

The European Migration Crisis as a Factor in Foreign Market Entry Decisions of German Multinationals

Part 1 – Impact of the Crisis on Germany

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ABSTRACT:

The largest influx of refugees since German unification has generated new challenges and opportunities in Germany's society, culture, politics and economy. Theory advocates the advantages for international business of institutional change, migrations and integration. However, a negative public perception can conceal and inhibit resources and opportunities for German multinational enterprises. How did the attitude of Germany towards refugees change in 2015 and 2016? How did formal and informal German institutions react on the EU refugee crisis? How has this affected decision makers in German MNEs in terms of foreign market entry choices? How do German MNEs evaluate the long-term consequences of this crisis?

This paper investigates in which ways the influx of refugees and migrants who arrived in Germany has affected the international business strategy of German MNEs. It is divided into two parts.

Part One analyses the impact of this crisis on German culture, society, government, politics and economics and examines how it has been perceived and displayed.

Part Two will further investigate how German MNEs are influenced by the migration context in Germany and Europe and how this affects their foreign market entry strategies in emerging economies.

KEYWORDS:

Cross-Cultural Management, Europe, Foreign Market Entry, Germany, Institutional Theory, Integration, International Business Strategy, Migration, Refugees, MNEs.

Introduction

Throughout the history of mankind, migrations have been at the heart of human life, societies and economic activity. In the 20th Century alone, Germany and Central Europe witnessed large-scale movements of populations. More recently, over a million migrants and refugees found their way to Germany since 2014, predominantly from Syria and Irak, but also Pakistan and Iran (Sutherland 2015), a trend which continued in 2016, albeit at a slower pace after the EU-Turkey Refugee Deal. This massive arrival has brought about new opportunities for business, new resources such as knowledge, networks and workforce to support business, and this new situation has called for the most substantial institutional change since German unification (Bomsdorf and Winkelhausen 2014). Governments enforce new rules, organisations are founded, business adapts to the new situation and nations renew their mind files and perceptions (Schmuck and Matthes 2015; Souto-Otero and Villalba-Garcia 2015). Many scholars have proven that the institutional environment affects businesses and entry strategy (Anderson and Gatignon 1986; Luo and Peng 1999; Meyer 2001; Peng 2001; Tihanyi et al. 2005; Lundan and Dunning 2008; Bae and Salomon 2010; Berry et al. 2010). Resources such as knowledge, networks and workforce can support international business and the process of entering foreign emerging markets (Barney 1991; Hitt et al. 2000; Fey and Bjorkman 2001; Meyer et al. 2009).

However, cultural differences, increasing uncertainty (Lazaridis 2011), an eroding European consensus (Rodrigues et al. 2014) and rising populist influence have hindered integration and concealed underrated benefits for the economy, society and politics (Schmuck and Mattes 2015; Sutherland 2015). Notwithstanding this, institutional actors shape the fate of the largest influx of population to Germany since World War Two, and set up on what grounds decisions for the future are being made, hence their impact on this new context matters. Indeed, actors from these institutions currently define what will remain from the biggest influx of people since the Second World War and establish how situations are evaluated and perceived and on what ground decisions for the future are made.

This exploratory research focuses on the specific migration and refugee situation in Germany. It examines, first, the evolution of German public discourse on the migration crisis since the Summer of 2015; second, it assesses how German multinational enterprises (MNEs) are influenced by the long term consequences and potentialities for business generated by the influx of refugees and migrants in Germany; then, in a second part it will investigate in which ways their international business strategy is affected when planning foreign market entry.

In doing so, first, a media discourse analysis is carried out in the first part of the paper on the basis of a large range of articles taken from the German press, whilst closer attention is devoted to sources from three newspapers: *Die Welt*, *Die Zeit*, and *Wirtschaftswoche*. Reports selected from web-based archives focus on three specific chronological events: the arrival of refugees in Munich; events in Cologne on 2016 New Year's Eve; and the EU Summit in March 2016.

Articles were collected on each of the three events, with a view to gaining insights from secondary data on how reality has been constructed (Derrida 1976) and to understanding how the context has evolved over a one-year period following the Summer 2015.

Alongside this media investigation, one-to-one semi-structured interviews were carried out in July 2016 over a short two-week period, and their outcome will be analysed in the second part of the paper. Interviews were audio captured in German and transcribed. They were conducted anonymously and confidentially, face-to-face or Internet mediated through software such as Skype, with five key informants in higher positions in five German MNEs, each having decision authority on their firm's strategy, in order to assess individual perceptions. They determine how corporate decision makers are influenced by the wave of refugees in Germany and how insights on this new reality, shaped by public and media discourse, affect their perceptions, feelings, thinking and decision making. Finally, the combined results from both applied methods provide new insights into the paper's research questions. Rather than making statistical generalisations based on a large sample of interviewees, we rely on a small sample of key participants as the scope of the research is more interested in comparability and penetrating analyses (Brinkman and Kvale 2015: 127).

Given their frequent use in this article, it is necessary to define the terms migrant¹ and refugee². We follow the policy of the United Nations High Commissioner for Refugees (UNHCR 2016) and use 'refugees and migrants' when referring to the people who arrive in Europe to leave their homeland and enter the EU. We use 'refugees' in the case of people crossing an international border to flee war or persecution. And we say 'migrants' when we mean people moving for reasons not included in the legal definition of a refugee, in particular economic ones.

The combination of media discourse analysis and interviews of business practitioners is designed to shed light on the research questions. First, the media discourse analysis (MDA) reveals trends in public reactions and representations made by different German institutions on the issue of refugees and migrants. The MDA is instrumental in addressing the first research question: How did public discourse evolve on the migration crisis in Germany after the Summer 2015? Second, interviews of business practitioners provide insights on how decision makers in German MNEs perceive the refugee situation and its consequences. These insights address the second research

¹ "Migrants choose to move not because of a direct threat of persecution or death, but mainly to improve their lives by finding work, for education, family reunion, or other reasons. Unlike refugees who cannot return safely, migrants will continue to receive the protection of their government." (UNHCR 2016)

² "Refugees are persons fleeing armed conflict or persecution. Refugees are defined and protected in international law. (The 1951 Refugee Convention and its 1967 Protocol, the 1969 OAU Refugee Convention.) Included is safety from being returned to the dangers they have fled; access to asylum procedures that are fair and efficient; and measures to ensure that their basic human rights are respected to allow them to live in dignity and safety while helping them to find a longer-term solution." (UNHCR 2016)

Nodes compared by number of coding references

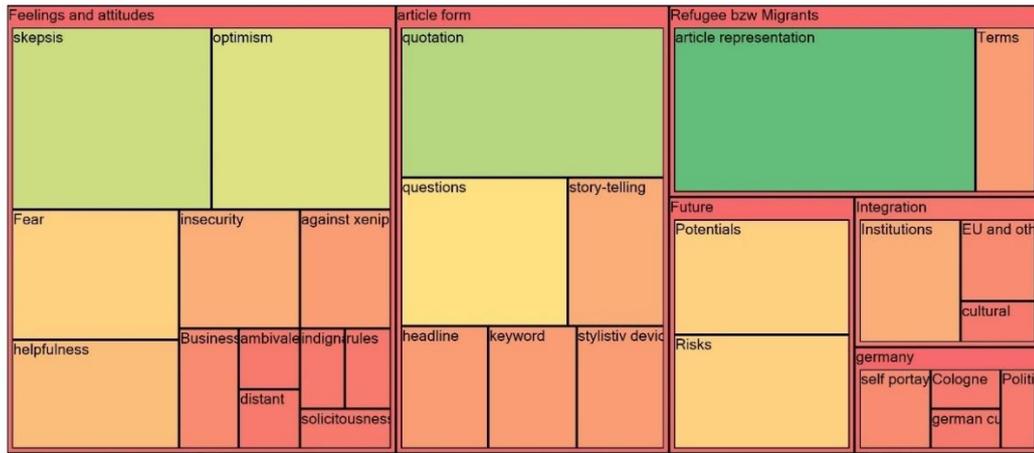


Figure Error! No text of specified style in document.: Codes for *Wirtschaftswoche* (compiled by the authors)

Event 1 – Narrative on Migrants’ Arrival at Munich Central Station

After this overview of techniques and codes the results of the in-depth analysis focus on the three aforementioned key events. The first event marks the arrival of refugees and migrants coming from Hungary by train and arriving at the Munich Central Station. The following articles are analysed.

newspaper	title	category
ZEIT	Flüchtlinge: „Was für ein tolles Land Deutschland ist“ (Refugees: „ What a great country Germany is”)(Otto 2015)	politics
DIE WELT:	Tausende Flüchtlinge: So souverän meistert München den Ausnahmezustand (thousands of refugees: So confident does Munich handle the exceptional circumstances) (Oßberger 2015)	local
WIWO:	Flüchtlingswelle erreicht Bayern: Das Herz der Münchener. (Wave of refugees reaches Bavaria: The heart of the people in Munich)(Buchenau 2015)	politics

Table 1: Articles related to Event 1 - Arrival of refugees and migrants in Munich

and Austria not sticking to the Dublin III Regulation on asylum applications and not fulfilling their responsibility.

Quotations like ‘Wozu diese Schikane?’ (Why all this fuss?) from Ahmed from Syria (Otto 2015) help conveying this message and making it more emotionally powerful on the part of a refugee. Quoted are several refugees by name who tell their story, like Aziz and his family or Ahmad (Buchenau 2015; Otto 2015), and one migrant who arrived in Germany two years earlier awaiting his friend (Otto 2015). The use of quotation supports a story telling method aiming at creating emotions. Data or facts are not provided. The degree of information is limited to the events on the day of arrival and a brief description of the past journey of the refugees where some EU countries were not sticking to the Dublin agreement. The refugees’ countries of origin are mentioned, as well as the high numbers of refugees already in Germany, and the estimated number to come in the following days, referred to as ‘masses’. However, most of the information provided remains vague. Potential opportunities and threats are barely mentioned, or if at all, by the use of rhetorical questions or stylistic devices like metaphors and symbols. ‘Aber es wird kein Sprint, sondern eher ein Marathon.’ (However, it will not be a sprint but a marathon) (Buchenau 2015).

The representation of German institutions is positive. Germany is depicted as a warm and helpful nation to be proud of. Volunteers, policemen, and local politicians are interviewed and quoted. German institutions are presented as relaxed, professional, well prepared (Buchenau 2015; Otto 2015; Oßberger 2015). Quotations from ‘brave’ policemen (Otto 2015) help to create an atmosphere against xenophobia and highlight the German welcoming attitude (Wilkommenskultur). Local politicians quoted represent their city and refer to Chancellor Merkel when it comes to taking responsibility and finding solutions, e.g. Dieter Reiter, mayor of Munich: ‘Jetzt ist die Bundeskanzlerin gefragt...’ (Now the federal chancellor is in demand...) (Oßberger 2015). Overall, self-display and representation of the atmosphere dominate the articles rather than facts.

In terms of the general tenor of the debate, in the *Wirtschaftswoche* (WIWO), which describes itself as analytical and profound (Wirtschaftswoche 2016b), six paragraphs out of ten are story telling. Three references coded with story-telling account for 23,35% coverage of the whole article. The other two articles from *Die Zeit* and *Die Welt* also display a 10-12% coverage consisting of story-telling. In all articles most of the content is coded with feelings like optimism, solicitousness and helpfulness (See figure below). The amount of information stays below 5% of coverage. It is striking that all three articles are very similar, in terms of quotes, language use, terms used, and in the overall tenor and message. Our analysis points to a focus on representing and creating feelings rather than providing information.

Nodes compared by number of coding references

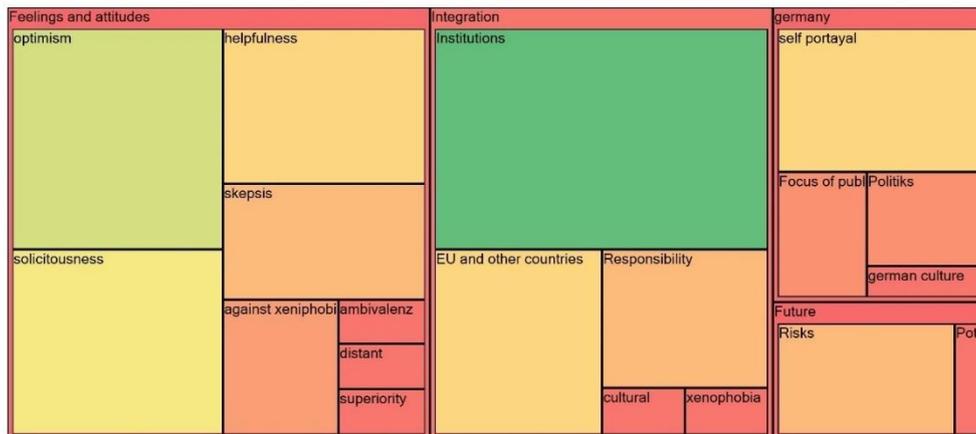


Figure 7: Coded feelings in articles on event 1 (arrival)

Event 2 – Narrative on 2015 New Year’s Eve Events in Cologne

The second event marks the assaults that happened on 31 December 2015 at the Cologne central station, where the police had to evacuate the area and subsequently became the target of criticism. The suspects were classified as refugees or migrants who attacked mainly women. Sexual assaults and robbery were reported. The following articles are analysed:

newspaper	title	category
ZEIT	Köln: Unter Schock (Cologne: in shock) (Wefing 2016)	Germany
DIE WELT:	Silvester in Köln: Drei Stunden in der Angstzone (New Year’s Eve in Cologne: three hours in the zone of fear) (Aust et al. 2016)	politics
WIWO:	Übergriffe in der Silvesternacht: Kölner Polizei hat Hinweise auf 16 Verdächtige (Assaults at New Year’s Eve: Police in Cologne has leads to 16 suspects) (Wirtschaftswoche 2016a)	politics

Table 1- Articles related to Event 2 - New Year’s Eve assaults

indirectly quoted with rude and negative comments. Up to 10% coverage of the article is about the representation of the refugees and migrants that were present that evening. All but two codes are linked to negative feelings like fear, insecurity and indignation.

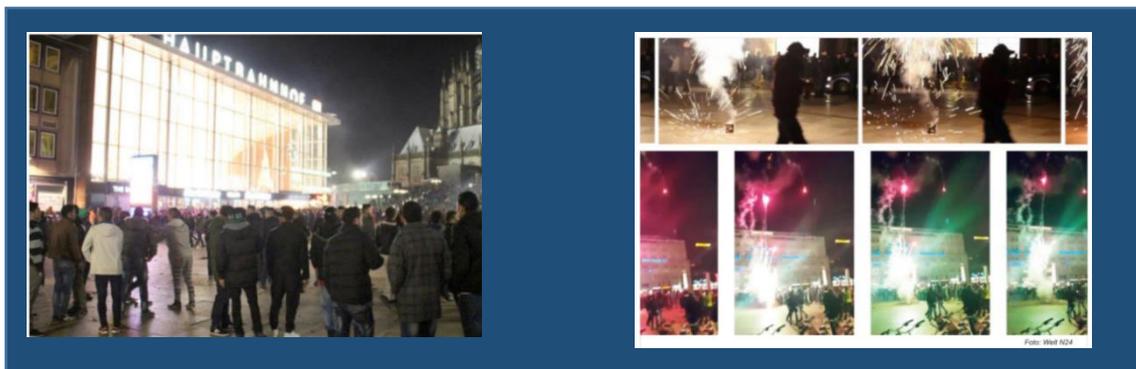


Figure 2: Pictures of New Year's Eve assaults. Sources left to right: Wirtschaftswoche 2016, Aust et al. 2016

In terms of the way German institutions are represented, the focus is clearly on the police, which is subject to severe criticism. The question who is in charge and who is to blame dominates the three selected articles. For example, someone from the police is quoted without a name. ‚Trotz der ungeplanten Feierpause‘, fantasierte Kölns Polizeiführung weiter, ‚gestaltete sich die Einsatzlage entspannt‘ (The Cologne Police was claiming that ‚despite the unscheduled party break the situation is under control‘.) (Aust et al. 2016). The German verb ‚fantasieren‘ in that context has a derogatory connotation. One article claims that the failure of the police to control the situation is justified by the need to increase border controls against illegal crossings.

Politicians are quoted pointing at each other and Angela Merkel is quoted calling the events a ‚Paukenschlag‘ (drumbeat). The conservative *Die Welt* interprets this as the end of her ‚Wir schaffen das‘ (We can do it)-rhetoric. It then goes further and openly accuses politicians of manipulating the flow of information with another rhetorical question: ‚Gab es etwa den politischen Willen, die Themen Kriminalität und Flüchtlinge strikt zu trennen, egal wie verflochten sie waren?‘ (Was there the political will to separate refugees and crime, no matter how intertwined they are?) (Aust et al. 2016). Society is only represented by victims describing their experience. Remarkable is the sentence: ‚Was Pegida und AfD nicht geschafft haben, hat der außer Rand und Band geratene Mob am Domplatz bewerkstelligt: Ein Generalverdacht macht sich breit. Wen holen wir da gerade ins Land – und was hat das für Folgen?‘ (What Pegida and AfD³ did not accomplish, the unleashed wild mob at the Cologne Cathedral managed to do. A general suspicion is spreading. Who are we taking in our country- and what are the repercussions?) (Aust et al. 2016). Such comments seem to justify hostile feelings against refugees expressed by some Germans, and refugees themselves are blamed for this.

In terms of the general tenor of the debate, here again, the tool of story-telling is largely supported by quotations. Where at the time of the refugee arrival the parts coded as story-telling were marked by sympathy and positive emotions,

³ AfD: Alternative für Deutschland (Alternative for Germany), far right extremist anti-immigrant and xenophobic political party.

now over 98% of the parts coded with story-telling are also coded with fear and insecurity and 37% are even coded with indignation.

The use of rhetorical questions is quite remarkable here. The *WIWO* article uses six such questions, *Die Welt* four, and *Die Zeit* one. Where the *Wirtschaftswoche* uses the questions to structure the article, *Die Welt* uses the questions to convey criticism and accusations. With 38 quotations, which account for 15,17% coverage, the article in *Die Welt* aims to show an investigative approach. Often the quotes are not referenced and their interpretation is biased. The stylistic devices are used to create a dramatic atmosphere that increases fear and hatred. Using terms like ‘Kippsituation’ (tipping point), an impression of insecurity and lack of control is conveyed. Future risks are underlined in 97% coverage coded with fear or insecurity. There are different nuances in the three articles as to how they generate these feelings but in the end they are very similar. The information provided focuses on a short period of just a few hours, and experiences, story-telling and speculation make 90% of the content. Fear, indignation, and insecurity are prominent.

Nodes compared by number of coding references



Figure3: Coded feelings in articles reporting on New Year's Eve assaults in Cologne

Event 3 – Narrative on the 17-18 March 2016 EU Summit

The third event that we consider is the Summit of the European Council in Brussels on 17-18 March 2016 which paved the way to the EU-Turkey Agreement on Refugees. The following articles are analysed.

newspaper	title	category
ZEIT	EU-GIPFEL: Was im Türkei-Deal steht – und was nicht (EU-SUMMIT: what the Turkey deal says and what not) (Jacobsen 2016)	abroad
DIE WELT:	Gipfel in Brüssel: Flüchtlingspakt von EU und Türkei einstimmig angenommen (Summit in Brussels: Refugee pact consentaneous accepted by Eu and Turkey) (Die Welt 2016)	abroad
WIWO:	EU einigt sich auf neuen Flüchtlingspakt: Hoffnung auf die Wende (EU reaches an agreement on new refugee pact: hope for the	Politics abroad

ahead with similar agreements.) With 16.37%, information on and responsibility for different institutions and nations is the most prominent part.

There is a sharp contrast between previous, emotional articles, and these ones which now seem more neutral. The future is represented as challenging but a more optimistic atmosphere is conveyed by means of a photograph depicting EU unity. All articles now display some distance from the refugee crisis, which is referred to as a mere issue of allocation. Responsibility now has to be assumed by others, e.g. the EU and Turkey. Now concepts such as ‘Wendepunkt’ (turning point) generate the feeling that a solution has been found to address the problem.

Nodes compared by number of coding references

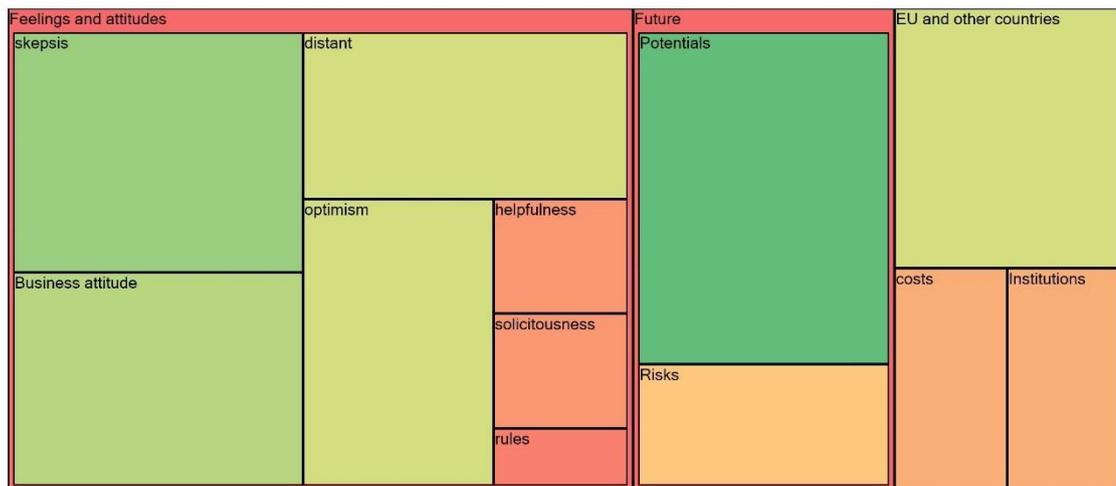


Figure 11: Coded feelings in articles reporting on the 17-18 March 2016 EU Summit

To sum up, the representation of migrants and refugees changed over time. Initially referred to as ‘friendly families’, then as ‘masses of violent agitators’, they became numbers of classified objects. The representation of German institutions turned from ‘welcoming’, ‘helpful’ and ‘well prepared’, then ‘overstrained’ and ‘flawed’, to ‘united’ and ‘calm’. The overall tenor supports the representation beginning with optimism, changing to fearsome and angry to distantly apprehensive. The amount of reliable factual information is low. The aim clearly lies on conveying feelings.

This paper continues in the next issue of *Europejskie*. The second and final part of the study will investigate, on the basis of semi-structured interviews of representatives of German business how German multinational enterprises are influenced by the migration context in Germany and Europe, and how this affects their foreign market entry strategies in emerging economies. This will lead to a discussion on the findings of both parts of the paper.

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