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**Immigrant Employee Effects in International Strategy: An Exploratory Study of the Service Sector**

**Abstract**

This exploratory study examined the influence of immigrant employee effects within a sample of small New Zealand based international service providers. Seven immigrant employees from six firms were interviewed. The interviews examined immigrant effects on five areas: knowledge transfer and application; relationships; marketing strategy; distribution channels; and market entry mode.

Propositions derived from literature were tentatively tested. The findings, consistent with other literature on immigrant effects, indicated that immigrant employees play an important role in shaping these areas within small international service firms. Of particular importance was knowledge of local culture and market conditions. Immigrant employees enjoyed considerable discretion in the creation and management of customer-firm relationships. There appeared to be strong interactions between the value of immigrant knowledge, relationships, and the characteristics of service offerings. Networks created by immigrant employees appear to be particularly valuable in the face of market turbulence and the adaptation of marketing strategy.

The most effective utilisation of immigrant employees is related to size of the firm, attitude of the employer, and the level of job satisfaction. Further research to confirm these exploratory findings would be useful.

**Key Words:** Immigrant Employee Effects, Service Firms, New Zealand Firms.

## **Introduction**

Recent changes in the structure of the world economy have altered the nature of international competition in a number of ways. The rise of the emerging economies, growing liberalisation, and information and communication innovations which have lowered the costs of managing cross-border operations have heightened international competition (Sirkin et. al. 2008). At the same time, the increasingly transient nature of cost based competitive advantages has prompted the search for more sustainable sources, particularly knowledge-based advantages (Best 2001). For firms operating internationally, immigrant employees may bring precious knowledge which could be deployed in strategy development. Immigrant employees can offer valuable insights into consumer behaviour, business practices, distribution channels, and market entry strategies in their former home country, as well as in culturally similar markets.

The opportunities for deploying immigrant skills are growing as international migration has increased. While international migrants are less than three percent of the world population, there were at least 160 million people living outside their country of birth or citizenship in 2000, up from 120 million in 1990 (Martin and Widgren 2002). While the links between trade, aid, foreign investment and migration have long been recognised (Gould 1994), the primary research focus has been on ways in which economic involvement with an economy can reduce pressures for emigration. Much less attention has been paid to the issue of how immigrants can assist a host economy in developing business with the immigrant's former home country although recent research has revealed the circular nature of migration and its contribution to both home and host country development (Saxienian 2006). Many of the existing studies have examined the entrepreneurial effects of immigration, focusing on the creation of international trading linkages by migrant business owners (Chung and Enderwick 2001).

This paper explores a different, but complementary issue, that of the role of immigrant employees within international service firms. Immigrant employee effects describe the impact that knowledge of their home or related markets possessed by immigrant workers has on the international strategy and performance of the firm. While the topic of immigrant employees has been researched, this body of work emphasises manufacturing firms (Chung 2004). The growing importance of services in international business and the distinct characteristics of service firms mean that this is a research gap worth exploring.

The study reported here is based on New Zealand businesses and, given the small sample size, is best interpreted as exploratory. The choice of New Zealand to explore immigrant effects is a sound

one given the nature of the economy. New Zealand is one of only a handful of developed economies that welcomes international migrants as permanent residents. The result is a population with a foreign born share of almost 20 percent (Williamson and Hatton 2005). Furthermore, the majority of New Zealand migrants are young, well educated, and conversant with English (Statistics New Zealand 2008). A significant number, around 20 percent, originate from Asia, an area which offers both tremendous business opportunities but also cultural and other challenges to New Zealand business (Asian Demographics 2005). The vast majority of migrants in New Zealand are employed as professionals and may be expected to play a role in developing international business linkages (Statistics New Zealand 2008).

The research has several objectives. First, it attempts to understand the knowledge transfer and application process involving immigrant employees. In particular, we consider the background of immigrant employees and the areas in which their unique knowledge is applied. Second, given the distinct nature of international service firms (Dunning 1989; Enderwick 1989) we consider the role that immigrant employees play in developing and managing relationships between the firm and its customers. Third, the interview data also enable us to examine the influence that immigrant employees have over critical competitive decisions including overseas market servicing mode, distribution channels, promotion and pricing.

Figure 1 provides a summary of the research aims. As this figure highlights, previous research has examined the relationships between firm, product and marketing environment factors and immigrant effects (Chung 2002; Chung 2004; Chung and Enderwick 2001). Similarly, there is a considerable body of research which examines the relationships between customers and service firms (Gouthier and Schmid 2003; Gronroos 1990). The focus of this study is the dotted relationships which highlight the impacts of immigrant employees on the international service firm and its relationship with customers. In addition, we examine impacts on market entry modes, distribution and international strategy.

#### **FIGURE 1 HERE**

The paper is structured into six principal sections. The following section considers previous research in this area which is used to develop a number of research propositions. This is followed by a discussion of the research approach. Section four provides the principal findings with a focus on

cross case analysis and an evaluation of the propositions. This is followed by a discussion of the findings. The final section contains concluding comments.

### **Previous Research and Propositions**

The topic of immigrant effects on international service firms necessarily draws upon an eclectic range of literature. Directly relevant are studies on knowledge transfer, relationships, marketing strategy, and the distinct characteristics of services. We provide a brief overview of these areas in the derivation of research propositions.

#### Knowledge transfer and application

International knowledge is critical in the international process of any firm, including service firms. Johansen and Vahlne (1997) provided an explanation of internationalisation based on the acquisition, integration and application of knowledge of foreign markets. The accumulation of knowledge reduces risk and accelerates the internationalisation process. For service firms the most important source of such knowledge is employees. While it is generally accepted that human resources are of critical importance in the success of any firm, this is particularly true for service firms (Hitt et. al. 2001; Schneider and Bowen 1993). From the perspective of immigrant effects studies, the critical forms of knowledge are local and experiential knowledge. Local knowledge refers to understanding of a local economy, including its political, cultural and business systems as well as the management of local business operations (Makino and Delios 1996). Such knowledge is of critical importance when significant cultural or institutional gaps exist between the home and target markets or the international firm perceives a significant liability of foreignness (Evans et. al. 2000; Zaheer 1995). Indeed, because international service firms are necessarily deeply entwined with the culture and social practices of each country in which they operate, such differences must be incorporated into strategy formation and implementation (Davis 2004).

Experiential knowledge is the knowledge gained through direct experience. Immigrant employees often have experiential knowledge of their country of origin because they have lived and perhaps worked in that country before migrating. In addition, this knowledge is refreshed and reinforced in their current employment and may be related to period of incumbency.

Eriksson et. al. (1997) measured international experiential knowledge along three dimensions: internationalisation knowledge; foreign business knowledge; and foreign institutional knowledge.

Internationalisation knowledge is knowledge of how to adapt resources and capabilities to the international environment. Foreign business knowledge is related to clients, competitors, and the market. Eriksson et. al. (1997) suggested that foreign business knowledge can be acquired when firms participate within their foreign networks. Foreign institutional knowledge refers to the understanding of culture, government, institutional frameworks and norms. Internationalisation knowledge allows firms to realise what foreign business knowledge and foreign institutional knowledge it requires (Hadley and Wilson 2003). Based on this research we propose that:

*Research Proposition 1: Immigrant employees bring valuable local and experiential knowledge to the international service firms that employ them.*

## Relationships

Relationships between customers and international firms are exchange transactions of products, services, knowledge and values that develop through interaction over time and indicate a mutual orientation of both parties toward each other (Mattsson 2006). The business relationship between two entities could have direct, or indirect, connections to other relationships as part of larger networks. Over time the business network has evolved to continually reflect changes in economic, sociological and technological developments (Achrol and Kotler, 1999; Achrol, 1997) and effective relations can now be managed over considerable geographical distance. Relationship marketing is closely related to the business network approach. Achrol (1991) argued that the goal of relationship marketing should be to nurture a lasting relationship, because maintaining existing customer relationships demands fewer resources than attracting new customers. Furthermore, the factors determining the success of lasting relationships, such as trust, commitment and social norms, are central to the network relationship. There is also evidence that relationships may offer a more important source of information than market research for strategically important decisions including overseas market selection (Ellis 2000).

There are several reasons for expecting immigrant employees to play an important role in shaping the relationship between international service firms and customers from the employees' country of origin. First, while marketing management in manufacturing firms may place primary reliance on the traditional four 'Ps' of the marketing mix, service marketing is shaped by the need for quality. Zeithaml, Parasuraman and Berry (1990) suggested five service qualities perceived by customers: tangibility; reliability; responsiveness; assurance; and empathy. Successfully maintaining these

qualities requires a good understanding of customer's preferences, cultures, and local business customs, areas with which immigrant employees should be familiar.

Second, home country-based social networks of immigrant employees are valuable to international firms. Home-based social networks are important in mediating the relationship between inward and outward internationalisation, and firm performance (Zhou et. al. 2007). This research highlights three benefits of home-based social networks: knowledge of foreign market opportunities; advice and experiential learning; and referral trust and solidarity.

Third, since immigrant employees often have a good understanding of business customs and cultures of customers in their country of origin, they can establish beneficial personal relationships with customers (Chetty and Holm 2000; Holm, Eriksson and Johanson 1996). These ideas provide the basis for a second proposition.

*Research Proposition 2: Immigrant employees play an important role in shaping, developing and maintaining relationships between international service firms and their customers.*

## Marketing Strategy

The relative degree of strategy standardisation or adaptation is a critical consideration for any international business. Frameworks for determining the optimum balance have highlighted key variables including the nature of the product, the market, the operating environment, the competitive position and organisational factors, including the delegation of responsibility (Jain 1996). However, the distinct characteristics of services – particularly their heterogeneity, simultaneous production and consumption and inevitable involvement of the consumer, means that a highly standardised strategy is likely to have little appeal (Wills et.al. 1991). The local knowledge possessed by immigrant employees facilitates such adaptation (Gould 1994). There is also evidence that international firms using immigrant employees are both more involved with the host market (Chung and Enderwick 2001) and more likely to adapt their marketing programme to local conditions (Chung 2002). This suggests that:

*Research Proposition 3: Immigrant employees will play a significant role in the design of the firms' international marketing strategies and that such strategies will be adaptive reflecting local and changing market conditions.*

## Distribution Channels

The success of international service firms, particularly smaller firms, is critically dependent on the selection and development of appropriate distribution channels. Changes in distribution are expensive and disruptive of existing customer relations (Anderson and Coughlan 1987; Bello and Williamson 1985). In considering the optimal distribution choice for service firms it is useful to note the distinction between direct and indirect channels (Root 1964). The direct, or integrated channel has an overseas channel member located in the buyer's country. On the other hand, if the overseas channel member is located in the producer's country this is an indirect, or independent, distribution channel. While a direct channel is normally more effective when sales require specialised knowledge such a system is likely to be more expensive (Anderson and Coughlan 1987). In the case of international services, immigrant employees may offer an effective compromise between the need for local knowledge (Jain 1996) and cost, particularly if such employees invest in developing and maintaining trust through personal contacts. Based on this, the research proposition regarding the distribution channel and immigrant employees is:

*Research Proposition 4: Immigrant employees will play a primary role in determining, developing, and maintaining appropriate distribution channels within international service firms.*

## Market Entry Mode Selection

The market entry mode decision is one of the most important that the international firm must make. Its importance results from the fact that it determines cost, returns, risk and control. These strategies serve as a foundation for the competitive position of the product after market entry. The factors that determine entry mode decisions for service firms are likely to differ from those of manufacturing businesses (Erramilli and Rao 1990; Krishna and Rao 1993). In particular, service firms, because of heterogeneity and quality control, are likely to utilise a mode that offers a high level of control. The local knowledge and skills possessed by immigrant employees can reduce monitoring costs and increase the effectiveness of control in their host countries. Chung and Enderwick (2001) documented that the immigrant effect significantly influences market entry mode selection. Firms founded by immigrants from the host market choose foreign direct investment as a preferred entry mode, because their familiarity with the market reduces risk. While this work focused on the impact of immigrant employers on market entry mode, we might expect a similar effect from immigrant employees. This suggests the following proposition:



*Research Proposition 5: Immigrant employees will influence market entry mode selection and will be directly involved in the operation of the selected overseas servicing mode.*

### **Research Approach**

This study adopts a multiple case study method to address the research propositions outlined in the previous section. Case studies are particularly useful in exploratory research (Yin 2003) and can provide valuable insights into how immigrant employee effects might be expected to impact on the firm. This study involves seven respondents from six international service firms that have immigrant employees from their customer markets. Respondent firms were purposively selected and were required to meet three requirements: that they operated internationally; that they employed immigrant employees; and that the firm engaged with customers from the home country of the immigrant employee. Four of the six firms were engaged in the area of education services. Of the two other firms, one offered immigration services and the other a tourist venture. All six would be considered small to medium sized firms and all were located in New Zealand's north island, primarily within Auckland, the largest city in the country. Seven respondents were interviewed, one from each firm with the exception firm A, where two respondents were selected. While the firms typically operated in a number of markets, the interviews focused on particular markets which are noted in Table 1 below.

To ensure a consistent approach to data collection, interviews were based on a structured research instrument which examined the background of the firm and immigrant employee, current market involvement and the influence of the employee on international strategy. Interviews, which lasted for approximately an hour, were recorded and respondents were encouraged to explore these topics in depth. Since some of the information provided, for example with regard to market servicing strategy and elements of the marketing mix, were considered confidential, names of the firms and respondents are disguised. Table 1 provides a brief overview of the case firms and respondents.

**TABLE 1 HERE**

### **Findings**

This section presents the results of the interviews and relates them to the research propositions. The results are presented primarily in the form of cross-case analysis, but the findings are illustrated with examples drawn from individual cases. An overview of the findings is provided in Table 2.

## TABLE 2 HERE

As Table 1 reveals, the sample firms are, on average comparatively small, with Firms A and D being the largest with up to 100 employees. The respondent firms are classified as small-to-medium sized according to the OECD standard (less than 200 employees) (Coviello and Martin 1999). Second, the firms have been in business for a number of years with an average tenure of more than 23 years, although one, (Case F), has not been operating in New Zealand for all the time of its existence. Third, the market focus of respondent firms towards Asia is highly evident. The primary markets targeted are Japan, China (and related markets), and Thailand. Only one firm, (A), targets markets outside Asia. In part this focus reflects both opportunities (the number of international students, tourists or migrants coming to New Zealand), as well as the background of the owners and employees. Fourth, the mixed ownership of respondent firms suggests that there are sizable opportunities for applying immigrant employee knowledge. Half of the respondent firms are owned by New Zealanders who clearly benefit from additional local and experiential knowledge. Even where there is foreign ownership, as in the case of Firm F, the engagement of a Chinese immigrant employee allowed it to move beyond Korea and into Chinese language markets.

### **Knowledge Transfer and Application**

Turning to the particular propositions, the first relates to knowledge transfer and application by immigrant employees. It is apparent from Table 2 that respondent firms make considerable use of immigrant employee knowledge. All interviewees stated that their local and experiential knowledge was highly valued by their employers and was utilised across several elements of the firm's marketing strategy.

Second, Table 2 illustrates that immigrant employees have typically been employed by their firms for a significant number of years, the average across all cases is more than six years with two employees (cases A and D) being employed for more than a decade. Furthermore, in most cases the employees have spent additional time in New Zealand before taking up their positions. There is evidence that some immigrant employees also bring relevant work experience from their home country. For example, Ann from Firm D, the tourism venture, had industry experience in both Thailand and Australia. Similarly, Alex who is employed by Firm F, in the education was formerly a teacher in China. Susan, from Firm C, had worked in management positions in Shanghai, China prior to migrating to New Zealand.

The need for local knowledge is particularly important for a firm such as A, which is involved with English language teaching. The firm hired thirteen immigrant employees from thirteen different countries to help the firm better understand the cultures, customs and preferences of people in its targeted markets. Kyoko, who works on the Japanese market for Firm A, has extensive experiential and local knowledge of the Japanese market. She previously worked as a teaching assistant for intellectually handicapped children in Japan. Her knowledge helped the firm adjust to a decline in the number of Japanese students seeking to study abroad resulting from both the declining number of young people in Japan and the economic recovery which offers more employment opportunities. Marian, the second interviewee in Firm A, has a sound understanding of the Swiss and German markets and has helped the firm to refine its offerings to appeal to European students.

In all case firms, it is cultural understanding that appears to be the primary knowledge contribution of immigrant employees. This may involve overcoming language barriers (Firm A), understanding cultural diversity between cities in the same country (Firm C) and differences between customers of different nationalities. For example, Ann from Firm D has excellent understanding of a range of Asian cultures. This is illustrated by her adaptation of the traditional Sheep Dog Trial to just Sheep Trials when promoting the show to Muslim customers who have an aversion to the term dog, since such animals are perceived as unclean in their culture. Alex, the Chinese employee in Firm F, has sufficient understanding to know that different student groups focus on different goals. His experience is that Korean student emphasis improvement of their English language skills while the Chinese are more likely to seek entry to New Zealand universities. Three of the six respondent firms (Firms A, B and D) are owned by New Zealanders and are heavily involved in Asian markets. Hence, the immigrant employee effects in terms of knowledge transfer in these three firms are expected to be strong. All managers and owners in these firms benefit from the understanding of Asian markets and consumers that their immigrant employees contribute. Even Firm C, which is owned by a Chinese individual, still receives some benefit from Susan, who is also Chinese. Susan indicated that because she is from the Shanghai area, her experience in Shanghai helps her boss to improve her understanding of the characteristics of the city.

Table 3 reports the measurement of knowledge transfer from immigrant employees to international firms. The measurement is based on a 7-point scale, widely used in the international marketing and management literature (O'Grady and Lane, 1996; Sorenson and Wiechmann, 1975). In this case a measurement of "1" denotes a low contribution while "7" represents a high contribution. The information provided in both Tables 3 and 4 was verified with another key employee in the firm. As Table 3 shows, all immigrant employees, except for Annie from Firm B, indicated that they

contribute a substantial amount of knowledge transfer in terms of the understanding of legal regulations on content, prices and sales conditions. In addition, all of them contribute significantly in terms of their understanding of the political environment, in interpreting the economic environment, the competitive situation, distribution networks and infrastructure in their home country. More importantly, all of the immigrant employees agreed that they play an important role in helping the firm recognise different cultural environments, such as language and linguistic and the interpretation of advertisements and customer behaviour, including customer preferences, buying habits and consumption patterns.

Our findings support Proposition 1, suggesting that immigrant employees bring valuable knowledge to their employing organisations. Knowledge of local culture, business practices and changing opportunities appears to be particularly important. The need for deep understanding of overseas markets is critical for the types of export services considered here.

## **Relationships**

Immigrant employees assume a leading role in the development and maintenance of relationships within respondent firms. All respondents pointed out the importance of personal relationships, particularly within Asian societies. The ability to provide a trusted and effective personal link is invaluable in building trust, providing customised services, and resolving conflict. Such links are particularly valuable for service firms given the challenges of heterogeneity and customer involvement which arise with personal services.

All firms recognised the importance of strong relationships and immigrant employees were encouraged to conventions and exhibitions in their country of origin. In addition, employees visited overseas agents on a regular basis, usually at least annually. In some cases, for example Susan from Firm C, used personal networks developed when she studied in Shanghai years earlier.

Strong relationships offer a number of benefits to respondent firms. One is the importance of building trust, particularly within education services which is seen as a high risk business in New Zealand. The industry has suffered a number of damaging bankruptcies in recent years which have left overseas studies out of pocket. While regulation has been extended, trust is still vital for

acceptance. Second, personal relationships with agents also enable immigrant employees to gather competitor intelligence where they discuss changing alliances within the industry and markets. Third, the unique position of immigrant employees also allows them to act as mediators between the firm and its agents in the event of problems. This allows difficulties to be resolved quickly and efficiently at the same time as building credibility and goodwill.

These relationships also play particular roles within different respondent firms. For example, Firm B has a large number of young students under the age of 18 and this encourages Annie to build close and enduring relations with parents. Furthermore, because many of these young students go on to further study in New Zealand, Annie has developed strong links with other local educational institutions so that she is able to offer an almost seamless “service” until the student returns home. This is highly valued by customers (parents in this case). Firm E also maintains relationships over time and uses these to not only assess student satisfaction but also to obtain current feedback on programmes being undertaken. A number of firms (C and F) also benefit from positive word-of-mouth recommendations from satisfied customers.

Considering Proposition two, the influence that immigrant employees have on customer relationships, we again find unqualified support. Indeed, immigrant employees appear to be central to creating and maintaining such relationships. For service firms these relationships offer a means to project tangibility to an intangible product and build trust. They offer a means to overcome some of the distinct characteristics of services which make service exporting so challenging.

### **International Marketing Strategy**

For all respondent firms, increased competition and changing customer patterns mean that marketing strategy has been dynamic. The international education industry has seen a sharp increase in competition. For example, Firm A has seen the number of competitors it faces rise ten-fold from 6 to 60 in the past fifteen years. Firm F established an office within New Zealand as a result of increasing competition. At the same time, for a number of firms their markets have shifted from Japan or Korea increasingly towards China. In recent years the Chinese market seems to have peaked and new markets including India and the Middle East are now being explored.

This market dynamism has changed the role of immigrant employees, generally increasing the demand for their knowledge. For example, Kyoto described her role in Firm A as moving from one that was primarily passive (counselling) to much more active, as she increasingly contributes to international marketing strategy. For example, she was asked to investigate the down turn in the

Japanese market and recommended that the firm introduce internship programmes. This allowed Firm A to adjust its strategies and offer an internship combined with English courses which has been highly successful. Marian from Firm A suggested that the Swiss students are looking for Cambridge exam preparation courses and Firm A responded to her suggestion. Annie from Firm D suggested the use of uniform pricing for all clients, while she handles some requests for price variation on a case by case basis. The small size of Firm C means that Susan is involved in a number of aspects of strategy which is adapted by area and even by agent within a particular area. Two firms, E and F, use local foreign language newspapers for promotion and immigrant employee's knowledge of these is vital in selecting the most effective media. Alex's knowledge of Chinese media enables Firm F to also advertise within New Zealand on a local Chinese language TV channel.

The overall impression from the respondent firms is that immigrant employees are involved in a number of aspects of marketing strategy including market research, promotion and price setting. In most cases the firms pursue uniform pricing policies, largely because of the fear that Asian customers equate lower prices with lower quality. The one area where immigrant employees appear to have little influence is in the establishment of marketing budgets; this is normally the responsibility of more senior staff.

Table 4 shows the measurement of immigrant employee contributions in terms of product design, price, place and promotion. Kyoko and Marian from Firm A and Ann from Firm D suggested that they contribute substantially in terms of the service characteristics, branding, design, positioning and warranties. In contrast, Susan from Firm C stated that her contribution to product strategies is moderate, while Annie from Firm B indicated that, with the exception of service positioning, she has a limited participation in product strategies of her firm.

We also find support for the third proposition that immigrant employees help in the design of international marketing strategies. Their local knowledge allows them to provide useful input on a number of aspects of strategy design including promotion, pricing and market research. Variations between markets means that strategy adaptation is often essential and immigrant employees provide advice on how this could be achieved. The one area in which employees do not have a role appears to be in setting marketing budgets.

### **Distribution Channels**

For the educational providers within the case firms the two main channels for obtaining students are through direct enrolment or through agents. In all cases agents are by far the most important source

of business. For example, within Firm B more than 90 percent of students are enrolled through agents. While several firms work with a large number of agents, immigrant employees tend to focus on a manageable number of the most important agents. For example, while Firm A has contact with more than one hundred agents in Japan, Kyoko maintains close relations with the eight most active agents. Within Firm B, Annie works with the five most important Thai agents.

Given the nature of these services, positive word of mouth is also an important source of business. Often this occurs through agents. For example, in the case of Firm B, which handles very young students, agents sometimes remain involved throughout the entire period of study, offering a consistent and trusted source of contact with parents. Because they are checking regularly on the student experience they also offer an indirect source of quality control. Word of mouth and personal recommendations are particularly important for Firm C which offers immigration services. The confidential and sensitive nature of the business means that highly satisfactory service is likely to be shared with other potential clients. For firms E and F, current and previous clients perform a valuable role in making recommendations.

The fourth proposition regarding the role of immigrant employees in the selection of distribution channels is also strongly supported. For the respondent firms agents provide the key channel. There appears to be a strong interaction between agent and relationship management since agents constitute a prime element within relationships. Targeting of a manageable number of key agents enables highly effective channels to be maintained. Positive experience of agents and clients also encourages positive word of mouth recommendations which are a further source of business.

### **Market Entry Mode Selection**

The case research reveals that immigrant employees play a vital role in market entry selection. This occurs either in their suggesting the need to investigate new markets, or ways to serve those markets, or in enabling a particular market to be served. As an example of the latter, Firm A was not successful in opening up the Swiss market before employing Marian, who spent 18 months developing a personal relationship with the most important agent before business became possible. In the case of Thailand, Annie built Firm B's student number from one to ninety at one point, through her focus on the use of agents which are seen as more effective than education fairs.

In two cases, E and F, the firms had become involved in limited foreign direct investment linking the New Zealand and Asian markets. It is apparent that the engagement of immigrant employees reduces the risks that the firm faces in overseas markets. However, the majority of firms are

involved in service exporting (in these cases bringing the customer to the point of production) and the knowledge of immigrant employees is used to build trust through effective networks and relationships rather than in prompting more costly and risky market servicing modes. This could be explained by the nature of the service businesses respondents were engaged in.

Turning to market entry mode, most of the respondent firms offer location bound export services which mean that consumers travel to the point of consumption. This emphasises the role of relationship building in which immigrant employees place a crucial role. In a number of cases the presence of immigrant employees allowed the firm to substantially build its market in the home country. It is interesting to note that in several cases overseas market entry was not possible until immigrant employees with knowledge of the targeted market were engaged. This suggests that immigrant employees may do more than influence market entry decisions; their involvement may be a necessary condition for such entry.

## **Discussion**

The findings outlined above provide considerable support for the propositions derived from the literature. Immigrant employees appear to offer an invaluable resource for smaller service firms seeking to export to culturally distinct markets (Kale and Barnes 1992; Smith 1998). The findings suggest important interactions that are worthy of closer examination. The first is the effect of the distinctive characteristics of service offerings (Gummesson 2006). The importance of human resources in resolving the difficulties created by the nature of service offerings means that high quality employees will always be a premium resource within service firms. Immigrant employees with their intimate knowledge of local markets are effective in tackling these challenges. For example, their relationships with key stakeholders create a level of trust which counters the problems of service intangibility and heterogeneity. The perishability of services elevates the need for accurate market knowledge and adaptability. The simultaneity of production and consumption of services which requires buyer involvement also implies profound understanding of buyer needs. Immigrant employees appear to make considerable contributions to all these areas within our sample firms.

Second, the networks created by immigrant employees appear to be particularly valuable in the face of market turbulence and the adaptation of marketing strategy. Our interviews revealed several examples where this occurred with responses to market declines (Japan and Korea), changing buyer needs (demand for internships) and shifting regulatory requirements. This suggests that such



networks are vital in ensuring an effective alignment between market opportunities and strategic responses. This would offer support for the very considerable investments that both employers and immigrant employees make in developing and maintaining their networks. Furthermore, responses from Firm A suggest that the nature of personal relations may differ between markets. In the case of this firm, they appear to be closer and to involve greater investment in the case of Asia when compared with Europe.

Third, while we have not examined it in an explicit way, there may be necessary conditions for the effective transfer and utilisation of immigrant employee knowledge. The most obvious considerations are probably the size of the firm, attitude of the employer and the level of job satisfaction. Our respondent firms were all relatively small and this meant that immigrant employees had general responsibilities. This enabled them to contribute to a range of decisions and to make the best use of their knowledge. Whether larger and more structured organisations would allow the same level of contribution is an area worthy of further investigation. In addition, maximising the contribution of immigrant employees requires senior management who recognise the value of such a resource and do not feel threatened by it. For example, Ann from Firm D Ann noted that she had a very open-minded manager who was very receptive to her ideas. The ownership nationality of the firm may be of relevance here, with the expectation that New Zealand owners should place the most value on the contribution of immigrant employees. Job satisfaction of the immigrant employee is relevant since much of their knowledge is tacit and willingness to share this depends very much on individual commitment. There is certainly evidence that employee satisfaction and service quality are positively correlated (Bove and Johnson 2001; Castro et. al 2004; Hartline and Ferrell 1996). While we have not examined this in any detail, it is worth noting that many of our immigrant employee respondents do display considerable tenure.

Fourth, a further area worthy of more detailed investigation is the possible link between the employment of immigrant employees and firm performance. Our interviews certainly hint at the existence of such a relationship, the ability to enter markets, to respond to market change and levels of customer satisfaction all appear to be positively associated with the presence of immigrant employees. However, while this is suggestive, it is not proof of such a relationship.

We can say with some confidence that our findings are very much in line with the broader literature on immigrant effects (Chung 2002; Chung 2004; Chung and Enderwick 2001). This body of knowledge highlights the importance of local and experiential knowledge (Chung 2002; Eriksson et. al. 1997; Hadley and Wilson 2003; Makino and Delios 1996) as well as social networks in business relationships (Ellis 2000; Holm et. al 1996; Zhou et. al. 2007). This suggests that our exploratory work

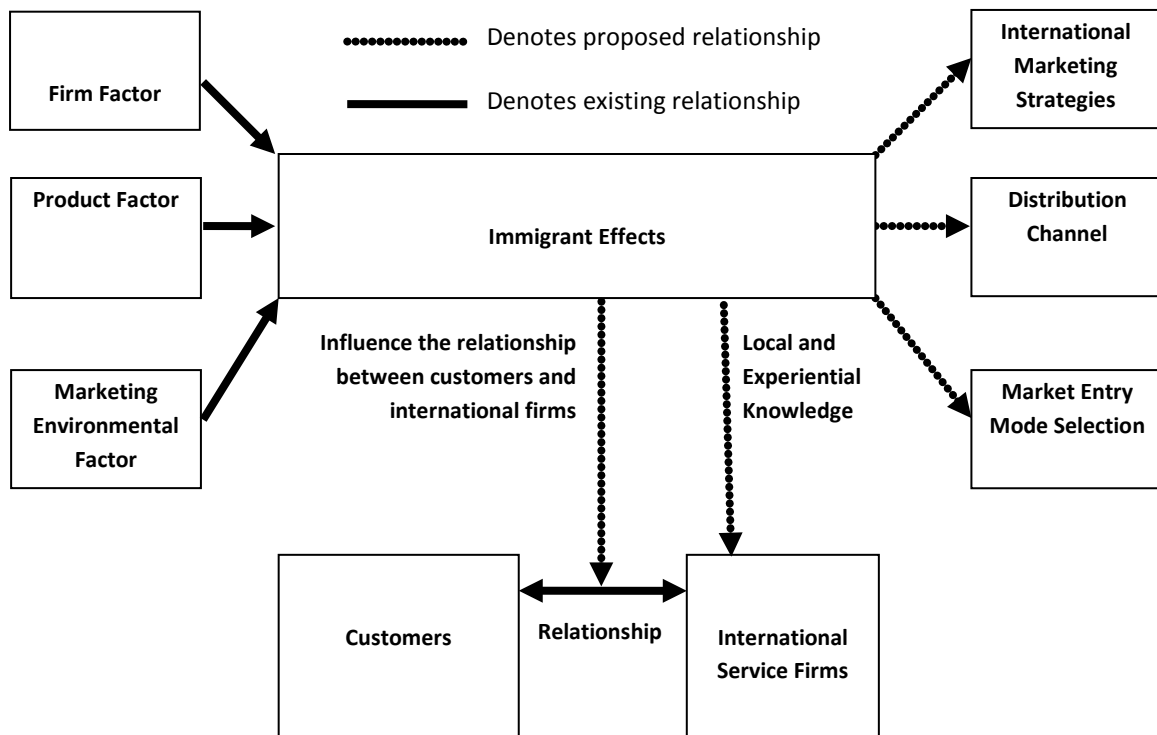
on international service firms fits well within the general field of research.

### **Conclusions**

This research study used a multiple-case approach to investigate the immigrant employee effect on small international service companies based in New Zealand. Our motivation was that while there is considerable interest in immigrant employee effects, this does not appear to have been explicitly tested within international service firms. Building and testing a series of simple propositions based on previous research our results provide evidence of strong immigrant effects within such firms. Immigrant employees bring valuable local and experiential knowledge which helps their firms to maintain and strengthen relationships with customers, shape international marketing strategies, distribution channels and market entry mode selection. The contribution of immigrant employees appears to be particularly valuable in international services with their particular challenges. Perhaps contrary to conventional thinking, the major benefit of local knowledge for these firms may not simply be in reducing operating risk; rather it is used to strengthen customer relationships. Deep understanding of local markets also facilitates strategy adaptation in times of turbulence and change.

However, it is important to note the limitations of this study. Our reliance on a sample of just six firms from one market (New Zealand) is an obvious limitation. Due to the nature of case analysis this study can only confirm research propositions of immigrant employee effects which have already been established in the literature. To fully investigate what appear to be important effects, data on a statistically significant number of immigrant employees is necessary. Such work would provide a valuable contribution to our understanding.

**Figure 1 Existing and Proposed Immigrant Effects**



**Table 1 Summary Profile of Case Firms and Respondents**

<b><i>Firm</i></b>	<b><i>Respondent(s)</i></b>	<b><i>Industry</i></b>	<b><i>Markets Examined</i></b>	<b><i>Established</i></b>	<b><i>Employees</i></b>	<b><i>Ownership</i></b>
<b>A</b>	Kyoko Marian	Education	Japan  Continental Europe (primarily Switzerland and Germany)	1972	50-70 employees  Range of nationalities	New Zealander
<b>B</b>	Annie	Education	Thailand	1989	30-40 employees	New Zealander
<b>C</b>	Susan	Immigration service	China, Hong Kong and Taiwan	1992	4 employees  Chinese	New Zealand - Chinese
<b>D</b>	Ann	Tourism	Thailand	1970	100 employees  Range of nationalities	New Zealander
<b>E</b>	Tony	Education	Hong Kong and China	2000	10 employees  Chinese and other nationalities	Chinese-New Zealander
<b>F</b>	Alex	Education	Korea and China	1984 but in New Zealand 2003	5 employees  Korean and Chinese	Korean

**Table 2 Summary of Case Findings**

<b>Firm</b>	<b>Immigrant History</b>	<b>Knowledge Applied</b>	<b>Relationships</b>	<b>International Strategies</b>	<b>Distribution</b>	<b>Market Entry</b>
<b>A</b>	Kyoto – 7 years with firm. Been in New Zealand since 1979 (COO: Japan).  Marian – 3 years with firm. Five years in New Zealand (COO: Switzerland).	Firm has 13 immigrant employees of 13 nationalities.  Respondents highlight experiential and local knowledge of Japan and Switzerland.	Importance of personal relationships in Asian markets.  High risk industry.  Manages 8 key agents	Knowledge of local market.  Input to most aspects of marketing strategy.	Focus on agents. 100 agents in Japan, 8 major ones.  3-10 agents in Switzerland.	Could not enter the Swiss market without immigrant employee.
<b>B</b>	Annie – 6 years with firm. Nine years in New Zealand (COO: Thailand).	Cultural and language. Close links with student parents.	Importance of relationships and word of mouth.  Annual visits.	Input to most aspects of marketing strategy.	Agents. 5 key ones.  Agents provide 90% of business.	Immigrant employee built up Thai market.
<b>C</b>	Susan – 6 years with firm. Eight years in New Zealand (COO: China).	Knowledge of local markets and considerable market diversity.	Importance of personal relationships.	Input to most aspects of marketing strategy.  Adaptive marketing strategy.	Agents plus word of mouth.	New Zealand to Chinese market, (Hong Kong and Taiwan)
<b>D</b>	Ann – 12 years with firm. Industry experience in Thailand and Australia (COO: Thailand).	Importance of culture. Covers a range of S.E. Asian markets.	Importance of relationships. Annual visits.  Manages 10 key agents	Adaptive marketing strategy.  Importance of quality and flexibility.  Development of immature Chinese market.	Agents. 10 key agents in Thailand.	New Zealand to Asian markets. Japan during 1970-1990, now focus is on Korea, Thailand and other S.E. Asian nations

Note: COO=country of origin

**Table 2 Summary of Case Findings- continued**

<b><i>Firm</i></b>	<b><i>Immigrant History</i></b>	<b><i>Knowledge Applied</i></b>	<b><i>Relationships</i></b>	<b><i>International Strategies</i></b>	<b><i>Distribution</i></b>	<b><i>Market Entry</i></b>
<b>E</b>	Tony – 3 years with firm (COO: China).	From Hong Kong into Chinese market. Focus on quality relationships.	Importance of relationships.  Knowledge of agents.	Input to most aspects of marketing strategy.  Standardised strategy.	Multiple channels. Use partners and previous clients, plus word of mouth.	New Zealand to Hong Kong, China markets.
<b>F</b>	Alex – 3.5 years with firm. Six years in New Zealand. Experience as a teacher in China (COO: China).	Problems highlighted the importance of culture-specific knowledge.	Builds relationships with partner organisations. Links with other Chinese.	Adaptive marketing strategy.  Cost advantage of New Zealand.	Multiple channels. Partners and use of web-sites.	From Korea to China. Developing the Chinese market.

Note: COO=country of origin

**Table 3: Measurement of Knowledge Transfer Contributions of Immigrant Employees**

	Kyoko (Firm A)	Marian (Firm A)	Annie (Firm B)	Susan (Firm C)	Ann (Firm D)	Tony (Firm E)	Alex (Firm F)
<b>1. Legal &amp; political environment</b>							
1.1 Legal regulations on content performance and safety	4	5	1	6	7	5	6
1.2 Legal regulations on price conditions	5	5	1	5	7	5	5
1.3 Political environment	6	5	7	5	7	4	6
<b>2. Economic environment</b>							
2.1 Stage of economic development	5	5	7	6	6	-	7
2.2 Customer purchasing power	6	5	7	7	7	5	5
<b>3. Competitive environment</b>							
3.1 Competitive nature of the market	5	7	7	5	7	5	6
3.2 Market share position of the product	5	6	7	5	7	5	5
<b>4. Distribution network &amp; infrastructure</b>							
4.1 Channel/distribution infrastructure	6	6	7	-	7	5	5
4.2 Media availability	6	6	7	-	7	-	6
<b>5. Cultural environment</b>							
5.1 Language and linguistics	6	7	7	5	7	4	7
5.2 Interpretation of advertisement	6	7	7	5	7	-	6
5.3 Literacy and education level	6	6	7	5	7	-	7
5.4 Customs and taboos	6	6	7	5	7	4	6
<b>6. Consumer behaviour</b>							
6.1 Customer preferences	7	7	7	6	7	4	6
6.2 Buying habits	7	7	7	5	7	5	6
6.3 Consumption	7	7	7	6	7	4	6

\*Note that the value "7" is substantial and the value "1" is not substantial; "-" indicates no reply from the immigrant employee.

**Table 4: Measurement of International Marketing Strategy Contributions of Immigrant Employees**

	Kyoko (Firm A)	Marian (Firm A)	Annie (Firm B)	Susan (Firm C)	Ann (Firm D)	Tony (Firm E)	Alex (Firm F)
1. Product design							
1.1 Characteristics of service (e.g., formulation)	6	7	1	4	7	3	6
1.2 Brand name	6	6	1	1	7	2	4
1.3 Design	6	6	1	2	5	6	6
1.4 Positioning	6	6	7	4	7	6	6
1.5 Warranties/ guarantees	6	6	1	-	6	-	5
2. Price							
2.1 Agent price (trading price)	5	6	1	1	7	-	6
2.2 Wholesaling/ retailing price	4	5	1	1	1	5	5
2.3 Pricing method	4	5	1	1	5	5	5
2.4 Price discounts	4	5	5	1	7	6	5
3. Place							
3.1 Channels of distribution	5	-	7	-	5	5	6
3.2 Role/management of sales force	5	6	5	-	7	-	6
3.3 Role of middlemen/dealers	5	-	5	-	4	-	7
4. Promotion							
4.1 Role of advertising	7	7	7	2	5	-	5
4.2 Advertising theme	6	7	7	2	5	-	6
4.3 Advertising copy	6	6	7	1	4	-	5
4.4 Creative expression	6	6	7	1	5	-	6
4.5 Media allocation	6	6	7	2	5	-	6
4.6 Role of sales promotion	7	6	7	1	7	-	5

\*Note that the value 7 is substantial and the value 1 is not substantial; “-” indicates no reply from the immigrant employee.



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