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Determinants of the Innovation Performance of a Foreign Subsidiary (FS) –
The Perspective of Foreign Subsidiaries Located in Poland,

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DETERMINANTS OF THE INNOVATION PERFORMANCE OF A FOREIGN SUBSIDIARY (FS) – THE PERSPECTIVE OF FOREIGN SUBSIDIARIES LOCATED IN POLAND

Justification of the study and research gap

The strengthening position of MNEs in global economy, their competence-creating capabilities stimulate studies on various aspects of MNE phenomenon. FS-focused perspective has recently gained a considerable significance in MNE literature. One of the most recent streams of research emphasizes the influence of FS relationships (and level of FS embeddedness) with internal partners within MNE network as well with external (independent) actors on FS's positioning within MNE network (e.g. Cantwell, Mudambi 2011; Rugman et al. 2011; Gammelgaard et al., 2012; Chiabuchi et al. 2014; Narula 2014; Oehmichen, Puck 2016). A positive influence of FS internal and external relationships on FS innovation performance has been underlined, and a further extension of studies in this area is being suggested (Cano-Kollman et. al. 2016). Most of the empirical research on FSs (incl. their innovativeness) has been conducted in mature economies, whereas the studies in transition economies are undertaken only recently (e.g. Damijan et al. 2010; Gołębiowski, Lewandowska 2015). This study intends to fill the cognitive gap concerning factors affecting FS innovation performance and its position within the MNE network from the perspective of FSs established in transition economy. More precisely, the issue tackled in this research is the identification and assessment of interrelated internal and external factors that determine innovation performance, and – subsequently- the position in MNEs' networks of FSs' located in Poland. Another justification for challenging this topic is that -due to extreme complexity of MNE phenomenon- the majority of empirical studies covers selected issues related to FS development, FS roles, as well as their internal and external linkages, and often refers to single FS case studies.

Theoretical background

Literature provides evidence that the relations between factors affecting the position of FS within a MNE network and the categories of its determinants should be explained by a bundle of interlinked theoretical concepts incl. theories of the firm, institutional economics, strategic management, and international business theories. Therefore, the formulation of the study concept has been based i.a. on resource-based view of a firm (Wernerfelt 1984; Barney 1991), and further extensions: knowledge-based view (Nonaka, Takeuchi 1995; Grant 1996) and relational view (Dyer, Singh 1998; Lavie 2006); the resource dependency theory (Pfeffer, Salancik 1978; Hilman et al. 2009); the network model of the MNE (e.g. Ghoshal, Bartlett 1990), and related concept of firm's embeddedness (e.g. Birkinshaw et al. 2005; Forsgren et al. 2005). In this context the outcomes of conceptual and empirical research on FS internal and external linkages (see examples signaled above) is also being considered. Theoretical background for this study also comprise the eclectic paradigm of international production (Dunning 2001), the concept of competitive advantage of a nation (Porter 1990); concept of national innovative capacity (Furman et al. 2002), and innovation management theory (incl. open innovation concept). The authors refer in this study to the constructs that integrate specific factors identified in these theoretical concepts and previous studies.

Intended method and preliminary results

The project involves both literature and empirical research. Extended literature studies enabled the identification of significant factors that determine the position of FS within the MNE network (with focus on FS's innovation performance on its position). Afterwards, an original conceptual model and research hypotheses have been developed for the analysis of the relations between factors that determine FS innovation performance and affect its position. The following factors (constructs – independent variables) are included in the model: (i) host country (Poland's) national innovative capacity; (ii) FS innovation performance (defined by FS asset/knowledge base and outcomes of innovative activities); (iii) the depth of FS internal

embeddedness, and (iv) the depth of FS external embeddedness (in both cases explained by intensity and sustainability of linkages with partner(s), intensity/forms of knowledge flows, and joint innovation projects); (v) FS position – a dependent variable (defined by FS systemic power, dependency power, autonomy, and FS performance). The following control variables are included in the model: FS parent company entry mode, FS ownership mode, MNE motive(s) for FDI, FS size, and FS age (years in Poland). The conceptual model will be tested based on FS-level data collected with application of a survey based on questionnaire prepared for this study. After a pilot testing the survey is being conducted among big and mid-sized FSs located in Poland, operating in manufacturing industries at least since 2010. The analysis encompasses period 2011-2016. The data are being collected with the use of CATI method. The targeted respondents are FS CEOs or other senior managers. The required size of representative sample amounts to 400 complete FS/questionnaires. Structural equation modeling (SEM), examining the structure and strength of linear relationship between independent variables and one or more dependent variables will be used as the main tool to assess the causal relationships between variables and to verify hypotheses. This method is more accurate in specification of hypotheses and operationalization of constructs; it also takes into account reliability of measures in tests of hypotheses in ways beyond the averaging of multi-measures of constructs. SEM, in contrast to other methods, estimates different hypotheses simultaneously.

The quantitative analysis will be supplemented by qualitative case study method. Two-step cluster analysis will be used to identify clusters of FSs characterized by different positions within MNE. The results of the cluster analysis will support the selection of four FSs for the case studies that are characterized by different (high/low) innovation performance and differing (strong/weak) FS's position in MNE. In-depth structured interviews with CEOs of these four FSs will be conducted. NVivo 10.0 or MAXQDA11 software will be applied for outcomes analysis.

Expected contribution of the study will be of conceptual, methodological and empirical nature. An original conceptual model presenting the factors and interrelations between them that influence FS innovation performance (and FS position in ME) will add a new perspective to the theoretical debate. Growing role of FSs (incl. those located in transition economies), as well as changing attractiveness of these locations call for in-depth analysis of factors affecting MNE decisions on FS development or its closure/relocation. We argue that the stronger is FS position in MNE, based i.a. on FS dual embeddedness the higher is the probability of its survival/growth.

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