrated from Hong Kong, Taiwan, and Mainland China. First, a difference in dialect—Chinese from Hong Kong (Hong Kongers, in short) speak predominantly Cantonese, whereas those from Taiwan (Taiwanese, in short) and Mainland China (Mainlanders, in short) speak Mandarin. According to the 2001 Australian Bureau of Statistics, 40.4% of Australian Chinese speak Cantonese as compared to 25% for Mandarin. Second, time of arrival in Australia—the bulk of Hong Kongers emigrated in the 1980s, in anticipation of its return to China in 1997 whereas the majority of Taiwanese arrived in Australia in the 1990s and Mainlanders in the 2000s. Third, until 1997, Hong Kong was a British Crown Colony; thus, Hong Kongers, in general, tend to be more proficient in English as compared to Taiwanese and Mainlanders. Fourth, differences in historical legacy of the three communities—Hong Kongers tend to be more Westernized as they have been inculcated with British business practices, Taiwanese were raised on the Japanese business model, and Mainlanders are, comparatively speaking, more recent converts to capitalism (Chung, 1999). Fifth, Chinese from the three communities are not particularly fond of each other—Hong Kongers, in general, consider the Taiwanese to be “too political,” whereas the Taiwanese consider the Hong Kongers to be too “practical... superficial... [and too] preoccupied with economics” (Lee & Lee, 2004). The relations between Taiwanese and Mainlanders are fraught with tensions because of China’s insistence that Taiwan is one of its provinces, although they have improved significantly under current Taiwanese President Ying-Jeou Ma. Despite Hong Kong’s reversion back to Chinese rule in 1997, for almost a decade after its handover, most Hong Kongers “have refused to consider themselves as ‘Chinese nationals’ or even ‘Chinese Hong Kong citizens,’ insisting they are ‘Hong Kong citizens’ ” (Tan, 2008). Nationalistic pride brought about by the 2008 Beijing Olympics and the concerted relief effort to support the aftermath of the Sichuan earthquake have brought about a dramatic change in attitude, so much so that the majority of Hong Kongers now chose to characterize themselves as Chinese nationals and/or Chinese Hong Kong citizens (Tan, 2008). In the light of these differences, in this study, the findings of Australian firms owned by immigrants from China will be compared with those from Hong Kong and Taiwan.

Despite these differences, there is a tendency for Chinese from both Taiwan and Hong Kong to engage in entrepreneurial activities. Under Australia’s “White Only” immigration policy and the exclusion of Asians from certain professions, many aspiring Chinese ventured into the laundry and vegetable/fruit retailing business. The “White Only” policy was introduced in 1901 and abolished in 1973 (Wikipedia, 2009). In 1976, Australia introduced a business migration category that admits experienced entrepreneurs who brought along \$350,000 in investments. By 1991–1992, 93% of business emigrants came from Asia, with 32% and 15%, respectively, from Hong Kong and Taiwan (Wikipedia, 2008a).

Another commonality shared among ethnic Chinese from these three communities is their desire to trade with Mainland China and/or participate in the fruits of the

Chinese economic miracle. Investors from Hong Kong and Taiwan, particularly in light of their greater tendency to engage in entrepreneurial activities, can provide the much-needed technological and management know-how to further China's economic development whereas the more recent arrivals from Mainland China tend to have more up-to-date knowledge and information about the China market, including a possibly wider access to the business network in that country. This has resulted in the phenomenon of "astronaut" families and "parachute" children where one or both parents, after acquiring Australian citizenship, would return to their COO and/or establish dual businesses in both their COO and COR while their children would remain in Australia for schooling purposes (Collins, 2002; Tung, 2008).

Immigrants as an important source of social capital

Most research on the choice of foreign market entry (FME) strategies has focused on economic motives—these include the Uppsala model that emphasized incremental involvement (e.g., Johanson & Vahlne, 1977); transaction cost theory (TCA) (Anderson & Gatignon, 1986; Erramilli & Rao, 1993); and eclectic theory (OLI) (Dunning, 1988). There is a growing body of literature, however, that stresses the importance of social networks in entering into foreign markets (Chen & Chen, 1998; Coveillo & Martin, 1999; Filatotchev, Strange, Piesse, & Lien, 2007; Johanson & Vahlne, 1992; Zhao & Hsu, 2007). This latter perspective argues that social networks can be instrumental in reducing the psychic distance between the investor country and the target market, particularly where the latter is characterized as an emerging economy. Filatotchev et al. (2007), for example, defined local networks in terms of business, ethnic, and cultural links that could be put to good use in entering emerging markets. Networks, especially those arising from ethnic and cultural links, are specific to individuals (Björkman & Kock, 1995; Freeman, Cray, & Sandwell, 2007; Liesch, Welch, Welch, McGaughey, Petersen, & Lamb, 2002). Thus, people that possess social capital by virtue of their ethnic ties in the target market can facilitate a firm's entry by "leapfrogging traditional barriers to internationalization" (Coviello & Martin, 1999: 63).

Since emigrants continue to be part of an ethnic diaspora in their COO, they constitute an important source of social capital. Thus, firms that are either owned by immigrants and/or which hired immigrants in key decision making positions possess an "immigrant effect" (IE) (Chung & Enderwick, 2001). Studies have shown that IE firms, by virtue of their social ties/connections in the target market, including their knowledge of local environmental conditions, familiarity with customers, host government regulations, culture, languages, and customs, can (a) stimulate the level of trade between their COO and COR (Gould, 1994; Rauch, 1999; Rauch & Trindade, 2002); and (b) enable them to pursue a higher resource commitment mode when entering the foreign market because they are more familiar with conditions in the target market (Chung, 2004; Wong & Ellis, 2002; Zhao & Hsu, 2007). The willingness to pursue a higher resource commitment mode stems from the IE's ability to reduce the psychic distance between the home and target markets. Conversely, firms without such an immigrant effect (non-IE firms, in short) are less willing to assume the higher risk associated with FME modes that entail a greater

commitment of resources, particularly in emerging markets where the risks are usually greater. Thus,

Hypothesis 1 Firms with social capital (in the form of IE) are more likely to pursue a higher resource commitment mode when entering into emerging markets.

Besides increasing the likelihood of a firm to commit to a higher resource commitment FME mode, greater knowledge of the target market can also potentially affect the successful outcome of such an undertaking because better understanding of the host country can translate into improved appreciation of the variations in customer behavior there. For example, outboard engines are used primarily for recreational vessels in Australia and much of the industrialized West, whereas they are more widely used in commercial vessels in the developing regions of China and Taiwan (Fletcher & Brown, 2008). Thus, the target markets and marketing strategies for outboard engines will differ between the developed and developing markets. Under these circumstances, the IE can become more important. Conversely, if customer behavior is very similar between the home and target markets, the identical product can be used across national borders with little or no modifications in terms of product design and/or promotional strategy (Baalbaki & Malhotra, 1993). In this case, the IE becomes less salient. Thus,

Hypothesis 2 Where there is a significant difference in customer behavior between the home and target markets, firms with social capital (in the form of IE) are more likely to pursue the appropriate marketing strategies.

Just as the same product can be used for different purposes, depending upon a country's level of economic development, the product life cycle (PLC) of the same product may not be in sync between developed and developing markets. For example, when Volkswagen's "Santana" was first introduced into China, it had already attained a mature phase at home (i.e., Germany). The PLC stage affects the type of marketing strategy for the product at hand (Reed, 2006). Thus, it is imperative to identify accurately the different stages of the PLC of the same product between home and host markets to enable the formulation of a suitable marketing strategy (Terpstra & Sarathy, 2000). Given their greater knowledge of their COO and COR, immigrants are in a better position to identify the difference in PLC stage between the home and target markets. Thus,

Hypothesis 3 Where there is a significant difference in the PLC stage of the product between the home and target markets, firms with social capital (in the form of IE) are more likely to pursue the appropriate marketing strategies.

In light of the possible role that immigrants can play in influencing the choice of a higher resource commitment mode in FME and selection of appropriate marketing strategy to contend with the differences in customer behavior and PLC stage between the home and target markets, it follows that immigrants can likely shorten the learning process of firms that are new to the international marketplace. Chung and Enderwick (2001), McDougall, Shane, and Oviatt (1994), and Zafarullah, Ali,

and Young (1998), for example, have found that IE is often used to shorten a firm's internationalization process as the knowledge and networking provided by immigrants can enable the investor to quickly adapt to the local environment. Conversely, firms with a longer history of operation in the target market are less dependent on the expertise of immigrants to successfully penetrate that market. Thus,

Hypothesis 4 Firms with a longer history of operations in the target market are less likely to be dependent on social capital (in the form of IE).

To date, research on the relationship between social networks and performance has yielded mixed results. Where a significant relationship was found, social capital/networks (or *guanxi* since these studies were all performed on China) could have an impact on selected aspects of performance—Luo and Chen (1997) discovered their positive effect on profitability, asset turnover, and sales growth; Peng and Luo (2000) reported their linkage to market share and return on asset; Park and Luo (2001) determined their association with sales growth but not growth in profitability; and Zhou, Wu, and Luo (2007) noted their relationship to profit and export performance.

Wong and Ellis (2002), on the other hand, found no evidence that joint ventures established with the assistance of social capital performed better than those without such ties. Blankenburg Holm, Eriksson, and Johanson (1996) argued that while social capital may not have a direct impact on profitability, it could have an indirect effect through “relationship commitment.” That is, if the investment were to operate smoothly, it would most likely affect relationship commitment which, in turn, could impact profitability. Thus,

Hypothesis 5a Firms with social capital (in the form of IE) are more likely to enjoy a better performance.

Existing literature has also found a linkage between the choice of FME mode and the overall performance of a venture. Woodcock, Beamish, and Makino (1994), Chen (1999), and Contractor (1999) have found a positive relationship between higher levels of resource commitment (as in wholly-owned ventures) with performance. Thus,

Hypothesis 5b Firms that adopt a high resource commitment FME mode are more likely to enjoy a higher performance.

Methodology

Research design—data collection

A six-page self-administered questionnaire was used to collect the primary data in this study. The questionnaire was pilot tested on several managers in the target markets before it was mailed to the entire sample. The questionnaire was sent to a sample of Australian firms with operations in the Greater China region (People's Republic of China, Taiwan, and Hong Kong) that were listed in the *Worldwide*

Directory of Dun and Bradstreet. The adjusted sampling frame was around 710 firms. The questionnaire was completed by the most senior executive in each company who oversaw the respondent firm's operations in the respective target markets. Dun & Bradstreet were paid an extra fee for providing the names of these senior executives as the questionnaire sought information that only the most senior executives could provide. Post-survey telephone interviews with a random sample of participating firms confirmed that the questionnaires were indeed completed by the most senior executives.

A total of 135 useable questionnaires were returned, yielding a response rate of 19%. To test for possible non-response bias, following the suggestion by Armstrong and Overton (1977), *t*-test and chi-square were performed on key variables such as performance, organizational, and industry sector between the early and late respondents. No significant variation was detected across these respondents, thus suggesting that non-response bias did not exist in this study.

Measurements

Immigrant effect Following the practice of previous research (Chung & Enderwick, 2001; Filatotchev et al., 2007; McDougall et al., 1994), IE was measured in two different ways. First, the respondents were asked if their firm had employed immigrants from the target market to assist and/or manage their firm's operation in that country. In this study, Hong Kong, Taiwan, and Mainland China were treated as three separate markets, that is, an IE would exist if an immigrant from Hong Kong was employed to look after their firms' operation in Hong Kong and so on. The immigrant employees in question had to be based at the Australian firm's headquarters (HQs) because strategic decisions, like FME, were usually made in the HQs (Wong & Ellis, 2002). Second, the respondents were asked if their firms were established/controlled by immigrants from the target market. The IE variable was coded as "1" if a participant firm had employed immigrants and/or was established and/or controlled by immigrants; otherwise it was coded as "0."

High versus low resource commitment FME mode Following Cavusgil and Zou (1994), this study used a "product-market" approach as this method permitted the collection of higher quality data pertaining to the more recent entry decisions made by the participant firms. Respondents were asked to identify their *current* market entry modes which may or may not be similar to their initial mode of entry. From a comprehensive list of FME strategies (including indirect exporting, direct exporting, licensing/franchising, joint venture, and wholly-owned subsidiary), respondents were asked to identify the specific FME mode they used to enter the target market in question. This answer was subsequently transformed into a binary factor: high resource commitment (coded as 1) and low resource commitment (coded as 0) (Chung & Enderwick, 2001; Pan & Tse, 2000). High resource commitment entry mode denotes investment strategies such as joint ventures and wholly-owned operations while low resource commitment mode refers to various exporting methods (Anderson & Gatignon, 1986; Pan & Tse, 2000).

Organizational characteristics A number of organizational characteristics were examined, including the firm's history of operations in the target markets, its size,

and overall international business experience (IBE). A firm's history in the host market was measured by the number of years it has operated in the target market. Firm size and IBE were gauged by the number of employees and the total number of years in conducting business internationally, respectively (Brouthers, 2002). These two items made up the control variable of "firm factor" in the statistical analysis. PLC was assessed by the extent of difference in the life cycle stage of the given product between the home and target markets on a five-point scale (1=very similar; 5=very different). Type of industry was operationalized in terms of whether the participant firm was engaged in the manufacturing (consumer, industrial) vis-à-vis service sectors (SV) (SV=1; 0=others) (Chung & Enderwick, 2001; Park & Luo, 2001).

Target market environmental factors Following the practice of prior studies (Pan & Tse, 2000; Zhao & Hsu, 2007), local environmental conditions were gauged in several ways. Customer behavior variation was determined by the level of difference (on a five-point scale ranging from 1=very similar; 5=very different) between the home and host markets in terms of customer preference, buying habit, product usage, and consumption pattern. Although the relationship between customer behavior and FME was not proposed as a specific hypothesis in the research framework under investigation here, in light of prior research that suggests a relationship between these two variables (O'Grady & Lane, 1996), customer behavior was also included as a control variable in this study. Other environmental factors, also measured along the same scale, included (a) political-legal, such as political interference, legal requirement on content safety, etc.; (b) economic, such as the level of economic development, cost of labor, price controls; (c) competitive, such as the nature of competition; and (d) cultural, such as linguistic differences and variations in customs. After several trials, because the cultural variables were highly correlated with other factors in the framework, that sub-environmental dimension item was excluded from subsequent analysis.

Type of host market Type of host market was determined by asking respondents to indicate the most important target market for a given product or product line, i.e., Mainland China, Taiwan, or Hong Kong. For data analysis purposes, Mainland China was coded as "1," while Hong Kong and Taiwan were combined and coded as "0." The combination of Hong Kong with Taiwan was justified on the basis that these two communities, in general, have longer experience with international business, relative to Mainland China. The latter was virtually closed to the outside world until three decades ago. Even though the profile of respondent firms in Table 3 reveals that the Australian firms that conduct business with China vis-à-vis those with operations in Hong Kong/Taiwan have slightly more years of IBE (22 years for the former vis-à-vis 19 years for the latter), this may stem from several factors: First, the Australian firms that transact business with Mainland China are larger, as gauged by the number of full-time employees (687, almost five times larger than the average Australian firm that conducts business with Hong Kong and Taiwan). In general, larger firms have a longer history of IBE. Second, Australian firms that conduct business with Mainland China are primarily engaged in the natural resource/extractive industries; these typically have a longer history of IBE. Third, because the risks involved in doing business with Mainland China are usually higher, only the larger firms can afford to undertake these risks.

Performance Consistent with prior research, performance was measured along three different dimensions: sales growth, market share, and profit (Blankenburg Holm et al., 1996; Park & Luo, 2001; Zhou et al., 2007). Both sales growth and profitability were gauged by the average performance in the previous three financial years (Park & Luo, 2001) while market share was determined as the previous year's performance along this dimension. Participants were asked to assess their product/service's profitability performance on a seven-point scale where "1" represents a high level of loss and "7" denotes a high level of profitability; sales growth on a seven-point scale ("1"=negative growth, "2"=0–5%, "3"=6–10%, "4"=11–15%, "5"=16–20%, "6"=21–25%, and "7" is greater than 25%); market share of the product/service under consideration on a ten-point scale where 1=1–10% and 10=90–100% (Cavusgil & Zou, 1994; Johnson & Arunthanes, 1995).

Control variables Prior research has found that certain factors, such as firm size, product type (i.e., manufacturing vis-à-vis service), the firm's overall experience in IBE¹, and the host country's institutional environment, including its political-legal, economic, competitive, and cultural dimensions, could influence the relationships between social capital, entry mode, and performance (Chung, 2004; Hill, Hwang, & Kim, 1990; O'Grady & Lane, 1996). These variables are incorporated into the research framework used in this study (see Figure 1).

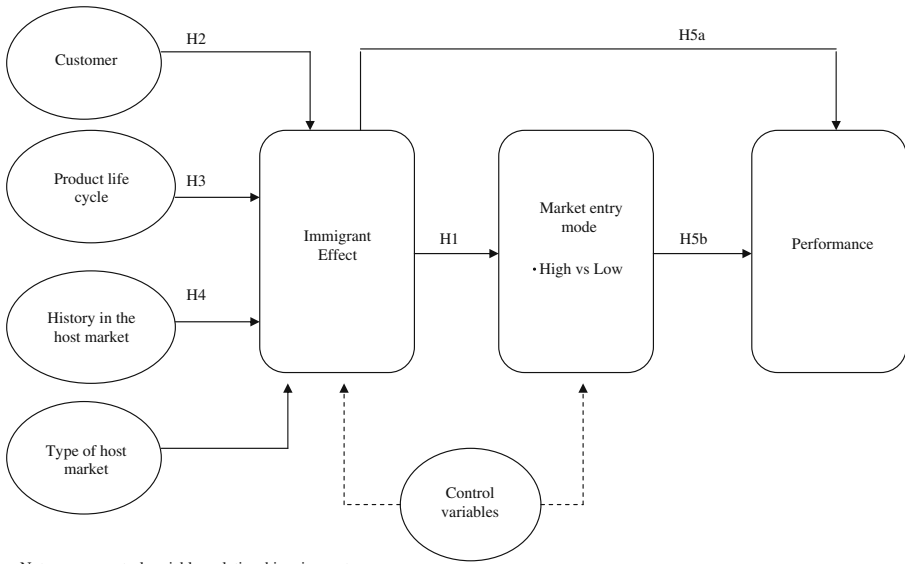
Statistical analysis

PLS analysis

Consistent with the practice adopted by research of a similar nature, this study used structural equation modeling (SEM) to examine the conceptual framework posited in Figure 1 (Zhou et al., 2007). In light of the objective of this study, namely to investigate the trade diaspora effect, Partial Least Square (PLS) was deemed to be most appropriate for analyzing the data at hand (Chin, 2001).

Specifically, PLS was used to examine: (1) the relationship between the explanatory/control factors and the potential role that immigrants can play in trade facilitation; and (2) the cross-relationships of IE, FME mode, and performance. The outcomes of the SEM models are presented in Figure 2. This study has adopted several widely recommended procedures for establishing the validity and reliability of the PLS models used, e.g., sample size, significance of paths, R^2 values, average variance extracted (AVE), and construct reliability (CR) (Gefen, Straub, & Boudreau, 2000). The established models have met these suggested requirements (Table 2). The three environmental factors (political-legal, economic, and competitive) are analyzed as a second order construct due to their strong mutual correlation. All other factors are analyzed as first order factor (Table 2).

¹ This is a broader concept than the firm's experience in the target market suggested in Hypothesis 4.



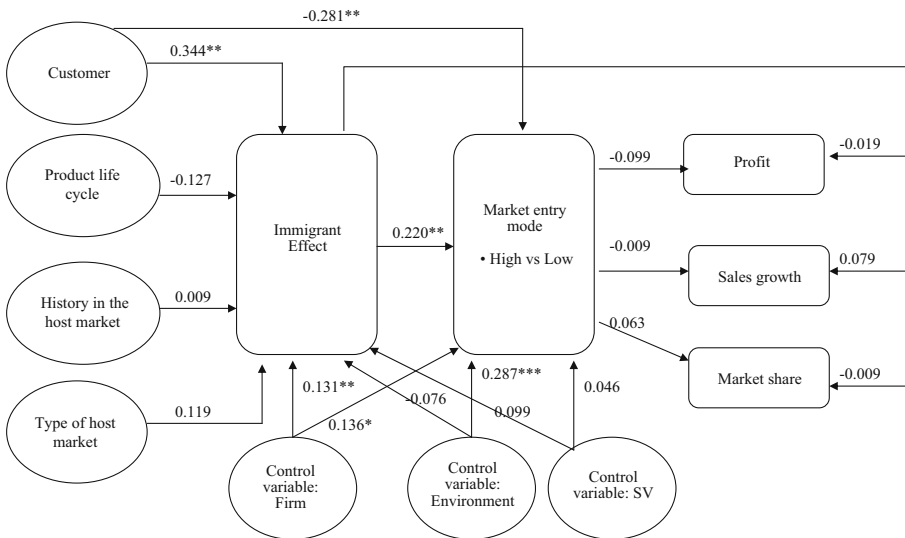
Note: -----: control variables relationships -i.e., not proposed in Hypothesis.

Figure 1 Research framework in the Greater China region—The case of Ethnic Chinese in Australia

Research findings

Description of participants

Following the practice of earlier studies pertaining to Australian and New Zealand companies (Coviello & Martin, 1999) and as recommended by the Organization for



Note: * p<0.1; ** p<0.05; **** p<0.01.

Figure 2 Research results

Table 2 Construct correlation matrix and validity assessment results.

CR	AVE	Latent Variable (LV)	A	B	C	D	E	F	G	H	I	J	K	L	M	N
0.85	0.60	Customer(A)	0.77 ^a													
1.00	1.00	ProductLifeCycle(B)	0.51	1.00												
1.00	1.00	History(C)	0.15	-0.01	1.00											
1.00	1.00	Typeofhostmkt(D)	0.06	0.07	-0.08	1.00										
0.69	0.56	Ctrl:Firm(E)	0.01	-0.05	0.29	0.13	0.75									
1.00	1.00	ImmigrantEffect(F)	0.25	0.03	0.08	0.13	0.14	1.00								
1.00	1.00	HighResource(G)	-0.07	-0.07	0.09	0.18	0.22	0.21	1.00							
1.00	1.00	Profit(H)	-0.07	-0.05	0.10	0.00	0.01	-0.04	-0.10	1.00						
0.89	0.45	Ctrl:Environment(I) ^b	0.52	0.47	0.12	0.30	0.18	0.12	0.20	-0.07	0.67					
0.90	0.69	Political-Legal(J)	0.44	0.43	0.13	0.19	0.17	0.10	0.07	-0.11	0.83	0.83				
0.89	0.67	Economic(K)	0.43	0.27	0.19	0.32	0.09	0.08	0.18	-0.09	0.84	0.59	0.82			
0.80	0.67	Competitive(L)	0.41	0.45	-0.04	0.22	0.16	0.09	0.20	0.07	0.77	0.47	0.44	0.82		
1.00	1.00	Salegwth(M)	0.01	-0.05	-0.15	0.21	0.06	0.08	0.01	0.13	-0.07	-0.06	-0.10	-0.01	1.00	
1.00	1.00	Mktshare(N)	-0.21	-0.15	0.00	0.07	-0.02	0.00	0.06	0.30	-0.17	-0.22	-0.12	-0.12	0.17	1.00
1.00	1.00	Ctrl:SV(O)	0.06	0.16	-0.04	0.09	0.00	0.10	0.09	-0.25	0.12	0.15	0.09	0.06	-0.06	-0.11

^a Diagonal represents SQR T AVE values.

^b Second order construct.

Economic Cooperation and Development Guidelines, firms with less than 200 employees were classified as small- to medium-sized firms (SME). Using this classification system, nearly 80% of respondent firms in this study fell into the SME category although some large-sized firms also operated in the Greater China markets. The average number of years in international business is 20 years (see Table 3).

The majority of firms were engaged in consumer (food and beverage, apparel, electrical) and industrial products (equipment, material, components, chemical). About 10% of the participants were involved in the service sector (financial, shipping, designing, education, marketing research). The most important target markets for the respondents were: Mainland China (44%), Hong Kong (37%), and Taiwan (18%).

The majority (75%) of firms entered via low resource commitment FME strategies, including direct and indirect exporting, the use of foreign distributors/agents/export management companies (EMCs), and internet/direct sales. The remaining 25% of companies entered via the high resource commitment FME modes such as wholly-owned operations and joint ventures.

Firms that were classified as IE users accounted for 43% of the sample. The majority (40%) of the IE users fell into the category of immigrant employee, while only 4% of the firms surveyed were owned/founded by immigrants themselves. In terms of IE (both employee and employer) source countries, Mainland China had the highest proportion (52%), followed by Hong Kong (37%), and Taiwan (11%). These statistics are consistent with the COO of immigrants to Australia and New Zealand (Australian Bureau of Statistics, 2008).

Outcomes of hypotheses testing

Hypothesis 1: Social capital and FME mode selection

IE, a form of social capital, was found to be significantly related to choice of FME entry mode (see Figure 2), thus supporting Hypothesis 1. As shown above, Hypothesis 1 hypothesizes that firms with IE are likely to employ a high resource commitment FME. This result suggests that, in general, firms with social capital (i.e., owned by immigrants or hired immigrants in key decision making capacities) tend to pursue a higher resource commitment mode when entering into emerging markets. This finding confirms earlier research that immigrants can constitute an important hub of the organization's social network by acting as a bridge/interface between the firm and the target market, thus prompting the investor firm to adopt a higher resource commitment FME mode (Chen & Chen, 1998; Zhao & Hsu, 2007).

Hypothesis 2: Social capital and differences in customer behavior

Hypothesis 2 is concerned with the relationships between customer behavior, IE, and marketing strategies. Variations in customer behavior was found to be positively related to the deployment of immigrants, thus supporting Hypothesis 2, but was negatively associated with the choice of FME mode (Figure 2). This outcome suggests that firms were more likely to rely on social capital, i.e., to engage the

Table 3 China vis-à-vis Hong Kong/Taiwan.

	China (<i>n</i> =60)	Hong Kong/Taiwan (<i>n</i> =75)	Overall (<i>n</i> =135)
Firm size (full-time employees)	687	138	379
IBE general	22	19	20
Year in the host markets	9	10	9.8
IE	50%	37%	43%
Non-IE	50%	63%	57%
High resource	33%	18%	25%
Low resource	67%	82%	75%
Product type (service)	14%	8%	10%
Product type (non-service)	86%	92%	90%
Consumer ^a	3.15	3.08	3.12
Product life cycle ^a	2.50	2.31	2.40
Political-legal ^a	3.58	3.18	3.35
Economic ^a	4.47	3.87	4.13
Competitive ^a	3.38	2.88	3.10
Profit	3.98 (4.13, 3.81) ^b	3.97 (3.74, 4.18)	3.98 (3.95, 4.04)
Sales growth	3.96 (4.14, 3.78)	3.15 (3.15, 3.15)	3.50 (3.67, 3.38)
Market share	2.24 (2.14, 2.33)	1.93 (2.00, 1.89)	2.06 (2.07, 2.06)

^a Variables are measured on a five-point scale (1=very similar; 5=very different).

^b The first set of figures within the parentheses represents the mean for IE users, while the second set of figures within the parentheses constitutes the mean for non-IE users.

services of immigrants when operating in a target market where customer behavior varies significantly from that of the Australian home market. This finding may arise from the perception that the use of immigrants who are more familiar with the target market can assist the Australian investor to differentiate their products/services from their competitors to gain a greater competitive advantage. However, the negative association between customer behavior variations and FME mode suggests that firms were less likely to select a high resource commitment entry mode where there is high variation in customer behavior between the home and host markets. This may be so because of the higher risk associated with servicing a clientele in the target market that is substantially different from that at home; thus, the investor firm may be averse to a higher resource commitment mode when entering these markets (Hill et al., 1990).

Hypothesis 3: Social capital and PLC

Similarly Hypothesis 3 is related to the relationships across PLC stage, IE, and marketing strategies. There was no significant difference in the deployment of IE where there is a substantial variation in the PLC stage between the home and target markets, thus Hypothesis 3 is not supported (Figure 2). This finding may be attributed, in part at least, to one or more of the following reasons: (1) there is some validity to Levitt's (1983) assertion of the emergence of global products, at least in the case of the products and services marketed by the firms in this study; and (2)

even though Hong Kong and Taiwan are still classified as emerging markets, they are, in reality, highly sophisticated economies as evidenced by their high per capita GDP vis-à-vis that of Australia. For 2006, the per capita GDP for Hong Kong, Taiwan, and Australia were US\$37,300, US\$29,500, and US\$33,000, respectively. While the per capita GDP for Mainland China was below US\$10,000 for 2006, the very rapid growth of that economy coupled with quantum advances in telecommunications might have compressed dramatically the variations in PLC stages across countries. Arnold and Quelch (1998), for example, have argued that the international PLC approach may no longer be applicable to emerging economies. Furthermore, the difference in PLC stage variation presented in Table 3 (2.5 for Mainland China vis-à-vis 2.31 for Hong Kong/Taiwan), while not statistically significant, indicates that the variation in PLC stage between the Australia and Mainland China is larger than that between Australia and Hong Kong/Taiwan.

Hypothesis 4: Social capital and length of operations in target market

Initially it was proposed that firms with a longer history of operations in the host market are less likely to use the IE social capital (Hypothesis 4). Length of operations in the target market was not significant (Figure 2), thus Hypothesis 4 was rejected. In other words, the length of operations in the target market did not appear to reduce a firm's reliance on social capital. This situation may stem from the investors' realization that the emerging markets under investigation in this study are in a constant state of flux; thus, there is a continued need for social capital in the form of immigrants or people who are up-to-date on the latest developments in these economies. In the case of China, it has been said that the only constant there is "change itself." In the case of Hong Kong, since its reversion back to China in 1997, its economy has become more closely integrated with that of the Chinese Mainland. Similarly, in the case of Taiwan, there have been dramatic shifts, particularly in terms of its relationship with Mainland China, from former Taiwanese President Shui-Bian Chen to current President Ying-Jeou Ma.

Hypothesis 5a: Social capital and performance

Hypothesis 5a is concerned with the relationship between IE social capital and performance. As shown in Figure 2, there is no statistically significant difference in all the performance measures between IE and non-IE firms. Thus, Hypothesis 5a was rejected. This finding could be attributed, in part at least, to the highly competitive nature of these emerging markets and suggests that there is no silver bullet to attaining rapid sales growth, capturing market share, and realizing quick profits in these markets. This finding is consistent with Yeung and Tung's (1996) and Luo's (1997) assertion that the effect of social networking on performance is only evident in the long-run. This is also consistent with the finding by Blankenburg Holm et al. (1996) of indirect effect through "relationship commitment." Social capital, particularly in a Chinese context that emphasizes long-term relationships, takes time to build and develop. The means presented in Table 3, while not statistically significant, suggest that in the Mainland China market, IE users enjoy an edge over non-IE users as far as profitability and sales growth are concerned (4.13 and 4.14 for

IE users vis-à-vis 3.81 and 3.78 for non-IE users, respectively, for the two performance measures).

Another possible reason for this finding may be related to the outcome of Hypothesis 4 that revealed that firms included in this study tended to pursue the same marketing strategy regardless of difference in PLC stage between the home and target markets. Thus, it is possible that the firms' inability to adapt their marketing strategy to meet the specific PLC stage in the target market might have affected their performance. However, because the data for this study are correlational in nature, it is not possible to test this potential linkage further.

The finding of absence of relationship between IE use and performance is consistent with the results obtained by Chung and Enderwick (2001), and Chung (2002, 2004) that IE has a stronger impact on strategic choice such as FME strategy (as is the case in this study) instead of short-term financial results. In light of the growth opportunities posed by emerging markets, particularly Mainland China, the primary objective of the investor firm may be to attain other objectives, such as gaining a foothold in the market, rather than short-term profitability.

Hypothesis 5b: High resource commitment and performance

Hypothesis 5b proposes that firms adopting a high resource commitment FME are more likely to obtain a higher performance. Figure 2 shows that the choice of market entry mode is not significantly related to any of the performance measures under investigation in this study. Thus, Hypothesis 5b is also rejected. Again, this finding may be attributed to, in part at least, the highly competitive nature of these markets that render it difficult for investors to attain short-term motives.

Outcomes pertaining to control variables

Both firm size and IBE are significantly related to the deployment of immigrants (Figure 2). In other words, firms that are larger in size and those with greater IBE are more likely to possess social capital, i.e., be owned by immigrants or use immigrants as key personnel involved in strategic decision making. This finding may be attributed to one or more of the following possible reasons: First, larger firms with more assets can afford to hire immigrants. Second, firms with more years of international business are more aware of the benefits that could be derived from the deployment of immigrants in key decision making positions. Third, in the longer term, IE firms may meet with higher incidence of success—while this effect was not captured in the short-term measures of performance used in this study—that, in turn, contribute to their longevity in international business and their ability to grow in size over time.

Large size and a longer history of IBE were also found to be positively and significantly related to the choice of a high resource commitment entry mode. This is consistent with the incremental approach to internationalization proposed by the Uppsala School (Johanson & Vahlne, 1977). In a similar vein, firms that operate in a target market that is characterized by very large environmental variations from that at home were more likely to resort to a high resource commitment entry mode because of their desire to exercise more control and/or monitor the environment associated with a highly different target market.

Product type was not significantly related to the deployment of IE and FME mode. An optimistic interpretation of this finding could be that since opportunities appear to abound in these emerging markets, all types of products and services may be suitable. A pessimistic explanation for this outcome could be that these markets pose challenges for all foreign investors, that is, both product and service providers.

Similarly, IE usage did not differ across type of host market. In other words, Australian firms that operated in Mainland China were not more likely to deploy immigrants in comparison to their counterparts that transact business in Hong Kong/Taiwan. At least three possible reasons might have contributed to this outcome. First, though IE usage is not statistically different between the two categories of host markets, one-half of the Australian firms with operations in Mainland China used IE as compared to only 37% of those that do business in Hong Kong/Taiwan (see Table 3), thus suggesting that Mainlanders are used more extensively when operating in the China market. This might stem from the lesser developed institutional environment in Mainland China relative to Hong Kong/Taiwan, thus rendering a greater reliance on social capital (or *guanxi*) to get things accomplished there. Second, even though the extent of environmental difference between Hong Kong/Taiwan and Australia is less than that between Mainland China and Australia (see Table 3), many investors may still perceive enough psychic distance between the home and target markets to warrant the use of immigrants (see Coviello & Martin, 1999). Third, the nature of the products/services marketed in the three economies may be such that they all require the special knowledge that immigrants possess in order to effectively penetrate these markets. A case in point is Dolmio spaghetti sauce which is popular in the three markets. While Australians tend to use the contents straight from the jar/can, the Chinese in Greater China prefer to add vegetables to the sauce to make it a dish instead.

Discussion

Similar to research of this nature (Wong & Ellis, 2002), this study has suffered from several limitations. One, this study only focused on Australian firms with operations in Greater China. Thus, it is not possible to generalize the findings of this study to firms in other countries, such as Canada, New Zealand, and the Africa continent, where members of the Chinese diaspora have a more sizable presence (see Table 1).

Two, a limited number of factors, such as firm characteristics, industry/sector, and select local environmental conditions, were included in this study. Future research should explore the specific conditions under which the relationship between social network-FME strategy could be strengthened through the incorporation of other potentially salient variables, such as R&D intensity (Chen & Chen, 1998) and strategic factors (Park & Luo, 2001). In addition, the use of several single-item variables, such as firm size and IE, might have affected the outcomes. Future research should seek to develop multiple measures for each of these variables. Three, only economic performance was measured in this analysis. Prior research has suggested the inclusion of non-economic measures as well, such as whether the selected FME mode has (a) met strategic objectives, (b) attained success in developing relationships with overseas marketing intermediaries, (c) responded

effectively to competitive pressures, and (d) gained footholds in the target markets (Cavusgil & Zou, 1994; Myers & Harvey, 2001). The use of both economic and non-economic measures can provide a better gauge of a firm's overall performance in the target market. This appears to be particularly important where emerging economies are concerned as the primary objective of the investor firm in these target markets may be to attain strategic objectives rather than to meet short-term financial objectives. Four, this study has used members of an ethnic diaspora (or IE) as a proxy of social network. Future research on the role of the diaspora in trade facilitation could incorporate other aspects of social networks identified in the literature, such as relational networks (Chen & Chen, 1998) and business networks (Blankenburg Holm et al., 1996). In other words, through more extensive understanding of these various types of networks, it could shed more insight into the complexity of relationships involved in ethnic diasporas. Five, this study only focused on the Chinese diaspora. Other diasporas, such as that of ethnic Indians, also merit research attention.

By analyzing the operations of 135 Australian firms with operations in Greater China, this study has yielded useful insights on the role of the Chinese diaspora in facilitating trade between Australia and the COO of these Chinese emigrants. Australia represents an interesting case for analysis because while it is geographically located in Asia Pacific, its cultural heritage and traditional trade ties are with Europe and other Western countries. To adapt to the emergence of regional trading blocs, the economic fate of Australia has become more inextricably intertwined with that of Asia Pacific. In fact, former Australian Prime Minister, Bob Hawke, was the principal architect behind the formation of the Asia Pacific Economic Cooperation (APEC) Forum in January, 1989. To benefit from that country's re-alignment of economic interests with the rest of Asia Pacific, many Australian firms seek to take advantage of the changing demographic profile in their country—namely, the influx of immigrants from Greater China—to advance their export/trade agenda with these countries.

From the Chinese emigrants' perspective, even though there is no longer any restriction on the types of professions and occupations that they could enter into, many first-generation immigrants to an English-speaking country may still experience difficulty in adjusting to the Australian way of life. This factor, in conjunction with the growing economic opportunities in Greater China, have meant that Chinese immigrants to Australia could seek to profit from their unique knowledge of their COO to facilitate trade and investments into these markets.

This study has shown that members of the Chinese diaspora in Australia, in their capacities as either owners/founders of companies or as key decision makers, can enable the investor firm to resort to a higher resource commitment mode (such as wholly-owned subsidiaries and joint ventures) when entering into the target markets. Even though a higher resource commitment FME mode entails greater risks, it can potentially generate more profits. In addition, this study has shown that firms with IE can help to overcome the variations in customer behavior between the home and target markets.

Even though this study did not find a significant relationship between firms that were owned and/or engaged the services of immigrants as key personnel, on the one hand, and improved economic performance, on the other, the analysis revealed that larger firms and those with longer years of IBE were more likely to undertake a

higher resource commitment FME and deploy the services of immigrants. Because only successful companies are able to grow in size and acquire more IBE over time, this finding may suggest that Australian companies that are owned and/or hired immigrants might, in the longer term, have a greater chance of survival in the target markets under investigation.

This possibility, in conjunction with the two significant positive associations uncovered in this study and the fact that IE usage did not differ significantly across type of host market, point to the important role that members of the Chinese diaspora could play in facilitating the entry of Australian firms into the Greater China market.

From the theoretical perspective, this study has advanced our understanding of the FME and social capital literature in at least two important ways. First, the research framework proposed in this study and the subsequent verification of select aspects of the theoretical paradigm lend support to the need to investigate the role of non-economic motives in affecting the choice of FME entry strategies. In other words, future research on determinants of FME selection should combine both economic and non-economic factors, social capital being one of them. Second, most research on social capital has focused primarily on business and social networks. By focusing on the members of an ethnic diaspora, this study has provided some evidence to support that shared ethnicity, which is a broader concept than a business network, can be an important source of social capital. This can facilitate further development of the social capital construct that has gained increasing attention in the international business literature.

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