

TITLE: Innovation performance of a foreign subsidiary and its position in the network of a multinational enterprise - the perspective of foreign subsidiaries established in Poland

The strengthening position of multinational enterprises (MNE) in global economy has stimulated studies on this phenomenon. Literature highlights the growing role of foreign subsidiaries (FSs) as the co-shaper of the MNE's strategies thanks to FS impact on the knowledge development and subsequent innovation performance of the whole MNE. One of the most recent streams of studies emphasizes the influence of FS relationships (and the level of FS embeddedness) with internal partners within MNE network and with external (independent) actors on FS's innovative performance and then on its positioning within MNE network. An important role of MNEs' subsidiaries in manufacturing sector in Poland, and significant share of Polish exports generated by FSs on the one hand, as well as changing attractiveness of host countries for MNE (and resulting threat of manufacturing reshoring to new locations) on the other hand, call for identification and in-depth analysis of factors affecting MNE decisions on FS development or its closure/relocation. In fact, the stronger is the FS position in MNE network, the higher is the probability of its survival and growth. One of the determinants of FS position within MNE network is the innovative performance of this FS.

The scientific problem undertaken in this project are the determinants and dynamics of position of foreign subsidiary (FS) within the multinational enterprise (MNEs) network, with special focus on the influence of FS's innovation performance on its position within MNE network. The project has the following main cognitive goals:

1. The analysis of significant factors that determine the position of FS within the MNE (with focus on the impact of FS's innovation performance on its position), and the explanation of relations between these factors.
2. Preparation of a conceptual model for the analysis of the relations between factors that determine FS innovation performance, and – consequently - affect the position of FS within MNE network.
3. Identification and explanation of the relationships between the innovation performance and other determinants of the position of FS located in Poland, in the context of FS host country-specific environment. This aspect of the project is crucial in view of the significance of inward foreign direct investments for Poland's economy, and a necessity to boost the nation's innovativeness.
4. The identification and explanation of the influence of FS internal linkages within the MNE network, as well as of FS linkages with external (independent) partners on innovation performance of this FS, and subsequent positioning of FSs based in Poland.
5. The investigation of evolution of innovation performance of FSs located in Poland and of their positions within MNE networks between 2010 –2015, in a period when economies were affected by the global crisis.
6. Appraisal of the impact of FSs based in Poland on the innovation performance of local (Polish) firms.

One of the main results of the project will be the development of the conceptual model that identifies significant factors influencing FS position, explains the relationships between those factors and emphasizes the innovation performance of this FS as a determinant of FS position within the MNE network. FS position in the MNE network will be explained by its ability to develop knowledge-intensive competences, that facilitate the technological and non-technological innovations, by the impact of its performance and in particular its innovative performance on the competitive advantage of MNE. Thus the influence of FS on the strategy of MNE will be analysed.

Major categories of determinants of FS position presented in the conceptual model developed in the project include: FS host country-specific settings/advantages, FS-specific advantages, as well as FS internal relationships within MNE network (degree of FS internal embeddedness) and FS external relationships with independent business partners in a host country (degree of FS external embeddedness).

The project contains the comprehensive in-depth literature studies and empirical studies with the use of quantitative and qualitative methods. The data in the empirical research will be collected with the use of computer assisted telephone interviews (CATIs) that will be conducted on the statistically representative sample of large and mid-sized FSs located in Poland, operating in the manufacturing industries. The analysed period encompasses years 2010 thru 2015. Structural equation modelling (SEM) will be applied to assess the causal relationships between variables and to support the hypotheses. The project will provide insights and explanations on the sustainability of FDI in Poland, which is important from the perspective of Polish macro- and micro-economic goals; factors in Polish environment that foster FSs' innovation performance, and sustainable growth; on the proper innovation cooperation partners (as seen from FSs' perspective); on the proper balance of the internal and external linkages a FS is involved in; on policy instruments to be applied in order to foster innovation performance of FSs' based in Poland. Besides, the presentation of FSs' perspective on building collaborative links in a host country, will allow to formulate suggestions for host-country actors (Polish firms) how to develop their effective cooperative linkages to FS, leading to extended knowledge transfer from FS, and to an increase of innovation performance of Polish firms, thus contributing to improvement of Poland's national innovativeness. Those are issues with important political and managerial implications not only for FS located in Poland, but also for Polish firms – foreign direct investors in their internationalization strategies. The conceptual model applied in the project can be used by those firms in managing their FS networks. The proposed research will contribute to filling up the gap in theoretical and empirical studies on FS located in CEE countries. Thus, its impact will not be limited to Poland.