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≈ INTERACTIVE PAPER ≈

THE CULTURAL ANTECEDENTS OF OUT-MIGRATION ON HOME-COUNTRY ENTREPRENEURIAL OUTCOMES

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Principle Topic

The superior performances of immigrants on host-country entrepreneurial outcomes is well-documented. Immigrants have been found to be more entrepreneurial than natives in most developed countries. As a result, many developed countries are crafting policies and special visa categories to attract migrant entrepreneurs. However, research on the effects and possible channels through which out-migration might affect home-country entrepreneurship is scanty. Even more scanty is research on the role that differences in host and home country cultures play in this dynamic.

Method

Using a resourced-based model, we theoretically model, and empirically test the effects of out-migration on home-country entrepreneurship, taking into account the possible moderating effects of differences in host and home country entrepreneurial cultures. Theoretically, we conjecture that out-migration confers unique, valuable and inimitable resources on the migrant and her home-country, which affect home-country entrepreneurship through remittances and resource transfers, knowledge transfers, expanded networks and markets as well as the activities of return migrants. Our model recognizes that the true effects of out-migration on home-country entrepreneurship are enhanced or moderated by differences in entrepreneurial cultures of the host and home countries as well as the entrepreneurial orientation of the migrant. We postulate that migrant entrepreneurs living in host countries that have high entrepreneurial cultures will tend to more significantly affect home-country entrepreneurship.

Results and Implications

We test aspects of our model empirically using data from the *World Bank World Development Indicators* augmented with Hofstede's six cultural dimensions and other country specific control variables. We first run models with all country pairs for all years. We find that generally, there is a reinforcing effect of cultural distance on home-country entrepreneurship. In other words, as cultural distance between the host and home country decreases, the effects of migration and remittances on home-country entrepreneurship increases. But this effect was not quite significant. This could be because two poor countries both with low entrepreneurial cultures will have a similar cultural distance as two rich countries both with high entrepreneurial cultures. To address this issue, we limited the host country to the United States to ensure a common basis of comparison and superior host-country cultural-homogeneity. We chose the United States because it is considered the entrepreneurial hub of the world with an entrepreneurial model that is said to be representative of the ideal entrepreneurial profile (Thomas & Muller, 2000). Preliminary results support the hypothesis that: out-migration positively affects home country entrepreneurial outcomes through remittance inflows. We also find partial support for the hypothesis that: there is a positive relationship between host-country entrepreneurial culture and home-country entrepreneurial outcomes.

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