

## Utilizing the Chinese Diaspora by Russian Firms: Capabilities and Legitimacy Implications

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**ABSTRACT** This article examines the impact of foreign diasporas on host country firms. It contributes to diaspora research by focusing on the context of emerging market host countries and the specific case of Chinese diaspora in Russia. Drawing on the concepts of organizational capabilities and organizational legitimacy, we explain how the Chinese diaspora can be beneficial for the competitiveness of Russian firms, and how Russian firms can uniquely leverage these potential benefits through engagement with individual Chinese diasporans and diaspora institutions. Our article adds to the diaspora literature in several ways. First, unlike the majority of past research, which tends to focus on the benefits for the diaspora's home country, we highlight the potential impact on host country firms, specifically their capabilities and legitimacy at home and abroad. Second, our model can be viewed as a direct response to the many calls in the literature to study the microfoundations of firms' capabilities. Third, we add to the legitimacy literature by proposing that engagement with a foreign diaspora can help host country firms establish and maintain their legitimacy both at home and on a global scale. Although our framework is informed by the Chinese diaspora in Russia, we discuss its generalizability to other contexts.

**KEYWORDS** capabilities, China, diaspora, organizational legitimacy, Russia

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### INTRODUCTION

The term diaspora is associated with the phenomenon of international migration. International migration has existed throughout history but has intensified significantly in recent years as a result of accelerated globalization (IOM, 2018; Shukla & Cantwell, 2018). According to the International Organization for Migration (IOM) and the United Nations, international migration has steadily increased worldwide, especially in this century. The number of people living outside their country of birth has grown from 191 million in 2005 to 222 million in 2010, 244 million in 2015, and 272 million in 2019. The proportion of migrants

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in the world's population has also risen from 2.9% in 2005 to 3.2% in 2010 to 3.3% in 2015, and to 3.5% in 2019 (IOM, 2018; United Nations, 2018, 2019). This phenomenon has a broad impact on societies – affecting political, economic, and cultural processes and creating benefits and challenges at all levels in both the migrants' countries of origin and residence (IOM, 2018; Mehrez & Hamdy, 2010; Priebe & Rudolf, 2015; Rabbiosi, Gregorič, & Stucchi, 2019).

Diaspora broadly refers to a specific ethnic population that has been removed voluntarily or by force from its country of origin and resides permanently in a foreign country where it is identified as a minority (Beine, Docquier, & Ozden, 2011: 31). However, there is some ambiguity in the literature with regard to its exact definition. Some definitions overlap with other terms, for example migrants and expatriates, leading many scholars to use the terms interchangeably (Estrin, Meyer, & Pelletier, 2018; Selmer, McNulty, Luring, & Vance, 2018; Shukla & Cantwell, 2018) and resulting in some inconsistency. Furthermore, diaspora has been defined in a variety of ways. For example, Beine et al. (2011: 30) define the term as 'stock of people born in a country and living in another one'. Others broaden the lens, defining it as individuals who identify with a specific country either because it is their place of birth or due to ancestry as second- and third-generation descendants of migrants (Karreman, Burger, & Oort, 2017). The latter approach does not require that a person was born or has citizenship in a country of origin, allowing instead for a looser connection with the homeland based on ancestral and historic roots and identification with its cultural values (IOM GMDAC, 2019; Poston & Wong, 2016). In that view, diaspora includes both migrants who themselves moved from their country of birth to a country of residence and descendants of migrants who were born in the country of residence but still maintain psychological ties to their families' countries of origin (Cummings & Gamlen, 2019; IOM GMDAC, 2019; Rabbiosi et al., 2019).

We employ a broader definition of diaspora including expatriates and migrants, overseas ethnic communities, and diaspora institutions (DIs). Diaspora is defined at the level of a particular country of origin – country of residence dyad, for example, the Indian diaspora in Singapore, or in our case – the Chinese diaspora in Russia. DIs include governmental, quasi-governmental, and social organizations operating at the country, community, or firm level in the host country (Agunias & Newland, 2012) for the purpose of helping individual members of the diaspora, promoting the home country and its businesses, and facilitating economic and cultural exchanges between the two countries. Examples include private entities like foundations, funds, advisory councils, and business circles as well as governmental agencies and partnerships of diasporas' home and host countries (Agunias & Newland, 2012; IOM GMDAC, 2019; Poliakova, Riddle, & Cummings, 2020). As such, DIs can benefit local businesses above and beyond individual diaspora members (Agunias & Newland, 2012; IOM GMDAC, 2019). We examine diaspora in the context of international business.

Our purpose is to examine the impact of the Chinese diaspora on Russian firms, specifically on their capabilities and legitimacy at home and abroad. We seek to make a unique contribution to the literature in the following ways. First, most diaspora research has focused on immigrants from less developed countries residing in developed markets, for example, the Indian diaspora in the Silicon Valley. In that context, primary attention has been on the benefits that the diaspora can create for their home country and home country firms. At the country level, diasporas have been found to facilitate foreign direct investment (FDI) and trade flows between home and host countries, transfer of knowledge mainly back to the home country, and innovation and entrepreneurship upon return to the homeland (e.g., Docquier & Rapoport, 2012; Javorcik, Özden, Spatareanu, & Neagu, 2011; Shukla & Cantwell, 2018). At the firm level, diasporas support home country businesses in their overseas expansion by easing knowledge transfer, providing input on locational and entry mode decisions (Karreman et al., 2017; Rabbiosi et al., 2019), and leveraging their local institutional knowledge and networks in the host country (Chung & Enderwick, 2001; Gao, 2003; Shukla & Cantwell, 2018). Such support helps firms overcome their liability of foreignness (Estrin et al., 2018; Prashantham, Kumar, & Bhattacharyya, 2019) and have a more successful entry into a foreign market, for example China (Bolt, 1996; Gao, 2003; Lever-Tracy, Ip, & Tracy, 1996). Table 1 provides several examples of key topics covered in extant research.

To add to this literature, we examine the Chinese diaspora in an emerging market (Russia) and the benefits that it might bring to local firms in the host country. The Sino-Russian business context provides an interesting yet under-researched theoretical setting. The Chinese diaspora acts as a ‘go-between’ helping both sides – Chinese but also local Russian firms, often referred to as ‘qian xian da qiao’ (牵线搭桥) or ‘to match make and to bridge’ according to the Chinese (Yin Yang) mentality. Due to their latecomer status, weak institutions in the home country, and various other factors, emerging market firms face systematic deficiencies in two main areas – capabilities and legitimacy (i.e., acceptance and approval of an entity by its various stakeholders), and as a result, have difficulty establishing themselves as competitive players in their home markets and globally (Ai & Tan, 2020; Prashantham et al., 2019). Overcoming these weaknesses is critical yet very difficult for these firms (Ai & Tan, 2020; Li & Fleury, 2020; Prashantham et al., 2019). We explore the potential of the Chinese diaspora to help Russian firms with upgrading their technological, organizational, and global capabilities and their legitimacy at home and abroad (Agunias & Newland, 2012; Poliakova et al., 2020). Second, we try to focus on the microfoundations of firms’ dynamic capabilities and the formation of organizational legitimacy (Kostova, Roth, & Dacin, 2008; Kostova & Zaheer, 1999; Teece, 2007). Studying the microfoundations, that is ‘the distinct skills, processes, procedures, organizational structures, decision rules, and disciplines’ (Teece, 2007: 1319), allows a more in-depth understanding of specific mechanisms through which

Table 1. Representative papers on the impact of diaspora

| <i>Reference</i>   | <i>Main focus</i>  |
|--|--|
| <b>Country-level effects on home and host countries</b>  |  |
| Javorcik et al. (2011), Kugler and Rapoport (2007), Shukla and Cantwell (2018), and Tong (2005)                      | Engage and facilitate FDI (inflows, outflows, and bilateral)   |
| Docquier and Rapoport (2012) and Mehrez and Hamdy (2010)   | Facilitate trade between the host and home countries   |
| Agrawal et al. (2011), Kerr (2008), and Stankovic et al. (2013)  | Create technological knowledge flows via brain circulation and return migration (cross-country technology and innovations transfer between diasporas' origin and destination countries)  |
| Lin et al. (2019) and Redding (1990)   | Diasporans' entrepreneurial activity (beneficial for both return diasporans and their entrepreneurial activity in a home country via transferring advanced knowledge and for improved economic outcomes in the societies where the overseas diasporans flourish) |
| Cummings and Gamlen (2019), Mehrez and Hamdy (2010), and Patterson (2006)  | Remittances and charity back to diaspora's home country  |
| Aleksynska and Tritah (2015), Priebe and Rudolf (2015), and Puffer et al. (2018)                                     | Host country's economic growth (e.g., total factor productivity (TFP), high technology sector)   |
| <b>Organization-level effects on home country firms</b>  |  |
| Estrin et al. (2018), Karreman et al. (2017), Prashantham et al. (2019), and Shukla and Cantwell (2018)              | Help firms make their FDI location choice decisions and even make the host country location more attractive for them by reducing firms' liability of foreignness   |
| Karreman et al. (2017), Kabongo and Okpara (2019), and Rabbiosi et al. (2019)  | Firms' internationalization speed and choice of entry modes  |
| Prashantham et al. (2019)  | Help to gain the internal legitimacy via the diaspora's returnees  |
| Lin et al. (2019)  | Help to increase home country firms' performance, obtain innovations and, generally, industry development via diaspora returnee entrepreneurs  |
| <b>Organization-level effects on host country firms</b>  |  |
| Chung and Enderwick (2001), Gao (2003), Lever-Tracy et al. (1996), and Nathan and Lee (2013)                         | Help to access the international markets   |
| Gagliardi (2014), Hornung (2014), Nathan and Lee (2013), Ozgen et al. (2013), and Santacreu-Vasut and Teshima (2016) | Increase firms' innovativeness and productivity  |
| Bolt (1996), Chand and Tung (2014), and Foley and Kerr (2013)  | Provide incentives to expand on diaspora's country of origin   |
| Inouye et al. (2019) and Redding (1990)  | The role of diasporans for their minority entrepreneur firms/family businesses located in the host countries   |
| <b>Mechanisms of organization-level effects</b>  |  |
| Kunczer et al. (2019), Prashantham et al. (2019), and Stankovic et al. (2018)  | Knowledge and capabilities transfer  |
| Choudhury (2016), Chung and Tung (2013), and Kunczer et al. (2019)   | Employment of diasporans by firms from both diasporans' host and home countries  |
| Rabbiosi et al. (2019)   | Involvement of diasporans in the ownership of their home countries' firms  |

Table 1. Continued

| <i>Reference</i>          | <i>Main focus</i>  |
|---------------------------|--|
| Aguias and Newland (2012) | Diaspora engagement institutions for firms from both diasporans' host and home countries |

companies sense strategic opportunities, build competencies, and gain competitive advantage (Caussat, Prime, & Wilken, 2019; Kostova et al., 2008; Teece, 2007). It provides insights into acquiring the increasingly important intangible advantages like networks and human capital (Teece, 2014) and tacit knowledge about proper behavior critical for legitimation (Deephouse, 1996). Third, we recognize that not all local firms will benefit equally from the Chinese diaspora and, thus, discuss firm-level factors that could maximize such impact. These ideas are summarized in our proposed framework.

The article is organized as follows. We first describe the important phenomenon of Chinese migration and diaspora. Then, drawing on the relevant literature and reflecting on the specific case, we develop a set of propositions on the impact of Chinese diaspora on Russian firms' capabilities and legitimacy. We conclude with a discussion of the overall framework, its boundary conditions and generalizability to other contexts, and ideas for future research.

## THE PHENOMENON: THE CHINESE DIASPORA IN RUSSIA

The case of the Chinese diaspora in Russia is instructive for several reasons. Overseas Chinese constitute the largest migrant ethnicity settling in almost every country in the world including Russia (Poston & Wong, 2016). Outward migration from China has been accelerated even more by recent economic reform and openness policies in the country. Not only has it become more possible for Chinese citizens to travel and immigrate abroad, but the authorities have deliberately sought to leverage the diaspora contingency worldwide for the purposes of the country's modernization and international influence (Boldurukova, 2015; Priebe & Rudolf, 2015; Ryazantsev, Vazirov, Pismennaya, & Delovarova, 2019). In the last 15–20 years, Chinese firms have developed impressive technological and organizational capabilities paving the way for their positioning in the world economy and contributing to rising global innovativeness and competitiveness of the country at #14 and #28 worldwide, respectively (Child & Rodrigues, 2005; Global Competitiveness Report, 2019; Global Innovation Index, 2020; UNCTAD, 2019; Yeung & Liu, 2008). This sets them apart from most other emerging markets.

In contrast, the Russian economy is underperforming – ranked only at #47 in global innovativeness (Global Innovation Index, 2020) and #43 in global

competitiveness in 2020 (Global Competitiveness Report, 2019). Russian firms are falling behind with regard to key competitive capabilities in technology, innovation, management, internationalization, alliances, and other areas, and face legitimacy challenges at home and abroad (Panibratov, 2015; Panibratov & Klishevich, 2020; Petrovskaya, Zaverskiy, & Kiseleva, 2017; Spillan, Parnell, Panibratov, & Yukhanaev, 2021; Vershinina, Rodgers, Tarba, Khan, & Stokes, 2020). This is due to a variety of reasons including external sanctions and isolation from European and North American economies, ineffective market reforms and industrial policy of the Russian government, and the inability of Russian business to diversify away from traditional extractive industries and build new competitive advantages. There is also a depletion of intellectual capital due to brain drain, as highly qualified Russians settle in more developed countries, for example, the US, where they are welcomed and competitive, especially in the high-tech sector (Puffer et al., 2018). Thus, developing critical capabilities is an existential task for Russian firms (Spillan et al., 2021).

China and Russia have maintained close economic and political relationships for many decades, which have contributed to significant Chinese migration and diaspora development in Russia (Kireev, 2016; Ryazantsev & Manshin, 2016). These ties have only strengthened recently as a result of the economic sanctions on Russia that have limited collaboration opportunities with the West (Larson, 2019). China plays an important role in the Russian economy as evidenced by strong investment cooperation, heavy trade flows, and a growing number of Chinese businesses and Chinese diaspora in Russia (Kireev, 2016; Larin, 2017; Nyíri, 2007; Panibratov & Ermolaeva, 2017). With some small exceptions, the number of Chinese migrants has steadily grown over recent decades (Federal State Statistics Service, 2019; Kireev, 2016) from 34,577 in 2002 and 28,943 in 2010 (Federal State Statistics Service, 2002, 2010) to 447,200 in 2011 (Poston & Wong, 2016). Kireev (2016) estimates the number to have increased from 27,700 in 1989 to 1,071,500 in 2013 and has certainly increased since then. The main concentration of Overseas Chinese is in Moscow and the Far East (Nyíri, 2007; Ryazantsev & Manshin, 2016), but there are also sizeable Chinese communities in the Trans-Baikal, Krasnoyarsk, Irkutsk, Sverdlovsk, and other regions (Kireev, 2016). The higher 'supply' of Chinese migrants is met with a higher 'demand' in Russian companies for employees who are Chinese natives or speak Chinese (Russia Briefing, 2016). Moreover, the Russian government encourages the integration of Chinese migrants through joint projects (*Forbes*, 2018), and both governments are very supportive of DIs promoting Sino-Russian business cooperation (*Forbes*, 2018).

The Chinese diaspora in Russia is relatively highly skilled and educated, reflective of the growing brain drain in the Chinese labor market (OECD, 2015a, 2015b; Zhou, Guo, & Liu, 2018) and the entrepreneurial drive of many Chinese to explore business opportunities abroad (Kireev, 2016; Ryazantsev & Manshin, 2016). According to the global bilateral migration data, among the

Chinese diasporans in Russia in 2011, about 15% were with basic education, 62% with secondary education, and 21% with the tertiary level of education (OECD, 2015a, 2015b). Highly qualified Chinese diasporans employed in Russian companies can not only serve as boundary spanners, as all migrants do to a certain extent, but also constitute a valuable source of human and intellectual capital. Chinese migrants are also generally welcomed and viewed positively by the Russian population. This is in contrast to the typical negative attitudes toward migrants elsewhere (Silver, Devlin, & Huang, 2019). According to the Pew Research Center's 2019 Global Attitudes survey, most countries around the world acknowledge the global rise of China but tend to hold an unfavorable view of China and the Chinese (Fang & Chimenson, 2017; Silver et al., 2019). The median favorable opinion is 37% in Western Europe, 27% in Canada, 26% in the US, and 35% among China's neighbors in the Asia-Pacific. The most positive rating of China comes from Russia (71%) followed by Nigeria (70%), Lebanon (68%), and Israel (66%) (Silver et al., 2019). The same positive attitudes extend to Chinese products and businesses. Chinese restaurants, language schools, traditional medicine centers, and shops with China-specific products are growing and becoming increasingly popular in the Russian market (Ryazantsev et al., 2019). China's 'go out' 'soft power' policy aimed at spreading its culture, values, language, products, and overall influence around the world (Ryazantsev et al., 2019) seems to have worked in Russia.

Another piece of the Chinese diaspora in Russia is China-focused DIs. These organizations serve multiple purposes, ranging from helping individual members of the diaspora with social and economic issues of adaptation and integration into their new country of residence to promoting or coordinating economic and cultural cooperation between the two countries and their businesses (Agunias & Newland, 2012; Cummings & Gamlen, 2019; IOM GMDAC, 2019; Poliakova et al., 2020). Many of them are quasi-governmental in that they are supported and sanctioned by the respective governments, thus carrying the resources and power of the state. The Chinese diasporic network in Russia includes entities like the Sino-Russian Investment Fund, Chinese cultural and business centers, Consular offices, and special local public offices for diaspora (Agunias & Newland, 2012; Neparko & Frolova, 2019). For example, the Russian-Chinese Business Council, which was established to promote business cooperation between Russian and Chinese firms, currently supports over 25 major business partnerships (Skolkovo & TusPark, 2016). The Chinese Business Center, a private multifunctional area founded by the Chinese society of St. Petersburg, has become an important place for interactions between businesses from the two countries (Chinese Business Center, 2020). It provides extensive information and assistance to Russian firms entering the Chinese market including all types of regulatory and legal information about labor, trade, tax, investment, environment, and others, and is essential in supporting access to Chinese government offices that Russian firms might need when expending to that market. One example is

Solidarity Bank which has been successfully operating in Russia for over 26 years but was able to establish direct relationships with other banks in Asia, and China in particular, only after joining the Board of the Chinese Business Center and the Russian-Asian Union of Industrialists and Entrepreneurs (Chinese Business Center, 2020). Direct partnerships with Harbin Bank and the Industrial Bank of China have allowed Solidarity to reduce transaction fees and develop unique banking products for the Chinese and the Russian markets (Bankinform, 2020). Similarly, Orient Consult Company has developed global capabilities and has successfully expanded its reach into the Chinese market as a result of its ties with the Chinese Business Center (Chinese Business Center, 2020).

This combination of a growing number of relatively well skilled and entrepreneurially motivated Chinese migrants who are positively perceived by the Russian population, the need for capability upgrade in Russian firms, and the continued support of both governments makes China one of the biggest providers of foreign-national workforce to the Russian labor market (Ryazantsev & Manshin, 2016) and translates into better integration of those migrants and greater utilization of the capabilities they bring by local firms.

## **THEORETICAL BACKGROUND AND FRAMEWORK**

In this section, we build on the literature and our case to develop propositions on the ways in which Russian companies can benefit from the Chinese diaspora. We first focus on key firm capabilities that can be enhanced by leveraging the diaspora including technical, organizational, and global capabilities. This is followed by a discussion of the impact on the legitimacy of Russian companies differentiating between legitimacy in Russia and international legitimacy in China and other markets. [Figure 1](#) graphically depicts our framework.

### **Diaspora's Impact on Host Country Firms**

As research shows, diasporans can have a positive impact on firms' capabilities. They can serve as boundary spanners, conveying various types of knowledge (e.g., contextual, business) between their home and host countries (Prashantham et al., 2019; Schotter & Abdelzaher, 2013; Shukla & Cantwell, 2018; Stoyanov, Woodward, & Stoyanova, 2018). Because of their unique position and credibility, they can also play a positive role in the internationalization of both their home and host country firms (Kunczer et al., 2019; Nathan & Lee, 2013; Schotter & Abdelzaher, 2013) and cross-investment between the two countries (Bolt, 1996; Chand & Tung, 2014; Kunczer et al., 2019).

Diasporas can facilitate capabilities transfer to host country firms in various ways. Directly, host country firms can employ diasporans (Choudhury, 2016; Kunczer et al., 2019), which is an effective channel for acquiring their knowledge and getting access to their extended networks relevant for developing certain



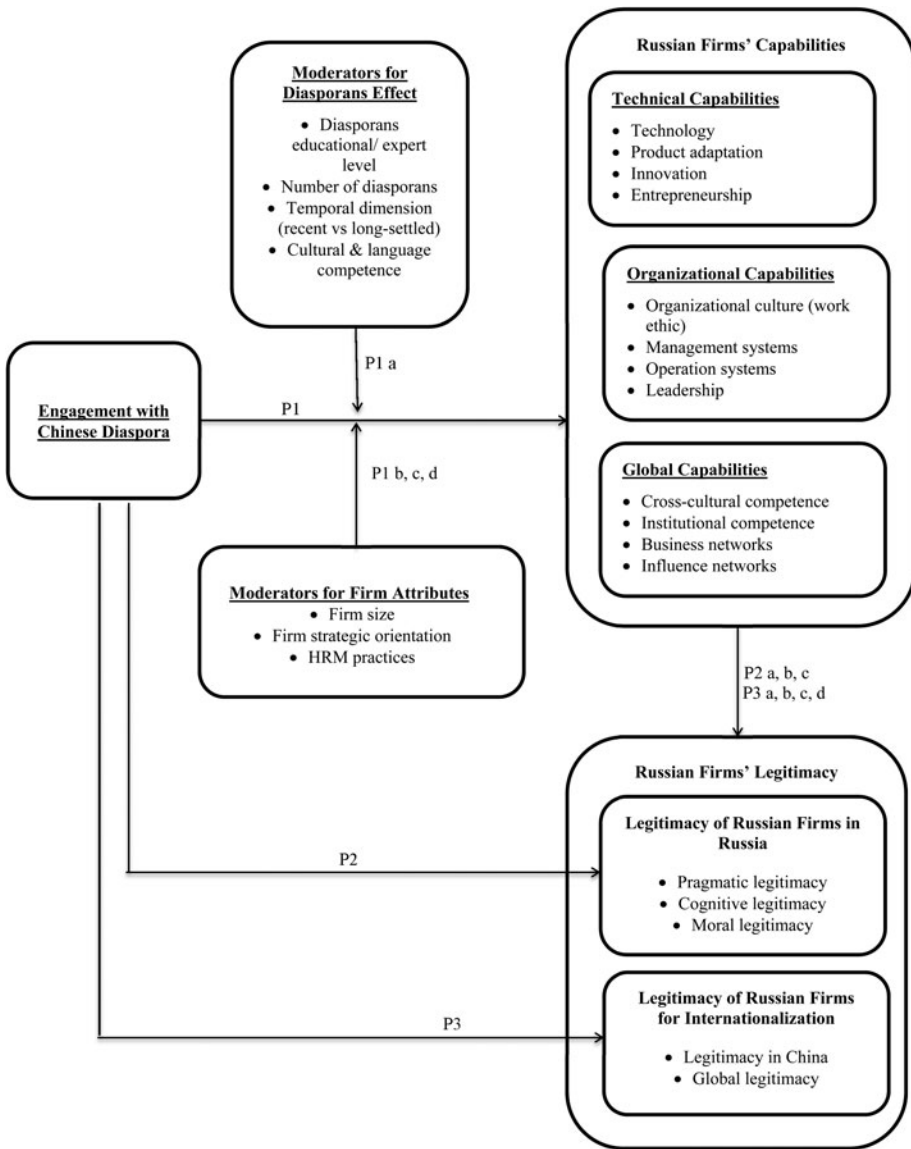


Figure 1. Impact of the Chinese diaspora on Russian firms

capabilities (Choudhury, 2016; Chung & Tung, 2013). When employed locally, diasporans can apply relevant knowledge at their jobs as well as share it with other colleagues responsible for certain tasks and operations (Kunczer et al., 2019). Indirectly, diaspora can help transfer knowledge via the diasporans' social networks, which some have referred to as 'knowledge through network effects' (Kunczer et al., 2019: 359; Nanda & Khanna, 2010). Diaspora networks can facilitate access to specific knowledge hubs for outsider companies (Nanda & Khanna, 2010). Diaspora can provide a wealth of both tacit and explicit knowledge about its homeland to a 'host country knowledge pool' of local natives possibly situated outside but close to

businesses (Kunczer et al., 2019). The knowledge about a target market can then spillover from these knowledge pools to local firms via first- and second-tier social ties (Kunczer et al., 2019). As it has been shown, firms that employ more skilled and diverse foreign employees are more innovative (Ozgen et al., 2013).

### **Chinese Diaspora and Russian Firms' Capabilities**

Which particular capabilities of Russian firms is the Chinese diaspora best positioned to help with? How can the Chinese diaspora do that, and what are the specific ways and conditions under which such capability development can occur? We examine these questions with regard to several critical capabilities that Russian firms generally lack: (a) technical, including technology and innovation, entrepreneurship, and product adaptation; (b) organizational, including organizational culture (e.g., work ethic), management systems, and leadership; and (c) global, including cross-cultural, institutional, and networking competencies.

*Technical capabilities.* In the 20th century, the USSR became the first country to grant significant technology transfers to China (Forbes, 2018). Nowadays conditions have reversed. China is fast becoming a technologically developed country that has achieved notable success in science and technology, innovation, and entrepreneurship (Dahlman, 2006; Global Innovation Index, 2020; Skolkovo & TusPark, 2016; Veugelers, 2017). This is due to a combination of the 'Open Economy' government policy, massive investments in R&D, and extensive acquisition and implementation of foreign technological knowledge (Dahlman, 2006; Skolkovo & TusPark, 2016). In contrast, Russia lags in these areas (Global Innovation Index, 2020; McCarthy, Puffer, Graham, & Satinsky, 2014). In general, Russian firms show rather limited engagement in technology and innovation activities (Skolkovo & TusPark, 2016), and even if they do, they are mostly utilizing imported rather than Russian-developed technologies (Global Innovation Index, 2020). The number of firms importing technologies from abroad is six to ten times larger than those exporting technology. Russian enterprises recognize the critical importance of technology and innovation for their competitiveness (Panibratov & Klishevich, 2020; Spillan et al., 2021) but most are simply unable to close the technological gap with the developed world on their own due to their baseline limitations and increasing technological complexity (Spillan et al., 2021); hence, the growing interest in collaborating with Asia, China in particular, to acquire the necessary technical knowledge (Panibratov, 2017; Skolkovo & TusPark, 2016). In addition to sourcing directly from foreign countries, engaging with the Chinese diaspora in Russia can be an effective route to achieving such outcomes. Migrants, especially those with prior experience working for competitive Chinese firms, are likely to possess valuable skills and capabilities in the areas of innovation, technology, entrepreneurship, and product adaptation (Hornung, 2014; Oettl & Agrawal, 2008).

Technological innovation can be product-focused – creation or modification of products and services to better satisfy market demand, or process-focused – improvement of production processes to increase quality and efficiency. Only through continuing innovation can a company respond to future customer needs and keep up with the competition (Cheng & Yang, 2017; Teece, 2007). This also requires entrepreneurial capability, that is, a ‘firms’ capacity to sense, select, and shape opportunities, and synchronizes their strategic moves and resources in pursuit of these opportunities’ (Abdelgawad, Zahra, Svejnova, & Sapienza, 2013: 394). Entrepreneurial capability across all levels and functional units in an organization is critical for a company’s ability to adapt to the changing marketplace and stay competitive (Abdelgawad et al., 2013). Entrepreneurial companies develop special ecosystems, that is, favorable internal environments that encourage the creation of new competencies, in addition to retaining or modernizing existing ones. They are better at internationalization as they develop critical skills like language skills, global mindset, and cross-cultural awareness and can quickly adapt to unique conditions in new markets (Abdelgawad et al., 2013; Turunen & Nummela, 2017). Chinese businesses and especially skilled Chinese employees are particularly entrepreneurial on a global scale as evidenced by their successful performance abroad (Zahra, Abdelgawad, & Tsang, 2011).

*Organizational capabilities.* Another deficiency for Russian firms is in the area of organizational capabilities, including organizational culture, management systems, and leadership. While recognizing that these aspects are somewhat culture-bound and specific to a particular country, there are elements of the Chinese system that could be beneficial and transferable to Russian companies. Organizational culture refers to work-related values and attitudes, which employees adhere to within an organization (Li, Huang, Hedayati-Mehdiabadi, Wang, & Yang, 2020). The work culture in Chinese companies is rooted in Confucian cultural values of paternalism, hierarchy with vertical linkages, responsibility, control, mutual obligation, family atmosphere, reciprocity, personalism (*guanxi*), and protection (Li et al., 2020; Redding, 1990; Warner, 2010). Chinese employees tend to feel a strong identification with their places of employment, they are goal oriented, usually with a long-term time horizon, strive for perfection and success, value hardwork (laziness is viewed as a vice if not a crime), discipline, respect for authority, delay of gratification, group orientation, and commitment to education and respect for educational achievement (Li et al., 2020). The concept of ‘face’ (‘*dui lian*’: 丢脸) implies conducting oneself in a way that would not embarrass or shame the individual. This leads to favorable work ethic of hardwork. Many of these values are rather foreign to Russian employees, although they could create benefits for the organization if at least partially emulated.

Another advantage of Chinese firms relative to Russia is in their management systems and practices (Child & Rodrigues, 2005; Yeung & Liu, 2008). Manufacturing and increasingly tertiary industries like e-commerce and business

services/sharing services are the main driving force of the Chinese economy (OECD, 2019). Superior logistics services managing global supply chains and delivering products around the world have also developed. Leadership is another area of opportunity to ensure consistency between entrepreneurial capability and strategy development and execution (Abdelgawad et al., 2013). Building on the Confucian philosophy, Chinese leadership emphasizes control, morality, benevolence, and authority (Rowley & Oh, 2020; Warner, 2010). The typical paternalistic leadership style has been credited with a positive effect on employees' morale and commitment to the organization (Cheng, Chou, Wu, Huang, & Farh, 2004).

*Global capabilities.* If Russian firms were to develop themselves into global players, they need to master certain capabilities uniquely related to international expansion. Although it has not been easy, many Chinese companies have succeeded in building themselves up in those areas (Child & Rodrigues, 2005; Yeung & Liu, 2008). At a minimum, engaging with the Chinese diaspora can give Russian firms an opportunity to learn about China – a market of strategic importance for them. In addition to cultural aspects, there is a lot of value in learning about the institutional context in the country – what is the relationship between business and government, what is the role of labor in organizations, how are the capital, product, and labor markets organized, and so on. Developing this kind of in-depth contextual intelligence (Khana, 2014) can help firms plan entry into China and is crucial for international success in other countries as well (Chung & Tung, 2013; Kunczer et al., 2019). Finally, Chinese individuals and firms are well known for their networking capabilities – the ability to manage and gain benefits from external relationships via access to resources held by other actors and the creation of value from partners' knowledge (Parida, Pesämaa, Wincent, & Westerberg, 2017). This is especially important in emerging markets where formal institutions are underdeveloped and are partially substituted by informal institutions like social networks and it can also be challenging to find local partners due to the scarcity of reliable businesses (Prashantham et al., 2019). Chinese firms employ an array of networking channels – strong relations with local enterprises and state entities in China and strategic alliances with international partners from both emerging and developed markets (Yeung & Liu, 2008).

### **Leveraging the Chinese Diaspora for Capabilities**

There are many examples of Russian firms that have benefited from connecting with the Chinese diaspora. For example, the Russian Baltic Pearl construction mega-project was astoundingly fast in erecting a mini-city in the South-West of St. Petersburg. This success was attributed not only to financial support from Chinese investors, but also to the employment of hundreds of Chinese migrants at all levels (blue- and white-collar workers, executives, including the vice president, and the CEO), who brought critical technical and organizational capabilities.

In a different industry, the Russian 7Waysconsult company has been employing Chinese consultants, leveraging their competencies to help Russian firms enhance their organizational and global capabilities. There are also hundreds of small businesses like restaurants, sport clubs, food shops, and medical and language centers in Russia where even one Chinese cook, waiter, or language instructor can make a huge difference as they represent and bring to their Russian establishments valuable capabilities and work cultures (Neva.Today, 2019). For example, Grand restaurant 'Chin' has successfully introduced a completely new menu with traditional Chinese dishes, thanks to hiring a capable Chinese chef (Chinese Business Center, 2020). Similarly, 'SkillSet' language center has developed into a reputable business thanks to the employment of many Chinese native speakers and instructors.

These success stories show how Russian companies can benefit from engaging with the Chinese diaspora, and also provide insights on important contingences that create the best value. First is the human factor. Many firm capabilities are difficult to transfer because they are rooted in specific national contexts, they are built over a long period of time, and also include a significant tacit knowledge component, which is hard to formalize in written documents to hand over to another company (Kostova, 1999). The most effective way to transfer such embedded and tacit knowledge is through people – individual employees versed in these processes and culture, in this case, migrants (Yao, Crupi, Di Minin, & Zhang, 2020). Diasporans can be effective boundary spanners (Liu & Meyer, 2020; Schotter & Abdelzaher, 2013) not only applying their knowledge and skills, but also sharing them with other employees in the company and facilitating communication and exchange between local and home country firms (Hornung, 2014; Kerr, 2008; Oettl & Agrawal, 2008; Santacreu-Vasut & Teshima, 2016). They can link the focal firm with relevant networks in China as well as DIs that could be helpful. The Russian Baltic Pearl construction mega-project is a good illustration of the critical importance of people (i.e., employees, managers) beyond financial investments.

Not all members of the Chinese diaspora will create the same benefits for Russian firms if hired. Obviously, those with advanced technical degrees and experience in innovation, entrepreneurship, product development, and process improvement would be the most beneficial for impacting firms' technical capabilities (Zhang, Xie, Li, & Cheng, 2019) and serving as innovation boundary spanners (Schotter & Abdelzaher, 2013). They can bring necessary knowledge and also help introduce suitable products to facilitate the expansion of local firms to the Chinese market (Foley & Kerr, 2013). Migrants with managerial and leadership experience would be beneficial for improving organizational capabilities; and individuals with extensive international experience and important networks would be the most desirable if the focus was on developing the global capabilities of the firm. Such individuals can serve as organizational, cross-cultural, and institutional boundary spanners (Schotter & Abdelzaher, 2013). Placing those hires in managerial positions would further increase the potential benefits, although non-managerial

employees can also share best practices and set an example for work ethic and business conduct based on Confucian philosophy. Generally, hiring a larger number of migrants with diverse competencies and slotting them in various positions throughout the organization would generate the maximum benefit; however, there will likely be diminishing returns on the value as diasporans numbers increase. A large number of Chinese working in a Russian company may create hostility similar to the backlash against the massive hiring of Japanese by American companies in the 1980s (Beechler & Yang, 1994; Kenney & Florida, 1995; Olejniczak, 2013), although the risks might be smaller due to the relative cultural similarity between Russians and Chinese. So, companies need to be cognizant of potential risks and seek the right balance.

The diasporans' impact also depends on their recency – long-settled 2nd–3rd generation diasporans vs. recently relocated migrants, expatriates, or mobile foreign workforce. These diasporic groups bring different capabilities and ties to their home country (Gevorkyan, 2015). In our view, recent migrants would be more valuable to host country firms because they are more likely to have advanced skills and knowledge that have developed in China only recently (Gevorkyan, 2015; Grinza & Quatraro, 2019). They have stronger and more current network connections (*guanxi*) with business and government entities in China, as well as networks in Russia, to facilitate the exchange of knowledge and access to host firms with pools of relevant capabilities (Gevorkyan, 2015; Santacreu-Vasut & Teshima, 2016). Recent migrants are more likely to excel in global skills, especially those that have been involved in international business ventures of their previous employers in China or abroad (Al Ariss & Crowley-Henry, 2013; Santacreu-Vasut & Teshima, 2016; Smallbone, Kitching, & Athayde, 2010). And finally, recent migrants are more connected to managerial values steeped in Confucian philosophy (Nkongolo-Bakenda & Chrysostome, 2013; Warner, 2010), which older generations may have lost after living abroad for a long time. This is not to say that long-settled diasporans cannot be helpful at all. They are carriers of deep cultural knowledge and are usually well connected to DIs working to improve the reputation of China in the host country and strengthen ties between the two countries (Agunias & Newland, 2012; Chand & Tung, 2014; Lazin, 2001).

Knowledge sharing is not a completely natural process; it requires firms to put in place tools and channels that motivate both sides – diasporans and local employees – to engage. This includes human resource management (HRM) practices like teamwork and dedicated workshops and training programs consisting of Russian and Chinese employees that can identify knowledge gaps and serve as communication and learning platforms for transferring China-based know-how and tacit knowledge to host country Russian firms (Liu & Meyer, 2020). Companies also have to be aware of the potential barriers that impede knowledge sharing. One peculiar circumstance in our context is that compared to other cross-country dyads, China-Russia transfers might be a bit easier because of the lower institutional and cultural distance between these two countries resulting from similar

political and economic past (i.e., communist political regime and centrally planned economic systems), comparable educational and other social systems, general trust between the two peoples, and cultural similarity especially with regard to power distance, long-term orientation, and indulgence, which bridge cultural differences (Hofstede, 2020). Still, one serious barrier to knowledge transfer exists and that is the language barrier. Although many Russians are committing to learning Chinese and many Russian companies are prioritizing employees who speak Chinese (Neva.Today, 2019), the linguistic distance remains substantial and can complicate or even destroy the process of knowledge transfer (Liu & Meyer, 2020). This underscores the importance of developing cultural and language skills to overcome cross-cultural barriers and create a collaborative environment (Liu & Meyer, 2020).

Another contingency that moderates the positive impact of engagement with the diaspora is the firm itself, with the most benefits accruing to firms that need those skills the most and cannot acquire them easily on their own. We consider two firm characteristics – size and international strategy. Our two examples above show that both large and small firms can benefit from an influx of migrant knowledge and capabilities. However, this is likely to be more critical for small- and medium-size firms (SMEs). This is so because larger firms have more resources to build necessary capabilities through alternative paths, for example hiring consultants or developing their own systems and personnel. Moreover, for the diaspora to make a difference for them, it would require a massive employment of qualified Chinese as the Baltic Pearl construction mega-project did. SMEs, on the other hand, are under enormous competitive pressures and at the same time lack the resources needed for significant upgrades. For example, research shows that only about 20–30% of SMEs engage in technological innovation, compared to about 75% of larger companies (Skolkovo & TusPark, 2016). For them, the presence of even a small number of migrants with unique skills and competencies will be more visible and impactful among a fewer number of coworkers in SMEs compared to huge firms with thousands of employees. This is illustrated by our examples of Grand restaurant ‘Chin’ and the ‘SkillSet’ language center mentioned above. Lastly, compared to domestically focused companies, Russian firms pursuing internationalization strategies have a more pressing need to upgrade their technical, organizational, and especially global capabilities to adapt to foreign markets (Panibratov, 2017; Skolkovo & TusPark, 2016). The following set of propositions summarizes the above discussion on the effects of Chinese diasporans on Russian firm capabilities:

*Proposition 1: Engagement of Russian firms with the Chinese diaspora in Russia will have a positive effect on firms’ technical, organizational, and global capabilities. Specifically:*

*Proposition 1a: The number, average expertise level, recency of migration, and Russian language skills of Chinese diasporans employed by a focal Russian firm positively moderate the diaspora effects on its capabilities.*

*Proposition 1b: HRM practices that promote collaboration between hired diasporans and Russian employees positively moderate the diaspora effects on Russian firms' capabilities.*

*Proposition 1c: The size of the focal Russian firm moderates the positive diaspora effects on firm capabilities, such that the benefits are greater for SMEs compared to large companies.*

*Proposition 1d: The strategic orientation of the focal Russian company moderates the positive diaspora effects on firm capabilities, such that the benefits are greater for firms pursuing internationalization strategies.*

## **Chinese Diaspora and Russian Firms' Legitimacy**

Organizational legitimacy is a 'generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions' (Suchman, 1995: 574) and thus affects their survival and success (Caussat et al., 2019; Johanson & Vahlne, 2009; Kostova & Zaheer, 1999; Zimmerman & Zeitz, 2002). The legitimacy construct is complex and multidimensional. Suddaby, Bitectine, and Haack (2017) underscore the different ways in which legitimacy can be conceptualized – as a property of an organization that reflects the degree to which it meets external expectations, a process of adapting to those expectations to achieve a legitimacy status, and as a matter of perception and individual and collective cognition evaluating an organization to confer its legitimacy. Suchman (1995) distinguishes between three types of legitimacy – pragmatic, moral, and cognitive, depending on the nature of the legitimating criteria applied. Pragmatic legitimacy is based on self-interested evaluations by the stakeholders of whether organizational actions positively impact their well-being (Suchman, 1995) through R&D, innovation, product/service quality, technology upgrades, best management practices like lean manufacturing or TQM (total quality management), and others (Foreman & Whetten, 2002; Kennedy & Fiss, 2009; Rao, 1994; Staw & Epstein, 2000; Westphal, Gulati, & Shortell, 1997). Moral legitimacy is a judgment of whether a company does 'the right thing' with regard to outputs and consequences (e.g., standards, quality, and safety), systems and processes, firm structures, and company's leaders and official representatives (Scott & Meyer, 1991; Suchman, 1995). It is affected by the organization's human capital, leadership characteristics, managerial experience, ability to adopt established standards and procedures, and governance, for example dispersed ownership (Deeds, Mang, & Frandsen, 2004; Delmar & Shane, 2004; Rutherford, Mazzei, Oswald, & Jones-Farmer, 2018; Tornikoski & Newbert, 2007). Cognitive legitimacy reflects the taken-for-grantedness (i.e., 'this is what we do here'), comprehensibility, understandability, and plausibility of an organization's actions (Suchman, 1995). Finally, based on the locus of the relevant stakeholders, legitimacy can be categorized as internal or external. Internal is 'granted' by owners, employees, and managers of a



company, and external – by customers, business partners, authorities, and civic organizations that have a stake in the company's activities.

Most Russian firms, and indeed Russian firms as a class, struggle with a lack of legitimacy in their domestic market. There is widespread preference in Russia for products and services offered by foreign firms, which are generally perceived to be of better quality and value. According to a survey, Russian consumers prefer global brands in relation to local firms due to their high reputation, good quality, and greater functionality (Nielsen, 2016). Russian investors for the most part choose to invest in foreign stock markets and businesses, which they view as more reliable and better governed. Russian people and even employees of Russian companies are mistrusting of the morals and conduct of Russian managers and businesses (McCarthy et al., 2014; Spillan et al., 2021; Vershinina et al., 2020). All of this is evidence of lack of legitimacy of Russian firms in their own market, which paradoxically translates to greater legitimacy of foreign firms operating there. Such negative legitimacy perceptions are rooted in stereotypes that have been building since communist times and have been further reinforced since then, due to very slow and modest economic and institutional reform, questionable governance, and lingering high levels of public corruption (McCarthy et al., 2014; Vershinina et al., 2020; World Bank, 2020). Poor legitimacy reflects negatively on consumer sentiments and limits the ability of companies to attract high-quality workforce and business partners (Petrovskaya et al., 2017).

Russian firms face even bigger legitimacy challenges when venturing abroad. Achieving legitimacy outside of one's home market is always difficult due to 'liability of foreignness' (Zaheer, 1995) and institutional complexity, having to consider multiple external institutional environments while at the same time maintaining internal organizational coherence (Kostova & Zaheer, 1999). There is an added challenge for firms from emerging markets like Russia, which face systemic liabilities of origin, that is, negative country of origin effects due to perceived lack of capabilities, poor products and practices, and subpar governance and ethics in their home country or region (Drori & Honig, 2013; Johanson & Vahlne, 2009; Kostova & Zaheer, 1999; Panibratov, 2015; Spillan et al., 2021; Suchman 1995; Zaheer, 1995).

### **Leveraging the Chinese Diaspora for Legitimacy of Russian Firms in Russia**

Engaging with the Chinese diaspora can improve the legitimacy of Russian firms, although we are far from suggesting that this can be the ultimate panacea for all of their legitimacy challenges. We propose two main mechanisms for this effect: (a) mediated through the diaspora-facilitated capabilities upgrade discussed in the previous section, and (b) direct effect on legitimacy, as a result of association with the Chinese diaspora. Given the multi-dimensionality of the constructs, one could explore a huge number of specific impacts between the various capabilities and the different dimensions and types of legitimacy. Instead of trying to be

exhaustive, here we focus on a select subset of all possible impacts, which we think are representative of our ideas and also important in the context of our study.

First, better capabilities improve the internal legitimacy of Russian firms, that is, ‘the acceptance or normative validation of an organizational strategy via the consensus of all the company internal stakeholders’ (Drori & Honig, 2013: 347). With better products and technologies, and more professional management systems and culture, employees are more likely to appreciate the company and its leadership, and to come to believe that it is competent and able to achieve its organizational goals (Prashantham et al., 2019). This reinforces firm’s activities, allows the attraction and retention of quality human capital, and stimulates employees to rally around the main strategic and ideological aspirations (Drori & Honig, 2013; Prashantham et al., 2019; Tost, 2011). These mechanisms impact all three types of internal legitimacy. Pragmatic, as internal stakeholders (i.e., employees, managers, owners) can easily see the benefits of such capabilities for themselves, as, for example, better products, innovation, and efficient production systems can lead to better firm performance and a brighter future for the company and employment stability. Moral, as employees gradually develop more trust in management, and a belief that the company acts with integrity and ‘does the right thing’ because of better management and governance systems, leadership style, and organizational culture. Cognitive, as these internal stakeholders gradually form reassuring perceptions about the ‘reason for being’ of the company, as well as a sense of identity with a successful entity, which is satisfying and rewarding. It should be noted that a lot of these positive legitimacy consequences are perceptual in nature, at least to some extent. Thus, they depend not only on the objective reality of better capabilities that the company has built, but also on articulating such improvements, and communicating with employees to shape their positive views. That is a leadership task, which is not naturally part of the Russian leadership style. That is why being open to the adoption of more modern and transparent management and governance systems by leveraging foreign employees (e.g., Chinese), especially in management positions, can be very helpful. Connecting with Chinese DIs also helps to establish valuable partnerships with Chinese companies, which can serve as a source of valuable know-how and credibility, increasing employees’ self-esteem and motivation (Prashantham et al., 2019).

Second, better firm capabilities will also translate in better legitimacy with key stakeholders outside the firm including customers, suppliers, distributors, investors, other business partners, as well as government entities and civic organizations (e.g., NGOs) (Alexiou & Wiggins, 2019; Prashantham et al., 2019). For example, technical capabilities such as innovation, entrepreneurship, technology, new product development, and others are reassuring for customers, distributors, and investors that the company is in line with their interests around the quality of its products and its economic performance, thus directly creating value for them. Better organizational capabilities like leadership, work ethic, and management systems further

enhance such perceptions as they too are likely to lead to better performance. This is the essence of the pragmatic legitimacy of the firm in the eyes of external stakeholders. In addition, adoption of certain management practices such as corporate social responsibility (CSR) or better governance can be a positive signal to some external stakeholders who care about firms doing ‘the right thing’ and thus affect the moral legitimacy of the company. A company perceived to be pragmatically and morally legitimate – doing well and doing good – is likely to also be seen by its stakeholders as ‘appropriate’ and ‘understandable’ (Alexiou & Wiggins, 2019) as well. Like internal legitimacy, external legitimacy requires deliberate effort to influence the perceptions of important stakeholders, beyond just putting out better products and good financial results, so that they gradually begin to view the company as being part of a class of modern competitive Russian organizations. These include regular communication with key stakeholders promoting the company and the positive changes in its capabilities, and other ‘non-market’ strategies of influence.

Third, another mechanism through which legitimacy effects occur, and is at play in our context, is the so-called legitimacy spillover (Kostova & Zaheer, 1999) or halo effect (Prashantham et al., 2019), whereby a company’s legitimacy is linked to the perceived legitimacy of other entities with which it is associated. This effect is particularly salient for cognitive legitimacy (Kostova & Zaheer, 1999), although it can occur with the other types as well. An association of a firm with legitimate and reputable companies signals to stakeholders that it in a way ‘belongs’ or at least aspires to belong, to that class of organizations, and thus affects its cognitive legitimacy (Drori & Honig, 2013; Human & Provan, 2000; Low & Johnston, 2008; Tost, 2011). Many Russian companies, particularly in the infrastructure sector, seek to exploit such associations not only to upgrade their technological capacities but also to leverage those ties to convince consumers and investors of their long-term reliability and resilience toward global competitors.

A common strategy for activating such positive spillover effects is to publicly join networks of successful businesses – through joint ventures, alliances, contractual relationships, or informal ties (Yeung & Liu, 2008). Engagement with Chinese DIs in Russia is critical for getting access to such partnerships. Not only can the DIs provide links to potential business partners in China, but even more importantly they bring a sense of credibility to the associated Russian firms because of their quasi-governmental identity and perceived potential power of the Chinese government. As an example, many Russian firms were heavily influenced by Chinese DIs in their decision to adopt Huawei’s 5G technology. This ended up being very beneficial for them, boosting their reputation in Russia, as reported for instance by the Russian telecom giant Megafon (*Forbes Russia*, 2014). This is a clear example of a positive legitimacy spillover effect from a Chinese company – the technological giant Huawei, on its Russian partner companies. In a similar vein, Orient Consult Company has benefited from Chinese DIs in developing its global

capabilities in China, which in turn has increased its own legitimacy in the Russian market (Chinese Business Center, 2020).

Fourth, the positive legitimacy effect on Russian firms will be stronger in sectors and industries in which Chinese are perceived as particularly competent and competitive. For example, because the Chinese have extensive experience in manufacturing and logistics, hiring diasporans with experience in those areas would increase the credibility of the focal firm's techniques and outcomes (standards and quality of production and performance), and thus, its pragmatic legitimacy. In addition, the legitimacy impact of engaging with the diaspora will be particularly direct and salient for Russian firms with China-specific businesses. Employing diasporans and working with Chinese DIs and business partners conveys that the products and services offered by these companies are authentic and any local adaptation is done without compromising their 'Chinese' originality (Ely & Thomas, 2001; Verlegh, 2007). Examples include small businesses like Chinese restaurants seeking to hire Chinese chefs, language centers employing Chinese language instructors, or travel agencies specializing in China travel that build on the resources provided by Chinese DIs. That too positively impacts the legitimacy of the local firm. To summarize:

*Proposition 2: Engagement of Russian firms with the Chinese diaspora in Russia will have a positive effect on the legitimacy of Russian firms in Russia. Specifically:*

*Proposition 2a: This legitimacy effect will be mediated by the capabilities developed as a result of the engagement with the diaspora; a firm's technical and organizational capabilities impact its internal and external pragmatic, moral, and cognitive legitimacy.*

*Proposition 2b: Association with legitimate and reputable Chinese entities, directly or through DIs, will positively impact focal firms' cognitive legitimacy in Russia, beyond the effect based on capabilities.*

*Proposition 2c: The positive legitimacy effect of the Chinese diaspora on legitimacy of Russian firms in Russia will be stronger in sectors, industries, and businesses, in which Chinese are perceived as particularly competent and competitive.*

## **Leveraging the Chinese Diaspora for Legitimacy of Russian Firms Abroad**

Gaining legitimacy at home does not guarantee legitimacy abroad (Prashantham et al., 2019). As discussed, achieving legitimacy in a foreign country is tremendously challenging due to liability of foreignness and outsidership (Johanson & Vahlne, 2009; Kostova & Zaheer, 1999), particularly for companies from emerging markets due to negative country-of-origin perception, limited institutional and cross-cultural knowledge, and underdeveloped business and influence

networks (Panibratov, 2015; Prashantham et al., 2019; Spillan et al., 2021). Russian firms are a typical example of such deficiencies (Panibratov, 2015; Panibratov, Ribberink, Veselova, & Nefedov, 2018), but engaging with the Chinese diaspora can help alleviate some of these challenges. The benefits of working with the diaspora would be most pronounced for the diaspora's country of origin, China in our case, but would extend to some degree to other foreign markets as well. We propose several mechanisms for positive legitimacy effects of the diaspora on Russian firms abroad.

First, the capabilities-mediated legitimacy effects discussed above with regard to the Russian market would apply to foreign markets as well, because technical and organizational excellence projects credibility and legitimacy in every environment. Furthermore, since these capabilities have been developed partly with the help of Chinese diasporans, they are likely to be at par with the market standards and expectations of key stakeholders in China. In addition, Russian companies can utilize their Chinese diaspora employees to further adjust and adapt technologies, products, and management systems to the Chinese market as necessary. Operating within a system that has been partly infiltrated with Chinese principles of management, leadership, and work ethic is another potentially legitimating factor, as it brings Russian firms more in-line with established local patterns; isomorphism is likely to bring legitimacy (DiMaggio & Powel, 1983; Kostova & Zaheer, 1999; Meyer & Rowan, 1997).

Second, and more distinctively, the global capabilities developed by Russian firms can be a significant legitimating factor abroad, especially in the home country of the diasporans – China. Companies that are globally savvy can make sense of the cultural and institutional differences between the home and host countries and the need for local adaptation and responsiveness. Understanding the cultural and institutional imperatives in the host country guides the business conduct of the firm to keep it consistent with the established societal rules and norms. According to a survey of 603 Russian SMEs, half (50%) declared an interest in entering the Chinese market, with some of them having already entered China or planning to do so (Skolkovo & TusPark, 2016). The main problems that these firms face in expanding to China is the lack of knowledge and understanding of how to do business in China, including language barriers, cultural differences, and unfamiliar business and institutional environments (Neparko & Frolova, 2019). Learning global competencies from Chinese diasporans at home is an effective way to fill these gaps and legitimate their firm with key stakeholders in the host market (Caussat et al., 2019; Kostova & Zaheer, 1999; Suchman, 1995). Culture-oriented DIs, such as Confucius institutes, can also play a role in this process. Currently, there are 24 Confucius centers in Russia (Ryazantsev et al., 2019) that provide cross-cultural and language training and can be used as an additional resource for Russian companies to develop the global capabilities of their employees. Third, engaging with the diaspora provides Russian firms with valuable network access, which can be leveraged to influence the perceptions of key legitimating

actors in China (e.g., business partners, customers, government entities) about the focal firm. For example, individual diasporans employed in Russian firms can tap into their personal networks of colleagues, friends, and former employers to try to present the firm in positive terms. Even more so, working with DIs can elevate such perceptions to important external stakeholders in that market – governments, regulatory authorities, investors, high-status companies and other business partners, customers, and local communities (Caussat et al., 2019; Chand & Tung, 2014; Prashantham et al., 2019). This is particularly true for the business- and government-oriented diasporic institutions because of the centralized political system and the paramount role of the state in all business in China (Yeung & Liu, 2008).

Lastly, the positive legitimacy effects of the exposure of Russian firms to the Chinese diaspora may extend to other countries beyond China. This is so because, in general, many of the capabilities they have fostered through the diaspora are applicable in most contexts and could positively affect their standing in those countries. In addition to the capabilities route, the legitimacy of Russian firms in other countries can be facilitated through the Chinese connection, when, for example, Chinese partners introduce Russian firms to their global business networks and help transfer some of the positive perceptions about them (Prashantham et al., 2019). We expect legitimacy to be more transferable to other emerging markets similar to China and Russia because of the relevance of the capabilities and the importance of networks. For example, a Russian firm that has risen to an international status by expanding first to China is likely to be perceived as legitimate in countries closely related to and resembling China including Vietnam, Malaysia, and others. A good example of leveraging the network mechanism is a company called Literra, which initially developed global competencies by working with Chinese DIs in Russia, and subsequently expanded into several Asian markets attaining legitimacy and success (Chinese Business Center, 2020). There are also a number of examples of Russian investment funds that spun out of the One Belt One Road regions and leapfrogged successfully to other South-Asian countries. To summarize:

*Proposition 3: Engagement of Russian firms with the Chinese diaspora in Russia will have a positive effect on the legitimacy of Russian firms abroad. Specifically:*

*Proposition 3a: This legitimacy effect will be mediated by the capabilities developed as a result of the engagement with the diaspora.*

*Proposition 3b: The legitimacy of Russian firms in China is particularly impacted by the China-specific global capabilities developed through engagement with the Chinese diaspora.*

*Proposition 3c: The positive legitimacy effect will be stronger for host countries with cultural and institutional environments similar to China.*

*Proposition 3d: In addition to the mediated effects through capabilities, the legitimacy of Russian firms in China will be directly impacted by their level of engagement of with business- and government-oriented Chinese DIs.*

## DISCUSSION

The purpose of this article was to add to the diaspora literature by focusing on diaspora in emerging markets and the impact of diaspora on host country organizations. Instead of conducting a narrow empirical study, which is common in this literature, we sought to build a more comprehensive picture of the diaspora–host country firms dynamic. To develop our framework, we used the specific case of the Chinese diaspora in Russia. This case is instructive because it depicts a special situation: both the home and the host country are emerging markets; the home country and its firms possess better competitive capabilities and global reputation; and the relationships between the two countries and their peoples are historically close and trusting, if not friendly. This set of conditions creates an opportunity where Russian firms can leverage the diaspora to upgrade their capabilities and improve their legitimacy.

We explained how these positive effects might occur through a more micro approach than typical for this literature, suggesting that the outcomes are not automatic or uniform across firms but depend on the particular steps firms take to utilize the opportunities presented to them by the diaspora presence. Without repeating the previous sections of the article, we theorized on mechanisms like learning, knowledge transfer and sharing, access to competencies abroad, and personal example as routes to capabilities upgrade. For legitimacy, we suggested two main routes – through improved capabilities manifested in products and systems that are deemed acceptable in a particular context (e.g., Russia, China), or through associating with legitimate entities such as successful Chinese firms to enact legitimacy spillover effects. We believe that our propositions offer valuable insights for Russian companies. For example, what kind of individual diasporans are best suited for the boosting of what kinds of capabilities, in what positions in the company they should be employed, and which HRM practices should be activated. We also highlighted the benefits of working with different types of diasporic institutions, and how to engage with them. One thing is clear – extracting the greatest value from a diaspora requires a good understanding of the potential benefits and effective mechanisms, that is – a well-thought-out diaspora strategy.

As with any case-based study, an important theoretical question concerns its generalizability to other contexts beyond the China-Russia dyad. Based on our theory, we can suggest several boundary conditions of our framework. First, it should apply to any two countries with relatively disparate levels of development and an appetite in the host country to exploit the opportunities created by the diaspora. Second, for these benefits to occur, there needs to be some level of mutual trust, or at least non-hostile attitudes, between the two countries so that the

focal company is motivated to actively engage in knowledge transfer from the diaspora and reap positive spillover legitimacy effects. Third, such collaborative processes also require at least a minimum level of technical and cultural compatibilities to ensure adequate absorptive capacity and transferability of the knowledge. Government engagement, for example, through immigration policies or support for DIs might also be necessary, especially in emerging markets. Examples of host countries with such conditions where the Chinese diaspora would be beneficial include Vietnam, Malaysia, some African countries with historic ties to China, and many of the Central Asian former republics of the Soviet Union like Kazakhstan, Turkmenistan, and others. With regard to the home country, China is pretty unique because of its broad-based success. Diasporas from other countries could follow a similar model; however, their impact might be limited to certain industries or sectors where the country has known competencies, for example, the Indian diaspora in software technology or Russian diaspora in the arts.

In a broader sense, our study provides insights into two additional issues. First, this is the impact of geopolitics on business. Specifically, in the early years of the historical opening of the country in 1990s–2000s, Russia had rather favorable attitudes toward the West, welcoming Western investors, business partners, and individual diasporans, eager to leverage their capabilities and resources. Recently, however, this situation has changed as a result of changing geopolitics. A combination of economic sanctions, isolationistic and confrontational foreign policies of the government, and occasional harsh political discourse have not only limited the legal opportunities of Russian firms to collaborate with Western partners including diasporans, but also led to deterioration of the mutual trust between the two sides. Hence, a growing interest in Russia to pursue business relations with Asia, especially China, a trend further facilitated by common political past, historic cooperation, and relative cultural and institutional similarity between the two countries. Second, our case provides a glimpse into the ways in which China is trying to increase its influence in the world – not only through geopolitical and economic prowess but also through ‘soft power’ – by spreading its culture, values, language, products, and management practices (Latukha & Veselova, 2019; Ryazantsev et al., 2019). Our case is an example of what political scientists have observed recently – that rightly or wrongly, many countries, especially those with a communist/socialist past, like Russia, are increasingly forming positive views of the Chinese political–economic model and trying to emulate it (Eurasia Group, 2019).

To conclude, our study helped us develop a framework that emphasizes two main points. First, with regard to the question of what specific capabilities in Russian firms can be facilitated by the Chinese diaspora, we suggest that technical, organizational, and global capabilities are the most promising, because of the relative advantages of the Chinese in these areas, that are still lacking in Russian firms. Improving competencies in these areas can also help Russian firms improve their



legitimacy at home and abroad by signaling to important stakeholders that the firm is capable of producing better products and services, as well as managing diverse expectations due to newly built-up capabilities. Second, with regard to the question of how these potential positive effects can occur, our study suggests that employing Chinese diasporans and engaging with Chinese DIs in Russia are a useful first step, which, however, needs to be followed by organizational strategies that can facilitate the process of transfer of capabilities. Specifically, we highlighted the benefits of collaborative HRM practices as well as some level of cultural and language competencies on both sides (Chinese and Russian employees and organizations). These are critical factors for successful transfer of complex knowledge for a maximum benefit.

We hope our article provides a sufficient foundation for future research around the issues of diaspora and its value for host country firms. These might include empirical studies that test some of our ideas, or conceptual work expanding our understanding of diaspora-related topics, for example a contextualized theory of organizational legitimacy, informed by our study. This area of research is important because of the growing population of migrants around the world and the felt need for many countries and firms to leverage all possible sources for improving their competitiveness.

## NOTES

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