# Successes and Challenges of Emerging Economy Multinationals


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# Contents

# 8

# Internationalization of Polish Firms via Foreign Direct Investment: A Multiple-Case-Study Approach

*Marian Gorynia, Jan Nowak, Piotr Trąpczyński and Radosław Wolniak*

## Introduction

Outward foreign direct investment (OFDI) of Polish firms on a significant scale is a very recent phenomenon. Although it emerged in the second half of the 1990s, only the 2000s saw its rapid growth with the average annual outflow between 2005 and 2010 amounting to US$6.5 billion, with a peak of US$8.9 billion recorded in 2006 (UNCTAD, 2011). As a result of the increase in OFDI, the gap between inward and outward foreign direct investment (FDI) started to diminish, although it still remains relatively large; i.e. FDI outflows represented 48.5 per cent of FDI inflows in 2010. Similar surges of outward FDI were experienced by some other Central and East European (CEE) countries, but Poland remains the biggest exporter of FDI in the region (excluding the Russian Federation).

Meanwhile, researchers' interest remained focused on inward FDI in CEE, the type of investment that did indeed play a significant role in the region's overall successful transformation. Now, as outward FDI started to make its impact on the home and host economies, and on the international competitiveness of local firms, there appeared an urgent need for international business scholars to refocus their research agendas. By undertaking the present research project, the authors hope to stimulate more interest in OFDI research in Poland, and indeed – the entire CEE region.

The overall objective of the present chapter is to identify motivations and strategic choices, as well as their determinants and effects, of Polish companies investing abroad, against the backdrop of these companies' characteristics and international activities. More specifically, this chapter aims at: (a) revealing the FDI motives and modes, path of internationalization, country-choice decisions and perceived subsidiary performance; (b) identifying the determinants of strategic choices regarding company internationalization and FDI; and (c) qualitatively relating the above variables with company characteristics. Thereby, the chapter tries to assess whether the foreign expansion of firms from Poland remains in line with extant theory or, conversely, poses challenges to the international business theory's explanatory capability.

A multiple-case-study design has been adopted to fulfil the above objectives. Such a design is particularly suitable for exploring new research areas and developing novel, empirically testable, theoretical constructs. The number of cases that is considered appropriate in this type of research ranges from four to ten (Eisenhardt, 1989). The upper end of this range was chosen to assure a better representation and greater diversity of the studied firms. Data were collected from managers of parent companies in Poland using a structured qualitative questionnaire and supplemented by a review of company reports and external published sources.

In the first section of the chapter, an analytical framework is laid out, based on a review of relevant theories and conceptual frameworks used in the study of FDI and internationalization. This is followed by a literature review concerning the study of OFDI in CEE. The main part of the chapter commences with data collection methodology and then presents within-case and cross-case analyses. In the final section, the empirical results are discussed and propositions for future studies are formulated.

## Determinants, motives, modes and effects of OFDI: An analytical framework

As John Dunning asserts, scholarly research in international business (IB) is about '[...] understanding of how, why, where, and by what means corporations cross national borders and their impact on the economies in which they operate' (Dunning, 2002: 826). In this chapter, the authors seek answers to the 'how, why, where and by what means' questions when applied to Polish firms investing abroad, leaving aside their investment impact on the home and host economies.

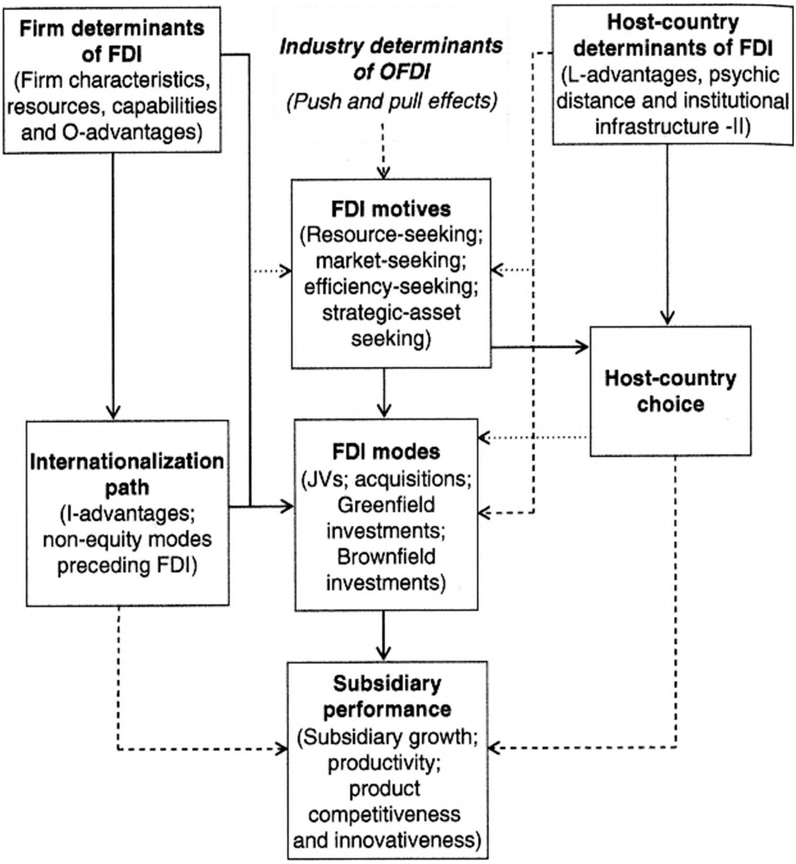


*Figure 8.1* Analytical framework for studying OFDI
*Note*: Dotted lines denote relationships expected to exist but not studied in this chapter.

The analytical framework for this chapter is set out in Figure 8.1. The exhibit shows the relationships between three levels of OFDI determinants – firm, industry and host-country – as well as FDI motives, modes, country choice and subsidiary performance. It also puts FDI modes into the context of the firm's internationalization path. The whole framework is based on Dunning's Eclectic Paradigm of International Production, two internationalization models (the Uppsala and Strategy Tripod models) and several relevant concepts and classifications (of FDI motives and modes) derived from extant literature.

Dunning's Eclectic Paradigm of International Production, proposed in 1980 (Dunning, 1980) and developed and refined by this author over the next two decades (Dunning, 1988, 1995 and 2001), is a synthesis of Dunning's own research findings and a number of other authors' contributions to the IB theory. It is also known as the OLI Paradigm, with the OLI abbreviation denoting terms that constitute the paradigm's three pillars: O – ownership-specific advantages; L – location-specific advantages; and I – internalization advantages.

Arguably, the Eclectic Paradigm provides a relatively comprehensive explanation of the reasons for firms to engage in FDI, as well as the basic conditions for the choice of entry modes (exporting vs. licensing vs. FDI). It also provides an explanation of location choice in IB activity. The Eclectic Paradigm has gained wide acceptance in the IB field and is regarded as the best theory to date to explain the IB activity of firms.

The OLI Model is explained in Figure 8.1 under the firm (as O-advantages) and host-country (as L-advantages) determinants of outward FDI, as well as part of the internationalization path in the form of I-advantages.

John Dunning is also the author of a framework that is related to the OLI model, which is also relevant in the context of the present chapter. Borrowing from an earlier taxonomy developed by Behrman (1972), Dunning (1993 and 1998) classified the numerous motives for FDI and the respective types of MNE activity into the following four groups: resource seeking, market seeking, efficiency seeking and strategic-asset seeking. These four types of motives are shown in Figure 8.1 as being influenced by firm-level, industry-level and host-country-level OFDI determinants. These motives, in turn, determine the choice of host countries and the modes of FDI, and indirectly – subsidiary performance.

Dunning argues that resource- and market-seeking motives typically characterize initial FDI, whereas those of efficiency and strategic asset-seeking characterize sequential FDI. He also argues that '...as strategic asset-acquiring investment has become more important, the locational needs of corporations have shifted from those to do with access to markets, or to natural resources, to those to do with access to knowledge-intensive assets and learning experiences, which augment their existing O specific advantages' (Dunning, 1998: 54).

When firms are motivated to undertake OFDI and have chosen destination countries, they face an FDI mode of entry choice. A review of the mainstream literature on FDI modes reveals three possible choices – greenfield investment, acquisition and joint venture (see, e.g., Kogut and Singh, 1988; Padmanabhan and Cho, 1995; Buckley and Casson, 1998; Gorg, 2000). Meyer and Estrin (1998, 2001 and 2011), however, distinguish a special case of acquisition, which they call brownfield investment. Under brownfield investment, the foreign investor initially acquires an existing firm but then almost completely replaces the plant, equipment, technology, labour and product assortment of that firm. In this way, the acquired firm undergoes deep restructuring and becomes an almost totally new operation. These authors have found the brownfield investment construct particularly relevant to FDI in Central and Eastern Europe. Therefore, brownfield investment is included in the box titled 'FDI Modes' in Figure 8.1. The figure shows that the mode choice depends on both the FDI motives and country of choice. It can be expected that subsidiary performance is contingent on the FDI mode.

The analytical framework presented in Figure 8.1 also incorporates two internationalization models or theories that have been widely used in IB studies. These are the Stages Internationalization Process Model, also called the Uppsala Model, and the Strategy Tripod Model.

Johanson and Wiederheim (1975) and Johanson and Vahlne (1977 and 1990) developed the so-called Uppsala Model, which perceives firm internationalization as a sequential and gradual process. Based on their empirical studies of Swedish firms, these authors identified four stages in that internationalization process. In the first stage, firms do not conduct any regular exporting. In the second stage, they start exporting via independent export/import agents. In the third stage, they establish foreign-country-based sales subsidiaries. Finally, in the last, fourth, stage firms engage in foreign production. These authors also postulated that internationalizing firms will first select foreign countries with similar market conditions and similar cultures to those of their home country, and introduced the concept of 'psychic distance' between the home and host countries.

A much more recent model of internationalization is that of the Strategy Tripod, propagated by Peng and several other scholars (Peng, 2001; Peng, 2006; Peng et al., 2008; Yamakawa, Peng and Deeds, 2008; Peng et al., 2009, and Gao, Murray, Kotabe and Lu, 2010). The model combines three perspectives or views of international business: resource-based, institution-based and industry-based.

According to the resource-based view, to successfully expand internationally, firms need to possess ownership advantages. At this juncture, the view coincides with (or draws upon) Dunning Eclectic Model's O-advantages (firm-specific ownership advantages), but also goes beyond Dunning's model by specifying the nature of the resources and capabilities that form ownership advantages. In addition to exploiting their unique assets, firms seek assets in international markets to improve their competitiveness. Here, the resource-based view provides a useful framework for analysing foreign subsidiaries' role in enhancing their parents' ownership advantages. The resource-based view is incorporated in Figure 8.1 in the box entitled 'Firm determinants of OFDI'.

From an industry-based view, each industry's unique competitive pressure is likely to result in different levels of internationalization, which in turn affect the strategies firms utilize in these industries. The view identifies industry pull and push effects on firm propensity to internationalize. A highly competitive and saturated domestic market may drive some firms to expand abroad, particularly those that do not hold a dominant position within a given industry and want to avoid clashing with dominant incumbents head-on in their home market. Conversely, if the level of competition is not very high, domestic firms may not have enough incentive to venture abroad. On the other side of the border, a host country's industry structure may provide opportunities or incentives for firms to enter that country. For example, entering a sophisticated developed market may provide opportunities to enhance an emerging economy firm's capabilities, knowledge base and competitive position in its home market. Owing to the importance of industry structure as a factor in internationalization, this dimension has been also incorporated into the present analytical framework. However, studying the industry determinants of OFDI from Poland was beyond the scope of this research project.

Finally, the third leg of the tripod, the institution-based view, ascertains that strategic choices not only are driven by industry conditions and firm capabilities, but are also a reflection of the formal and informal constraints of a particular institutional framework, in both home and host countries, that managers of international firms confront. The institution-based view is particularly relevant to emerging and transition economies, where institutional change tends to be more profound than in developed countries and there are often significant differences in institutional infrastructures between the two groups of countries. Peng et al. (2008) note: 'it is research on emerging economies that has pushed the institution-based view to the cutting edge of strategy research, which is becoming the third leg in the strategy tripod' (the other two legs being industry- and resource-based views), and these authors continue: 'This is because the profound differences in institutional frameworks between emerging economies and developed economies force scholars to pay more attention to these differences in addition to considering industry and resource-based factors' (p. 4). Dunning and Lundan (2008) have recognized the growing importance of institutions in determining the IB activity and incorporated the institutional dimension into the OLI Paradigm. Likewise, in a different study, Dunning argues: '[...] the extent and quality of a nation's institutions and its institutional infrastructure (II) is becoming a more important component of both (a) its overall productivity and (b) its drawing power to attract inbound FDI. This, in turn, reflects the belief of private corporations (both foreign and home based) that the role played by location bound institutions and organizations in the 21st century society is becoming an increasingly critical determinant of the successful deployment of their ownership specific, but often mobile, assets' (Dunning, 2005: 50). In Figure 8.1 the institutional dimension is incorporated under the 'Host-country determinants of OFDI' rubric. Together with location advantages and psychic distance, the institutional infrastructure (II) is hypothesized to determine host-country choice. The II may also influence the FDI mode choice. For example, government policies and attitudes may force foreign investors to opt for a joint venture instead of a wholly owned subsidiary.

## Studies on OFDI from Central and Eastern Europe

Since OFDI from the CEE countries is a relatively new phenomenon, its study is yet to gain momentum. Although several papers and book chapters investigating OFDI from CEE have been published, the vast majority of them take a macroeconomic perspective, where the locus of analysis is the entire country economy or/and its sectors. Very few studies have so far focused on firm-level OFDI. The macroeconomic studies either investigate individual countries' OFDI or conduct comparative analyses of OFDI across groups of CEE countries. In the former category are the studies of Antalóczy and Éltető (2003) on Hungarian OFDI, of Bohata and Zeplinerova (2003) on the Czech Republic's OFDI, and of Varblane, Reiljan and Roolaht (2003) investigating Estonian OFDI. All the above studies point to the emergence of OFDI in the latter half of the 1990s and its subsequent acceleration in the 2000s, when FDI outflows were growing faster than FDI inflows. Despite this acceleration, the gap between inward and outward FDI has remained large in these four CEE countries. The Hungarian and Polish studies also show a geographical concentration of these countries' OFDI in Europe and particularly in the neighbouring economies. Conversely, Kalotay's studies of OFDI from the Russian Federation (Kalotay, 2005 and 2008) reveal quite different dynamics of OFDI vis-à-vis inward FDI. Despite being a lower middle-income country, Russia is already a net FDI exporter. Kalotay calls Russia 'a premature outward investor' (2008: 89), and wonders if this finding should trigger a paradigm change in the FDI theory.

Among the multi-country studies, Svetličič and Jaklič (2003) conducted a comparative analysis of several CEE countries' OFDI (the Czech Republic, Estonia, Hungary, Poland and Slovenia). Their analysis confirms that major increases of FDI outflows started in the latter half of the 1990s. At the same time Svetličič and Jaklič found positive correlation between a country's level of development and its rate of investment abroad, and observed that OFDI from these five countries tends to be geographically concentrated in countries with close historical or cultural ties. In another cross-country, comparative study, Kalotay (2004) examined OFDI from most of the 2004 EU accession CEE countries plus Croatia and predicted that the said accession of the eight CEE countries should provide a major thrust to both their outward and inward FDIs.

Two studies could be identified that represent a hybrid approach: A macroeconomic analysis of FDI supplemented by an analysis of individual firm behaviour and a focus on one country but in the context of regional OFDI. The study of Svetličič et al. (2000) first focuses on Slovenia's OFDI in the context of such investment in the entire CEE region. Second, it supplements the macro-economic analysis of the sectoral and geographic allocation of Slovenia's OFDI stocks with an analysis of survey data gauging the effects of OFDI on Slovenian firms' restructuring, as well as their FDI motives. The findings of Svetličič et al. (2000) bring evidence for the emergence of OFDI originating from Slovenia in the late 1990s, not so much as a result of local firm-specific advantages, but more so due to the lack thereof and a desire among surveyed firms to improve their competitiveness through FDI. At the same time, the study reveals the overwhelming importance of market-seeking motives among the surveyed Slovenian firms. Kilvits and Purju (2003), on the other hand, analysed Estonia's outward FDI, observing a concentration of this investment in the neighbouring Baltic countries. An interesting explanation of Estonian investors' penetration of Latvian and Lithuanian markets lies in the fact that Estonia is very often used by Finnish and Swedish investors as a springboard to ultimately expand into the entire Baltic region. Consequently, a large part of FDI from Estonia directed to the neighbouring countries is based on Finnish and Swedish capital. Kilvits and Purju (2003) also supplement their macroeconomic analysis with some elements of microanalysis (company-level examples and one case study).

Apart from the above-reviewed hybrid studies on Slovenia and Estonia, only two papers could be identified that clearly focus on the activities of individual firms investing abroad: those of Vissak, Ibeh and Paliwoda (2007) and Rugraff (2010). The first paper investigates the internationalization processes of four Baltic firms, which also engaged in FDI. It reinforces the importance of the resource-based approach to internationalization and, at the same time, the limited relevance of the incremental internationalization model. Rugraff's study, on the other hand, is based on annual reports of central banks and annual reports of the largest firms engaged in outward FDI from the Czech Republic, Hungary, Poland and Slovenia. One of the findings of this chapter is the fact that a small number of large MNEs investing in the neighbouring countries account for the bulk of the four countries' OFDI. At the same time, this chapter reveals three different OFDI paths: that of Poland, jointly that of Hungary and the Czech Republic, and that of Slovenia.

Focusing on Polish OFDI, which forms the empirical setting of the present chapter, a similar predominance of macroeconomic research can be observed. The studies of Rosati and Wilinski (2003) and Gorynia, Nowak and Wolniak (2011) reveal a geographical concentration of OFDI in the neighbouring European countries. The latter study, in addition to overall trends, covers the geographical and sectoral structures of OFDI. Obłój and Wąsowska (2012) analysed the impact of host-country determinants on the level of Polish outward investment, pointing to the dominance of market size and economic growth as key determinants, followed by labour costs, which was also confirmed by other Polish studies (Czaplewska and Wiśniewska, 2007; Karpielińska-Mizielińska and Smuga, 2007; Kępka, 2011). They found that owing to the regional concentration of Polish OFDI, psychic distance was not a fully relevant determinant. In addition, political risk specific to the region was not regarded as an impediment to capital expansion (Obłój and Wąsowska, 2012). Among the few firm-level studies, Kaliszuk, Błaszczuk-Zawiła and Wancio (2012) found that the search for new markets was a dominant motive for outward investors, whereas other motives varied with the host countries' level of development (Jaworek, Szałucka and Szóstek, 2009). A comprehensive study of Polish outward investors explored the role of FDI in increasing firm competitive potential and position, depending on the internationalization degree (Szałucka, 2009), establishment and ownership modes, as well as the effectiveness of knowledge transfer to and from foreign subsidiaries in different host countries (Kuzel, 2009). However, none of the studies on Polish (and CEE) OFDI has so far made an effort to investigate the interrelationships between FDI motives, firm characteristics and host-country determinants on FDI mode choice and its performance.

To summarize, the above literature review uncovers a relative paucity of studies on outward FDI from the CEE region and Poland, in particular, especially in terms of firm-level research. This is in sharp contrast with a proliferation of OFDI research for example on China and other BRIC (Brazil, Russia, India, China) economies. And yet, those few existing CEE studies, as well as the FDI statistical sources, clearly indicate that the region has entered a period of accelerated growth of OFDI and its importance to both firms and countries is bound to increase, requiring a much more intensive research into the OFDI phenomenon in the context of the transition process of the said CEE countries to a market-led system.

## Sample and data collection

In aiming to address the aforementioned gaps in the extant literature, this chapter has adopted a qualitative research method. Although mainstream research on FDI has developed for several decades, the internationalization behaviour of companies from emerging and transition economies, as outlined earlier, is a relatively novel and still under-researched phenomenon (Meyer and Peng, 2005). Thus, while much knowledge already exists on this issue, it is considered by some as not an entirely mature research area (Edmondson and McManus, 2007). Accordingly, the choice of a qualitative research design enables a better understanding of complex relationships in a specific context and allows posing of questions, guiding further research (Corbin and Strauss, 2008).

Using the principle of theoretical sampling (Corbin and Strauss, 2008), ten cases of foreign direct investment undertaken by Polish companies in the period 1998–2010 were identified in accordance with the present research objectives. To ensure a higher variation of investigated categories (Eisenhardt, 1989), the analysed FDI modes include greenfield investment, joint ventures and acquisitions, whereas the host countries in question belong to both developed and developing countries, and according to a different criterion – both European Union (EU) and non-EU economies. Moreover, the investigated companies differ in age and size, which allows comparing different levels of resource availability. The chosen sampling method, aimed at a maximum contrast of variables across cases, was meant to facilitate the observation of interdependencies and formulate related propositions. The main characteristics of the analysed companies can be found in Table 8.1.

Data for the following analysis were collected from managers of the parent companies in Poland using a structured qualitative questionnaire during the first two months of 2012. Where necessary, follow-up telephone or personal interviews were conducted to clarify the examined interdependencies and to ensure data completeness. Additionally, the data were refined by comparing the findings with company reports and other external data sources (Yin, 2009). The questionnaire comprised eight sections, which reflect the main strands of theoretical knowledge regarding this subject area and correspond to their selected aspects (Kelle, 1995). Therefore, despite the inductive elements inherent to a qualitative research design, the study is not purely exploratory, as it also takes into account and builds on prior knowledge.

The first section explores the firms' characteristics, including the industry, product profile, the year of inception, share of foreign-owned equity, the year of first FDI and number of FDI host countries, structure of sales (domestic vs. exports), sources of supplies (domestic vs. imports) and number of employees. The next section determines the FDI modes used by the company and the mode of the largest FDI project. Subsequently, the value chain of the foreign subsidiaries was investigated. The fourth part discusses the motives of the said largest investment project, differentiating between market-seeking, efficiency-seeking, resource-seeking and strategic asset-seeking motives. Interviewees were requested to indicate the importance of every motive for the investment decision, provide where applicable other motives as well as to reflect on their role for the selection of investment modes. Furthermore, in the context of positioning FDI in the internationalization process as such, entry modes preceding the investment were identified. In the following part, the questionnaire focused on the choice of host countries, whereby all extant FDI host countries were to be specified, and on the main determinants of country choice, where the respondents were again prompted to assess the importance of particular factors and reflect on others. Subsequently, the resource aspects of internationalization were explored, i.e. the company was to describe the resources facilitating its international expansion, the role of innovativeness and experience in sales and marketing gained in the home market and to identify the resources and competences, which were missing and might have contributed to a better performance on international markets. The

*Table 8.1* Summary of selected case characteristics

| Characteristics | Case 1 | Case 2 | Case 3 | Case 4 | Case 5 | Case 6 | Case 7 | Case 8 | Case 9 | Case 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Product (product line) | Chemical products | Automotive equipment, furniture and hotel services | Bus, trolleybus and tram manufacturing, sales of parts and services | pharmaceuticals | Interior fittings and building materials | engineered wood, surface finished products and laminate flooring | meat and processed food producer | anchoring and fixing systems | furniture manufacturing and services | software/ consulting services |
| 2. Year of inception | 1978 | 1991 | 1994 | 1935 (2000* – privatisation) | 1992 | 1974 | 1951 (1991* – privatisation) | 1982 (1999* – restructuring) | 1992 | 2006 |
| 3. Initial sales, domestic/ exports (%) | 100/0 | 98/2 | 100/0 | 88/12 | 100/0 | 100/0 | 95/5 | 70/30 | 90/10 | 100/0 |
| 4. Present sales, domestic/ exports (%) | 35/65 | 40/60 | 49/51 | 56/44 | 30/70 | 67/33 | 80/20 | 40/60 | 40/60 | 65/35 |
| 5. Initial sources of supply, domestic/ imports (%) | 100/0 | 98/2 | 25/75 | 50/50 | 10/90 | 90/10 | 100/0 | 30/70 | 40/60 | not applicable |

*Table 8.1* (Continued)

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 6. Present sources of supply, domestic/imports (%) | 60/40 | 35/65 | 40/60 | 10/90 | 70/30 | 75/25 | 90/10 | 40/60 | 60/40 | not applicable |
| 7. Year of first FDI | 1999 | 2001 | 1994 | 2000 | 1998 | 2004 | 2005 | 2003 | 2000 | 2010 |
| 8. Number of FDI host countries | 4 | 1 | 13 | 3 | 4 | 1 | 2 | 16 | 13 | 1 |
| 9. Entry modes used | greenfield, joint venture | greenfield | greenfield, joint venture | greenfield, acquisition, joint venture | greenfield, acquisition, joint venture | greenfield | greenfield | greenfield, acquisition, joint venture | greenfield, acquisition, joint venture | acquisition |
| 10. Mode of major FDI | joint venture | greenfield | greenfield | acquisition | joint venture | greenfield | greenfield | acquisition | acquisition | acquisition |
| 11. Country of major FDI | Azerbaijan | Ukraine | Germany | Russia | Belarus | Russia | Russia | Great Britain | Germany | Germany |
| 12. Dominant motives for major FDI | market-seeking | efficiency-seeking | market-seeking, strategic asset-seeking | market-seeking | market-seeking, efficiency-seeking | market-seeking, efficiency-seeking | market-seeking, efficiency-seeking | market-seeking, strategic asset-seeking | market-seeking, strategic asset-seeking | market-seeking, strategic asset-seeking |

* While the companies had existed earlier, initial data were available for the start of the privatised or restructured operations.

final section was devoted to subsidiary performance assessment from the parent company perspective, including areas such as productivity, product competitiveness, technological advantage of products, quality of subsidiaries-headquarter cooperation, subsidiary profitability and subsidiary growth and expansion.

## Data analysis

Although a number of analytical procedures have been developed by qualitative researchers (Eisenhardt, 1989; Miles and Huberman, 1994; Ragin, 1994; Corbin and Strauss, 2008, Yin, 2009), this study draws on the procedures outlined by Eisenhardt (1989) and Ragin (1994). Accordingly, in the first part of this research process, a within-case analysis was conducted to identify relationships between the examined variables in individual cases. This step was essential to the generation of insights before certain general patterns could be shown. Thereafter cross-case patterns were searched for by selecting particular case categories and analysing within-group similarities and across-group differences arising from such categorization. This process was supported by tabulating empirical evidence, as suggested by Miles and Huberman (1994). Thereby, interdependencies between manifestations of some variables and the manifestations of others could be observed. Furthermore, the strength and consistency of the emerging set of relationships were verified against each case evidence (Yin, 2009) and contrasted with the extant literature to enhance its internal validity and applicability. The concluding sections describe the trends and patterns emerging from the analysis, which could inspire future research in the field to test the posited interdependencies by using quantitative methods and thus allowing for a higher aggregation of results.

## Qualitative case analysis

### Case 1

The first FDI case under study is that of a chemicals manufacturer founded in 1978. Although it started as a domestic firm, foreign markets now have a high share in its revenues (65 per cent) and supplies (40 per cent). In the internationalization process, FDI was usually preceded by exports. The largest FDI was a manufacturing, sales and marketing international joint venture (IJV) in Azerbaijan, motivated by, what the firm called, strategic asset-seeking motive, interpreted in this case however as access to local customers. A relationship could be found between this motive and the joint ownership mode choice in the sense that reaching the local market alone was perceived as difficult for political and cultural reasons. Regarding host country selection, prior contacts, availability and cost of required resources played a moderate role, yet a key factor was the use of this market entry in further expansion to other countries. The subsidiary's performance was evaluated as high (very good) in terms of productivity, but moderate (good) in other aspects and low for growth. During its internationalization, the risk acceptance of the management team, followed by good headquarters–subsidiary relations, were identified as crucial resources. At the same time, a limited knowledge of local regulations and business rules was recognized as the main obstacles.

**Case 2**

This automotive supplier, founded in 1991, initially generated all its sales and procurement in Poland. The internationalization process shifted this structure towards a high share of foreign revenues in total revenues. The company invested in a manufacturing subsidiary in Ukraine in 2001, without preceding this move with non-equity modes of presence in foreign markets. This constitutes a deviation from a gradual increase in foreign involvement, typical of firms with resource limitations, which have only embarked on their international expansion. From the management perspective, the rationale behind the investment decision and simultaneously a reason for selecting the greenfield mode were lower production, transport and labour costs compared with those in the home country (the efficiency-seeking motive). Ukraine became an FDI host country owing to its geographical proximity, availability and cost of production resources, as well as a favourable investment climate and financial incentives of the host country. Although the company saw its foreign expansion as facilitated by certain internal (clear strategic vision and high staff qualifications) and external factors (renowned customers and stable demand), a key advantage resulted from good contacts with local authorities and institutions in Ukraine and management expertise successfully used in a different business environment. However, the approach of local employees to modern management standards was an initial obstacle to operating efficiency. Nonetheless, the performance of the subsidiary is currently rated as good.

**Case 3**

This case concerns a Polish bus manufacturer, established in 1994 initially as a subsidiary of a German company. Thus, although initial sales were generated solely in Poland, the share of foreign procurement was already substantial (75 per cent). Currently, the company generates 50 per cent of its revenues abroad and has FDI affiliates in 13 countries. The company usually preceded its FDI with exports from Poland, supported by local sales agents, when required. The biggest FDI project was undertaken already in 1994 by establishing a wholly owned subsidiary in Germany, without going as might be expected, through other forms of foreign production. Although market-seeking and strategic asset-seeking motives stood at the forefront, the host country choice was influenced by its market size and prior experience of the management team there. This experience was perceived as one of the key facilitators of internationalization, followed by flexible adjustments to customer needs and state-of-the-art technology. Contrary to previous cases, the role of innovativeness in the internationalization process was evaluated as good. The company lacked a strong financial position at the start of the largest FDI project, yet it witnessed an increase of the German subsidiary performance compared to the outset.

**Case 4**

When the next investor, a pharmaceuticals manufacturer, was privatized in 2000, its international sales amounted to only 12 per cent and purchases to 50 per cent. Having exported and relied on foreign distributors, it embarked on its first FDI project by establishing a wholly owned marketing and sales subsidiary in Russia in 2000. The biggest FDI project was an acquisition, also in Russia, which was preceded by a strategic alliance between both firms. A key motive for this investment was to sustain and improve the company's market position in a strategically relevant market. The chosen FDI mode was contingent on this motive, as acquiring a local player was instrumental for a quick market expansion, a logic that was not uncommon in this industry. The geographical proximity, market size and particularly previous business contacts in Russia were the main factors affecting country choice. The Russian subsidiary's present results are good in terms of growth and cooperation, yet weaker for productivity, profitability and product competitiveness. Although the firm could rely on its wide product portfolio, effective business model and skilled management team in its internationalization, it encountered problems in finding local managers with good knowledge of local regulations.

**Case 5**

This foreign investor has been operating in the sector of interior fittings since 1992. Starting in 1998, the former exporter has altogether invested in four countries using FDI modes. The biggest FDI project to date is its Belarusian joint venture embracing production, marketing and sales activities. Although market (especially overcoming import barriers) and efficiency-seeking motives were perceived as decisive for the FDI itself, the choice of its mode had an independent justification related to political risk. The host country choice resulted from fiscal incentives and from the proximity of the important Russian market, which could be served from Belarus. The performance of this subsidiary is currently evaluated as good, marking a significant improvement compared to the outset. In its foreign expansion, the company leveraged experience of its managers in Eastern Europe, resulting in a higher risk acceptance. Both its product innovativeness and the marketing experience gained in Poland were perceived as important for its internationalization process.

### Case 6

This manufacturer of wood flooring was founded in 1974 and acquired by a German competitor in 1999. Although it had started with a low foreign procurement and no foreign sales, it gradually internationalized by exporting and, in 2004, a production and sales subsidiary was established in Russia. From the management perspective, market and efficiency-seeking motives justified the investment decision. The Russian market was selected because of its geographic proximity, market size, resource availability and cost, as well as previous contacts there. This experience gained by exporting, which allowed an understanding of the local environment, played a vital role in the firm's internationalization. The overall performance of the Russian venture has developed to a good level since its establishment.

### Case 7

When the next firm, a processed food producer, was privatized in 1991, its operations were confined to the home market. During its internationalization, it relied on exports, before making greenfield investments in Germany (2005) and Russia (2007). The main motives for the biggest FDI project in Russia were to gain foreign market share (market-seeking) and to reduce transport and production costs (efficiency-seeking). Russia was chosen because of its market size, besides the availability and cost of natural and production resources. Technological innovativeness was regarded as an advantage in the company's internationalization and the firm perceived lack of skilled local managers as its key obstacle. The performance of the Russian subsidiary could not be assessed, as its operations had not started yet.

## Case 8

The manufacturer of anchoring and fixing systems founded in 1999 registered a significant share of foreign sales and supplies within three years from its inception, thus falling into the category of born global firms. The company had internationalized by exports and contract manufacturing, before embarking on FDI expansion in 2003 (to the Czech Republic), which initiated the present network of 16 foreign subsidiaries, whereby 60 per cent of revenues are generated abroad. The largest FDI project was an acquisition in Great Britain, motivated by reinforcing international market position and gaining access to the acquired firm's strong brand and customer base, which also justified the choice of the acquisition FDI mode. This project then did not match the theoretical expectations as to the motives of emerging OFDI from the CEE, which – in the light of previous studies – should have been predominantly market-oriented. The selection of Great Britain was influenced by the country's market size, previous cooperation and location of the acquired company. The management highly valued the results of this subsidiary in the sphere of competitiveness and innovativeness of product offering, as well as in terms of its cooperation with the headquarters. In its internationalization, the investor could rely on a competent and agile management team, as well as high product innovativeness and marketing experience derived from the Polish market. However, it regarded limited knowledge of local regulations and inadequate organizational structure as its main deficiencies.

## Case 9

Another case of rapid internationalization represents a furniture manufacturer founded in 1992 whose first FDI was undertaken in Argentina already in 2000. The company, which had preceded FDI with exports and contract manufacturing, registered foreign sales and high foreign procurement three years after inception. Currently, international markets have a dominant share in its revenues and it has undertaken FDI in 13 countries. The major FDI project was an acquisition in Germany in 2011, motivated – as in case 8 – by reinforcing international market position (market-seeking), but also by obtaining access to new products and international distribution channels, thus providing another example of the strategic asset-seeking motive. Management regarded the overall performance of the German subsidiary as good. Although its product competitiveness, international orientation and business contacts were considered as strengths in foreign expansion, it encountered difficulties owing to low brand recognition abroad and coordination problems in all of its greenfield investments.

### Case 10

The final case deals with a software provider that was founded in 2006 as a division of a Polish IT company. In 2010, it carried out its first FDI by acquiring a German company, which had been preceded by exports. Similar to the previous acquisition case, strategic asset-seeking motives were found to have justified the decision to invest abroad, despite the early stage of internationalization of the company. The possibility of quick access to a foreign customer base and sales network also motivated the preference for acquisition over a greenfield investment mode. Geographic proximity, availability of required strategic resources and previous contacts of the management team influenced to the largest extent the choice of Germany as the host country. Although positive experience and knowledge of business operations in Germany facilitated internationalization, the company indicated an obsolete product portfolio as an obstacle in this process. Accordingly, it judged its subsidiary's performance as satisfactory, at best.

## Cross-case analysis

### FDI motives

Among the motives to enter foreign markets the most important motive that is in line with extant theory and empirical evidence from the CEE region was the market-seeking one, with 8 firms identifying it and recognizing it as of high importance. The second most important motive was surprisingly the search for strategic assets, with 5 firms finding it highly relevant and 3 ranking it as of lower significance. This seems to contradict the extant theory, according to which firms undertake investments abroad first to exploit existing assets. In the cases analysed in this chapter, Polish firms lacking particularly intangible assets, as compared to their competitors from developed countries, expanded abroad in order to close this competitive gap.

Thereafter came the drive to reduce costs abroad with 4 firms assigning it high importance and 3 firms – low importance. The least pursued motive was in quest of resources abroad viewed more in the context of extending the supply chain management to embrace foreign suppliers. In this case only 2 firms claimed that it had an influence but only a weak one. As for other identified motives, the bus manufacturer specified preferential tax treatment and the interior fittings firm – the desire to jump over tariff barriers.

**FDI modes versus FDI motives**

Within the FDI space, 4 firms used all the three basic FDI modes, i.e. joint ventures, mergers and acquisitions, and greenfield operations. However in the context of the largest FDI project abroad, the most common forms were greenfield operations (4 firms) and acquisitions (also 4 firms), with only 2 firms relying on joint ventures. This tends to indicate that the majority of the analysed firms had a relatively strong competitive advantage and sufficient knowledge of local market conditions and environments, which did not make it necessary to go into the cooperation mode reflected in the choice of joint ventures in order to sustain market presence abroad. The comparison of different entry modes reveals certain patterns in terms of FDI motive-mode combinations. The companies, whose major FDI to date was undertaken by acquiring a foreign firm, assigned high relevance to both market and strategic asset-seeking factors. In addition to the observation of this cross-case commonality, the mode-motive congruence was also recognized by all the acquiring firms. For the pharmaceutical company, the acquisition of a key local player was a path to quick expansion, thanks to a locally established brand and already developed and registered drugs. Both the fixing system producer and the furniture manufacturer saw a clear link between their motivation to invest and the chosen acquisition mode, as they took over internationally recognized brands with a broad customer base and distribution channels. Moreover, the IT consulting firm stressed the role of acquisition in gaining strategic resources and accelerating international expansion. Two of these foreign subsidiaries (producing pharmaceuticals and fixing systems) embraced the complete value chain, whereas the other two were just focused on sales and marketing activities. However, in the pharmaceutical case the production itself was regarded as less critical than the acquisition of a locally registered drug portfolio. The fixing system producer later relocated the production activity of the acquired UK firm to Poland and restructured the local subsidiary. Thus, on the whole, marketing and sales activities were dominant in this type of market entry, the main objective of which was to enhance the international competitiveness of the investor with the production function being of lesser importance. Meanwhile, these same firms clearly appreciated the role of resources and capabilities developed in the home market. Thus, the apparent contradiction with theoretical models that these early investments were solely focused on the acquisition of created assets is partly resolved by the fact that even strategic asset-seeking investments require the possession of complementary assets.

Moving to the group of greenfield FDI, three companies declared the predominance of efficiency factors. The automotive supplier, the flooring manufacturer and the food producer were all looking for efficiency in the production process. The bus manufacturer, on the other hand, indicated strategic as well as market motives and its subsidiary concentrated on sales, marketing and after-sales activities. While the motive constellation in this case resembled that of acquisitions, the greenfield mode was related to the past business activity of the founder in the host country; hence, it emerged from the intention to leverage extant industry contacts.

Finally, in the first of the joint venture cases the market-seeking motive prevailed (chemicals producer), in the second one it was efficiency based (interior fittings). The former clearly saw the IJV mode as being related to the use of a local partner for easier access to new markets. However, the latter regarded the mode choice as a mere tool for political risk minimization and hence separate from the dominant logic of avoiding trade barriers. It can thus be argued that joint ventures were preferred over greenfield subsidiaries in more-risky host countries.

**Host-country determinants and FDI modes**

Whereas half of the case companies demonstrated geographical concentration on non-EU CEE countries in their FDI, the remaining ones balanced out their destinations with developed countries from the EU and beyond. Regarding the major FDI projects, the choice of EU countries was most commonly influenced by market size, previous business contacts in the target market and the existence of sought (strategic) resources. Interestingly, EU membership in two instances was considered to be of secondary importance. For non-EU developing countries, geographical proximity, availability and lower cost of resources, as well as previous business experience were most frequently quoted as important.

An interesting pattern across the analysed FDI cases was identified between host-country determinants and modes of the major FDI projects. The two joint ventures, where the market-seeking motive was regarded as predominant, invested in non-EU developing countries. However, in choosing the host markets, both companies referred to them as springboards for expansion into other strategically important markets. For the efficiency-oriented greenfield FDI in developing countries (as in the case of the automotive supplier also coupled with the market-seeking factor), the availability and lower cost of production-related resources prevailed in the country of choice (three cases). Although lower production costs and the ability to create products for markets on a similar level of development have been widely discussed as the sources of competitive advantage of multinationals from emerging markets (e.g. Ramamurti, 2009), the specific context of CEE countries, which differ in their advancement of the transformation process and thus their comparative advantages, requires a country-by-country approach. Firms from Poland, as a middle-income country, are not necessarily clear cost leaders, and hence the relevance of efficiency-driven investments in appropriate locations. The greenfield FDI of the bus producer in Germany was dominated by market factors, whereby market size and previous contacts influenced the location choice.

As for the acquisition cases, in which the market-seeking motive was combined with the strategic-asset seeking one, market size and previous business contacts in the host country led to the choice of EU markets (three cases) and Russia (the pharmaceutical firm). Two investors in the EU (fixing systems and furniture manufacturers) directly stressed the fact that country choice depends on the existence of the sought strategic assets, i.e. the decision is contingent upon the location of the acquired company. The IT consulting firm, which made an acquisition in Germany, indicated this factor as secondary with the customer network and product portfolio of the acquired firm being key to an accelerated expansion westwards.

**Internationalization path**

All analysed companies had had export experience in the given host country before embarking on foreign investments. An exception was the automotive supplier firm, which invested in Ukraine without having previously exported there, thus leapfrogging many stages in the step-by-step, gradual expansion model. Two companies had moreover preceded FDI with contract manufacturing and two others with distribution agreements with local companies. In the case of the pharmaceutical manufacturer, the analysed FDI in Russia was of sequential character, following a previous greenfield subsidiary and a strategic alliance with the acquired firm. Half of the sample companies had already undertaken FDI in other countries before engaging in their largest FDI project.

**Firm determinants of internationalization**

Moving to the resources and competences that facilitated the internationalization process of the sample companies, half of them recognized the role of management team skills in advancing their international expansion. Furthermore, four of the six investors in the non-EU countries and two of the four investors in the EU regarded previous experience in host countries as a key advantage in their international expansion.

As for the role of innovativeness in internationalization, it was perceived as high by the managers of only two firms operating in the EU (fixing systems firm and bus manufacturer) and two outside EU (food and interior fittings manufacturers). For the fixing systems (FDI in the United Kingdom) and interior fittings producers (FDI in Belarus), innovativeness was also coupled with leveraging commercial experience gained in Poland. Two of the cases – the chemicals (FDI in Azerbaijan) and furniture manufacturers (FDI in Germany) – perceived the role of innovativeness as low. The bus maker stressed the importance of innovativeness as well as flexibility in meeting customer requirements and the industry experience of the firm's owner. Conversely, the pharmaceutical firm with a long history on the Polish market regarded the transfer of its commercial experience abroad as a key strength. All the other companies perceived the role of innovativeness and previous Polish sales and marketing experience as moderate. The lower role of innovativeness, which can be attributed to industry factors and particular firm strategy, was offset by the importance of other resources.

In terms of deficient resources and competences, an interesting commonality could be identified within the groups of investors focused on non-EU CEE countries (and whose main FDI was also in that area) and within those having a balanced portfolio of EU and non-EU host countries (and whose major FDI project was in a developed EU country). The former more frequently pointed to problems on a host-country level, particularly the knowledge of local regulations and business conduct as well as inadequate skills of local employees. The latter, on the other hand, recognized issues predominantly on the firm level, including weak financial position (bus manufacturer), obsolete products (IT consultancy), low international brand recognition and problematic subsidiary coordination (furniture producer) or cultural differences and inadequate fit of organizational and capital structures (fixing systems manufacturer). The only firm that did not report resource deficiencies in its internationalization was the flooring company, which had become a subsidiary of a German corporation prior to its FDI. These findings reinforce the previous arguments that the expansion of Polish firms remains restricted by their level of resource endowment, which particularly holds true for investments in more competitive markets.

In search of cross-case patterns, further firm characteristics were also examined. The share of foreign revenue in total revenue constituted the first set of relevant variables. In five cases initial revenues were 100 per cent domestic, in one case the initial share of foreign revenue was fragmentary (1.8 per cent) and in the remaining ones the said share ranged from 5 per cent to 30 per cent of the total revenues. Regarding the present revenue structure, no clear relationship between foreign revenue and the number of FDI projects could be observed across the studied companies. Furthermore, the share of foreign revenues showed no clear relationship with the firm's age. Three companies that were founded between 1991 and 1992 reached 60–70 per cent foreign revenue level. Meanwhile, the oldest three companies, established before 1989, i.e., in the previous socioeconomic system, showed low to moderate revenue internationalization (below 45 per cent). This could be due to the fact that no international orientation had existed in that earlier system, although – on the other hand – these companies had accumulated substantial business experience and resources. Likewise, no clear influence of firm size on revenue from internationalization could be discerned among the sample case firms. On the whole, this specific feature of Polish firms, which can arguably apply to those from other CEE countries as well, makes it more difficult to posit the established interdependencies between firm age and its internationalization degree in this very context.

As for the share of international procurement, no clear interdependency with other variables could be recognized, either. However, there appears to be evidence of idiosyncratic and industry-specific rationale in the evolution of this variable. On the one hand, in four of the cases, international procurement increased in line with the rise of foreign revenues. In the case of the pharmaceutical company, it reached a current level of 90 per cent, caused by the purchase of less-expensive active pharmaceutical ingredients. On the other hand, four case companies that had started their business operations as resellers of imported products and subsequently switched to own production experienced a clear decline in foreign procurement.

### FDI modes and subsidiary performance

This chapter also examines the performance of the largest FDI project in each case. Regarding the two joint ventures in non-EU developing countries, the current performance evaluation for the chemicals manufacturer could not be obtained, as its foreign subsidiary still remains in the launch phase. It had reported good initial performance in all aspects, except obviously subsidiary growth. The interior fittings maker revealed a productivity increase from a poor to a good level. This improvement was paired with a rise of profitability and subsidiary growth to very good levels, while cooperation between the subsidiary and the parent company had been continuously rated as good. Only product competitiveness and innovativeness remained on a satisfactory level throughout the subsidiary operation.

Amongst the greenfield cases, the processed food producer declared poor performance; however, this was owing to problems with the launch of operations. Thus, the analysis focused on three other firms with subsidiaries in Russia, Ukraine and Germany. In all of them, productivity increased to a currently good level. This was accompanied by a visible increase in profitability to good level compared to the outset, with the exception of the bus manufacturer in Germany, where profitability remained at a satisfactory level. An increase in growth evaluation to very good levels was observed, except for the automotive supplier, where it dropped to a poor level. The subsidiary–headquarters relations had consistently remained on a good level. As for product competitiveness and innovativeness, data could only be gathered for the interior fittings company, where it remained satisfactory throughout the studied period for innovativeness and improved to a good level for product competitiveness.

In the four acquisition cases, certain commonalities could also be found. In three cases, productivity of the acquired subsidiary was initially poor and improved to a satisfactory level. An exception was the furniture manufacturer, where this factor remained on a good level. Likewise, profitability was evaluated as currently satisfactory (signifying an improvement for the IT consultancy and the fixing system producer and an unchanged situation for the pharmaceutical firm), although it was consistently high for the furniture maker. Subsidiary growth was rated as very good only in the Russian acquisition (pharmaceutical firm), whereas it was satisfactory in the EU acquisitions (subsidiary growth could not be determined for the furniture firm). Subsidiary relations with the parent company had improved to or remained on a good level, except for the IT consultancy where they remained satisfactory all the time. With regard to product competitiveness and innovativeness, they have remained good in the fixing systems firm and improved from satisfactory to good with the furniture maker, but remained weak or improved to only a satisfactory level in the pharmaceutical firm and IT consultancy. Since the investigated acquisition cases differed in their FDI experience prior to their largest FDI projects, the overall performance of the acquired subsidiaries appeared to be contingent on this experience.

## Conclusions and propositions

The profile of OFDI undertaken by firms from Poland, which emerges out of this chapter, is complex and does not entirely fit conceptual models from the received theory. These theoretical challenges are summarized below and lead to the following theoretical propositions, which could guide further research on OFDI from Poland and other CEE countries.

In terms of the relationship between FDI motives and modes, most foreign investment projects are of the market-seeking category, thus confirming the notion of Dunning (1993) that this category usually appears in strategies of firms embarking on moving into foreign markets in the early, extensive stages of the internationalization process. This finding corroborates some earlier studies of FDI from CEE (Varblane, Reiljan and Roolaht 2003; Czaplewska and Wiśniewska, 2007; Karpielińska-Mizielińska and Smuga, 2007). It also leads to the first proposition:

> *P1: The main motives for undertaking FDI fall into the market-seeking category, followed by efficiency-seeking and strategic asset-seeking motives.*

Moreover, a cross-case pattern could be observed between market- and efficiency-seeking motives and FDI modes. In FDI projects driven by these motives, the studied firms preferred greenfield investments as establishment modes, allowing them to exploit firm-specific advantages and to better adjust the scale of operations relative to the home country and, if applicable, other host country operations. Thus, the following proposition can be formulated:

> *P2: The dominance of market- and efficiency-seeking motives increases the propensity to choose greenfield investment as an FDI mode.*

Although the above propositions remain largely in line with theoretical expectations, thereafter follows the strategic asset-seeking motive, which – similar to the efficiency-seeking one – is indicative of strategies normally executed by mature MNEs, reflecting their intensive approach to continued internationalization. All of the studied firms led by the strategic asset-seeking motive in their major investments selected acquisitions. Thus, the following proposition emerged:

*P3: The dominance of strategic asset-seeking motives increases the propensity to choose acquisition as an FDI mode.*

This argument remains in line with the findings based on the expansion of other emerging country multinationals, particularly those from China, where investments serve to meet the strategic objectives of both firms and countries (Yamakawa, Peng and Deeds, 2008; Cui and Jiang, 2010; Wang et al., 2012). However, contrary to the Chinese government, the Polish authorities remain far less involved in supporting specific investments by national firms.

The geographic profile of outward FDI from Poland confirmed the trend identified by previous research on this issue: that of Poland being a regional player focused on the European continent. The spread in the FDI locations was generally even between EU Western countries and EU and non-EU Eastern economies. Expansion to more distant locations was more prominent eastwards, including the markets of West Asia and the Middle East. Noted absence from the list of targeted country markets included China and the United States. In South America, only Argentina was on that list. This tendency seems to confirm the still limited resources, which curb the scope of expansion of firms from Poland, staying so far away from large, both mature and emerging markets located in geographically and culturally distant environments.

However, case study analysis indicates a differentiated significance of host-country determinants depending on locations at different levels of institutional and economic development. The investigated Polish companies could more easily exploit their business experience in equally or less-institutionally developed markets. This finding reinforces earlier arguments on the home-country advantage related to the idiosyncratic ability of firms to cope with similar institutional environments (Del Sol and Kogan, 2007; Cuervo-Cazurra and Genc, 2008) and points to an interesting avenue for future research.

Meanwhile, they perceived location disadvantages, such as the volatility and low transparency of regulations, political risk or low local employee skills as crucial impediments to choosing equity modes of operations other than joint ventures. The qualitative analysis thus allows one to observe the following interdependence between host-country determinants and FDI modes:

*P4: Joint ventures as an FDI mode are preferred mostly in host countries with higher political risk and/or legal restrictions than those in Poland.*

Moving on to another dimension of the analytical framework, a clear positioning of FDI within the companies' internationalization paths was observed. Consistent with received theory and empirical studies on the internationalization of firms from emerging and transition economies, Polish companies expanded – with several exceptions discussed in the preceding sections of this chapter – gradually, by preceding equity entry modes with exports to target markets, in line with previous research (see e.g. Antalóczy and Éltető, 2003). In the CEE context, this evolutionary behaviour can also be interpreted by the exploitation of previous business ties that had often been established before the transition period. The experience with doing business in the CEE region, but also in the case of more developed EU countries, was perceived by the managers of the investigated companies as a key advantage in embarking on capital expansion in the host economies. Therefore, it can be proposed that:

*P5: FDI in a given host country is preceded by non-equity entry modes.*

In the context of firm determinants of FDI, this chapter considered the key resources required to be successful in foreign markets. What was conspicuously missing and often stressed in the authors' previous studies was the availability of adequate funds to finance foreign expansion, especially through FDI. In this chapter, the most sought-after and necessary assets were managerial skills and previous experience derived from operating on the Polish and foreign markets. Somewhat strange was the relatively low rating attributed to innovativeness, which only in a minority of cases was considered as a decisive factor in acquiring a competitive advantage abroad.

The competencies and resources that were considered as lacking were varied and fragmented in importance. Identified in this area were employee skills, adequate knowledge of the local environment, financial resources, brand recognition and new products. This last factor was not surprising when confronted with the low importance of innovativeness underlined earlier. The companies under study, which sought to close their competitive gap, resorted to acquisitions in order to enhance their international position, as hypothesized above. However, acquisition as an establishment mode of the major FDI project was at the same time preferred by companies that already possessed strong, particularly intangible, assets. Hence, although this fact might at first glance appear to contradict proposition 3, it can be argued that the acquisition of strategic assets requires the possession of complementary assets in the first place. Accordingly, it is proposed that:

*P6: Acquisitions are the preferred FDI mode for Polish companies with superior proprietary assets.*

Finally, in terms of the relationship between FDI modes and their performance, the present study included a range of financial and non-financial performance dimensions of foreign subsidiaries, along which the effects of FDI were evaluated by the investigated companies. In general, the performance of the major FDI projects under study improved relative to their starting point of their foreign operations. Outward FDI coincided with an increase in the share of revenues generated by the studied companies abroad relative to their total revenues. Although this improvement was visible in a wide cross-section of performance criteria, the performance outcomes were different and inconsistent in various aspects described above. Although the performance of foreign subsidiaries is of contingent character and can be expected to be influenced by all variables in the theoretical framework of this chapter, no superiority could be stated for any FDI mode. Hence, we propose that:

*P7: There is no clear pattern in the relationship between FDI modes and overall subsidiary performance.*

This argument contradicts some earlier studies suggesting that greenfield investments outperform joint ventures and acquisitions owing to differences in the entry mode costs (Woodcock, Beamish and Makino, 1994; Nitsch, Beamish and Makino, 1996). Further research should investigate in more detail the role of various institutional contexts of host countries, as well as the impact of idiosyncratic FDI motives on the performance of emerging multinationals from the CEE.

To summarize, the overall picture of outward FDI from Poland that emerges as the outcome of this study should be treated with an appropriate degree of caution. The findings of case studies are, by nature, fragmentary and merely reveal certain trends and patterns. Thus, the propositions formulated in this chapter require more rigorous testing on much larger quantitative samples in order to draw representative and more binding conclusions. A future quantitative study could therefore provide the basis for policy prescriptions, projections and consequences for both the investing firms, the host country economies and the home country (Polish) economy as such.

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The global business area has witnessed a remarkable radical change. The recent spectacular rise of emerging economy multinationals sets numerous questions requiring explanation and understanding. This book investigates a broad variety of cases presenting clear evidence of fast successful internationalization of emerging economy multinationals, originating not only from big economic players such as China, India and Russia but also from other successfully internationalizing emerging countries, namely South Africa and Poland. In terms of size, the firms vary from huge multinational firms, such as Huawei, Tata and Gazprom, to small high-technology firms. The in-depth analysis conducted in *Successes and Challenges of Emerging Economy Multinationals* leads to the indication of numerous novel directions for further theoretical expansion and new empirical research.

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