

**Edward Veckie, MBA, P.Eng.**

Unified Engineering.com Corp.

171 Niagara Street, Hamilton ON

Canada L8L 6A8

Phone: +1 905 523-1700

Fax: +1 905 523-1700

E-mail address: eveckie@unifiedengineering.com

**Vlado Walter Veckie, Dipl. Ing, P.Eng.**

Unified Engineering.com Corp.

171 Niagara Street, Hamillton ON

Canada L8L 6A8

Phone: +1 905 529-7770

Fax: +1 905 572-9700

E-mail address: walterv@unifiedengineering.com

## **IMPORTANCE OF ETHNICITY AND DIASPORAS AS ACCESS GATEWAYS TO BUSINESS EXPANSION**

### **VAŽNOST NACIONALNOG PODRIJEKLA I DIJASPORE U EKSPANZIJI GOSPODARSKOG RASTA**

#### ***ABSTRACT***

*The purpose of this paper is to examine the influence of leveraging ethnicities and diasporas in business development. More specifically, this paper develops the idea of ethnicity to facilitate expansion in both foreign and local ethnic markets and diaspora contributions to their home economies in both remittances and foreign direct investment. A consideration of ethnic marketing segmentation, company strategy abroad, governmental policy and cultural sensitivity is presented in relation to vying for new markets.*

**Key words:** *Diaspora, ethnic marketing, liability of foreignness, investment, remittances*

#### ***SAŽETAK***

*Svrha ovog rada je ispitati utjecaj nacionalnog porijekla i dijaspore u razvoju gospodarstva. Točnije, ovaj rad proučava mogućnosti utjecaja nacionalnog porijekla dijaspore u razvoju tržišta na nivou stranog i lokalnog etničkog gospodarstva, a također doprinosi dijaspore u gospodarstvu domovine u smislu vlastitih i stranih ulaganja. U razmatranje su uzete u obzir etničke segmentacije marketinga, strategije tvrtke u inozemstvu, politike vlade i kulturne sensibilitnosti u odnosu na konkurenciju u novim tržištima*

**Ključne riječi:** *Diaspora, etničko tržišta, odgovornis, strano tržišt, investicije, monetarne transakcije*

## **1. Introduction**

Businesses today face increased international competition due to improved communication networks, ability to travel and increasing number of market participants. Being able to open new markets and sustain existing ones is good for business. Businesses need to expand their local market while vying for new markets internationally. If various ethnicities exist locally, a business could make a decision whether to market to this group. It could also leverage its ethnicities to work globally. Unfortunately, information on understanding cultures is still lacking. For instance, an investigation into this market segment could include concepts such as “ethnicity, acculturation, enculturation, assimilation and mobilization, integration vs. distinctiveness, and use them as springboards for further discussion of ethnic consumer behavior.” (Cui, 1996) This paper introduces the ways of ethnic marketing can be conducted highlighting the importance of harnessing the diaspora as a potential way to address this. If you do not have reference or context for understanding the specific culture, then suboptimal business outcomes may occur. One of the ways to make connections is through government-promoted student exchanges with other countries; however, this will not instantly increase market access but will help bridge the gap. Governments can also aid in creating policies that streamline financial inflows from foreign sources, especially those from its diaspora as they are more likely to be connected to their country of origin. Businesses and the investor stand to benefit from similar efforts focused on connecting to diasporas and through ethnic marketing.

## **2. Merits of Ethnic Marketing**

Ethnicity and globalism connect world economies through people of different origins. The importance of connectedness of ethnicities in today's society enables entrepreneurial businesses both small and large to expand their markets. Especially due to ease of international mobility, communication platforms, ubiquity of information and financial flows the role of ethnicity as a connector across jurisdictions is increasingly important. These connections provide a means to enable business to access international markets. To illustrate Unified Engineering.com Corp. a small Canadian engineering and manufacturing firm, recently completed a project in Saudi Arabia with no previous experience in that market (Veckie and Veckie, 2015). The firm was able to achieve success in terms of completing the project to specification, on time and within budget. This was dependent on the firm's employees understanding of the specific ethnic market. Due to fluency in Punjabi and Pakistani languages, as well as a local understanding about cultural interactions and expectations, barriers in conducting business were lessened. The end result was efficient workflow and a satisfied customer.

In economics literature, cultural barriers have been referred to as liability of foreignness (Zaheer and Mosakowski, 1997; Jisun and Sung, 2010; Nkongolo-Bakenda and Chrysostome, 2013; Zhou and Guillén, 2015), which takes into account such items as inefficiencies and costs of business abroad. These are the result of a number of factors, such as: higher coordination costs, unfamiliarity with the local culture and other aspects of the local market, a lack of information networks or political influence in the host country, or the foreign firm's inability to

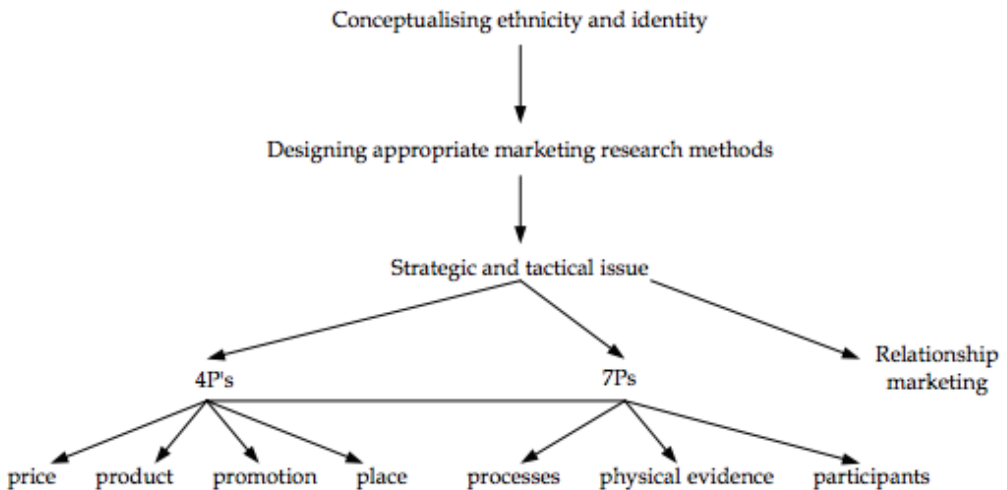
appeal to nationalistic buyers (Zaheer and Mosakowski, 1997). These costs are hard to offset because they are unknown to a firm's local business practices. A firm's ability to harness linguistic and social mores on an international project facilitates business by lowering the liability of foreignness.

Emphasis on ethnic markets is becoming increasingly important for brands to reach out to (Brand Strategy, 2005). It is particularly "apparent in the US where marketers have 'skipped' on marketing to some ethnic groups because they do not know how to communicate with them" (Burton, 2000). Those who elicit feedback from cultures and ethnicities they would like to target, stand to benefit. For instance, in some parts of traditional Chinese culture each year is associated with an animal. NSW Lotteries in Australia launched a 'lucky monkey' lottery that drew on the Chinese Lunar New Year as its theme. "Every new lunar year a scratchie would be launched in the theme of that year – a rooster, dog, pig, rat, ox, tiger, rabbit, dragon, snake, horse, goat or monkey." (Shea, 2005) The 'lucky monkey' lottery has been the best-selling scratchie of any type for over 13 years. Tapping into ethnic markets has to be done cautiously; obtaining feedback from ethnic communities to which one would like to market must be approached judiciously. As explained by NSW Lotteries communications manager, John Vineburg "Certainly we sought more cultural sensitivity in dealing with the Lunar New Year for Chinese, Vietnamese and, these days Korean communities, than St Patrick's Day" (Shea, 2005). If feedback is not sought or is disregarded it potentially could backfire. As is evident with the following car manufacturers – Ford Fiera means 'old ugly woman' in Latin American countries; Mazda Laputa means 'prostitute' in Spanish, Toyota MR2 (pronounced "merdé") means 'crappy' in French (Ricks, 2009). The lack of obtaining feedback from the local population through ethnic marketing can lead to various setbacks that impede desired business objectives.

Another potential setback occurs if a company chooses to simply sponsor an event as opposed to understanding its ethnic market segment and how its brand would be accepted. Pino Migliorino who is a Managing Director of Cultural Perspectives, an agency specializing in niche and ethnic marketing, states some pitfalls to avoid "Stay away from anything that is contentious, things like alcohol and certain communities, gambling and certain communities. Sponsorship of community events by a gaming organization is not culturally sensitive because it is promoting behaviour that potentially has a negative outcome" (Shea, 2005). Simply sponsoring a cultural event is not culturally appropriate and sensitive because it does not resonate with that ethnic group.

Prior to focusing on an ethnic group, an organization must understand its size, demographics and overall potential of product or service to justify the extra marketing cost. A way to delve deeper is through market segmentation by "identifying sufficient behavior differences between the ethnic minority and the majority to constitute a distinguishable market segment" (Lindridge and Dibb, 2003). A conceptual framework, presented in the diagram below, was presented by Dawn Burton (2000), which examines ethnicity can be examined and integrated in marketing theory. The conceptual framework goes from broad-based theorizing of the ethnic group through to relationship marketing and appends three additional Ps (processes, physical evidence and participants) to the commonly known four Ps (price, product, promotion and place). This one particular example of how an organization can conceptualize ethnic marketing in order to better understand and analyze a given target market.

*Scheme 1: Conceptualising ethnicity and identity*



*Source: Integrating Ethnicity into Marketing Theory and Practice: a conceptual overview (Burton, 2000)*

Burton's theoretical approach to conceptualizing ethnicity and identity serves as an example of an attempt to relate how the individual functions of market analysis relates to the overall picture of business strategy. However, this paper deals with practical applications of leveraging various ethnicities in differing strategic capacities to facilitate their business objectives. For example, it could be to send an employee abroad who is originally from that area and knows the local cultural. Another capacity could be drawing upon feedback from ethnicities as to what marketing campaign would be appropriate to attract customers. Regardless, marketing and conducting business with ethnicities has its benefits by being able to enter into new markets.

### **3. Importance of Diaspora Networks**

The diaspora network is an example of utilizing ethnicity for firms to connect with new customers. "Diasporans are migrants who proactively maintain psychological, communicational, and sometimes material ties to their countries of origin" (Brinkerhoff, 2011). Connections of ethnicity based on ancestry can function as a way to open international borders. The diaspora is another avenue for networking to take place because the inclination of the diaspora to maintain ties to their native country. "Diasporan motivation to contribute to development in their places of origin is likely to be for identity expression, maintaining or acquiring power or other resources, or both" (Brinkerhoff, 2009). This motivation can be harnessed in the interest of achieving business objectives.

A survey conducted by Saxenian (1999) reports that half the foreign born entrepreneurs in the USA have business relations in their home countries. For instance, 52% of US entrepreneurs from India have business deals with India. There are other positive outcomes when the diaspora “create social and economic links to their home countries, they simultaneously open foreign markets, identify manufacturing options, and technical skills in growing regions [of their home country]” (Saxenian, 2002). Financial inflows from diasporas have many positive spillover effects that can benefit both the host and home country. Leveraging ethnicities and diasporas can be critical to understanding the local environment and conducting business in a new market.

When business is conducted in a new market several benefits occur --- both to the host country and the market entrant. In order to attract new business a developing country, to make itself an attractive destination for foreign-direct investment (Mlambo, 2005) and remittances (Mallick, 2012; Bang, 2003), should consider its governmental policies: such as, rule of law, citizenship and property rights. This would strengthen the capacity for the diaspora and others to develop greater trade relationships. As expanded by Nkongolo-Bankenda and Chrysostome (2013) the “receptivity of the home country’s government can be a critical factor in the emergence of diaspora international entrepreneurship” (Nkongolo-Bakenda and Chrysostome, 2013). Some governmental policy initiatives to abet trade are: allowing dual citizenship (Jeon and Ahn, 2004), government diaspora agencies and investment, bureaucracy, ease of starting a business, customs, delays, bribery, country image, effectiveness of its judicial system, and infrastructures (Kapur 2007; Jones 1999; Agunias 2009; Tomas 2009; Newland 2010; Newland and Tanaka 2010; Plaza and Ratha 2011). These factors have different levels of significance regarding foreign-direct investment. Let’s benchmark the value of spending based on the diaspora population – 830,000 Salvadorans remitted in excess of 3.1 Billion US on items linked to their home country, while 200,000 Ghanaians remitted in excess of 1.2 Billion (Orozco, 2008). To extrapolate linearly, if there are 1.2 million Croatians (State Office for Croats Abroad, 2015) living in the U.S. then approximately 4.5 Billion US can be linked back. To put into perspective this amount represents just over 5% of Croatia’s GDP which is in line to World Bank’s 2010 migration and remittances report: “remittances amounted to 1.9 percent of GDP for all developing countries in 2009, but were nearly three times as important (5.4 percent of GDP) for the group of low-income countries” (World Bank, 2010). Governments concerned with how their policies rank in terms of ease of doing business can benchmark their diaspora population by country and compare it to remittances received as a percentage of GDP. It is interesting to note that diaspora remittances have been evaluated in terms of percent of GDP and further have been positively correlated with currency stability and other beneficial factors such as country wellbeing (Singer, 2010; Ratha, 2003). Business residing in the home country as some of this financial inflow could go into purchasing part of their business. With the funds a business could then improve its competitiveness by investing in ways to improve its production for instance. In short, remittances and foreign direct investment from a diaspora are some ways to positively affect the economic standing of the home country and businesses that reside there.

#### **4. Conclusion**

The world is a cultural mosaic. Due to mobility of its people ethnicity is factor that binds regions and countries together. The ease of communication has even further brought people

together which might make it more possible to tap into the diaspora network. A business that employs multiple ethnicities can leverage their understanding and connect with customers abroad. Further, these ethnicities can be an unforeseen connecting piece to develop new business channels and lower liability of foreignness. Harnessing various diasporas to understand consumer behavior in foreign markets can provide a competitive edge over rival firms. In addition, local marketing efforts can be refined to engage ethnic populations in order to reach a new customer base. Financial inflows to a country in terms of remittances and foreign-direct investment are important avenues through which the diaspora can contribute substantially to economic well-being. Businesses would do well to consider the merits of engaging the diasporas of the world.

## 5. Discussion

Diasporas originate both from developed and developing countries. It would be interesting to know how a developing country such as Croatia with a fairly homogeneous ethnic group could market globally to other ethnicities. For example, Croatia produces wine and could sell wine abroad based on ethnic tastes. However which wine would be most palatable? The Gewurztraminer is a wine that is well suited for spicy food (Lawrason, 1996) such as some types of Asian food. By employing a local consultant from that region could potentially provide information about the specific tastes and preferences as well as the appropriate channels to market this type of wine. With the right pairing of wine varieties for instance and further market surveys and analysis a new market can be efficiently accessed.

Wine is one example of a local product that can be sold abroad. To expand into foreign markets governments especially those of developing countries have to aid diaspora entrepreneurs to facilitate trade. “Until very recently it was illegal in Croatia to name a company in any language other than Croatian or a dead language like Latin. For example, Croatian startup WhoAPI, which provides information on internet domains, is officially named Pametni upiti d.o.o.” (Rooney, 2013). Developing countries need investment to grow. Government should facilitate this by creating effective policies and utilize the diaspora to increase global visibility to garner international investment.

## REFERENCES

- Agunias DR (2009): *Institutionalizing diaspora engagement in migrant origin countries*. In: Agunias DR (Ed) *Closing the distance: how governments strengthen ties with their Diasporas*. Migration Policy Institute
- Arnold, Catherine. (2003): *Technology marketers play it safe for survival*. Marketing News, 37(1), 10-11.
- Banga, R. (2003): *Impact of government policies and investment agreements on FDI inflows*. Indian council for research on international economic relations, 1-43.
- Brand Strategy. (2005): *Crossing the ethnic divide*. (2005). Brand Strategy, (197), 44-47.

Brinkerhoff, J. M. (2011): *David and Goliath: Diaspora organizations as partners in the development industry*. Public Administration and Development, 31(1), 37-49.

Brinkerhoff, J. M. (2009): *Digital diasporas: Identity and transnational engagement*. Cambridge University Press.

Burton, D. (2000). *Ethnicity, identity and marketing: a critical review*. Journal of Marketing Management, 16(8), 853-877.

Cui, G. (1996): *Integrate Ethnic Diversity Into Marketing Education*. Marketing Education Review, 6(1), 1-7.

Jisun, Y., & Sung Soo, K. (2010): *Liability of foreignness and the growth of an industry: A dynamic approach*. Academy Of Management Annual Meeting Proceedings, 1-6.

Jones JD (1999): *Opportunities abound: a foreigner's perspective on the Korean business environment, in Korea's Economy*. Korea Economic Institute of America (KIEA), Washington, pp 52–58

Kapur D (2007): *The janus face of diasporas*. In: Merz BJ, Chen LC, Geithner PF (eds) *Diasporas and development*. Global Equity Initiative, Cambridge, pp 89–118

Lawrason, D. (1996, Apr 06). ON WINE A wine from alsace springs to mind GEWURZTRAMINER / some like it and some don't, but the spicy wines made from this fruity grape are the best match for asian food, and perfect for toasting the coming season - perhaps with a little asparagus. *The Globe and Mail* Retrieved from <http://search.proquest.com/docview/384928884?accountid=44262>

Newland K, Tanaka H (2010): *Mobilizing diaspora entrepreneurship for development*. In: Newland K (ed) *Diasporas: new partners in global development policy*. MPI, Washington DC, pp 25–59

Nkongolo-Bakenda, J., & Chrysostome, E. (2013): *Engaging diasporas as international entrepreneurs in developing countries: In search of determinants*. Journal Of International Entrepreneurship, 11(1), 30-64.

Mallick, H. (2012): *Inflow of remittances and private investment in India*. Singapore Economic Review, 57(1), 1250004-1-1250004-22.

Mlambo, K. (2005): *Reviving Foreign Direct Investments in Southern Africa: Constraints and Policies*. African Development Review, 17(3), 552-579. doi:10.1111/j.1017-6772.2006.00128.x

Orozco M (2008): *Diasporas and development: issues and impediments*. In: Brinkerhoff J (ed) *Diasporas and development: exploring the potential*. Rienner, Boulder, pp 207–230

Plaza S, Ratha D (2011): *Diaspora for development in Africa*. World Bank

Ratha D (2003): *Workers remittances: an important and stable source of external development finance*. In: Global Development Finance. Striving for stability in development finance, pp 157–175

Ricks, D. A. (1983): *Big business blunders: Mistakes in multinational marketing*. Homewood, IL: Dow Jones-Irwin. Accessed from: Marketing Translation Mistakes. <http://www.i18nguy.com/translations.html> (accessed April 6 2015)

Ricks, D. A. (2009): *Blunders in international business*. John Wiley & Sons. Accessed from: Marketing Translation Mistakes. <http://www.i18nguy.com/translations.html> (accessed April 6 2015)

Rooney, Ben. (2013): *Balkan Nations Need to Support Startups*. Wall Street Journal <http://blogs.wsj.com/tech-europe/2013/06/21/balkan-nations-need-to-support-startups/> (accessed April 6 2015)

Saxenian, A. (2002): *Silicon Valley's new Immigrant High-Growth Entrepreneurs*. Economic Development Quarterly, 16(1), 20.

Shea, F. (2005): *From festivals to three-ringed circuses*. B&T Weekly, 54(2541), 15-18.

Singer, D.A (2010): *Migrant remittances and exchange rate regimes in the developing world*. Am Polit Sci Rev 104(2):307–323

State Office for Croats Abroad, in: Republic of Croatia, Web. <http://www.hrvatiizvanrh.hr/en/hmiu/croatian-diaspora-in-the-united-states-of-america/35>, (accessed 10 April 2015)

Tomas PAS (2009): *Protecting overseas Filipino workers: the government's role in the contract labor migration cycle*. In: Agunias DR (ed) Closing the distance: how governments strengthen ties with their Diasporas. Migration Policy Institute, op. cit., pp 55–67

Veckie, E., & Veckie, V. W. (2015): *Project No. S09405*, Unified Engineering.com Corp., Hamilton, Ontario Canada.

World Bank, (2010): [http://siteresources.worldbank.org/TOPICS/Resources/214970-1288877981391/Annual\\_Meetings\\_Report\\_DEC\\_IB\\_MigrationAndRemittances\\_Update24Sep10.pdf](http://siteresources.worldbank.org/TOPICS/Resources/214970-1288877981391/Annual_Meetings_Report_DEC_IB_MigrationAndRemittances_Update24Sep10.pdf) (accessed 14 April 2015)

Zaheer, S., & Mosakowski, E. (1997): *The dynamics of the liability of foreignness: A global study of survival in financial services*. Strategic Management Journal, 18(6), 439-463.

Zhou, N., & Guillén, M. F. (2015): *From home country to home base: A dynamic approach to the liability of foreignness*. Strategic Management Journal, 36(6), 907-917.