



# The Boundary Spanning Effects of the Muslim Diaspora on the Internationalization Processes of Firms from Organization of Islamic Conference Countries

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## ABSTRACT

While scholarly attention to the role played by diasporans in facilitating cross-country trade has recently increased, the implicitness of this phenomenon has prevented many researchers from examining empirically how these processes actually work. Unlike previous studies that focus on diasporans from specific countries of origin, we take a different perspective on diasporans by looking beyond country boundaries. We focus on religious/cultural groupings, specifically on Muslim diasporans living in the West. We utilize a phenomenological driven qualitative research approach to investigate the effects of Muslim diasporans on the internationalization processes of firms from Organization of Islamic Conference countries in the context of the halal industry. Our exploratory study provides some evidence for (1) the boundary spanner roles played by Muslim diasporans within the halal industry across more than dyadic country contexts and (2) for Rahnema's (2006) triple identity theory.

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## 1. Introduction

Previous research often deemed emigration of skilled individuals as a disadvantage for the home country. More recently, scholars began investigating this phenomenon in more detail (Balasubramanyam, 2005; Ramamurti, 2004; Riddle et al., 2010; Sonderegger and Taeube, 2010) and found that the so-called brain-drain is not the only effect of emigration for developing countries. Instead, diaspora communities that originate from emerging market countries are now regarded as important transformational agents for their respective home countries' economies.

A special issue of *The Economist* (2011) that focused on the diaspora phenomenon highlighted how migrant business networks are reshaping the world by providing investments, and often the critical technological and managerial skills needed for economic development. Basch et al. (1994) and Curci and Mackoy (2010) described diasporans as immigrants who build business on their existing multidimensional relationships (family, economic, social, organizational, religious, and political) that span borders. We build on Riddle (2008: 28) and define diasporans as being "...individuals who reside outside of their perceived homeland, whether independent or not..." and regard themselves as members of a national community other than the one provided by their countries of residence, "...a standing retained regardless of the actual status of citizenship inside or outside of their home country."

Sharing strong kinship and common language ties, diasporans are facilitators of information flows, innovative idea transfers, cross border business relations, and financial funds transfers (Riddle, 2008), based on strong sentimental and material links with their respective homelands (Sheffer, 1986). Radhakrishnan (2003) highlights these linkages as the essence of dual identity, a trait that is not observable in every immigrant group. Balasubramanyam (2005:7) observed that "...the social rate of return of a unit of

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diaspora investment in developing countries exceeds that of a unit of conventional foreign direct investment (FDI)." Kapur and Ramamurti (2001) argued that if it were not for the 50 million overseas Chinese and the Indian diasporans in the United States and Europe, China and India might not have become the economic powers in manufacturing and technology services that they are today.

So far, diaspora research, with a few exceptions, has been driven by socio-economic or cross-cultural focused investigations (Nielsen and Riddle, 2004, 2007). While not to undermine the literature, which focuses on returning diasporans who create ventures in home markets (Lin, 2010; Safran, 1991), strategists or international business researchers rarely focus on managerial or firm level phenomena in the diaspora context. We seek to address this shortcoming by following the call for more research on the relationship between diaspora activities and the evolution of emerging market firms (Buckley et al., 2002; Gillespie et al., 1999; Meyer, 2004). We positioned this research at the intersection between the diaspora literature and the literature on the internationalization of emerging market firms.

We used a qualitative research approach based on in-depth case studies following Eisenhardt and Graebner's (2007) suggestion for complex interlinked phenomena that are not yet well understood and where a survey instrument would have only provided a superficial overview at best and also would have increased the risk of losing important information (Corbin and Strauss, 2008). Our research was phenomenological driven with the goal to first, identify the triple identity phenomenon in the field and then second, to link the findings from our grounded research approach with the pertinent literature. This methodology is somewhat in conflict with the paper structure conventions of traditional international business studies. Therefore, and for presentation purposes only, we adopted the convention set by the post-positivist research paradigm (Suddaby, 2006), to present literature up front, followed by a description of the methodology followed by the findings. It is important to stress that this choice was made foremost to provide clarity to the reader, rather than to reflect the chronological unfolding conduct of the research. A survey instrument would have increased the risk for social desirability response biases (Podsakoff et al., 2003: 882) and would have also limited the exploratory objectives of our study. We applied a case based approach similar to that used by Jansson and Söderman (2012) to examine the initial internationalization processes of Chinese small firms, with the goal of developing research propositions that form the foundation for follow up research that should seek greater levels of generalizability. The phenomenological and conceptual orientation of the study should be considered as pushing in the spirit of grounded theory. We have ventured across very different domains, namely the sociological diaspora literature and the traditional IB internationalization literature, which both are very rich, and consequently contain strong theoretical concepts.

While the role of diasporans as contributors to home country macro-economic development has been widely discussed (Debass and Ardivino, 2009), the examination of the impact of diasporans on emerging market firms' internationalization processes is understudied (Filatotchev et al., 2009). Only recently have researchers begun to look more specifically at how and why diaspora investments differ from other foreign investments (Riddle, 2008; Zaheer et al., 2009) with explanations other than those provided by cross-cultural and family-ties studies.

Building on the work of Zhou et al. (2007), which focused on the role of home-based social networks in the internationalization of emerging market firms from China in the form of *guanxi*, we explore the effects of Muslim diasporans in the internationalization of firms from the Organization of Islamic Conference countries (OIC). Specifically, we seek to identify whether Muslim identities might extend beyond a single home country to other countries that are part of the OIC. This concept was first introduced by Rahnama (2006), who called it "triple identity," a unique characteristic that suggests the existence of home country, host country, and Muslim identities in individual diaspora members. This study should increase our understanding of diaspora linkages beyond the traditional home country–host country dyadic paradigm.

In this study, we refer to the countries from which diasporans originated as home countries and the countries to which they migrated as host countries. Technically, this labeling differs from the traditional diaspora literature, which refers to them as countries of origin and countries of residence. We chose the former labeling because it is more common in the international business and strategy literatures.

We specifically investigate the phenomenon in the context of the halal industry. Our rationale is based on the results of the exploratory research conducted by our research partner DinarStandard (2011a) and on secondary data that suggest that in addition to the Islamic finance industry (Sapp, 2010), the halal industry shows the greatest potential for internationalization among those businesses deemed uniquely Islamic (Oxygen, 2002). We acknowledge that Muslim entrepreneurs are active in many industries and thus Muslim diasporans potentially have an impact on those industries in their respective home countries. In this research however, we seek to identify diaspora effects that are unique to the Muslim context. Therefore we are aiming to go beyond a context-free replication of results from previous diaspora studies. The halal industry provides such a context, since it is directly linked with the religious and social foundations of the Muslim identity.

While the Chinese and the Muslim contexts might be considered quite similar regarding the degree to which social networks shape business operations (Hutchings and Weir, 2006), the scholarly attention on differentiating characteristics has been limited. We argue that the difference lies in not recognizing the concept of *Ummah*, or the global Muslim community that bridges country boundaries. While Muslim diasporans may have identified strongly with their home countries, upon arrival in the host countries, they gradually identify themselves as belonging to a larger group that is "Muslims living in the West." The *Ummah* identity is strengthened because (1) it was not purely self-created but, in part, emerged based on host country societies' treatment; (2) Muslims who live in the West are themselves joined in social and economic interactions, often facilitated by a unifying Arabic language that reaches across home country/society boundaries and creates the sense of belonging to a larger group (*Ummah*) based on universal Muslim (e.g. not Egyptian, Pakistani, or Turkish) values; (3) and finally the explicit endorsement by religious teachings that highlight the mandate to strengthen Muslim unity and the importance of all Muslims to regard each other as one

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