Track 4: FDI in and from emerging market economies

Competitive

ADVENTUROUS FOREIGN DIRECT INVESTMENT

ABSTRACT

Firms are supposed to learn gradually in the process of internationalization. Typically they start with export to neighboring countries, move slowly to more distant locations, and start using more advanced forms of internationalization. Yet some firms invest directly into distant locations, and they do it early in their internationalization process. This phenomenon seems paradoxical given theoretical currents in IB theory. There are three contributions of the proposed paper to IB theory: first, we define a new category of FDIs that seems paradoxical given the typical pattern of internationalization. Adventurous FDIs are undertaken early in firm's internationalization process when a company invests directly in a distant location. We propose to call this FDIs adventurous given that they require to explore many unknowns related to distances and advanced form of internationalization. Second we propose to recognize the importance of country networks, as potential field for learning about uncertainties related to adventurous FDIs into a distant location. Finally we propose the typology of adventurous FDIs depending on distances and embeddedness in the country network that offers opportunities to learn and limit risks involved in adventurous FDIs. The typology is illustrated by exploratory empirical study of adventurous FDIs undertaken by listed Polish companies.

Keywords: adventurous FDIs, distance, learning, networks, listed firms

ADVENTUROUS FOREIGN DIRECT INVESTMENT

INTRODUCITION

Why some firms undertake foreign direct investments to distant locations relatively early in their internationalization? The aim of this paper is to raise attention of IB scholars into this phenomenon that is related, but distinct from widely studied international new ventures and born global companies (Oviatt and McDougall, 1984; Madsen and Servais, 1997). Born global firms were supposed to internationalize very quickly right from their birth, to enter multiple countries at once, and also often to enter distant markets. The last expectation lacked empirical evidence. Born global firms from Spain and Korea were found regional rather than global, as international new ventures rarely operated outside of their region. In addition those that were regionally rather than globally oriented performed better (Rugman and Almodovar, 2011; Rugman et al. 2011; Rugman and Verbeke, 2004).

We were interested in foreign direct investments that are undertaken by firms that do not necessarily fit into definition of a born global company – they may start internationalization later in their life cycle and have only marginal incomes from foreign markets. Most firms that undertake an adventurous FDIs may not be oriented globally. What intrigued us was the fact that some firms use advanced form of internationalization such as FDI to invest in a distant location relatively early in their internationalization process. We think that such transactions are a phenomenon that requires more in-depth studies. It seems that taking a transaction level of analysis, rather than aggregate level in which we look at results of the overall company, in which many internationalization forms and activities in different locations as bounded together, is more appropriate to study this phenomenon.

Although rare, this type of investments cannot be classified as outliers. For example the ratio of global FDIs among approx. 200 Spanish firms fluctuated between 9-14% in years 2000-

2008 (Rugman and Almodovar, 2011, p. 258). Since global Spanish FDIs were defined as firms that have large proportion of distant FDIs versus regional, near country of origin FDIs, there must have been proportionally adventurous FDI transactions undertaken by these companies. We also observed a notable number of distant FDI transactions among Polish FDIs, that we later use for empirical illustration of the proposed typology, The phenomenon seems important enough to elaborate further on types of adventurous FDIs, and the likely learning patterns of companies that undertake such advanced form of internationalization into a distant location.

The gradual learning process from internationalization implies that firms can learn in the process of extending their global reach (Johanson and Vahlne, 1977). The accumulation of knowledge from several neighboring countries should enable firms to gradually start investment into more distant locations, and use more advanced forms of internationalization such as FDIs. Each new country in which a firm has made an investment is a learning experience, in which the firm learns how to deal with uncertainties. These uncertainties, often referred to as liabilities, result from various distances among home and location countries including geographic, cultural, institutional and psychic distances (Ghemawat, 2007; Wąsowska, 2012). While some of the learning from internationalization is location country specific, other more general knowledge of dealing with internationalization uncertainties is scalable to new locations.

Our paper is structured as follows. We briefly review the literature on distance, network perspective in internationalizations, and location. We also present literature on emerging market FDIs which are latecomers to internationalization, and would often follow the pattern of internationalization that requires new theoretical lenses such us LLL theory or accelerated internationalization (Matthews, 2006, Matthews and Zander, 2007). We later propose a typology of adventurous FDIs that recognizes two critical factors for risk taking in these transactions: distance and opportunities to learn from local networks. We illustrate this typology with

examples of FDIs of Polish listed companies, that are latecomers to internationalization and had increased the number of FDI locations by 8 new countries in the period of our observations from 2007-2009. Finally, we summarize our contributions and offer suggestions for future research.

THEORETICAL BACKGROUND

Seeking the logic of firm's internationalization is still current IB research challenge. Especially firms from emerging countries provide new experiences requiring revision or expanding current theory on the process of internationalization. Internationalization of companies from emerging markets is becoming an area of primary interest for IB and entrepreneurship scholars (Buckley et al., 2007, Luo, Tung, 2007, Yiu, Lau and Brutton, 2007). There are good reasons explaining the growing interest in studying companies from developing economies. We observe increasing levels of investment flows in a direction opposite to well-explored internationalization of established firms from developed to emerging economies. Yet there is relatively little published research presenting strategies, models and patterns of internationalization of firms based in emerging economies, that in absence of OLI advantage need to be explained with different theoretical models such as LLL - linking, learning and leveraging (Mathews, 2006). This paper contributes to calls for exploring Foreign Direct Investments (FDIs) that are "the other way round" from developing to developed countries (Yamakawa et al., 2008), and to increase research into entrepreneurship and internationalization strategies of companies from developing countries (Brutton et al., 2008). It fills partially the existing knowledge gap by presenting a longitudinal study of FDI localization patterns from the largest developing country in Central Eastern Europe – Poland. The transformation of Central Eastern Europe offers a unique research setting to test the applicability of existing theories in a new context (Meyer and Peng, 2005). Our particular focus is on FDIs of firms that invest directly in a distant location, usually early in its internationalization process. We propose to call these

FDIs *adventurous* as they imply risky, bold step into unknown waters of operating in the new business world with several potential knowledge gaps, liabilities and risks to bear.

Distance is important, although often neglected category in IB research (Ghemawat, 2007). Differences between countries in terms of varieties characteristics are covered by the concept of psychic distance, developed by researchers at the University of Uppsala in 1970s. It was defined as: 'the sum of factors preventing the flow of information to and from the market' (Johanson and Vahlne, 1977, p. 24). It is assumed that differences in language, culture, legal and political systems, level of education and industrial development etc. increase the uncertainty for managers and likelihood of misunderstanding market information. Therefore they create barriers for companies to involve foreign activities. According to this model, firms invest first into markets at a shorter psychic distance and later, after acquiring international experience, into markets with greater psychic distance than to their home market (Johanson and Vahlne, 1977).

Over years the list of factors accounted for the countries distance has been extended by new components such as dominate religion, business language, form of government, economic development and levels of emigration (Boyacigiller 1990), marketing infrastructure (Evans et al. 2000) etc. Many researchers have measured the distance between countries using cultural dimensions based on Hofstede's concept (1980) (Tihanyi et al. 2005). However the culture seems to be only one dimension of psychic distance and should not be equate with it. Evans and Movando (2002) proposed defining psychic distance as the distance between the home market and a foreign market, determined by perceptions of both cultural and business differences, while business distance is created by legal, political, economy, business practice and language differences.

Distance is considered from an institutional perspective as well. Institutional theory emphasizes the influence of the systems, socially constructed, surrounding organizations that

shape social and organizational behavior and establish the 'rules of the game' for firms (North, 1990; Scott, 1995). Institutions are commonly categorized into regulatory, normative and cognitive elements/pillars (Scott, 1995). Their variations across countries are crucial for explaining differences in the behaviors of firms between countries. This perspective is gaining increasing recognition as a major perspective underpinning the strategy research in emerging markets. Institutional distance (Xu and Shenkar, 2002) can expose firms to the liability of foreignness during internationalization, placing them at a disadvantage when competing against local firms.

Besides developing the set of variables for psychic and institutional distance in parallel there has been considerably discussion in the literature on the way of measure of distance. If it should be measured as perceived by key decision makers or by using objective variables such as geographic distance or macro-level criterion. Some researches state that the psychic distance should be measured by the subjective perception of managers responsible for firm's internationalization (Evans et al. 2000, Shenkar 2001). Such approach has considerably limitations (Dow and Karunaratna, 2006). One of them is ex post decision-makers' perception to critical decision as the measure of distance. Post-decision experience may be different than perception ex ante that may impact on strategic choice. Dow and Karunaratna (2006) proposed measurement to cover factors that influence managerial perception, named psychic distance stimuli. They suggest seven dimensions measured by multiple indicators using data from publicly available statistics as well as sociological constructs, like Hofstede's cultural dimensions.

The conceptualization of psychic distance emphasis factors which prevent or disturb firm's learning about understanding of a foreign environment (Nordstrom and Vahlne 1994). The learning process based on acquiring the objective and experiential knowledge is a wingspread driving force of internationalization. In their overview of empirical research on with different

categories of distance in the IB literature Wąsowska and Ciszewska-Milinaric (2012) suggests that geographic distance occurs to be a good proxy for other categories of distances, and that it performs most consistently as an explanatory variable in research relating distances to results.

The problem of learning reoriented IP debate in literature on business relationships and network ties as a faster way of overcoming the lack of market knowledge acquired through experience from current business activities in the market. Extending their original IP model presented as a relationship-based model of internationalization (Johanson and Vahlne, 2003; 2009) authors describe the interplay between the experimental learning and commitment in the business relationship as a main mechanism for learning and entering new distant markets. Therefore the extension of IP model encompasses not only firms, but also their networks. In this point it is common with IMP network approach (Johanson and Mattsson 1988) incorporated the social exchange theory (Blau, Emerson, 1964), and resource dependence theory (Pffefer and Salancik 1978). Internationalization knowledge can be acquired from other members in network thus the firm's network activities become a strong antecedent of foreign investment decision (Coviello and Munro, 1995; Elango and Pattnaik, 2007).

The network perspective has been applied to a variety of different firms however such approach is particularly prevalent in emerging economies. Networks are emphasized in the emerging market context where institutions typically have a lower level of institutional infrastructure (Hoskisson et al., 2000; Wright et al., 2005). Emerging market firms frequent suffers from the lack of traditional ownership, location and internalization (OLI) advantages of compared to their western counterparts. Most emerging market firms do not have extensive international experience and are engaged mostly in the early stages of internationalizations (Bangara, et al., 2012). In such situation, Johanson and Vahlne's internationalization process model assumes the stepwise incremental internationalization of firms appear inadequate to

explain the aggressive internationalization of emerging market firms, that invest often in many locations at once, and expand across distances fast. In the network approach to internationalization firms are considered as entities that are embedded in a web of relationships linking resources of interdependent organizations and units, in both domestic and foreign markets (Forsgren at al., 2005; Sydow at el., 2010). Networking interactions facilitate the internationalization, moderate the perception of risks of entering to foreign markets, reduce the investment cost and time of process integration, and improve the internationalization performance (Hosseini and Dadfar, 2012).

More and more researchers apply the network perspective to explain internationalization of firms' lacking experience and resources, such as SMEs (Chetty and Holm, 2000; Zhou et al., 2007), born globals (Coviello and Munro, 1995, 1997; Sharma and Blomstermo, 2003) and emerging economies companies (Yiu, Lau, Bruton, 2007; Elango, Pattnaik, 2007). Network contacts of entrepreneurs, which allow them to internationalize earlier, are conceptualized as network dynamics of international new ventures (Mathews, Zander, 2007).

ADVANTAGEOUS FDI LOCATION

As Cantwell noticed (2009) in the early development of the international business field, the focus of attention moved from the country level to the firm level, and interest in location issues declined. More recently, firm-based research has itself become increasingly concerned with the study of firm–location interactions. The literature on the locational preferences of foreign direct investors indicates main groups of motives for the investment, such as natural-resource-seeking, market- or efficiency-seeking. Location, one of the three pillars of the eclectic OLI theory, has been largely neglected factor in IB research (Dunning, 2009). In his seminal, decade award winning paper in JIBS Dunning describes the evidence of trends towards more global economy including the emergence of intellectual capital as the key wealth creating asset, advances in

transport and communication technologies, and reductions in trade and investment barriers. But he also mentions forces acting towards more concentration of activities on regional basis such as clustering of value chain activities, regional specialization, and high transaction costs of traversing the distance for some activities. The most significant change in the motives for FDI over the last two decades has been the rapid growth of strategic asset-seeking FDI (Dunning 2009). 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 2009).

Besides firms expanding intra-regionally, they also can ‘‘leapfrog’’ from their local home country markets to more distant global markets. However literature emphasizes that doing business in countries that are less proximate and more dissimilar than the firm’s home country in terms of geography, economics, and politics often entail higher risk, more complexity and greater uncertainty. Managers must obtain and update different types of knowledge about many more diverse global environments resulting in information overload and added cost (Banalieva and Santoro, 2009). Having regard to the above, motives of advantageous FDI, defined as the outward direct foreign investments made on a different continent than the one of the country where the company originates, are particularly challenging. Some of these distance international investments were failures (e.g. unsuccessful venture of Polish copper miner KGHM in Congo), but many of them seem to be successful. For example, Chinese Haier Group chose the US market as a one of the first locations where it made a direct investment. It was a great distant in all respects: geographically, culturally and institutionally. Yet the firm managed to learn its way of operations on one of the most advanced markets in the world which resulted in reach experiences, ability to innovate, internationalize successfully in more proximate markets, and bring some

learning to home market to confirms its dominance (Duysters et al., 2009; Yunfeng and Jing, 2012).

Advantageous FDIs do not find support of most internationalization theories. They are rather exceptions from the classic internationalization path. Assuming that managerial decisions to make distant foreign investments are based on bounded rationality (Simon, 1991), managers have access to some new market knowledge. One of the presumable ways of acquiring new knowledge is a network. We assume that most decisions on investments in far geographically and culturally locations are connecting with domestic relationships in that investors participate. Several studies have emphasized formal and informal networks as a mechanism to facilitate entry into a foreign market. Cultural and psychic differences between markets requiring "institutional experience" regarding knowledge about country-specific rules, regulations and cultural mentalities. Gaining this experience is seen as critical for overcoming barriers in firm's internationalization. However firm can use international experience gained directly by other firms through a common "network entry" – conceiving of networks as a set of interpersonal and inter-organizational relationships (Sydow at el., 2010). Action of managers and other decision-makers are shaped by the structures of all social systems in which they operate.

THE TYPOLOGY OF ADVANTAGEOUS FDIs

Typologies are theoretical proposals that should be subjected to quantitative modeling and empirical verification. Typologies differ from classification schemes, as they are constructed based on theoretical expectations of some relationship among first level constructs and ideal types, on which typology is based (Doty and Glick, 1994). Thus typologies are ways of creating theory and model, while classifications schemes are enable simple rules of allocating units into different classes.

In our case there are two first level constructs that we use: distance and learning due to network embeddedness. Distance, as already explained in the theory section, increases liabilities and risks on FDIs. We propose to use geographical distance as a proxy of risk and liabilities, but other distance categories can also be applied depending on interest of specific studies. The second of the first level constructs that we use in designing our typology is that of learning due to embeddedness, and thus mitigating the risks and liabilities of advantageous FDIs. Since our paper is grounded in the network perspective of internationalization (Johanson and Mattsson 1988; Johanson and Vahlne, 2003, 2009) we take into account the likely learning from internationalization at network level, not only individual level of a firm that could have been learning in the process of its earlier internationalization. By analogy when individuals immigrate to a distant country they often settle close to other immigrants from their home country, who can translate culture, and institutional differences and limit the liability of foreigners that are also experienced by individuals. We believe that companies behave to some extent similarly. The outward FDI is associated with establishing a new entity in a foreign country and is considered to be the most advanced stage in the process theory of internationalization (Johansson and Vahlne, 1977) in which firms make greater commitments than simply increasing their foreign sales (McDougall and Oviatt, 2000). Common investment in the same location makes a relationship between companies likely, even if they invest in unrelated industries. This is because executives from companies investing abroad in the same location have many opportunities for networking, information search and discussing joint initiatives. These opportunities include participation in country specific chambers of commerce, participating in trade and industry missions, meeting at major cultural and sporting events, flying business class on the same routes, attending parties in Embassies, working on government relations in both their home and host country, and the use of specialized service companies providing knowledge and expertise about the host country in

addition to other places where links are built such as interlocking directorates and alliances. The list of opportunities is by no means exclusive and finding out how executives use these and other possible links in information searches and joint initiatives is indeed worth a further qualitative study that is planned in the next phase of presented research.

We suppose the likelihood of contact and knowledge flow among companies that invested in the same location is especially large for developing countries with a relatively small amount of companies that have outward FDI in same location. The probability of relationships among companies increases with each additional country where both firms have FDI. The advantageous FDIs require bring more uncertainties and liabilities that require learning, thus we expect local business networks to be especially important factor that can mitigate some risks related to internationalization into a distant location. Even without direct contact among executives of firms that invested in similar locations, a firm may vicariously learn from others getting information about their conduct indirectly through observation (Baum et al., 2000, Gimeno et al., 2005). The gradual process of learning from networks in the process of internationalization is theorized in the network approach to internationalization (Johansson and Mattsson, 1988). Several studies on developing countries FDI have confirmed the importance of networks, and the participation of business groups in the sequence and results of internationalization (Elango and Pattnaik, 2007, Peng and Zhou, 2005; Yiu et al., 2007). Usually they focus on firms network of suppliers or political allies rather than network of firms, sometimes from unrelated industries, that invested in the same distant location. We think that the presence of such network changes the level of risks and uncertainty involved with advantageous FDIs. Firms from the same country tend to internationalize their operations in similar locations, as well as to exit from investments in similar locations – both processes leading to geographic agglomeration of investments (Porter, 1990, Kim et al., 2010). Learning in clusters reduces transaction costs and is an important factor in a

firm's ability to build a competitive advantage in a complex, global environment (Dunning, 2009).

Based on combination of distance and embeddedness we propose four ideal types of FDIs: exotic tour into unknown, individual escapade, rise of the Argonauts, ultimate adventure (see fig 1). Each has different implications to learning possibilities, risks and likely behaviors of companies making FDI, their networks (if their exists), and the host country.

Figure 1 – abut here

Rise of the Argonauts presents the type of an advantageous FDI in which there were relatively many transactions made by other country firms to accumulate knowledge and offer learning possibilities at network level on overcoming very large distances and liabilities that bring extreme risks to those brave companies that decided to invest in very distant locations. We would expect that due to large distance the risk perception among managers responsible for such projects will be high and they would tend to be engage in knowledge searching behaviors and efforts to mitigate risks. We would expect to observe an institutionalization of networking in a chamber of commerce or other business organization.

Ultimate Adventure occurs when a firm decides to invest in a very distant location as the first company from its home country. There is no direct learning possibility for such firm to gain knowledge about host country specific risks or distances from home country network. The first firm may enjoy more attention from home country firms and institutions, as in addition to evident liabilities we may expect some interest in newcomer from less known and obvious country of origin. Perhaps such a firm many also expect more institutional support from diplomacy of its home country that should be interested in encouraging of the some economic exchange. The attention of such stakeholders would not be dispersed to more firms and should, at least in some

part compensate for the lack of opportunities to mitigate internationalization risks due to home country network experience.

Exotic Tour Into Unknown is similar to the rise of Argonauts described above with exception that distances are smaller and thus risks involved are less evident. In such environment firms, and their executives may tend to be less focused on learning and networking, as they would expect that conditions for doing business are more alike their home country. Since we are only looking for distant locations and investment into other continents / outside the geographic region the differences in distance are question of the degree. We believe that locations that are nearby to the border of what is recognized to be a region, and what fits into waters of global location can pose a special challenge of the overconfidence.

Individual Escapade – here again we have to invest in a distant location country that is on the border of what could be recognized as the region versus a global location. Again there is no direct learning possibility for such firm to gain knowledge about host country specific risks or distances from home country network. We would expect that the firm which decided to invest in such a country may not search for such network, for similar reasons for which we expect less learning in case of exotic tour type of FDI, The distance may be not perceived as a source of major risk and liabilities by the focal firm. For similar reasons it may gain less attention and support from host country institutions.

EMPIRICAL CONTEXT: POLISH LISTED COMPANIES

Poland is, in absolute terms, the largest source of outward FDI among the new European Union (EU) members, with an OFDI stock of US$ 50 billion in 2011. However, it loses the leading position, when OFDI is compared to the size of its economy or its population. In terms of the OFDI to GDP ratio and OFDI stock per capita Poland is ahead of other countries in the region of Central and Eastern Europe, such as Hungary, Slovenia and Estonia (Zimny, 2013).

Poland's outward foreign direct investment (OFDI) started growing rapidly only from 2005, when the Polish private sector had matured enough to start generating home-grown multinational enterprises (MNEs). Some state- owned enterprises (SOEs) also began investing abroad, sometimes with the Government's encouragement.

The growth of Polish OFDI flows reflects two factors. The first is the emergence of Polish public and private MNEs—that is, domestic state- owned and private firms that became competitive enough to seek opportunities abroad not only through exports but also by producing goods and/or services in countries other than their own. Second, a substantial amount of recorded FDI flows from (and to) Poland consists of intra- corporate flows of funds within units of MNEs (including Polish MNEs) to other economies, undertaken for tax and regulation-related reasons. This "transit capital" FDI distort the picture of both inward and outward FDI of the countries concerned. During 2005–2007, transit capital represented 33% to 44% of Poland's FDI outflows, and two host countries (Luxembourg and Switzerland) accounted for all of it. This suggests that, at least recently, less than three quarters of Poland's outward FDI represents international production of MNEs, or "genuine" FDI (Zimny, 2013).

In 2011 over 57% of the stock was located in six economies: Luxembourg (US$ 11.8 billion), the United Kingdom (US$ 5.4 billion), Cyprus (US$ 3.3 billion), the Netherlands (US$ 3 billion), Switzerland (US$ 2.5 billion), and Belgium (US$ 2.5 billion). These economies are known for being sources and destinations of intra-corporate fund transfers as well as convenient locations for registering companies (including holding companies) for tax and financing reasons (Zimny, 2013).

The level of data analysis in our study differs from most earlier studies of FDI from emerging economies which tend to focus either on aggregate data on country level (Boudier-Bensebaa, 2008; Gorynia et al., 2007) or were based on survey data (Yiu et al., 2007). The design

of this study allows for in-depth structural analysis of FDI based on disaggregation of FDI into individual transactions based on archival, complete data set for 2007-2009. Modeling FDI as an affiliation network enables bridging between two most common approaches to study internationalization - country and firm level analysis.

This research is based on data on FDI of all Polish non-financial companies listed on the Warsaw Stock Exchange in the years 2007-2009. Selection of the time period for this study is justified by the fact that the number of FDI transactions has almost doubled in the observed time frame, and the number of adventurous FDIs locations have increased substantially. Polish companies, like other emerging economy firms, are latecomers to globalization game and thus provide fascinating field for study for some processes that are no longer important in established, emerged economies. Data on individual FDI's was extracted from the annual reports and firm's public statements published in this period. Distances between countries were taken from CEPII database (Mayer and Zignago, 2015).

We were using social network analysis methods (Wasserman and Faust, 1994) in detecting groups of companies with like patterns of investments that are clustering in similarities in locations. We apply block-modeling techniques (White, Boorman and Breiger, 1975, Scott, 1991, Wasserman and Faust, 1994) and multidimensional scaling for graphic presentation of clustering patterns in low dimensional space (Young, 1987). We applied metric multidimensional scaling optimization for similarities with algorithms used in Ucinet software for network analysis (Borgatti, Everet, and Freeman, 2002).

We defined adventurous FDIs as transactions outside the continent in which a firm operates. We have used geodesic geographic distance between capitals of home and host country location as a proxy to measure more elaborate distances between countries.. Each FDI was be

represented in our typology as unique combination of firm and location country. In case there are many FDIs located to the same country we will only represent them by a single figure.

The variance in degrees for each location is projected into the embeddedness dimension in our typology. Degree centrality in our research measures direct opportunities to learn from other country firms that internationalized to the same location by absolute number of firms that co-invested into the same location. In our sample it ranges from 0 - 13 in 2010 in which we observed the highest accumulation of all FDIs during the period of our research. We have used scale from 0-15 FDIs into a country in absolute number for representation of firms in our typology. While 15 is an arbitrary number, there must be some threshold of country FDIs into the same location beyond which one can no longer expect for transaction to be adventurous thus demanding to acquire knowledge that is hard to find. The reason is that accumulated home country experience and knowledge about distances and ways to deal with them in location country becomes more common with every additional transaction and firm exposed to liabilities. Further research into use of country networks for knowledge search in distance, adventurous FDIs is needed to confirm our expectation about the nature of relationship among learning from local networks and number of FDIs, as well as the specific threshold of the scale in which adventurous FDIs should be measured.

We have projected two mode firm FDIs into specific countries network into the network in which firms are connected, if they invest in the same location with other firms. For each firm in our network we have calculated degree, which in case of this network denominates how many times the firm has an FDI located in a country to which other firms also located their FDIs. The results are presented in Figure 2.

Figure 2 - about here

In the first year of our observation – 2007 we had 11 locations that are coloured in yellow in the above figure, in which any of the listed companies ever invested in the FDI form. 23 firms had such investments. There were selected from 232 firms listed on Warsaw Stock Exchange. There were three countries in which several firms invested from Poland: China, USA and Kazakhstan. Six home countries had only one listed Polish firm undertaking an adventurous FDI.

In the second year of our observation – 2008 the number of countries increased to 13 locations (see Fig. 3). The number of firms have decreased to 22. The three locations with largest networks remained unchanged. UAE attracted three firms having FDIs. In other locations we observe either individual firms (7 cases) or a dyad (2 cases) investing into a distant location.

Figure 3 - about here

In 2009, the number of locations for adventurous FDI have increased by 6 new countries to 19 locations (see Fig. 4). We also have 5 more firms compared to previous year that undertook an adventurous FDI. While no localizations with reach networking opportunity have emerged we can observe that networks increase in size in China and USA, and remain stable in Kazakhstan for the three years in which we conducted our exploratory study.

Figure 4 - about here

Let's now project some of the observation from years 2007-2009 into the typology that we proposed earlier. Empirical examples of FDIs from our study that are alike the ideal types in our typology are presented in Figure 5.

Figure 5 – about here

The projection serves as an illustration of the match of existing FDIs to ideal types. The further qualitative study should enable us to verify theoretical proposals about ways in which firms undertaking an adventurous FDI learns and mitigates risks. The ways firms limit risks and

learn depending on liabilities, distance and presence of the local network will be explored in the next stage of our research.

DISCUSSION AND LIMITATION

We proposed a typology of adventurous FDIs in which we theorize on likely risks limiting behaviors of firms undertaking this type of transactions, their network partners and institutions in host and home country. We expect that patterns in learning behaviors will differ depending on distance and embeddedness in the network of local country firms. We propose to study FDIs into distant location on transaction level rather than firm level of analysis. They seem to be a paradoxical phenomenon, yet relatively many companies undertake them. At firm level the distinct learning and risk level behaviors related to the specific transaction may not be observed, and the relation between adventurous FDI and firm level results may be different than from observations on results relating to global versus regional orientation of overall portfolio of FDIs. Thus more research is needed to explain why firms undertake adventurous FDIs, what are their learning patterns and risk limiting behaviors, what is the role of country networks in providing learning and legitimacy needed to minimize related liabilities, and how home and host country institutions support such transactions depending on presence and absence of other adventurous FDIs form the same country.

The empirical base that inspired us to think about the phenomenon of adventurous FDI - that of Polish listed companies that we studied in years 2007-2009 is relatively small, and must be perceived as a major limitation of our current paper. Classification of Spanish FDIs suggests that this phenomenon is not country specific, and could be studied in different home and host country configurations. Information on individual FDIs is often lacking in national, and international statistics and thus introduction of this level of analysis is relatively difficult. But we believe it should not prevent scientists interested in explaining this important phenomenon from

undertaking projects in different geographical context. It seems that FDIs from developing countries would be especially important to study, as there are many multinational firms from developed countries and thus little, if any white spaces in the map, where a firm from such country can undertake first FDI ever of the national origin. For firms from developing countries that are on their way to become multinationals, understanding the dynamics of adventurous FDI, risks, and likely behaviors of key stakeholders in the process should be of crucial importance.

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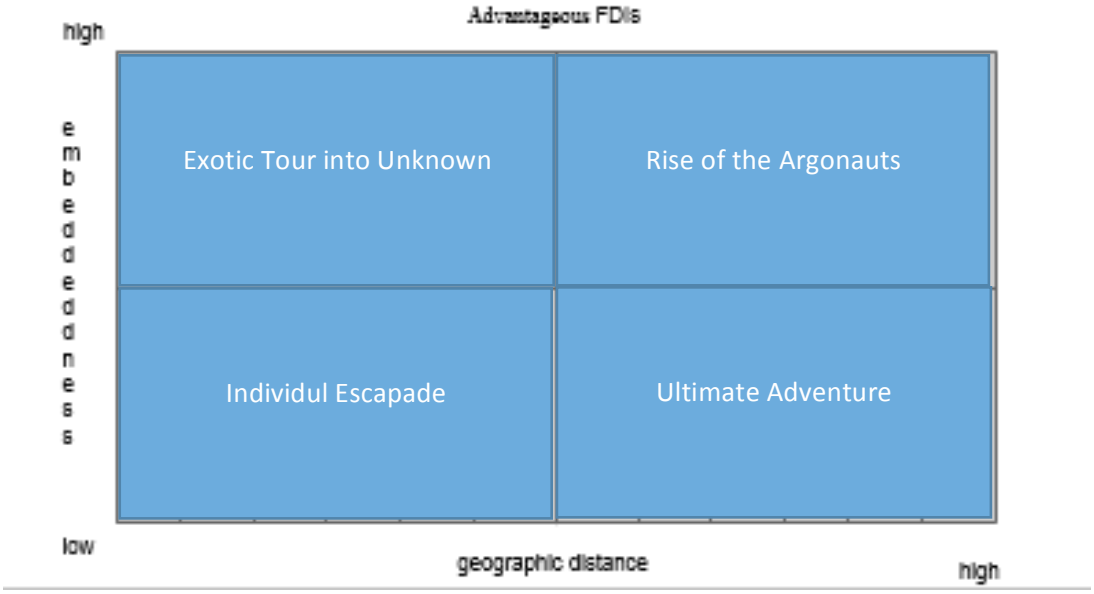

Fig 1. Typology of adventurous FDIs.

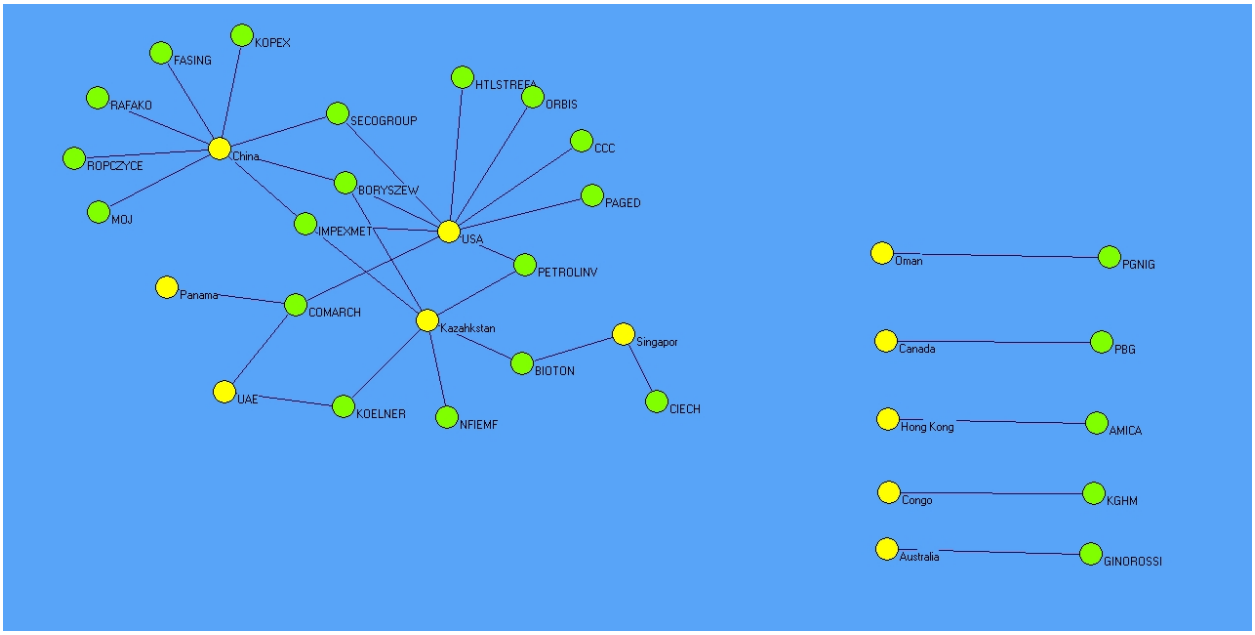

Fig 2. Adventurous FDIs of Polish listed companies in 2007. Produced with Ucinet.

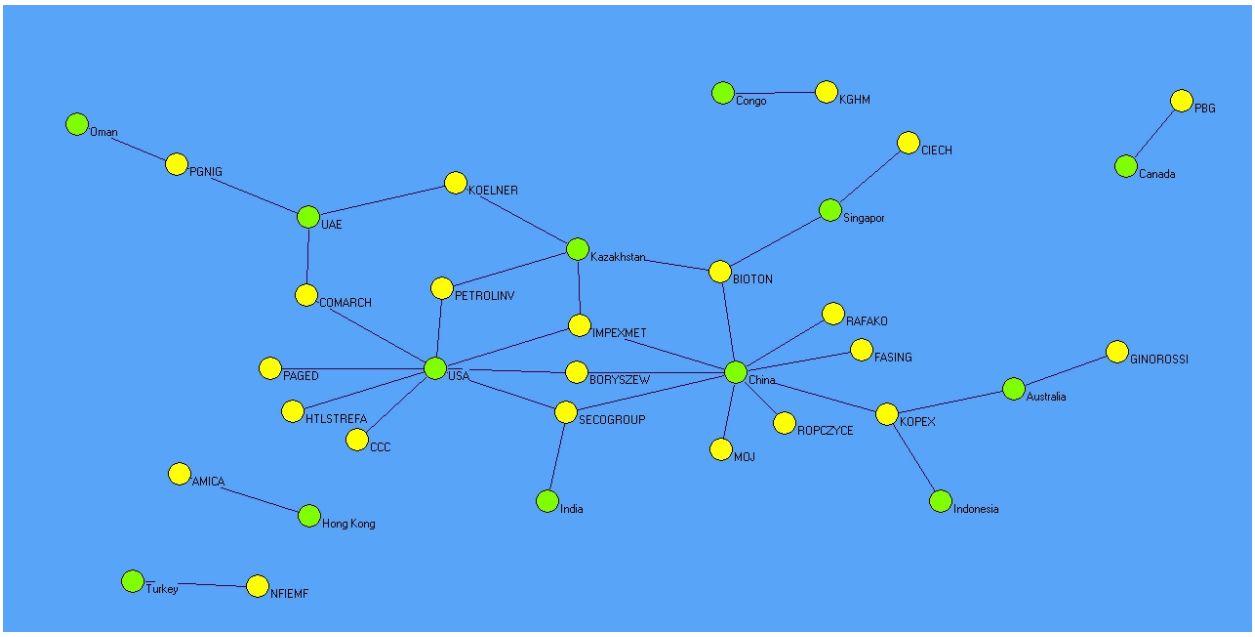

Fig 3. Adventurous FDIs of Polish listed companies in 2008. Produced with Ucinet.

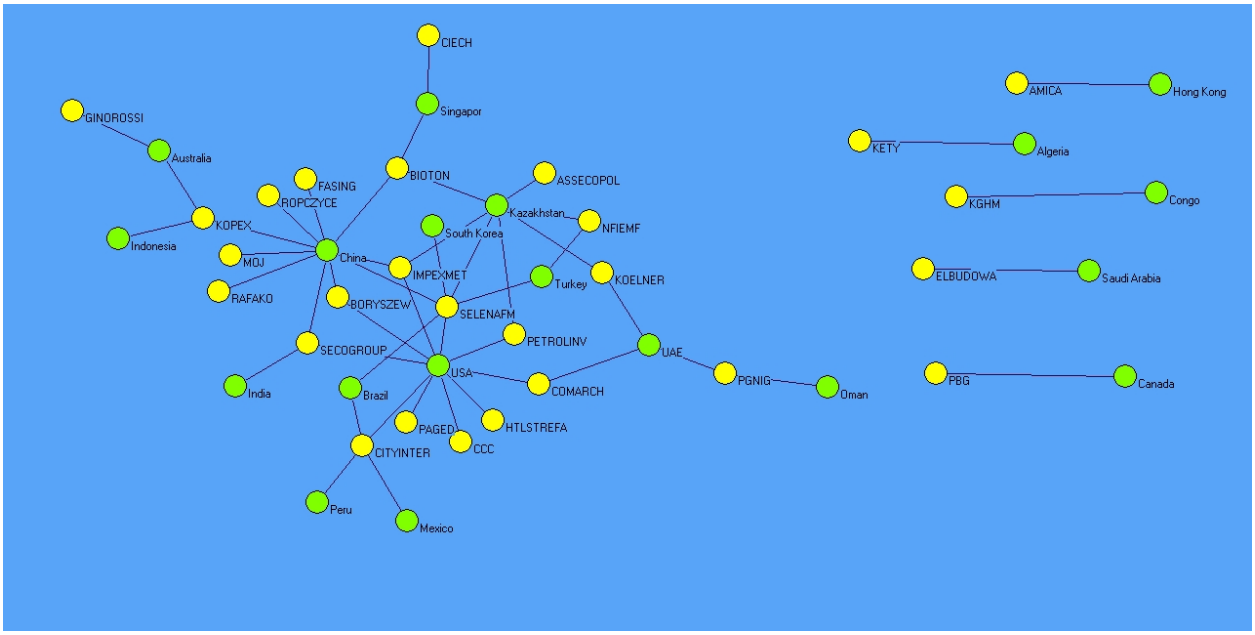

Fig 4. Adventurous FDIs of Polish listed companies in 2009. Produced with Ucinet.

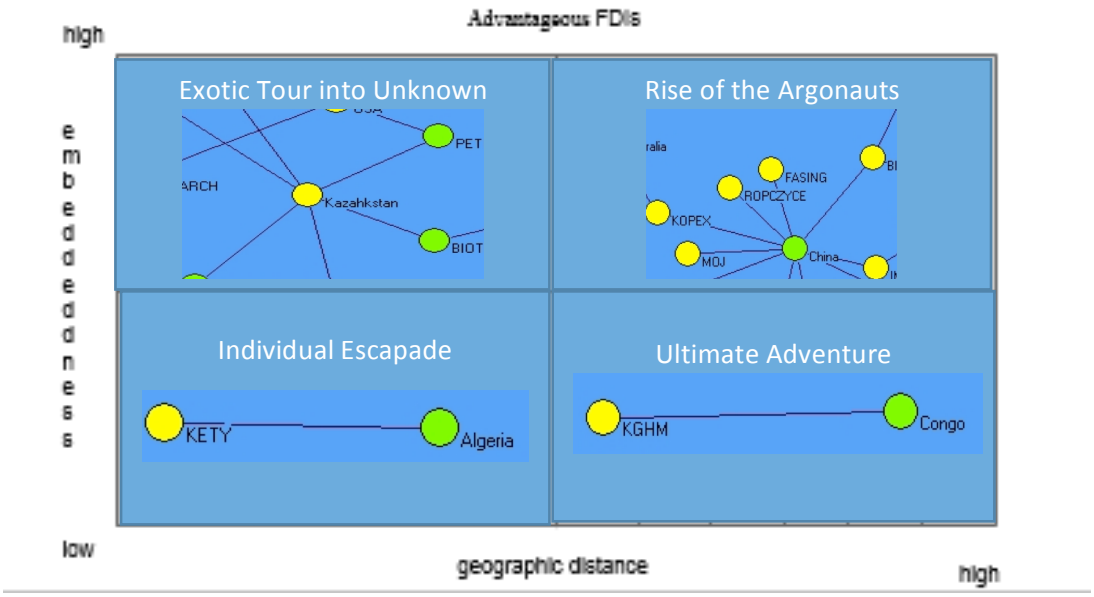

Fig 5. Empirical examples of FDIs for the typology of adventurous FDIs.