

## **FOREIGN MARKET ENTRY INTO POLAND: SUCCESS VERSUS FAILURE**

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### **Abstract**

The concept of a 'transitional turbulent market' is not clearly defined in extant international business literature. Emerging communistic markets in Eastern Europe undergoing 'transition' to market based economies, are defined as such. The constraints facing foreign firms for entry mode and operations are considerable, with high risk of failure associated with this 'turbulent' environment. This is more so for western firms. The aim of this paper is the identification of western firm perceptions of the constraints to foreign market entry into 'turbulent transitional markets' and what impact this has on entry mode. Findings suggest multiple entry modes are sought. In addition, international business theory does not singularly explain this process for western firms and findings suggest that foreign direct investment, stage model and network perspective are used concurrently. However, emphasis was found for the network perspective to explain how western firms manage the particular constraints operating in 'turbulent transitional markets'.

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# FOREIGN MARKET ENTRY INTO POLAND: SUCCESS VERSUS FAILURE

## INTRODUCTION

Eastern Europe, since its unprecedented economic, political and social transformation since the fall of Communism to a free market economy in 1989 (Australian Trade Commission, 2003; Fahy, Hooley, Cox, Beracs, Fonfara, Snoj, 2000; Noar, 1990), has displayed many marketing opportunities for the western firms. Incentives, such as a large, relatively skilled workforce, low wages and population size have proven successful for enticing foreign investment (Trofimovs, 2003) into the region. Several studies have explored the potential of Eastern Europe (Uhlenbruck, 2004; Danis and Parkhe, 2002; Salmi, 2000; Sukh Pak et al, 2002) from a western perspective, and have identified numerous barriers to successful entry. These barriers, or, constraints, are said to be related to the 'turbulent' (Salmi, 2000) and 'transitional' (Danis and Parkhe, 2002) environment characteristic of the region. The political, social, cultural and legal systems are not as advanced or designed as those found in western countries. Local firms typically: lack essential resources and managers with experience in competitive markets; confront high government involvement in acquisitions and inefficient markets for corporate control (Uhlenbruck, 2004; Uhlenbruck and De Castro, 2000); and lack marketing capabilities, especially in former state-owned enterprises (Fahy et al, 2000), creating an environment which is uncertain, unstable and high risk. It is described as 'turbulent' (Salmi, 2000) and undergoing 'transition' to a market-based economy (Danis and Parkhe, 2002).

The central objective of this paper is to identify those constraints to Foreign Market Entry (FME) for Australian firms when entering Eastern Europe, by focusing on one of their key markets, Poland. We will then examine how this was achieved, by identifying which method of (FME) - Foreign Direct Investment (Gilmour, 2003), Stage Model (Johanson and Wiedersheim-Paul, 1977; Ellis, 2000) or Network Approach (Blankenburg, 1995; Axelson and Easton, 1992; Chetty and Blankenburg-Holm, 2000), best describes this process.

## FOREIGN MARKET ENTRY

FME strategies have to date received much empirical analysis (Blankenburg, 1995; Chetty and Blankenburg, 2000; Johanson and Mattsson; 1988; Ellis, 2003; Gilmore et al 2003). Three key areas such as Foreign Direct Investment (Geringer and Hebert, 1991; Gilmore et al, 2003); the stage model approach (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977); and the network perspective (Blankenburg, 1995; Ellis, 2003) have stimulated considerable discussion towards the development of FME strategies. It is suggested, that most "internationalisation theories formed their foundation from industrial organisations and economies and have been developed in the 1970s and 1980s when American multinationals started to invest in Europe and when European SMEs started to export, mostly to neighbouring countries" (Axinn, 2000, p. 436). There is limited literature which has examined the application of FME methods to markets outside those classified as *post industrial* (Blankenburg, 1995; Johanson and Mattsson, 1988; Chetty and Blankenburg, 1995). Salmi (2000), Danis and Parkhe (2002) and Sukh Pak et al (2002) provide empirical results from studies conducted in this type of market, in Eastern Europe, known to be *post communist*. Noar (1990) believes "little is available in terms of a systematic research agenda involving Eastern Bloc and Soviet related marketing research" (p.12), which recognises the importance of investigating FME into Eastern European markets, as it provides additional contributions to international business, focusing on foreign operations and modes of entry.

## FOREIGN DIRECT INVESTMENT

It is thought that FDI is a frequently implemented method of internationalisation, as it includes many different modes such as licensing, Joint Venture partnering and wholly owned foreign

investments (Buckley and Casson, 1998; Coviello and Mc Auley, 1999; Gilmore et al, 2003). According to Geringer and Hebert (1991), FDI can also “incorporate wholly-owned foreign investment, which is the creation of a wholly owned subsidiary through either acquisition or setting up a new ‘greenfield’ site” (p. 250). FDI can also be taken to include wholly owned concerns and Joint Ventures, where “the joint venture involves two or more separate bodies forming a jointly owned entity in which they invest and engage in various decision making activities” (Coviello and McAuley, 1999, p. 196).

## **STAGE MODEL APPROACH**

Perhaps the most influential and well received Stage Model was that initiated by Johanson and Weidersheim (1975), and since developed by Johanson and Vahlne (1977): The Uppsala model suggests that internationalisation activities occur incrementally and are influenced by increased market knowledge and commitment (Coviello, 1999; Ellis, 2000). Further, other behavioural frameworks also suggest that internationalisation is incremental, with various ‘stages’ reflecting changes in the attitudinal and behavioural commitment of managers’ and firms’ resultant international orientation (Bilkey and Tesar 1977; Reid 1981; Czinkota 1982; Coviello 1999). Coviello (1999) identifies that these models recognise that the perceptions and beliefs of managers are both influenced and shaped by incremental involvement in foreign markets.

## **NETWORK APPROACH TO FME**

Ford (2002) remarks that in terms of the network approach, it has been used to provide new insights into the internationalisation process. He argues that the network approach sees internationalisation in terms the existing home of the company and its overseas relationship, and those it may have established to operate in a new market. It is a process which is driven by the interaction of all the actors in a network. This has considerable advantage for FME, as this (Ford 2002) interactive view avoids a focus solely on the producer as the sole influencer and allows examination of the role of others in the network, such as retailers, wholesalers, importers and finance houses. In addition, Ford (2002) suggests there may be difficulties for a company in establishing a ‘position’ in a new market because of the interlinking network of relationships that may have developed over a long period of time in that market. Also, Ford (2002) comments on the issue of FME involving a complex set of relationships, so that companies that are competitors in one market, may co-operate in another.

Ellis (2000) comments that “social bonds also play an important role when conducting business with emerging economies where contract law and property rights are not well established” (p. 132) suggesting the importance of the network approach. It was also argued that whereas economically powerful buyers in industrial nations are often able to locate and evaluate suppliers in emerging economies via their existing networks, western manufacturers looking to penetrate underdeveloped markets must confront the challenging and time consuming task of establishing connections with the local business networks (Davis et al 1995; Ellis 2000). Salmi (2000) explains that the network perspective, stresses the embedded context within which dyadic business relationships take place, emphasising the connectedness of these relationships. It is also noted this issue of connectedness has been largely ignored in extant studies, and is a distinctive feature of the network approach. Salmi (2000), argued that the contextual and complex network approach also offers analytic tools for understanding ‘turbulent’ characteristic of Eastern European markets: instability, uncertainty and risk. The external network conditions of markets have also been identified by Blankenburg (1995) for Scandinavian markets.

## **METHODOLOGY**

### **Data Collection and Sample**

This paper proposes an exploratory study focusing on grounded theory building, rather than theory testing, where multiple perspectives were gathered within a qualitative methodology. Johanson and Mattsson (1988) suggest that the field of internationalisation theories requires further theoretical development. They suggest “more research ... in related fields will serve to increase knowledge about the internationalisation of business: network internationalisation processes” (p. 210). The effect of the network approach on firms undergoing internationalisation requires deeper exploration and understanding. Whilst there have been many studies concerning internationalisation processes (Blankenburg, 1995; Johanson and Vahlne, 1977; Coviello and McAuley, 1999; Salmi, 2000; Danis and Parkhe, 2002; Ellis, 2003), Johanson and Mattsson (1988) suggest “more specifically, we should advocate research into FME strategies in different situations with regard to network internationalisation” (p. 211).

The central objective of this paper is to identify those constraints to FME for firms when entering Eastern Europe, focusing on Poland. We will then examine how this was achieved, by identifying which method of (FME) was being used by Australian firms. The Network Perspective is one of those methods and requires a research approach that is sensitive to the nature of this investigation.

A multiple case study design was adopted (Eisenhardt, 1989; Yin, 1994) involving four separate case studies. Each case study was to be regarded as a single experiment. Companies were selected from Austrade’s online commercial linkages database. From a large number of firms, further investigation was conducted to assess whether the company had Eastern European Dealings. The industry or internationalisation mode was not a deciding factor for selection. A final list was comprised including four Australian firms which were located within the major capital cities of Australia and had current business dealings within Poland. Poland was chosen as a test market as it is the biggest and most internationally active market in the region (Austrade, 2003).

Semi structured interviews were the main method of data collection, with each interview lasting approximately one to two hours with eight senior managers dealing with Eastern Europe in four companies. The interviews were recorded and then transcribed ready for analysis by the researcher. The interview transcripts were the primary source of data. However, various company documents were supplied by the respondents such as company annual reports and memos containing information regarding their overseas operations and international ventures. Open, axial and selective coding (Strauss and Corbin, 1998) was used in order to generate themes and meanings from the transcripts allowed identification of contributing issues to the phenomenon under investigation.

## **ANALYSIS AND FINDINGS**

### **Successful Entry**

#### **Case A**

Solutions International Pty Ltd operates through consulting and constructing consortiums, and their method of entry into the Polish market is best described as a network approach (Ellis, 2003; Blankenburg, 1995; Salmi, 2000). A senior manager gave this account:

It was easy to talk to those guys about creating a consortium ... because they were actually in Poland for a couple of years, they implemented one of their systems in one of the small banks in Poland I restructured.

Due to a previous connection in Poland, Solutions International was able to further its business operations fairly easily, whereas Australian firms with no business exposure in Europe prior to entry would find it difficult to entry, as described by a senior manager.

And for that kind of company, for me it was actually easy to talk to those guys about creating a consortium and getting the plan up on PKL because they were actually in Europe and they were actually in Poland for a couple of years they implemented one of their systems in one of the small banks in Poland I restructured, so it was relatively easy to do business with them but the businesses in Australia which never actually had the exposure in Europe, it is relatively difficult to do business.

The influence of Austrade on Solutions International is an example of utilising an indirect relationship (Blankenburg, 1995; Ellis, 2003; Salmi, 2000) in order to further their business abroad. Solutions International used Austrade to provide *“very quickly, very good contacts with the right places”* ensuring its network was expanded. Austrade was able not only to provide the names of contacts, but also organise personal meetings which allowed the development of networking to evolve, as described by a senior manager.

We’re working with Austrade actually, because Austrade gets us very quickly, very good contacts with the right places, even if we identified the right places and contacts, they can organise it physically here in Australia.

Finally, the importance of building an internal network: buyers, sellers and government officials was identified. A senior manager described it as important to perform internal networking when you are *“socialising”*, as *“you don’t have time to socialise yourself that much”*. It is inferred that the building of these networks is more important in Poland (Salmi, 2000; Danis and Parkhe, 2002) than Australia, whereby connections with the ruling party are highly sought after and very important to all firms operating in the Polish commercial environment. This again supports Salmi (2000), Blankenburg (1995) and Ellis’ (2003) empirical studies which identify the importance of building and transferring social ties to those which reflect formal business ties. By establishing stronger business ties, and a degree of interdependence amongst network actors, Solutions International was able to develop a more stable, certain and lower risk market environment by limiting the number of entering and exiting actors (Blankenburg, 1995) which is deemed important when operating in a turbulent environment such as Eastern Europe. The Managing director describes this:

Basically, our service in Poland, you don’t have time to actually socialise yourself that much. So when you actually socialise, you have to do internal networking, you actually meeting people who might now or in the future might do business with you. That’s the way it is ... as I said you have to socialise yourself, networking, you have to be part of that important meetings, venues etc and this is very important actually. Because really with business you can get to know people very well. It’s even stronger than it would be in Australia: In Australia you know to actually get somewhere, you need to know the right people in the right places; contacts friends whatever. It is the same... actually emphasised more, but unfortunately actually, you have to have the contacts, the networking in the commercial environment, why in Poland the political environment: the political parties, the ruling parties, who will be ruling the future etc. That kind of thing. It’s very difficult to have the political backing in a way.

In response to our objective to identify the FME approach sought by the firm for FME, Solutions International can best be described as entering Poland through a Network Approach (Blankenburg, 1995; Johanson and Mattsson, 1988; Ellis, 2003), whereby network connections were exploited in order to arrange business in Poland. By utilising previous connections in Poland, (Austrade and social settings), Solutions International was successful in entering and maintaining participation within a ‘transitional turbulent market’ such as Poland. As Solutions International entered Poland through a consultancy agreement (which implies a network approach), the influence of the FDI

theory (Geringer and Herbert, 1991; Coviello and McAuley, 1999, Whitelock, 2002) does not have any bearing on Solutions International entry method into Poland. As Solutions International entered Poland through an entry strategy familiar to that of a 'Born Global' (non incremental international expansion), (Moen, 2002), one can infer Solutions International did not enter Poland through a Stage Model approach, but rather a compressed time frame that was very rapid.

### **Case B**

Oz Exports entered Poland by exporting Australian wine into Poland to a 'subsidiary' (importer). There was a separate legal entity in both Australia and Poland, but effectively they belonged to the same 'parent' company in Australia. The Polish partner imports the wine from the Australian partner of Oz Exports, who then distribute to Polish supermarkets and wine shops. The explanation for this alternative method of joint 'exporting-importing' is justified by the Australian managing director's preference for dealing with local companies, which they are able to do through Oz Exports (Australia). Conversely the Polish distributors prefer to deal with local Polish companies, accomplished through Oz Exports (Poland). This form of FDI is supported by the broader definition of Geringer and Hebert (1991) where FDI "involves two or more separate bodies forming a jointly owned entity in which they invest and engage in various decision-making activities" (Gilmore et al, 2003, p. 196). This is described by the Australian Managing Director:

I've done is slightly different. Oz Exports export, I've set it up purposely here in Australia to be the exporter for the wineries. Very often the wineries will export themselves to foreign countries. I would buy the wines here and I will export on my license, and I will export to myself in Poland, which is a Polish version of [Oz Exports] export which is [withheld], which is the Polish translation, which is the importer. So I export to myself in a way ... Separate legal identity in different country but, yeah, both controlled here in Australia. And then the Polish company distributes to Polish supermarkets and wine shops and so forth. The purpose for that was that it is very important that the wine makers like to deal with local companies which they deal with in Oz Exports ... So the Australian winemakers deal locally with me here and Polish companies deal locally in Polish with me over there.

This method of FDI is interesting because it takes into consideration the cultural needs of each market (both Australian and Polish) which enables successful FME into the Polish market place. By operating through an exporting-importing agreement (a form of FDI through joint venture), Oz Exports is able to maintain total control. A senior manager believes having an agent "*would relinquish the control and make things very hard.*" By controlling both the Australian and Polish sides of Oz Exports, the Managing Director is also able to control the quality of his products overseas.

I'm against it, having a partner [agent]. So, for example, if I was just exporting and get someone else in Poland to import, unless I just do it and don't worry about it to move the wine off-shore, find out who's interested it in, letter of credit in my bank, I release the goods. So letter of credit is like cash so it doesn't matter. But otherwise, if you want to have influence in how the product is treated over there, so is not damaged in a way – image. No, you have to have full control over it and any form of partnership would relinquish the control and make things very hard.

Several empirical studies (Danis and Parkhe, 2002; Salmi, 2000; Sukh Pak, 2002) suggest the most effective way to enter a 'transitional turbulent market' successfully is to acquire a partner in this region with current market knowledge and contacts. Oz Exports alternatively believe partnerships (agents) limit your control over your product and subsequently weaken your brand image.

Although it is recognised that Oz Exports entered Poland through an exporting-importing agreement, the influence of Polish connections (cultural, social or formal ) are also deemed important when entering a market such as Poland. The importance of Australian firms gaining market knowledge through government agencies, such as Austrade, or the Chamber of

Commerce, to improve indirect network ties is acknowledged by a senior manager and one can infer that Oz Exports implemented, indirectly, the network approach to FME, which is supported by Blankenburg (1995), Ellis (2003) and Salmi (2000).

If there is a foreign company entering the market they have to have some knowledge either through Austrade or through Chamber of Commerce or something. Someone they can rely on, someone they can trust on. That is always in foreign businesses that's the most important part.

The concept of cultural and social ties (Ellis, 2003) as a method to easing FME into Poland is also discussed by a senior manager, who is a Polish national, suggesting it is important to develop "*knowledge on the ground*", which infers the development of foreign market knowledge (Chetty and Campbell-Hunt, 2003) *prior* to entry. This provides the Australian firm with greater stability within this particular market context where it is considered unstable, uncertain and high risk.

Not necessarily. No, but it would be very costly if they haven't got the knowledge on the ground there because they will suss out very quickly how big a sucker you are. Try to get a taxi in Warsaw, Krakow or Poznan and I follow you in my taxi and we will see how much you will pay and how much I pay. And to them it is not dishonest. To them it is a business. And I pay for the same trip like if during that stuff for the day, during \*\*\* between hotel and exhibition, I pay between 10-30 Zloty for the same trip. Anywhere between 10 and 30 for the same trip. And I spoke Polish.

### **Case C**

Australian Foods Pty Ltd entered the Polish market through a Foreign Direct Investment (FDI) (Whitelock, 2002, Coviello and McAuley 1999) process, where a wholly owned subsidiary was created by establishing a new operation or a 'greenfield' site (Geringer and Herbert, 1991) in Poznan, Poland. The initial entry of Australian Foods into Poland began in a modest way, by renting a small factory on the outskirts of Poznan in 1991, with primary investment being five hundred thousand dollars. This investment grew to involve the manufacturing of rice products in Poland in 1992, which suggests linkages to the Stage Model where internationalisation is accomplished slowly and incrementally.

Our operations are based in Poland at this stage, we operate from our office in central Poland: Poznan ... And we started in a very modest way in a sort of rented, small factory on the outskirts of Poznan in 91, with an initial investment of \$500,000, then we started to manufacture in 92.

The managing director acknowledged that his Polish background enabled him substantial advantages, not only in overcoming the language issues but by having "*quite a good network in terms of people*", using social and business ties already established in Poland. It is these bonds which Blankenburg (1995) identified as forming the foundations for interaction within the network, which ultimately makes for a more secure, stable market environment, which is paramount when operating in one which is 'turbulent'. We infer that it is important to acknowledge the concurrent contribution of FDI, Stage Model and Network perspective as a means to successful FME within a turbulent transitional market.

Yes, Yes, my Polish background, and also I graduated in Poland, so naturally I speak Polish. I had quite a good network in terms of people. My generation, these days, sort of holds lots of managerial positions, this facilitates lots of moves.

The significance of utilising established contacts is demonstrated as a means to easing entry, again supporting Blankenburg (1995) where it is suggested "the firm's perception of the external impact on its activities refers to its network context, i.e. the total connected reality that is constituted by the entities cited by the firm as affecting its situation and performance" (p. 379).

Therefore the 'connected reality', (identified as a "*Polish national, who we knew from the past*") by Australian Foods ensured participation whilst the Managing Director was in Australia.

So we appointed, prior to this, to establish obviously this production line, we appointed a couple of people to oversee the whole operation in Poland - Polish nationals, who we knew from the past, and they sort of on the basis of the power of attorney, acted in our name and set up the registered business, and then rented the factory and went about the proper moves of setting up the business.

Utilising direct and indirect relationships to facilitate participation within a foreign market, is characteristic of both Salmi (2000), Ellis (2003) and Blankenburg's (1995) Network Perspective. A further example of this is shown through the expatriate community in Poland. There is a tightly structured network, which partakes in social and formal business related activities such as meetings, visits by officials and Australia Day celebrations. The Managing Director describes it as a "*good support system*", which can be "*quite helpful*". Thus one can infer, these 'support systems' or network connections are able to provide greater stability for Australian Foods operating in an unstable, high risk, and uncertain market environment by providing a tighter network, where frequent entry and exits of actors (buyers, sellers, bankers, wholesalers, accountants etc) is lessened, and reduces exposure of the firm's foreign operations in 'turbulent' markets.

I know quite well the Australian business community in Poland, we always take part in Australia Day celebrations in the Australian Embassy in Poland, so there is a very small group of us, and we do have a meeting, we have visits by the minister of trade, Austrade High Commissioner we have a few meetings... So we are on regular touch with the Austrade and the Australian Embassy, so we know each other, if we have any problems either side, they quite helpful. So it's a good support system, the Australian operation.

Although essentially the firm entered through FDI in the form of a wholly owned subsidiary in Poland, its efforts can also be likened to those characteristic of the Stage Model approach where entry into the Polish market was deemed incremental. Australian Foods utilised existing social and business ties to ease their 'transition' into the foreign market as seen through old school connections and established relationships with expatriates in Poland which suggests the influence of the Network Perspective.

## **Unsuccessful Entry**

### **Case D**

Global Energy entered Poland through a 50 - 50 Joint Venture (JV) agreement which later became a one hundred per cent wholly owned subsidiary in Poland. This form of internationalisation is characteristic of the FDI mode of entry discussed by Geringer and Hebert (1991) and Gilmore et al (2003). However, the development of the JV and the subsequent rapid progression to a wholly owned subsidiary suggests Global Energy was unable to adequately devise and implement new company procedures to adapt to the specific requirements of this foreign market (namely the geographic distance between continents), described by a senior manager.

Global Energy went into Poland with a Partner under contractual means. Initially it was a 50-50 Joint venture, however, Global Energy moved to acquire 100% of the venture.

Additionally, Global Energy had been operating in Poland prior to the JV agreement by consulting with Polish firms. They were able to "*develop business ties with the government*" which suggest the influence of the network approach, creating interdependence amongst network actors, an important aspect to operating within a 'turbulent transitional market' environment, as described by a senior manager.

Global Energy started in Poland consulting and developing business ties with the government: developed business relations. Global Energy used Austrade to help in their move into South America and Poland.

It can be inferred that by Global Energy's manipulation of network contacts prior to FDI establishment, they were able to strengthen their position within the market place from the beginning. This inference is supported by the ease Global Energy demonstrated when dealing with the Polish government, training of large workforces and overcoming language barriers. Although the support of network connections assisted Global Energy to overcome many external constraints (government, psychic distance, training of workforce), the network alone did not provide adequate support for Global Energy to overcome the internal problems which plagued the venture.

Initially, Global Energy entered Poland through a JV agreement, characteristic of the FDI approach to FME. However its foreign operations within Poland were strengthened by established network connections with the government and other network actors such as suppliers, buyers, distributors, banks and industry experts. If Global Energy had been less rapid in their internationalisation, and adopted elements of the stage model approach company procedures could have been adapted to deal with the specific requirements of the new market environment properly. It is inferred that because Global Energy entered the Polish market quickly, the Australian side of operations did not have adequate time to implement new procedures to overcome the communication delays brought about by the geographic distance between Australia and Poland.

## **DISCUSSION AND CONCLUSION**

The aggregated analysis allowed the inference that western (Australian) firms implemented a combined approach to FME when entering a turbulent transitional market, such as Poland, in Eastern Europe, extending current understanding in international entry mode and foreign operations (Salmi, 2000; Blankenburg; Johanson and Mattsson, 1988). It is inferred that this approach created a greater level of interdependency within the new market and consequently promoted stability for western firms within Eastern Europe. Cases A, B and C were successful in entering and establishing a connection in the new market. Case A- Solutions International used a network approach to entry by establishing a consortium to conduct business in Poland. Case B- Oz Exports entered using both a network approach (demonstrated by existing cultural and social ties) and FDI (by establishing an exporting-importing joint venture). Case C- Australian Foods entered Poland through a network approach (existing Polish ties), FDI (the establishment of wholly owned subsidiary in Poland) and stage model (incremental expansion).

However, Case D was unsuccessful and within 18 months had withdrawn. Case D- Global Energy used the network approach (by establishing business ties through contracting work prior to the development of a wholly owned subsidiary) and FDI (the eventual development of a wholly owned subsidiary) to enter Poland. It is inferred that Global Energy would have benefited from implementing the stage model approach as this would have slowed down their expansion into Poland, and allowed the firm time to adjust their internal process (communication between Australia and Poland) to accommodate the issue of geographic constraints, as it was the time difference and not the 'cultural difference' that was a major hurdle for this firm to overcome. Uhlebruck (2004) supports our view that entry in steps of increasing commitment, e.g. from exporting to FDI in the Eastern Europe has positive implications for performance for MNEs. However, this was not directly explored through his survey.

Extant studies acknowledged the benefit of different entry methods (Ellis, 2003; Blankenburg, 1995; Whitelock, 2002; Geringer and Hebert, 1991); however, none were able to provide a detailed analysis of the modes used by firms entering a 'turbulent transitional market' such as Eastern Europe, and how the modes might assist in managing the constraints for firms entering and operating in foreign markets. These findings extend current FME studies in two ways. Firstly, it provides an Australian perspective to FME compared to a European or Nordic, which provides an

additional geographic perspective, beyond 'cultural distance' (Uhlenbruck, 2004). Secondly, these findings extend Salmi (2000), Blankenburg (1995) and Johanson and Mattsson's (1988) studies by confirming that a combined approach to FME is the most beneficial for successful entry and participation in a 'turbulent transitional market'.

Some of the limitations of this exploratory study are the small sample size and selection of a single market. It is proposed that this initial sample be followed with an explanatory phase with Western companies, such as the UK, operating in Eastern Europe. It is recommended that in the explanatory phase, four to five major Eastern European markets, such as Poland, Hungary, Romania and Ukraine be selected to identify and verify the particular dimensions of this type of market environment, inferred from the exploratory phase in this study, regarding Poland. Poland was recommended for our exploratory phase, as it is the biggest and most internationally active market in the region. However, we strongly recommend that the explanatory phase should duplicate the exploratory phase across 5 to 6 Eastern European markets, providing an extensive database of 40 companies and across similar categories of industries, allowing extensive single and cross-case analysis (Yin, 1994).

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