Outward FDI of Polish firms: The role of motives, entry modes and location factors*

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

The present paper aims to identify the interdependencies between the motives and modes of foreign direct investment (FDI) undertaken by Polish companies in different host countries. The qualitative analysis also considers firm characteristics, prior modes of entry and host-country choices. By using a structured survey, based on an extensive literature review, the authors apply within-case and cross-case approaches to analyse data collected from ten Polish companies. The findings lead to the formulation of seven propositions which may serve as guidelines for future research using larger and more representative samples of Polish outward foreign direct investment.

Dieser Beitrag untersucht die Zusammenhänge zwischen den Motiven und Formen von ausländischen Direktinvestitionen polnischer Unternehmen in unterschiedlichen Gastländern. In einer qualitativen Analyse wurden zugleich die Unternehmenseigenschaften, ihre Internationalisierungsverläufe sowie die Wahl der Gastländer berücksichtigt. Mittels einer Umfrage, die anhand einer ausführlichen Literaturstudie entwickelt wurde, wurden Daten von zehn polnischen Auslandsinvestoren gesammelt und im Rahmen einer fallbezogenen und fallübergreifenden Analyse ausgewertet. Die Ergebnisse ermöglichen die Formulierung von sieben Hypothesen, die als Ausgangspunkt für zukünftige Untersuchungen mit größeren und repräsentativeren Stichproben polnsicher ausländsicher Direktinvestitionen dienen könnten.

Key words: FDI motives, FDI modes, outward FDI from Central and Eastern Europe, Poland, multinational firms, international investment (JEL: F21; F23)

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1. 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 witnessed its rapid growth with an average annual outflow between 2005 and 2010 amounting to 6.5 billion USD, with a peak of 8.9 billion recorded in 2006 (UNCTAD 2011:187). This trend commenced a reduction of the gap between inward and outward FDI although it still remains relatively large with FDI outflows in 2010 representing 48.5% of FDI inflows. Similar waves of OFDI were recorded by some other Central and East European (CEE) countries but Poland is still perceived as the biggest exporter of FDI in the region (excluding the Russian Federation).

At the same time the interest of researchers continued to be focused on inward FDI in CEE since this type of investment did indeed play a significant role in the region's successful transformation to a market led system. Many scholars studying OFDI from emerging countries tended to concentrate their research on BRIC countries thus somewhat neglecting the markets of CEE and that of Poland in particular. But as outward FDI has commenced to impact the home and host economies as well as the international competitiveness of local firms a pressing need appears for international business scholars to at least partly refocus their research agendas. Thus in this context the principal objective of the present study is to identify the motivations and strategic choices, with their determinants and effects, of Polish companies investing abroad, against the backdrop of these companies' characteristics and international activities. More precisely, the paper aims at exploring the FDI motives and modes, modes of entry preceding each FDI case , and host-country choices, as well as establishing some qualitatively grounded relationships between these variables. One of the investigated issues is whether the strategic behaviour of firms from a post-transition economy is consistent with extant theoretical concepts. Thus an answer is sought as to whether this merely allows for enriching received theories with contextual insights or conversely, poses challenges to the explanatory power of these theories, calling for new approaches and models.

As for the structure of the paper, the first section presents the geographical and sectoral profiles of Polish OFDI. Subsequently an analytical framework is laid out, based on a review of relevant theories. Thereafter a literature review ensues focused on outward FDI in CEE. The main part of the study commences with data collection methodology, presents an overview of the investigated case studies and finally leads to a cross-case analysis. In the final section the empirical results are discussed and propositions formulated for future research.

2. Outward FDI from Poland: overall characteristics

Poland has gradually emerged as the leading source of OFDI in the region of Central and Eastern Europe (see Table 1). At the beginning of the transformation period in the region in the early 1990s, Slovenia displayed the quickest emergence of indigenous multinational enterprises and was followed by Hungary and Bulgaria. While Hungary accounted for an important share of capital exports throughout the next decade, it was only from the 2000s that Poland's OFDI increased dynamically. One of the reasons for Poland's delayed international expansion, when compared to that of her CEE peers, was arguably her large domestic market size allowing local firms to focus first on developing mass production and increasing profitability. This postponed outward FDI compared to firms from smaller markets which were strongly driven by push factors (see e.g. Svetličič/Jaklič 2003; Svetličič et al. 2000). Furthermore, although Poland gradually liberalised its foreign trade and investment policy, the introduction of support measures for the internationalisation of domestic firms remained relatively limited (Gorynia et al. 2014).

The geographic structure of Poland's OFDI reveals a predominant focus on Europe, which accounts for well over 50% of total OFDI stock invested abroad by Polish firms (see Table 2). Inside Europe, countries with small internal markets such as Luxembourg, Switzerland and the Netherlands have attracted the majority of Poland's Europe-bound OFDI. This inevitably leads to the observation that Polish outward investors were not purely market seekers in Dunning's terms but were only striving to benefit from certain location advantages. In particular liberal financial and disclosure regulations seemingly allowed Polish investors to lose their Polish identity and continue further expansion, supported by their new status as investors originating from Europe's key financial centres. However these data should be treated with a high degree of caution since a significant proportion of these FDI flows can be classified as "capital in transit", which is also inherent to intra-corporate flows of funds among multinational enterprise (MNE) subsidiaries (Zimny 2011). Without these countries the regional focus of Polish OFDI tends to remain in line with general theoretical predictions. On a more aggregate level the dominant destinations appear to be the European Union (77.7% of Polish OFDI in 2011) and Central and Eastern Europe (11.7% of Polish OFDI respectively).[1]

[1] The two regions overlap since 10 of the CEE countries were also members of the EU.

Table 1: Comparison of OFDI stocks of Poland and selected countries in Central and Eastern Europe (in million USD)

	1990	**2000**	**2012**
Poland	95	1018	57525
Hungary	159	1280	34741
Kazakhstan	0	16	20979
Czech Republic	0	738	15176
Ukraine	0	170	9351
Slovenia	560	768	7796
Azerbaijan	0	1	7517
Estonia	0	259	5791
Lithuania	0	29	2521
Serbia	0	0	2204
Bulgaria	124	67	1867
Romania	66	136	1417
Georgia	0	118	1195
Latvia	0	23	1104
Croatia	0	824	506
Montenegro	0	0	414
Belarus	0	24	403
Bosnia and Herzegovina	0	0	286
Albania	0	0	206
Armenia	0	0	169
Moldova,	0	23	108
The FYR of Macedonia	0	16	105
Kyrgyzstan	0	33	2
TOTAL	**1004**	**5543**	**171383**

Source: UNCTAD (2013), pp. 217-220.

Table 2: Geographic structure of Polish OFDI. Cumulative percentage shares of OFDI stocks, 1996-2011

	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Europe	**47.2**	**71.4**	**88.2**	**92.1**	**87.4**	**76.0**	**90.7**	**97.3**	**96.3**	**96.5**	**97.0**	**96.7**	**93.8**	**94.0**	**93.9**	**95.5**
Luxembourg	na	na	na	-2.5	-10.7	-30.6	-21.6	-13.4	-2.3	-0.1	23.7	20.6	19.9	20.8	23.1	28.7
Switzerland	1.9	1.0	0.2	14.7	14.2	22.6	13.9	9.5	21.3	36.8	18.1	18.5	17.0	17.6	8.7	7.0
Lithuania	3.8	2.0	1.0	1.6	1.7	3.1	2.3	1.7	1.2	0.7	17.6	15.8	13.4	11.4	9.5	8.6
Netherlands	na	na	3.1	0.4	1.6	6.1	28.4	18.0	18.2	11.4	9.2	8.9	9.7	8.3	7.2	4.7
United Kingdom	1.9	1.0	11.6	12.8	13.4	-5.1	-4.9	-3.2	-0.1	3.7	6.5	4.7	5.7	4.8	13.2	10.8
Germany	5.7	36.7	8.2	5.7	4.9	-0.9	-2.9	13.2	12.5	3.0	1.8	3.0	3.5	3.4	3.7	3.4
Russia	5.7	4.1	-1.0	-1.1	-1.1	0.4	0.8	3.8	3.8	3.8	1.9	3.1	3.6	3.3	1.9	2.1
Ukraine	13.2	15.3	4.3	4.8	4.6	8.2	8.9	14.8	11.0	6.4	3.7	4.8	3.7	3.3	3.0	2.6
Czech Republic	3.8	1.0	0.2	0.8	2.5	2.9	1.3	2.0	1.8	11.1	4.8	4.9	2.9	2.8	2.9	2.8
USA	3.8	7.1	2.9	0.0	0.6	1.6	-2.3	-3.2	-1.2	0.8	1.2	1.1	1.7	1.4	3.9	4.1
Singapore	3.8	2.0	0.5	0.4	0.5	0.8	0.6	0.7	0.3	0.2	0.4	0.4	0.4	0.4	0.6	0.6
China	1.9	2.0	0.5	0.5	0.6	1.0	0.7	0.5	0.4	0.3	0.2	0.2	0.2	0.1	0.1	0.1
European Union – 25	na	na	na	na	na	na	na	20.6	35.5	38.6	69.2	64.2	62.1	62.3	73.7	77.7
Central and East European Countries	na	na	na	1.9	4.8	7.5	3.6	4.8	7.8	15.6	25.2	24.1	20.8	17.7	14.0	11.7
Tax havens	na	na	na	-0.7	2.5	6.7	4.6	6.7	3.2	1.8	1.1	1.0	2.9	2.9	0.7	0.6

Source: National Bank of Poland, 1997-2011.

Comparable data on aggregate industry shares of Polish OFDI are available only since 2003, as shown in Table 3. The first observation pertains to the dominant role of the service sector (62% of Polish OFDI in 2011) as compared to the manufacturing one, thus reflecting the overall economic structure of a more mature developed economy. Within the manufacturing sector the main industry attracting Polish investors abroad was petroleum, coke and nuclear energy production jointly, which accounted for 9.3% of all OFDI in 2011. Next in importance was the food-, beverage and tobacco industry, recording an OFDI share of 5.4%

in 2011. Inside the service sector, since 2006 the most important industry has been that of accounting, consulting, management and legal services jointly (26.5% of OFDI in 2011) followed by financial intermediation (15.0%), and trade and repairs (11.8%). The utilities, consisting of electricity, gas and water supply, had meaningful shares of OFDI only since 2007 (2.2%), rising gradually to 3.5% in 2011.

Table 3: Industry structure of Polish OFDI. Cumulative percentage shares of OFDI stocks, 1996-2009. Selected industries

Industry:	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Total manufacturing	**13.2**	**16.3**	**20.8**	**18.5**	**20.4**	**15.7**	**10.2**	**33.2**	**27.4**	**27.1**	**30.6**	**27.7**	**25.9**	**28.6**	**27.0**	**25.8**
Coke, petroleum products and nuclear energy	na	na	na	na	na	na	na	14.6	10.2	11.3	21.3	18.4	15.9	13.6	11.6	9.3
Food, beverages and tobacco products	5.7	4.1	1.0	1.0	1.0	1.6	1.3	1.2	3.6	4.0	1.6	1.4	2.0	6.4	6.1	5.4
Motor industry	na	na	15.7	13.9	13.4	2.2	1.6	0.9	5.4	2.8	1.2	1.1	1.7	1.9	1.6	3.3
Electricity, gas and water services	na	na	**-1.4**	**-3.4**	**-3.3**	**-3.5**	**-1.9**	**-1.1**	**-0.5**	**-0.2**	**-0.1**	**2.2**	**2.5**	**3.0**	**3.6**	**3.5**
Total services	na	na	na	na	na	na	na	**6.1**	**41.1**	**57.4**	**61.1**	**63.0**	**65.4**	**62.6**	**60.1**	**62.0**
Legal, accounting, consultancy and management services	na	na	na	0.1	1.8	2.4	2.7	7.0	3.5	2.4	22.8	26.0	22.5	26.3	22.2	26.5
Financial intermediation	13.2	12.2	3.6	16.2	9.7	-16.3	1.6	1.0	21.7	39.9	20.3	16.3	15.2	13.2	17.1	15.0
Trade and repairs	28.3	22.4	1.4	0.2	1.6	-4.5	-5.6	-1.2	12.5	9.5	10.5	11.5	16.1	12.6	13.1	11.8

Source: National Bank of Poland, 1997-2011.

3. The analytical framework

The authors' analytical framework is presented in Figure 1. It shows the variables studied in this paper and their relationships. In constructing this framework a number of well-established theories and models, derived from international business (IB) literature, were considered. While these theoretical approaches have partly different underlying assumptions, they are integrated in an eclectic manner to inspire the present conceptual framework. In essence, the framework depicts how FDI motives are related to FDI modes, how firm-level factors determine the modes of entry that a firm chooses during its internationalisation and the choice of FDI modes, and how host-country factors influence both earlier modes of entry in a given host country and the modes of the analysed FDI project. In turn, host-country factors together with FDI modes are important determinants of host country choice. The theoretical underpinnings of the individual elements of the analytical framework are discussed below, starting with firm determinants of FDI.

Firm determinants of FDI can be derived from Dunning's Eclectic Paradigm of International Production and the Resource-based View of International Business. One of the three pillars of Dunning's Eclectic Paradigm (Dunning 1988, 1995, 2001), firm-specific ownership advantages (O-advantages), concerns resources, proprietary assets and capabilities that the firm can exploit abroad. O-advantages can take the form of proprietary technology or production modes, trade marks, managerial knowledge and skills, and benefits of economies of scale. Such advantages allow a firm to offset the "costs of foreignness", inherent in its international operations. Many empirical studies have substantiated the theoretical proposition that ownership advantages are significant determinants of FDI (Faeth 2008). However, in recent years, the view that in order to be a successful foreign investor a firm must possess such advantages prior to its international expansion has been challenged based on the experience of multinational enterprises from emerging economies that lack these advantages and as an alternative seek strategic assets abroad in order to build their international competitiveness. This issue is further explored in the first paragraph of the next section.

Similarly, according to the Resource-based View of International Business (Peng 2001), firms need to possess ownership advantages in order to successfully expand into foreign markets. However, 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. In this respect, the Resource-based View seems to differ from Dunning's model.

Although there can be many specific motives for undertaking FDI, Dunning (1998) conveniently classified them, and the respective types of MNE activity, into the following four groups: resource seeking; market seeking; efficiency seeking; and strategic-asset seeking. This framework has been widely used in IB literature. Dunning argues that resource and market seeking motives typically characterise initial FDI, while those of efficiency and strategic asset-seeking are present in 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, p. 54). These four types of motives are shown in Figure 1 as they relate to other elements of the proposed conceptual model. According to Figure 1, motives determine modes of FDI as well as the choice of host countries.

Regarding FDI modes a review of relevant literature reveals three basic choices: green-field investment, acquisition and joint venture (see e.g. Kogut/Singh 1988; Padmanabhan/Cho 1995; Buckley/Casson 1998; Gorg 2000). Although a large number of variables influencing the choice of FDI entry mode are hypothesised in the relevant literature, empirical research reviewed by Slangen (2005) reveals a lack of significance of most of them, as well as a divergence of findings. Reasonably consistent and significant findings concern only a few variables, most of them being on firm-level, such as firm R&D intensity, degree of product diversity and relative size of subsidiary (Slangen 2005:9). Industry- and country-level factors seem to play a less significant role.

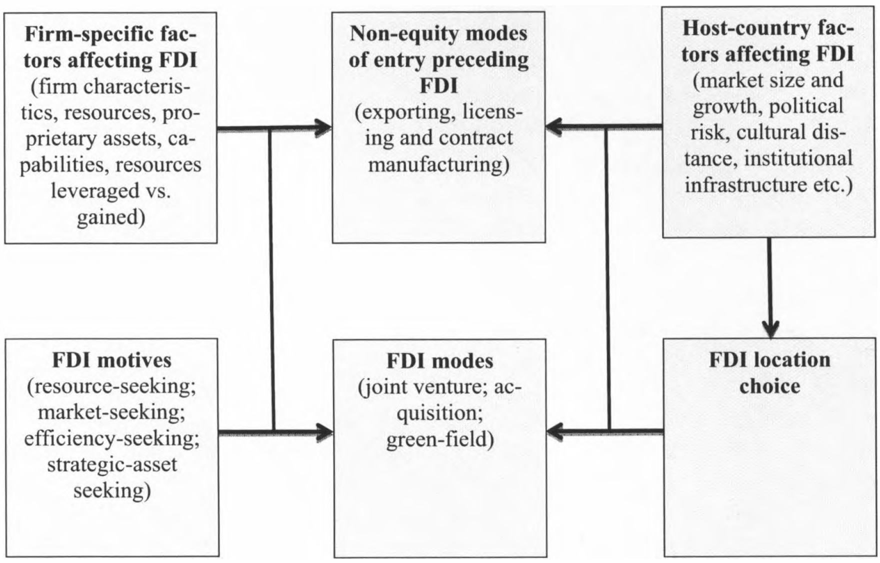
It should be pointed out in this context that the link between FDI motives and modes is a somewhat neglected issue in IB studies. In their qualitative studies (based on company cases) Gorynia et al. (2007, 2012) shed some light on this relationship and postulate further research using larger samples and quantitative methods. In our analytical framework we hypothesise that the FDI mode choice is dependent on both the FDI motives and country choice.

While there can be a myriad of host-country factors determining FDI location choice, falling into such categories as policy framework, economic determinants and business facilitation (see Table 5 in Dunning 2006), the literature on the subject points to the importance of such factors as market size and growth (Faeth 2009), political risk (Agarwal/Ramaswami 1992; Brouthers et al. 2009; Busse/Hefeker 2007), investment climate (Kinda 2010; Fabry/Zeghni 2002), factor endowments and costs (Bloningen 2005), geographic and cultural distance (Kuo/Fang 2009; Brouthers/Brouthers 2001; Kogut/Singh 1998), government incentives (Faeth 2009), and institutional infrastructure (Bloningen 2005; Dunning/Lundan 2008; Dunning 2005; Meyer/Peng 2005; Peng et al. 2008). Over the past decade, the role of institutional infrastructure has been highlighted in recognition of its particular relevance 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.

We place our study of FDI modes in the context of a broader process of firm internationalisation, although we do not specifically investigate internationalisation paths of the investigated firms. Thereby we address the question whether Polish firms do precede their direct investments abroad with non-equity entry modes such as exporting, licensing, franchising or contract manufacturing. According to the Uppsala Model developed by Johanson/Wiedersheim-Paul (1975) and Johanson/Vahlne (1977/1990), firm internationalisation is a sequential and gradual process of increasing resource commitments in foreign markets. These authors also postulated that internationalising 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 home and host countries. Thus, according to the Uppsala Model, FDI modes are expected to be used by firms that have already internationalised through non-equity entry modes, notably exporting. However critics of the Uppsala model (and similar stages models) point to its weaknesses and limited explanatory power (e.g. Turnbull 1997), and call for developing a theory with better predictive ability and more in line with recent changes in the international business environment (Vissak et al. 2007). It is therefore germane to also investigate how FDI entry modes of the studied Polish companies relate to their non-equity entry modes. One can obviously note that the underlying ontological and epistemological assumptions of the reviewed theoretical concepts, which inspire the present conceptual framework, are inherently different. Nevertheless, in a manner similar to that of Dunning's eclectic approach which combines theories of different origins, we argue that integrating Dunning's predominantly economic model with the Uppsala model, which draws on the behavioural school of theorising, and with the resource-based view of the firm, which is one of the dominant perspectives in strategic management, allows for enriching the conceptual framework on the level of firm resources and accounting for the role of prior international experience. Moreover, in the past both approaches have been used to examine the behaviour of emerging multinationals and to provide a reference frame for evaluating the specific character of their expansion patterns (see e.g. Vissak et al. 2007 or Wąsowska/Obłój 2013). As for combining the eclectic framework with other approaches focused on FDI location, such as institutional approaches, Dunning (2005) himself argued for the need of devoting more academic attention to the role of institutions in affecting FDI choices.

To summarise, the proposed conceptual framework attempts to identify interrelationships between key variables affecting FDI choices. The purpose of the present study is to empirically explore some of the expected interdependencies. Moreover, it is to be investigated to what extent they are specific to firms from a CEE economy which are latecomers to international markets as compared to firms from advanced economies.

Figure 1: Analytical framework for studying FDI of Polish firms



Sources: Authors' own concept.

Note: This analytical framework does not reflect the full complexity of FDI decisions and their determinants. Notable omissions are home-country and industry-level determinants of FDI which were not considered as they were beyond the scope of the present study.

4. MNEs from emerging markets and OFDI from CEE

The specific context of the present study requires a critical reflection as to the applicability of received theoretical concepts to the internationalisation of firms from emerging markets. In the growing stream of literature on emerging multinationals there seem to co-exist three different stances. Firstly, researchers perceive the said firms' strategic behaviour as one requiring new theoretical explanations. The global orientation of these firms combined with the search for deficient resources abroad constitute their main components of competitiveness (Mathews 2006; Steensma et al. 2008). Internationalisation can thus be seen as a springboard for development, allowing to overcome market-based and institutional limitations in home countries (Luo/Tung 2007), particularly if expansion occurs to more developed economies (Makino et al. 2002). Secondly, other studies indicate that while emerging multinationals are indeed lagging behind their counterparts from developed countries in terms of conventional ownership advantages described by FDI theory, they can have a particular advantage in other emerging markets related to their origin and thus the ability to operate in a similar environment (Cuervo-Cazurra/Genc 2008; Del Sol/Kogan 2007). The third perspective on emerging multinationals is that the lack of ownership advantages does not contradict extant theory and hence does not require new explanations (Rugman 2009). According to this perspective these firms rely more on their home country advantages such as natural resources or labour. However, the temporary character of such advantages casts doubts as to the long-term success of emerging multinationals (Lessard/Lucea 2009).

Given the research questions outlined at the outset the purpose of this study is to explore how Polish firms' behaviour in the analysed dimensions differs from theoretical prescriptions. Thus the adopted analytical framework does not a priori favour any of the three perspectives above on emerging multinationals.

Since OFDI from the CEE countries is a relatively new phenomenon, its study is yet to gain momentum. Although several related papers and book chapters have been written, the vast majority of them take a macroeconomic perspective, where the locus of analysis is the entire country economy and/or its sectors, while very few studies have so far focused on firm level OFDI. These macroeconomic studies either investigate individual countries' OFDI or conduct comparative analyses of OFDI across groups of CEE countries. In the former category are studies of Antalóczy/Éltető (2003) on Hungarian OFDI, of Bohata/ Zeplinerova (2003) on the Czech Republic's outward FDI or of Varblane et al. (2003) investigating Estonian OFDI. These studies point to the emergence of OFDI in the latter part of the 1990s and its subsequent acceleration in the 2000s. Nevertheless the gap between inward and outward FDI still remains large in these four CEE countries. The Hungarian studies also show a geographical concentration of these countries' OFDI in their neighbouring European economies.

Among the multi-country studies, Svetličič/Jaklič (2003) conduct a comparative analysis of several CEE countries' OFDI (from the Czech Republic, Estonia, Hungary, Poland and Slovenia). They also find a positive correlation between a country's level of development and its rate of investment abroad, and observe that outward FDI of the five researched countries tends to be geographically concentrated in foreign markets with close historical or cultural ties. Kalotay (2004) examines OFDI from most of the 2004 EU accession CEE countries and Croatia, predicting that the accession of these countries should stimulate both their outward and inward FDI.

A study that eschews the above categorisation is that of Svetličič et al. (2000), which focuses on Slovenian OFDI in the context of the entire CEE region. While supplementing the macro-analysis of outward FDI with sectoral and geographic allocation of Slovenian OFDI stocks, it also presents a survey gauging the effects of OFDI on restructuring of Slovenian firms and on their FDI motives. Svetličič et al.'s findings point to the emergence of OFDI in Slovenia as a result of lack of ownership advantages and a desire to improve firm competitiveness through FDI. At the same time an overwhelming importance of market-seeking motives is revealed. Apart from the chapter on Slovenia reviewed above, the authors could identify only two other studies that focus on FDI of individual firms: those of Vissak et al. (2007) and Rugraff (2010). The first one reinforces the importance of the resource-based approach to internationalisation and, at the same time, the limited relevance of the incremental internationalisation model. Rugraff's study pinpoints the fact that a small number of large MNEs investing in neighbouring countries account for the bulk of OFDI from the Czech Republic, Hungary, Poland and Slovenia.

When focusing on Polish OFDI, which forms the empirical setting of the present study, a similar predominance of macroeconomic research can be observed. The studies of Rosati/Wilinski (2003) and Gorynia et al. (2011) reveal a geographical concentration of OFDI in the neighbouring European countries. The latter study, in addition to overall trends, investigates also geographical and sectoral structures of Polish OFDI. Obłój/Wąsowska (2012) analyse 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 factors, which is also confirmed by other Polish studies (Karpińska-Mizielińska/Smuga 2007; Kępka 2011). They show that due to regional concentration of Polish OFDI psychic distance has not been a fully relevant determinant. Also political risk specific to the region is not regarded as an impediment to capital expansion (Obłój/Wąsowska 2012). Among the few firm-level studies Kaliszuk et al. (2012) find that the search for new markets has been a dominant motive for outward investors while other motives varied with host countries' level of development (Jaworek et al. 2009). Wąsowska/Obłój (2013) further discover that labour costs have turned out to be a relevant determinant of Polish outward FDI, which indicates that efficiency-seeking motives still do play a significant role. Finally, a comprehensive study of Polish outward investors has explored the role of FDI in increasing firm competitive potential and position depending on the internationalisation degree, establishment and ownership modes (Szałucka 2009). However none of the studies on Polish and CEE OFDI has so far undertaken an effort to investigate the interrelationships between FDI motives, firm characteristics and host-country determinants on FDI mode choice.

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 economies. And yet those few existing CEE studies as well as FDI statistics 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 transition of CEE countries to the market-led system.

5. Research methodology

5.1 *Sample and data collection*

In order to address the aforementioned gaps in extant literature the present study has adopted a qualitative research method. The internationalisation behaviour of companies from emerging and transition economies, as outlined earlier, is a relatively novel and still under researched phenomenon in the mainstream research on FDI (Meyer/Peng 2005). Accordingly, the choice of a qualitative research design enables a better understanding of complex relationships in a specific context and allows toraise questions guiding further research (Edmondson/ McManus 2007; Corbin/Strauss 2008).

By using the principle of theoretical sampling (Corbin/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.[2] In order to ensure a higher variation of investigated categories (Eisenhardt 1989) the analysed FDI modes include green-field investments, joint ventures and acquisitions, whereas the host countries in question belong to both developed and developing countries, and according to a different criterion from both European Union (EU) and non-EU economies. The chosen sampling method, aimed to maximise the contrast of variables across cases, was meant to facilitate the observation of interdependencies and formulate related propositions.

Table 4: Overview of data collection

Case firm	Respondent Position(s)	Data Collection Methods
Firm 1	Chief Executive Officer	secondary data input, written feedback to open-ended questions
Firm 2	President of Supervisory Board	secondary data input, written feedback to open-ended questions
Firm 3	Chief Financial Officer, Financial Controller	2 interviews, secondary data input
Firm 4	Public Relations Director (in cooperation with the Controlling Department)	1 interview, secondary data input
Firm 5	Chief Financial Officer	1 interview
Firm 6	Head of Treasury	secondary data input, 1 interview
Firm 7	Public Relations Director (in cooperation with the Controlling Department)	secondary data input, 1 interview

[2] Apart from the sampling procedure, the analytical process itself was based on Eisenhardt (1989) and Ragin (1994).

Firm 8	Chief Financial Officer	secondary data input, complementary interview
Firm 9	Marketing Director, Marketing Manager	1 interview, secondary data input
Firm 10	Chief Financial Officer	1 interview, secondary data input

Source: Authors' empirical research.

Data for the following analysis were collected during the first two months of 2012 from managers of the parent companies in Poland by using a structured qualitative questionnaire. When respondents were under a time constraint ample information on the submitted questions was provided online. Where possible, follow-up telephone or personal interviews were conducted in order to clarify the examined interdependencies, to ensure data completeness and to provide richer contextual information. Additionally the aforesaid data were complemented with company reports and other external data sources (Yin 2009).

The questionnaire comprised of eight sections which reflected selected aspects of the main strands of theoretical knowledge regarding the investigated subject area (Kelle 1995). Some of the points in the questionnaire aimed at gaining a better understanding of a firm's internationalisation profile and thus focused on concrete facts. Conversely, questions related to managerial choices in foreign expansion and their underlying determinants were deliberately open-ended in order to generate richer information. The questionnaire used to develop the case studies can be found in the appendix.

6. Data analysis

While several analytical procedures have been developed by qualitative researchers (Corbin/Strauss 2008; Eisenhardt 1989; Miles/Huberman 1994; Ragin 1994; Yin 2009), this study draws on the approach outlined by Eisenhardt (1989) and Ragin (1994). Accordingly, at the outset, a within-case analysis was conducted with a view to identify relationships between the examined variables in individual cases. The collected empirical material was coded and the categories that were identified were attributed to the aforementioned analytical framework. Thereafter an attempt was made to determine cross-case patterns by selecting particular categories and analysing within-group similarities and across-group differences in the interrelationships between the categories. Thereby the nature of connections between the main tenets of the analytical framework could be described in more detail, ultimately leading to the formulation of propositions.

This process was supported by tabulating empirical evidence as suggested by Miles/Huberman (1994). Furthermore the strength and consistency of the emerging set of relationships was verified against each case evidence (Yin 2009) and confronted with extant literature to enhance its internal validity and applicability.

6.1 *Overview of case studies*

Firm A. The chemicals manufacturer, founded in 1978, started off as a purely domestic firm. However foreign markets now have a significant share in its revenues and supply structure. In the internationalisation process FDI was usually preceded by exports, as stipulated by conventional internationalisation models. The main FDI project was a manufacturing and marketing JV in Azerbaijan, motivated by the desire to gain access to local customers. A relationship could be found between this motive and the joint ownership mode choice: reaching the local market alone was perceived as difficult for political and cultural reasons. Prior business contacts, the availability and lower cost of required resources played a moderate role in host country selection yet a key factor was the use of this market entry as a springboard for further expansion into other country markets. In its internationalisation, risk acceptance by managers along with good headquarters-subsidiary relations were identified as particularly crucial resources in entering an institutionally underdeveloped market. At the same time limited knowledge of local regulations and business rules were recognised as the main challenges facing the firm.

Firm B. This automotive supplier, founded in 1991, invested in a manufacturing subsidiary in Ukraine in 2001, without preceding this move with non-equity modes of foreign presence, thus contradicting the concept of step by step internationalisation. From the management point of view, the rationale behind the investment and also a reason for selecting the green-field mode, were lower production, transport and labour costs. Ukraine became an FDI host country due to its geographical proximity, availability and low cost of required resources as well as institutional pull factors (favourable investment climate and financial incentives offered by Ukraine). While certain internal factors (clear strategic vision and staff qualifications) and external ones (renowned customers and stable demand) were perceived by the firm as facilitating foreign expansion a focal advantage resulted from contacts with local authorities and institutions in Ukraine as well as from home management expertise successfully deployed in a different business environment.

Firm C. The bus manufacturer was established in 1994 initially as an affiliate of a German company. However, its Polish CEO soon transformed it into an autonomous Polish firm maintaining business ties with German suppliers. Thus, while initial sales were generated solely in Poland, the share of foreign procurement was already substantial reaching 75%. The company usually preceded its FDI with exports from Poland, thus following the conventional internationalisation model. The major FDI project was undertaken already in 1994 by establishing a wholly owned subsidiary in Germany, contradicting the gradual expansion path of a transition economy firm with limited resources. Besides market-seeking and strategic-asset seeking motives the host country choice was influenced by prior experience of the management team there. This experience plus flexible adjustments to customer needs and state-of-the-art technology were perceived as the key facilitators of internationalisation.

Firm D. When the next investor, a pharmaceuticals manufacturer, was privatised in 2000 it embarked on its first FDI to date in Russia by establishing a wholly owned marketing and sales subsidiary. The biggest FDI project was an acquisition, likewise in Russia, which was preceded by a strategic alliance between the acquired firm and the sales subsidiary. A key motive for this investment was to sustain and improve market position in a strategically relevant market. The chosen FDI mode was contingent on this motive as acquiring a local player was instrumental to rapid expansion, supporting the springboard perspective of emerging MNE internationalisation. Geographical proximity, market size and particularly previous business contacts in Russia were the main factors affecting country choice. While the firm could rely in its internationalisation on its wide product portfolio, an effective business model and a skilled management team, it encountered problems in finding local managers with knowledge of the local institutional context.

Firm E. After six years from its inception, the interior fittings maker, having previously focused on exports, embarked on expansion via FDI, investing altogether in four countries. The largest FDI project to date is its Belarussian joint venture with production, marketing and sales activities. While market (particularly 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 large Russian market which could be served from Belarus. In its foreign expansion the company leveraged experience of its managers in Eastern Europe, resulting in higher risk acceptance as compared to its Western competitors. Likewise business experience gained in Poland, a country on a similar level of institutional development, was perceived as important for its internationalisation process.

Firm F. This manufacturer of wood flooring was founded in 1974 and acquired by a German competitor in 1999. While it started with a low foreign procurement level and no foreign sales, it gradually internationalised 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. The Russian market was selected because of its geographic proximity, market size, resource availability and lower costs as well as previous contacts there. Past experience gained by exporting, which led to a better understanding of the local environment, played a vital role in this firm's internationalisation.

Table 5: Summary of selected case characteristics

	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F	Firm G	Firm H	Firm I	Firm J
Industry	Chemical products	Automotive equipment, furniture	Bus, trolleybus and trams	pharmaceuticals	interior fittings and building	engineered wood, surface	meat and processed food	anchoring and fixing systems	furniture products and services	software / consulting services
Establishment year	1978	1991	1994	1935 (2000*-privatisation)	1992	1974	1951 (1991*-privatisation)	1982 (1999*-restructuring)	1992	2006
3. Initial/present share of exports in sales (%)	0/65	2/60	0/51	12/44	0/70	0/33	5/20	30/60	10/60	0/35
4. Initial/present share of imports in supplies (%)	0/40	2/65	75/60	50/90	90/30	10/25	0/10	70/60	60/40	not applicable
No. of FDI host countries	4	1	13	3	4	1	2	16	13	1
Previously used FDI modes	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
FDI mode**	joint venture	greenfield	grieenfield	acquisition	joint venture	greenfield	greenfield	acquisition	acquisition	acquisition
Host country**	Azerbaijan	Ukraine	Germany	Russia	Belarus	Russia	Russia	Great Britain	Germany	Germany
Key FDI motives**	market-seeking	efficiency-seeking	market-seeking, strategic asset-	market-seeking	market-seeking, efficiency-seeking	market-seeking, efficiency-seeking	market-seeking, efficiency-seeking	market-seeking, strategic asset-	market-seeking, strategic asset-	market-seeking, strategic asset-

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

** Biggest FDI project

Firm G. When the processed food producer was privatised in 1991 its operations were confined to the home market. It relied on exports before making green-field investments in Germany and Russia in 2005 and 2007 respectively. The main motives for the largest FDI project in Russia were to gain foreign market share and to reduce transport and production costs. The Russian market was chosen due to its size as well as availability and cost of natural and production based resources. Technological innovativeness was regarded as an advantage in this company's internationalisation, while the lack of skilled local managers was perceived as a key obstacle.

Firm H. This manufacturer of fastening solutions established in 1999 had a high degree of sales internationalisation already after 3 years from its foundation thus bearing the key attribute of born global firms. The company had internationalised by exports and contract manufacturing before embarking on FDI expansion to the Czech Republic in 2003 which created the base for the present network of 16 foreign subsidiaries. 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 acquisition as the FDI mode. This project went beyond the theoretical expectations as to the motives of outward FDI from transition economies which, in the light of previous studies, have been mainly market-oriented. The choice of Great Britain was influenced by the country's market size, previous cooperation and location of the acquired company. In its internationalisation the investor could rely on a competent management team as well as high product innovativeness and marketing experience derived from the Polish market. However the firm regarded limited knowledge of local regulations and inadequate organisational structure as its main deficiencies.

Firm I. The furniture manufacturer, founded in 1992, undertook its first FDI in Argentina already in 2000 providing another example of accelerated internationalisation. The company registered significant foreign sales and high foreign procurement already 3 years after inception. Currently international markets have a dominant share in its revenues and it has FDI in 13 countries. The biggest FDI project was an acquisition in Germany in 2011 motivated as in the case of firm H by reinforcing international market position but also by obtaining access to new products and international distribution channels. While its product competitiveness, international orientation and business contacts were seen as internationalisation strengths it encountered difficulties due to a low international brand recognition abroad and coordination problems in all of its green-field investments.

Firm J. The software provider, founded in 2006, made its first FDI already in 2010 by acquiring a German company, a move which was preceded by exports. Similar to the case of firm I, market-seeking and strategic asset-seeking motives were paramount to the investment despite the still limited scope of international operations of the firm. The possibility of an accelerated access to a foreign customer base and sales network also motivated the firm to choose acquisition instead of the green-field investment mode. Geographic proximity, availability of required strategic resources and previous contacts of the management team influenced to a large extent the choice of Germany as the host country. While positive experience and knowledge of business operations in Germany facilitated internationalisation, the company indicated an obsolete product portfolio as a key obstacle to keep up with competitors from developed countries.

6.2 Cross-case analysis

In the following section interdependencies between the focal concepts of the analytical framework (presented earlier) are explored in more detail as they emerge from cross-case comparisons.

6.2.1 Relationships between FDI motives and FDI modes

The most important motive, in line with extant theory, was the market seeking one with most of the studied firms identifying it and attaching at the same time high importance to that factor. The second most important motive was surprisingly the search for strategic assets with roughly half of the firms attaching a high rank to it and three further firms perceiving it as being of lesser importance. Thereafter came the drive to reduce costs abroad with most firms assigning it at least secondary importance. The least relevant motive was to obtain natural and other resources (e.g. unskilled or semi-skilled labour) abroad, perceived more in the context of extending the supply chain management to embrace foreign suppliers. Only two firms were driven by this motive in their investment projects and yet they attributed merely secondary importance to it.

The comparison of different entry modes reveals certain patterns in terms of FDI motive-mode combinations. Companies which used acquisition for their major FDI assigned high relevance to both market and strategic asset-seeking factors. For the pharmaceutical company the acquisition of a key local player facilitated quick expansion thanks to a locally established brand and an extensive portfolio of registered drugs. Both the fastening 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 recognised brands with a broad customer base and distribution channels. Also the IT firm stressed the role of the acquisition mode for acquiring strategic resources and accelerating international expansion. Two firms (one producing pharmaceuticals and the other fastening solutions) embraced the complete value chain while the two others were just focused on sales and marketing activities. However in the pharmaceutical firm case production itself was regarded as less critical than the acquisition of a locally registered drug portfolio. The fastening systems maker later relocated production in the acquired UK firm to Poland and restructured the local subsidiary. Thus altogether marketing and sales activities were dominant in this type of market entry. Its main purpose was to enhance the international competitiveness of the investor with manufacturing being of lesser importance.

In the group of green-field FDI some companies declared the predominance of efficiency factors. The automotive supplier, flooring manufacturer and 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 mix in this case resembled that of acquisitions, the green-field mode was related to the past business activity of the founder in the home 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 manufacturer), in the second one it was efficiency based (interior fittings maker). The former clearly saw the JV mode as being related to the use of a local partner for easier access to new markets. However the latter regarded mode choice as a mere tool for political risk minimisation and hence separated from the dominant logic of avoiding trade barriers. It can thus be argued that joint ventures were preferred over green-field subsidiaries in more risky host countries.

6.2.2 Relationships between host-country determinants and FDI modes

While half of the case study companies revealed in their FDI geographical concentration in non-EU CEE countries, the remaining ones balanced out their FDI destinations with developed countries from the EU and beyond. Regarding the major FDI projects the choice of EU countries was mostly influenced by market size, previous business contacts in the target market and the existence of sought after resources. Interestingly EU membership in two instances was considered only as secondary. 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 their host markets, both companies referred to them as springboards for expansion into other, strategically important markets. For the efficiency-oriented green-field FDI in developing countries the availability and lower cost of production related resources prevailed in the country choice in three cases. The green-field FDI of the bus producer in Germany was dominated by market factors with market size and previous contacts influencing 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 in three cases and Russia in the pharmaceutical firm case. Two investors in the EU (the fastening solutions and furniture makers) directly stressed the fact that country choice depends on the existence of the sought strategic assets, i.e. the choice is contingent upon the location of the acquired company.

6.2.3 Modes of entry prior to the FDI project

All analysed companies accumulated export experience in a foreign market prior to undertaking FDI. A notable exception was the automotive supplier firm which invested in Ukraine without having previously exported there, thus leapfrogging stages in the gradual expansion model. Two companies moreover preceded FDI with contract manufacturing and two others with distribution agreements with local companies. In case of the pharmaceutical manufacturer the analysed FDI in Russia was of sequential character, following a previous green-field 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.

Moving to resources and competences which facilitated the internationalisation process, half of the sample companies recognised the role of management team skills in advancing their international expansion. Furthermore most investors in the non-EU countries and half of the investors in the EU regarded previous experience in host countries as a key advantage in their international expansion. As far as the role of innovativeness in internationalisation is concerned it was perceived as high by the managers of only two firms operating in the EU and two outside EU. For the fastening solutions and interior fittings makers innovativeness was also coupled with leveraging commercial experience gained in Poland. In two cases (the chemicals and furniture manufacturers) the role of innovativeness was perceived as low. The bus maker stressed the high role of innovativeness as well as flexibility in meeting customer requirements and 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 a peculiar common factor 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 first group pointed more frequently to problems on the host country level, particularly knowledge of local regulations and business conduct as well as inadequate skills of local employees. The second group in turn recognised issues predominantly on firm level including weak financial position, obsolete products, low international brand recognition, problematic subsidiary coordination or cultural differences and inadequate fit of organisational and capital structures. The only firm, which did not report resource deficiencies in its internationalisation, was the flooring company, which had become a subsidiary of a German corporation prior to its FDI. This confirms earlier evidence that the international operations of firms from Poland were curtailed by their resource endowments. This became especially apparent in the case of FDI in relatively more competitive markets.

Regarding the existing revenue structure no clear relationship between foreign revenue and the number of FDI projects could be observed. Furthermore the share of foreign revenue showed no clear relationship with firm age. This could be due to the fact that no international orientation had existed in the previous socio-economic system although these companies had accumulated substantial business experience and resources. Altogether, this specific feature of Polish firms, which can also arguably apply to those from other CEE countries, makes it more difficult to confirm the established interdependencies between firm age and its internationalisation degree. As for the share of international procurement no clear interdependency with other variables could be recognised either as there appears to be evidence of idiosyncratic and industry-specific rationale in the evolution of this variable.

7. Discussion and propositions

The examination of interdependencies between the main aspects of behaviour of Polish firms undertaking FDI abroad, reveals a rather ambiguous picture whereby the authors' findings both reinforce and contradict predictions derived from received theory. These theoretical challenges are summarised below and result in the emergence of several propositions which could guide further research on OFDI from Poland and other CEE countries.

A far as the interdependency between FDI motives and modes is concerned most foreign investment projects have been found to be of the market seeking category confirming thus the argument 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 internationalisation process and also corroborates some earlier studies of FDI from CEE (Czaplewski/Wiśniewska 2007; Karpińska-Mizielińska/Smuga 2007; Varblane et al. 2003). This then 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 ones.*

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 investigated firms preferred green-field 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 green-field investment as the FDI mode.

These propositions are generally in line with received theory. But then comes the strategic asset-seeking motive which like the efficiency-seeking one is indicative of strategies normally followed by mature foreign investors, reflecting their intensive approach to continued internationalisation. All of the studied firms driven by the strategic asset-seeking motive selected acquisitions as their major investment mode. This is reflected in the following proposition:

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

This proposition is consistent with the evidence of other emerging investors, especially those from China, where OFDI can fulfil the strategic goals of both the investors and governments related to technological upgrading (Cui/Jiang 2010; Yamakawa et al. 2008). However contrary to the Chinese authorities, those in Poland have remained far less involved in supporting national firms. In fact, the system of support measures for both exports and outward FDI still remains fragmented and limited in scope (Gorynia et al. 2014). Accordingly, domestic firms enjoy far fewer benefits related to preferential access to capital for financing foreign expansion than do firms from some other emerging markets such as China, where institutional factors of the home country play an important role in explaining the dynamic growth of OFDI. Thus, strategic asset-seeking investments seem to be, like in other CEE countries, of relatively lesser importance.

The geographic profile of outward FDI from Poland confirms the trend identified by previous research on this issue that Poland is a regional player focused on the European continent. The spread in the FDI locations is generally even between EU Western countries and EU and non-EU Eastern economies. Expansion to more distant locations is more prominent eastwards including the markets of West Asia and the Middle East. Absent from the list of targeted country markets are China and the USA. In South America only Argentina is 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 this case study analysis points to 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. At the same time however 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. Qualitative analysis allows to observe an interdependence between host-country determinants and FDI modes where joint ventures as the FDI mode are preferred mostly in host countries with higher political risk and/or legal restrictions than those in Poland. However, due to limited case evidence the authors remain cautious with generalising this statement.

Moving on to another dimension of the analytical framework, a clear positioning of FDI within the companies' internationalisation pattern was observed. Consistent with received theory and empirical studies on the internationalisation of firms from emerging and transition economies (see e.g. Antalóczy/Éltető 2003) Polish companies expanded – with some exceptions discussed above – gradually, by preceding equity entry modes with exports to target markets. This remains in contrast with evidence from some Asian economies, where the aforementioned strategic asset-seeking motives frequently push firms to invest abroad early on in order to enhance their own technological and managerial capabilities (see e.g. Luo/Tung 2007). In the CEE context this evolutionary behaviour can also be interpreted by the exploitation of previous business ties, established frequently before the transition period. The experience with doing business in the CEE region and in more developed EU countries was perceived by managers of the investigated companies as a key advantage in embarking on capital expansion in the host economies. Therefore the relevant proposition is that:

P4: FDI in a given host country is preceded by non-equity entry modes.

In the context of firm determinants of FDI the present study probed the key resources required to achieve success 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 via FDI. In this study the most sought after and necessary assets were managerial skills and previous experience derived from operating on the Polish as well as 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 fragmented and varied 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 investigated companies, seeking to close their competitive gap, resorted to acquisitions in order to enhance their international position as hypothesised above. However acquisition as an establishment mode of the major FDI project was at the same time preferred by companies which already possessed strong, particularly intangible, assets. Hence, while this fact might at first glance appear to contradict proposition 3, it can be argued that the acquisition of strategic assets requires in the first place the possession of complementary assets. Accordingly, it is proposed that:

> *P5: Acquisitions are the preferred FDI mode for Polish companies with superior proprietary assets.*

8. Conclusions and further research agenda

The present study aimed at contributing to the on-going discussion on the specific character of FDI undertaken by firms from developing and transition economies, otherwise referred to as emerging economies. Foreign expansion by firms from the emerging CEE region has been somewhat under-researched as compared to studies devoted to other emerging markets (see e.g. Chang et al. 2012; Morschett et al. 2010). Moreover, to the best of the authors' knowledge, none of the studies on Polish – and indeed CEE – OFDI has so far undertaken to investigate the relationship between FDI motives, firm characteristics and host-country determinants of FDI mode choice. This paper attempts to fill this research gap.

The use of a qualitative research design allowed the authors to examine in more detail the relationships between the main determinants of foreign expansion of Polish firms taking extant theory as a point of reference. Firstly, the relevance of the strategic asset-seeking motive seemed to contradict received theory discussed above, according to which firms commence investments beyond national borders in order to exploit extant assets. In the cases analysed in this study Polish firms, lacking particularly intangible assets as compared to their competitors from developed countries, expanded abroad in order to close their competitive gap. Thus this research corroborates the results of some other studies on emerging market companies that point to the search for deficient resources abroad in order to strengthen their international competitiveness (Mathews 2006; Steensma et al. 2008; Zubkovskaya/Michailova 2014), particularly if expansion occurs to more developed economies (Makino et al. 2002).

Meanwhile, these same firms clearly recognised the role of resources and capabilities developed in the home market. It was found that even strategic asset-seeking investment requires possession of complementary assets developed at home. According to the present analysis, these refer particularly to entrepreneurial and managerial skills, and the ability to develop and leverage business networks abroad. Clearly, such OFDI behaviour of the studied firms is both asset-exploiting and asset-augmenting, which is in line with some of the earlier studies of OFDI from emerging markets (see e.g. Cui/Jiang 2010). This seems to provide support to one of the theoretical perspectives discussed earlier in this paper, as advanced among others by Rugman (2009), that this initial weakness in ownership advantages among emerging market firms and their desire to strengthen these advantages through international expansion does not contradict extant FDI theories. Further studies of firms from Poland and other emerging CEE economies should therefore focus in more detail on the resources which are gained and those which are leveraged in foreign expansion. The study of Wrona/ Trąpczyński (2012) indicated that firm-specific resources such as differentiated products or prior experience in similar host countries influence the likelihood of firms of increasing resource commitment to foreign markets by affecting their perception of risk and market potential. This moderating role of resources on expansion decisions can be a fruitful avenue for further studies focused on outward investors from the CEE region.

Lower production costs and the ability to create products for markets at a similar level of development have frequently been discussed as the sources of competitive advantage of firms from emerging markets. However the specific context of the CEE countries, which differ in their advancement of the transformation process and thus the related comparative advantages, requires a country-by-country approach. Firms from Poland, as a middle-income country, are not necessarily clear cost leaders, hence the relevance of efficiency-driven investments in appropriate locations. Future quantitative research could explore the performance outcomes of undertaking FDI with different motives, distinguishing efficiency-oriented projects from market-oriented ones.

Finally, collected case evidence points to the presence of home-country advantage related to the ability of firms to cope with similar institutional environments (Moon/Yim 2014). This factor significantly affects the investigated geographical patterns of Polish firms' FDI with many of them locating their major investments in emerging CEE economies. This finding corroborates the recent study of Turkish firms behaviour in Romania (e.g. Anil et al. 2014). The study of relationships between host-country factors and entry modes of firms stemming from similar institutional environments is all the more so relevant since earlier studies in the context of advanced economy firms confirm the positive effect of host-country risk or legal restrictions on the likelihood of internalising activities in the foreign market (Morschett et al. 2010). In the case of emerging country multinationals this tendency can be reinforced by the advantage of knowing how to operate in turbulent environments. An interesting avenue for future research would be an attempt to quantify the aforementioned advantage by comparing the performance of Polish affiliates in host countries at different levels of economic and institutional development or conversely, by comparing the performance of Polish affiliates in host countries at a similar development level to Poland with that of affiliates of firms from more developed economies.

Moreover, apart from undertaking an attempt to explain the aforementioned relationships, the adopted qualitative approach allowed describing in detail firm behaviour in the process of undertaking FDI. Thereby, insights were provided on the idiosyncratic roles in the foreign expansion of Polish firms played by their specific sector of industry, specific history of internationalisation with certain facilitating factors, or the moderating influence of firm owners on the entire process.

However the characteristics of FDI behaviour of Polish firms revealed by this qualitative study should be treated with an appropriate degree of caution. Findings of case studies are by nature fragmentary and merely reveal certain trends and patterns. These interdependencies are not supported with quantitative evidence since the predominantly qualitative character of the collected data would have narrowed down the spectrum of any calculations. Moreover, the obtained case study evidence is limited by the depth of data collection, whereby respondents were not in all instances directly responsible for and involved in the analysed FDI choices. Also their time allocated to responding was limited. Moreover their evaluations of foreign expansion, its underlying drivers and consequences may have been biased by subjectivism, despite the efforts undertaken to triangulate the received information with additional sources of data on the investigated companies. Thus, the propositions formulated in this study require more rigorous testing on much larger quantitative samples in order to draw representative and more binding conclusions. A future study could therefore provide a basis for policy prescriptions, projections and consequences for both the investing firms, the host country economies and the Polish (home country) economy as such.

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