

Edited by Wioletta Mierzejewska Patryk Dziurski

# International Business from East to West: Global Risks and Opportunities



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# **International Business from East to West: Global Risks and Opportunities**

**International Business  
from East to West:  
Global Risks  
and Opportunities**

**“International Business from «East» to «West»: Global Risks and Opportunities”,  
Warsaw, Poland, 5–6<sup>th</sup> July 2023.**

**The conference was jointly organised by: Academy of International Business Central and Eastern Europe Chapter (AIB-CEE Chapter), Emerging Markets Shared Interest Group and Institute of Management, and SGH Warsaw School of Economics.**

**<http://aibcee2023.sgh.waw.pl/>**

**Editor**

Patrycja Czarnecka

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# INTRODUCTION

# Letter from the Rector of SGH Warsaw School of Economics

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**Professor Piotr Wachowiak, PhD**



Rector

Warsaw, June 5<sup>th</sup> 2023

Dear AIB-CEE Members,

I have a pleasure to welcome you at the SGH Warsaw School of Economics for the AIB CEE Chapter Conference. This prestigious and important event will be held yet for the second time in the SGH premises. I am delighted that last year event has got continuation.

This year edition AIB CEE Chapter Conference will focus on “International Business from «East» to «West»: Global Risks and Opportunities” and will offer an insight into several issues that emerge locally and globally. There is a series of new risks but also opportunities have an impact on and fundamentally change international business environment all around the globe.

The war in Ukraine, social and economic consequences of COVID-19 pandemics are the most disruptive factors influencing business in Central and Easter Europe. At the same time, other groundbreaking challenges are present. Business leaders have to face now climate change policy measures and they are confronted with the next stage of digital revolution, with raising importance of the AI.

The conference’s title puts emphasis on risks, the conference that takes places at the SGH Warsaw School of Economics offers opportunity for academic reflexion and, then, cooperation.

I should like to wish you a successful conference, abundant in thought-provoking presentations and fruitful discussions also with the SGH scholars delighted to meet you.

I look forward to seeing you in Warsaw.

Yours sincerely,

Professor Piotr Wachowiak, PhD

# Letter from the AIB CEE Chapter Chair

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**Łukasz Puślecki, PhD**

AIB-CEE Chapter Chair

Dear AIB-CEE Members,  
Welcome to the 9<sup>th</sup> **2023 Academy of International Business Central and Eastern Europe (AIB-CEE) Chapter Conference**.

AIB-CEE was founded in the year 2013 and covers 19 countries from the CEE region. It has now more than 100 members. The Chapter Board is composed of scholars from Slovenia, Estonia, Hungary, Czech Republic, Lithuania, Croatia, and Poland. In 2023 we are celebrating the 10<sup>th</sup> AIB-CEE Anniversary.

As one of the AIB chapters, we have already organized 10 important events (2 AIB-CEE Seminars: in Poznań in 2014 and in Ljubljana in 2015 and 8 AIB-CEE Conferences: in Budapest in 2014, in Warsaw in 2015, in Prague in 2016, in Ljubljana in 2017, in Cracow in 2018, in Kaunas 2019, first AIB-CEE online conference in 2021 and in Zagreb in 2022 during our ten years of activity. We have also organized a special AIB-CEE Webinar: **War in Ukraine: Post-Invasion Geopolitics and Implications for IB** on 31<sup>st</sup> March 2022.

We have to be aware of the fact that AIB-CEE is one of the youngest chapters in the AIB community however, the region has a long tradition in global business and IB teaching.

In 2023 (after the COVID-19 pandemic) we can finally meet again in person in **Warsaw, Poland**. It should be taken into account that in this year, in Warsaw, we will have AIB 2023 Annual Meeting, just after our AIB-CEE Conference, which is a great prestige and distinction for Poland, the CEE region as well as the whole AIB-CEE Chapter to host AIB 2023 Annual Meeting in our region. It is also a great occasion to celebrate the 10<sup>th</sup> Anniversary of our Chapter with the colleagues from AIB community and other AIB Chapters.

The 9<sup>th</sup> AIB-CEE Chapter Annual Conference 2023 in post-pandemic reality titled: **“International Business from «East» to «West»: Global Risks and Opportunities”** will take place in full-stationary mode and will gather experts from the region and beyond to exchange insights and present research results in the field of international business. A key focus will be given to the evaluation of trends and responses in international business in times of turbulence and VUCA conditions, the war in Ukraine, but also about the need to re-think research and teaching in the CEE to be better suited for a post-pandemic world. This year our 9<sup>th</sup> AIB-CEE Chapter Conference will be co-organized with the AIB Emerging Markets Shared Interest Group (SIG).

We would like to thank our host institution, the Collegium of Management and Finance, Institute of Management, Warsaw School of Economics (SGH) for welcoming us to Warsaw. We particularly thank our Conference Chair – Professor Wioletta Mierzejewska – and Conference Vice Chair – Dr. Patryk Dziurski – for their dedication and key role in making this meeting happen. We hope that the diversity of conference tracks will prompt many IB scholars to draw their attention to the CEE region and enable them to share the outcomes of their research and to develop during the conference networks focused on joint research, comparative studies, and publications.

We really appreciate the hard work carried out by Organizing Committee and all Track Chairs, and AIB-CEE Executive Board members to put together the meeting for us in Warsaw. Moreover, we would like to thank all people, especially the local Warsaw team and others, all Reviewers, who have contributed so much of their time to make this conference happen.

We are looking forward to a warm atmosphere during the conference, great sessions, and panels, as well as fruitful networking during these unforgettable days in Warsaw.



**Łukasz Puślecki, PhD**  
AIB-CEE Chapter Chair

# Letter from the Conference Chair and Vice Chair

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**Professor  
Wioletta Mierzejewska, PhD**

Chair of the 9<sup>th</sup> AIB-CEE Chapter Conference  
SGH Warsaw School of Economics



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**Patryk Dziurski, PhD**

Vice Chair of the 9<sup>th</sup> AIB-CEE  
Chapter Conference  
SGH Warsaw School of Economics

Dear Conference Participants and Guests,

On behalf of the whole organizing committee, we would like to welcome you very warmly to the 9<sup>th</sup> Annual AIB CEE Chapter Conference. This year's conference is organized together with Emerging Market SIG and hosted by the SGH Warsaw School Of Economics.

The conference topic "International Business from «East» to «West»: Global Risks and Opportunities" corresponds with emerging changes in the international business, such as disruptive technologies, artificial intelligence, health and economic crises, political fluctuations, military conflicts as well as new generations of buyers and employees. All those trends are challenging for the international business. However, they are not unequivocal and can be perceived as risks and opportunities as well. We think that discussion on global risks and opportunities can be fruitful and move forward the research on international business.

The conference call for submissions brought 82 extended abstracts which were submitted by 158 authors from 36 countries, while 64 extended abstracts written by 128 authors are presented during parallel sessions. Additionally, we received and accepted two scientific panels for the conference. Overall, the conference consists of two plenary and 17 parallel sessions as well as special two sessions with journal editors and outstanding researchers.

The main objective of the conference is to foster collaboration among scholars and business practitioners from the Central and Eastern Europe in the international business research. We think that research presentations, panels and discussions are a great opportunity to extend knowledge and deliver theoretical as well as practical implications. We also hope that this conference, like former ones, brings the new ties and strengthens the old ones among all members of the AIB-CEE and Emerging Market communities.

Putting the conference program together would not be possible without the collaboration and support of many people. We would like to thank all of them for their hard work. We would like to especially thank reviewers and track chairs who gave huge input into the submission process in short time. The special thanks are for the local organizing team at the SGH Warsaw School of Economics supporting all background activities related to the conference. We would also not have been able to do anything at SGH Warsaw School of Economics without support of the Director of the Institute of Management and His Magnificence Rector of the SGH Warsaw School of Economics – Professor Piotr Wachowiak – and the Dean of the Collegium of Management and Finance – Professor Joanna Wielgórska-Leszczynska. Last but not least, we want to thank the AIB-CEE Executive Board who entrusted us with the task of organizing this conference in me. We hope that we have succeeded in this task.

We sincerely wish you fruitful scientific discussions both at conference sessions and during breaks. Have good time at our university and in Warsaw.

**Professor Wioletta Mierzejewska, PhD**  
**Patryk Dziurski, PhD**

# **EXTENDED ABSTRACTS**



**Track 1**

**Global Challenges in International  
Human Resource Management**

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Track chair: **József Poór**

# Quiet Quitting, Job Burnout and Turnover Intention

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**Tomasz Gigol**

SGH Warsaw School  
of Economics, Poland

**Keywords:** job burnout, quiet quitting, servant leadership, turnover intention, work engagement

## Introduction

Quiet quitting (QQ) is a new global phenomenon related to job attitudes and employees' responses to employment relationships that have changed due to the COVID-19 pandemic. QQ is defined as a situation in which "one does not literally quit one's job, but rather simply does the work that is expected of the position, without going above and beyond what is expected" [Scheyett, 2023]. There are various explanations of QQ. According to one of them, the phenomenon equals job burnout [Hamouche et al., 2023]. Other authors associate QQ with disengagement [Aydin, Azizoğlu, 2022], understood as an element of job burnout [Demerouti et al., 2001] or as an adaptive coping method, helping employees deal with unfavorable work conditions and challenging emotional experiences at work [Afrahi et al., 2022; Folkman, Moskowitz, 2004]. Detert [2022] described QQ as calibrated contributing. The literature indicates that leadership affects work engagement [e.g., Decuypere, Schaufeli, 2021]. In turn, work engagement reduces job burnout [Demeouruti et al., 2001]. Job burnout affects turnover intention [Plooy, Roodt, 2010]. The research used as this paper's basis assumed that QQ and job burnout are interrelated [Hamouche et al., 2023]. Therefore, a hypothesis was proposed on the impact of leadership and work engagement on QQ and job burnout and, consequently, on turnover intention.

## Research significance and purpose

The authors attempted to address three research issues:

- 1) What is QQ and what is it not? Does QQ differ from job burnout, and how is it related?

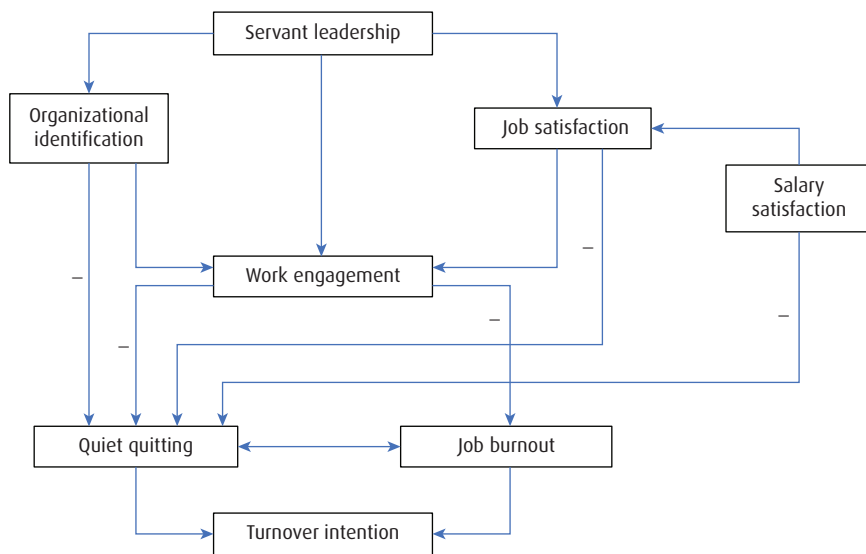
2) How is QQ affected by the superior’s leadership style, salary satisfaction and organizational identification?

3) Does QQ contribute to turnover intention?

The main hypotheses are as follows (Figure 1):

- H1: The immediate superior’s servant leadership has a positive impact on work engagement and, through it, on reducing job burnout.
- H2: The immediate superior’s servant leadership positively affects work engagement and reduces quiet quitting through it.
- H3: Job burnout contributes to a higher turnover intention.
- H4: QQ contributes to a higher turnover intention.
- H5: Intercorrelation occurs between job burnout and QQ.

**Figure 1.** Hypothetical research model



Source: Own elaboration.

## Methodology

A quantitative study was carried out in January and February 2023 on a population of 249 working people who were simultaneously students of master’s or postgraduate studies at the SGH Warsaw School of Economics in Warsaw. The respondents’ group consisted of 137 females and 110 males; 85.5% were aged 20–29. Most persons (33.3%) had been employed for a period ranging from one to three years. Most respondents

(57%) worked for companies with a headcount of at least 250 people. A total of 80.3% of the respondents worked in a hybrid mode. In most cases (38.5%), the respondents could work remotely four or more days a week. Full anonymity was guaranteed to the study participants. The surveys were completed in a paper format. The research tools are described below. All research tools were used in the versions previously validated for Polish conditions. General job satisfaction was investigated with a questionnaire that was a part of the OAQ [Fields, 2002]. Salary satisfaction was measured with a questionnaire developed by Hackman and Oldham [1976]. A single-item social identification (SISI) scale was used to test organizational identification [Postmes et al., 2012]. Servant leadership was tested with the SL-7 questionnaire [Liden et al., 2015]. The Polish version of the UWES9 was used for the work engagement examination [Schaufeli et al., 2006]. Job burnout was measured with the BAT-12 scale [Schaufeli et al., 2020]. Turnover intention was investigated with a three-element questionnaire derived from a paper by Vandenberghe and Bentein [2009]. Moreover, an original questionnaire was developed to study QQ. It consists of eight statements:

- 1) One works primarily for the money.
- 2) I try to do only what I need to do at work.
- 3) I do not answer business e-mails / text messages outside my working hours.
- 4) I do not answer business calls outside my working hours.
- 5) At work, I focus only on the tasks I have to do.
- 6) I do not work overtime.
- 7) I feel distance from my workplace.
- 8) I do not have personal relations with my workmates.

**Table 1. Descriptive statistics for the analyzed interval variables**

Variables	<i>M</i>	<i>SD</i>	min	max	<i>a</i>
Job satisfaction	5.49	1.23	1.00	7.00	0.89
Organizational identification	4.56	1.72	1.00	7.00	-
Salary satisfaction	4.31	1.51	1.00	7.00	0.82
Work engagement	3.67	1.22	0.56	6.00	0.91
Servant leadership	3.13	0.72	1.00	4.71	0.75
Job burnout	2.24	0.53	1.00	3.67	0.82
Turnover intention	2.83	1.21	1.00	5.00	0.87
Quiet quitting	2.89	0.74	1.25	4.75	0.76

Notes: *M* – value; *SD* – standard deviation; min – minimum value; max – maximum value; *a* – value of Cronbach's  $\alpha$  reliability coefficient.

Source: Own elaboration.

The answers were given according to the Likert scale, where one meant “I strongly disagree” and five meant “I totally agree”. Table 1 shows descriptive statistics for the analyzed interval variables, i.e., mean values, standard deviations, and minimum and maximum values. The summary is completed with the values of Cronbach’s *a* reliability coefficient.

All tools used in the study had a good or very good reliability index.

## Discussion

Table 2 summarizes the Pearson correlation coefficient *r* between the analyzed variables. Statistically significant relationships have been marked.

**Table 2.** Correlation analysis between the analyzed interval variables

No.	Variables	1	2	3	4	5	6	7
1	Job satisfaction	-	-	-	-	-	-	-
2	Organizational identification	.640**	-	-	-	-	-	-
3	Salary satisfaction	.407**	.390**	-	-	-	-	-
4	Work engagement	.656**	.622**	.394**	-	-	-	-
5	Servant leadership	.516**	.418**	.357**	.433**	-	-	-
6	Job burnout	-.423**	-.273**	-.323**	-.440**	-.293**	-	-
7	Turnover intention	-.653**	-.562**	-.492**	-.519**	-.488**	.501**	-
8	Quiet quitting	-.385**	-.442**	-.133*	-.473**	-.192**	.241**	.313**

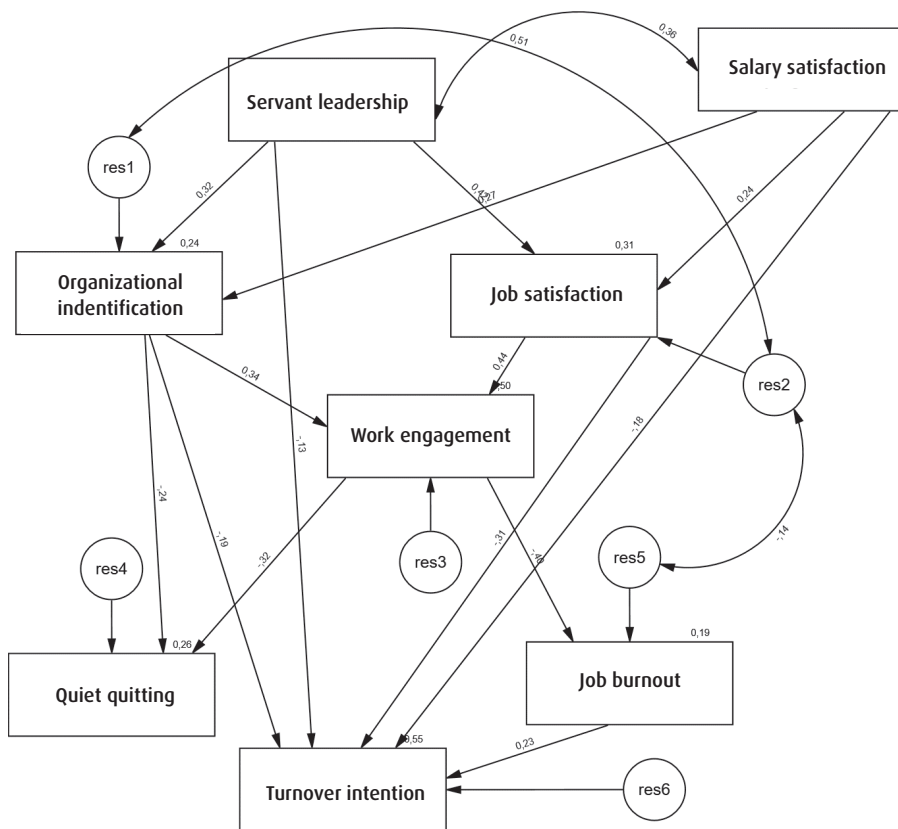
Notes: \*  $p < 0.05$ ; \*\*  $p < 0.01$ .

Source: Own elaboration.

The initial model was found not to fit the analyzed data well enough. The fit index values were CFI = 0.67, NFI = 0.66, and RMSEA = 0.27. Two of the relationships considered in the initial model were discovered to be statistically insignificant. It applies to the relationships between servant leadership and work engagement:  $B = 0.09, p > 0.05$ ; between job satisfaction and QQ:  $B = -0.03, p > 0.05$ ; and between QQ and turnover intention:  $B = 0.05, p > 0.05$ . No statistically significant correlation was discovered between job burnout and QQ:  $r = 0.04, p > 0.05$ . Based on the modification index value at the threshold value of 4.0, a correlation was added to the model between organizational identification and job satisfaction; the correlation between servant leadership and salary satisfaction; the correlation between job satisfaction and job burnout; and direct relationships between servant leadership and turnover intention, between job satisfaction and turnover intention, between organizational identification and

turnover intention, between salary satisfaction and organizational identification, and between salary satisfaction and turnover intention. After making the corrections, the fit index values were obtained, attesting to the model's high fit to the analyzed data, i.e., CFI = 0.98, NFI = 0.97, and RMSEA = 0.07. The ultimate model of the relationships among the variables is shown in Figure 2.

**Figure 2.** The ultimate model of the relationships between the variables



Source: Own elaboration.

Table 3 shows the obtained regression coefficient values.

The obtained model covers five statistically significant mediation effects explaining intensified turnover intention. Organizational identification was discovered to be a statistically significant mediator of the relationship between servant leadership and turnover intention,  $B = [-0.17; -0.04], p < 0.01$ . The higher the servant leadership level, the greater the organizational identification was and, consequently, the less intensive the turnover intention. Job satisfaction, work engagement level and job burnout were

regular mediators of the relationship between servant leadership level and turnover intention,  $B = [-0.06; -0.01]$ ,  $p < 0.01$ . The higher the servant leadership level, the greater the job satisfaction was, leading to a higher level of work engagement and then a lower burnout level, consequently translating into a weaker turnover intention. Job satisfaction, work engagement level and job burnout were regular mediators of the relationship between salary satisfaction level and turnover intention,  $B = [-0.02; -0.01]$ ,  $p < 0.01$ . Job satisfaction increased with salary satisfaction, leading to higher work engagement and lower job burnout, consequently translating into a less intensive turnover intention. Moreover, job satisfaction was a statistically significant mediator of the relationship between salary satisfaction and turnover intention,  $B = [-0.11; -0.02]$ ,  $p < 0.01$ . The higher the salary satisfaction level, the higher the job satisfaction was, which consequently entails a weaker turnover intention. The servant leadership level was another statistically significant direct predictor of a stronger turnover intention. The higher the servant leadership level, the weaker the turnover intention was. The obtained model of the relationship between the variables explained 54.6% of the variance in turnover intention.

**Table 3.** Values of regression coefficients obtained in the ultimate model

Relationships			<i>B/r</i>	<i>p</i>
Organizational identification	←	Servant leadership	.32	.001
Job satisfaction	←	Servant leadership	.42	.001
Job satisfaction	←	Salary satisfaction	.24	.001
Organizational identification	←	Salary satisfaction	.28	.001
Work engagement	←	Organizational identification	.34	.001
Work engagement	←	Job satisfaction	.44	.001
Job burnout	←	Work engagement	-.40	.001
Quiet quitting	←	Organizational identification	-.24	.001
Quiet quitting	←	Work engagement	-.32	.001
Turnover intention	←	Job burnout	.23	.001
Turnover intention	←	Servant leadership	-.13	.014
Turnover intention	←	Job satisfaction	-.31	.001
Turnover intention	←	Organizational identification	-.19	.001
Turnover intention	←	Salary satisfaction	-.18	.001
Servant leadership	↔	Salary satisfaction	.36	.001
Job satisfaction	↔	Organizational identification	.51	.001
Job burnout	↔	Job satisfaction	-.14	.020

Notes: *B/r* – standardized regression coefficient; *p* – statistical significance.

Source: Own elaboration.

The proposed model explains turnover intention well. However, QQ does not translate into turnover intention. It seems that turnover intention and QQ are two different consequences of the processes occurring in the analyzed model.

## Conclusions

The article casts some light on the QQ phenomenon. The study results reveal that servant leadership contributes to reducing QQ and job burnout through work engagement. Nonetheless, QQ does not translate into turnover intention. In contrast, job burnout leads to turnover intention. The above suggests that QQ is a rational strategy for performing one's professional duties, not a negative mental condition like job burnout. The conclusion is convergent with Detert's approach to QQ [2022]. Future research should be oriented toward seeking context-based factors among QQ predictors, perhaps related to the organization in the context of JD-R theory [Demerouti et al., 2001]. It would be interesting to investigate how QQ affects work performance. It is worth examining a more age-diverse population to overcome one of this research's constraints. Finally, more attention should be paid to respondents' personal values, including but not limited to the context of work-life balance.

Practical conclusions apply to developing an intervention strategy or approach to employees characterized by QQ. Since QQ does not lead to quitting one's job and is not directly related to job burnout, it suffices to improve work organization and adapt the remuneration system for extra work and the incentive scheme. Perhaps organizations should learn to accept a new approach to work demonstrated by the increasing number of young employees.

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# Trends and Tendencies in the External Professional Providers of HRM Services in the Light of Four Consecutive Empirical Surveys (2004–2021)

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**Keywords:** Cranet, external provider, HR outsourcing, management and HR consultancy

## Introduction

The human resource management function occurs in different forms and sizes in different organizations. There are organizations – these are mainly small-sized companies (SMEs) – where there is no such department at all. Other organizations have a single HR professional, while others have entire teams that specialize in areas like compensation or recruiting. But regardless of the situation, most HR departments use external service providers regularly or to solve some special problems.

External service providers can be employed by various organizations as management consultants, simply as consultants or trainers, and more recently as HR outsourcing providers for more and more organizations.

Management Consultancy is more than one hundred years old [Kubr, 1996; Niedereichholz, Niedereichholz, 2012]. Management consultancy for the purpose of this submission is defined as: Management consultancy is the rendering of independent advice and assistance about management issues. This typically includes identifying and investigating problems and/or opportunities, recommending appropriate action and helping to implement those recommendations [Sturdy et al., 2013]. Theoretical and practical development of management consultancy can be traced into five major views (scientific management, Human Relations, strategy, IT consulting and outsourcing, people and Knowledge) [Kipping, Clark, 2012]. The value of this business service will

reach 12% of all management consulting services worldwide in 2021 [Fact.MR, 2023]. The global value of which exceeds USD 70 billion [IBIS, 2022].

Especially in the field of personnel development, in addition to the previously mentioned consultants, there are a large number of training and human development providers (e.g., trainers, coaches, etc.) The value of the global corporate training market in 2021 was USD 345.56 billion.

Companies engage in outsourcing HR functions to save money, to free up central HR staff to address strategic issues, access new technology and capabilities, or simply improve overall functionality [Belcourt, 2006]. There are many HR fields where different organizations use of HR-outsourcing which could simplify payroll and HR management. Many global companies use such external providers those making possible easy access to powerful HR admin tools and effective reporting opportunities. The estimated global market size for HR outsourcing USD 35.2 billion in the year 2021 [Xherald, 2022].

## Research significance and purpose

Our study is based on four recent rounds of the global Cranet HRM survey (2004–2005, 2008–2010, 2015–2016, 2020–2021) which provide the background to our empirical analysis. We highlighted basic fields of the whole Cranet survey [Brewster, Mayrhofer, 2012] and tried to give an in-depth analysis of the selected fields. This study deals with changes in the use and uneven impact of outsourcing of the HR function, whether in basic administrative roles or in the use of management consultants to add value to higher-end or more strategic areas of HRM. Our hypothesis are as follows:

- H1: The effects of the COVID crisis have led to the decreasing use of external service providers in HRM.
- H2: The existence of an HRM department increases the likelihood of using external service providers.
- H3: Larger organizations more frequently use external service providers in the 4 sample periods.

## Methodology

The Cranet research, which was founded in 1989, was the pioneer in the research of the HRM model of European and by now it has grown over the old continent and become global. The Cranet network, which has been operating for more than thirty

years now, is one of the few international research organizations whose recurring surveys offer not only spatial but also time-based comparisons, i.e., longitudinal analyzes [Lazarova et al., 2008]. From the first period of 1990, the research aggregated data from more than 50 000 respondents through eight research cycles, providing comparative and longitudinal studies between countries and regions.

## Sample and clusters

The basis for cluster generation was the analysis of the organizational and cultural traits of the respondents [Hofstede, 1980]. The country groups are shown in Table 1. As a result of this, we identified six regions. In this study, the West European (WE) category consists of Austria, Belgium, France, Germany, and Switzerland; the total number of organizations surveyed in 2004/2005 was 1271, and in 2008/2010 it was 1119 (23%) of the total sample in both periods, whilst it was 991 (16%) in 2015/2016. In the 2020/2021 survey, the number of participating organizations in the region (974) accounted for nearly a quarter (24%) of the sample. The North European (NE) cluster comprises Iceland, Norway, Sweden, Denmark, and Finland, with 1609 (29%), 1016 (21%), 738 (12%) and 1323 (33%) organizations in the sample in 2004/2005, 2008/2010, 2015/2016 and 2020/2021 respectively. The EE category included 826 (2004/2005), 978 (2008/2010), 979 (2015/2016) and 742 (2020/2021) organizations in eight former socialist countries from Central and Eastern Europe (Bulgaria, the Czech Republic, Estonia, Hungary, Slovakia, and Slovenia). The Eastern Europe category was supplemented by a further two countries Latvia and Lithuania in 2015/2016 and 2020/2021 because Bulgaria and the Czech Republic did not participate in the survey in these years. The USA appears as an individual cluster by having 260 (5%) and 1052 (22%) participating organizations, which became 381 (6%) in 2015/2016 and 320 (8%) in 2020/2021. The United Kingdom (UK) cluster was represented by 1115 (20%) in 2004/2005, 218 (4%) in 2008/2010, 182 (3%) in 2015/2016 and 224 (6%) in 2020/2021 respectively. Finally, we identified a peripheral region which included Cyprus, Greece, and Israel. In the 2004/2005 research period 527 organizations from those three countries filled out the questionnaire, comprising about 9% of the sample, whilst in the 2008/2010 research period 478 companies from these three countries made up some 10% of the respondents, followed by 352 (6%) in 2015/2016 and 387 (10%) in 2020/2021.

**Table 1.** Composition of sample in 2004/2005, 2008/2010, 2015/2016, and 2020/2021

	West European	North European	East European	Peripheral region	United Kingdom	United States of America
2004/2005	Austria Belgium France Germany Switzerland	Iceland Norway Sweden Denmark Finland	Bulgaria Czech Republic Estonia Hungary Slovakia Slovenia	Cyprus Greece Israel	UK	USA
2008/2010	Austria Belgium France Germany Switzerland	Iceland Norway Sweden Denmark Finland	Bulgaria Czech Republic Estonia Hungary Slovakia Slovenia	Cyprus Greece Israel	UK	USA
2015/2016	Austria Belgium France Germany Switzerland	Iceland Norway Sweden Denmark Finland	Estonia Latvia Lithuania Hungary Slovakia Slovenia	Cyprus Greece Israel	UK	USA
2020/2021	Austria Belgium Germany Netherlands Switzerland	Denmark Finland Iceland Norway Sweden	Estonia Hungary LatviaLithuania Slovakia Slovenia	Cyprus, Greece, Israel	UK	USA

Source: Own elaboration.

## Discussion

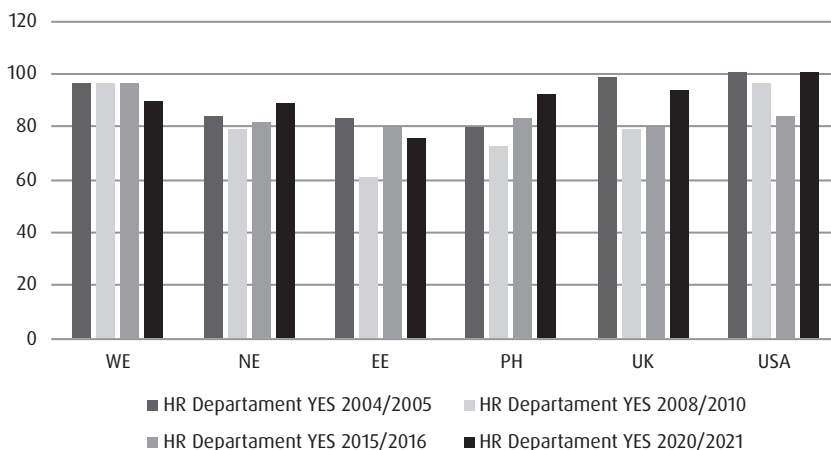
Our analysis demonstrates the current situation among companies with and without HRM departments. The number of organizations with separate HRM departments significantly decreased in EE and UK country clusters after the financial crisis. In the past period, there was an increase in most of the examined, which may show that the relevance of HR is becoming more and more accepted in organizations, although there has been a decrease in Eastern Europe and in the West European region over the last five years.

In this sample, in 2004 89%, in 2008 62%, in 2016 64%, and in 2021 68% of the organizations reported that they used external service providers in the fields of training, education and development, whilst 76% (2004/2005), 42% (2008/2010), 46% (2015/2016) and 62% (2020/2021) used external service providers in the field of HR information system services.

In EE countries, however, the use of external service providers for any HR function is less common than in the other clusters and so training and development, with HR information system services, are the most frequently used fields for employing external services in all three periods (Figure 2). There is a significant relationship between the

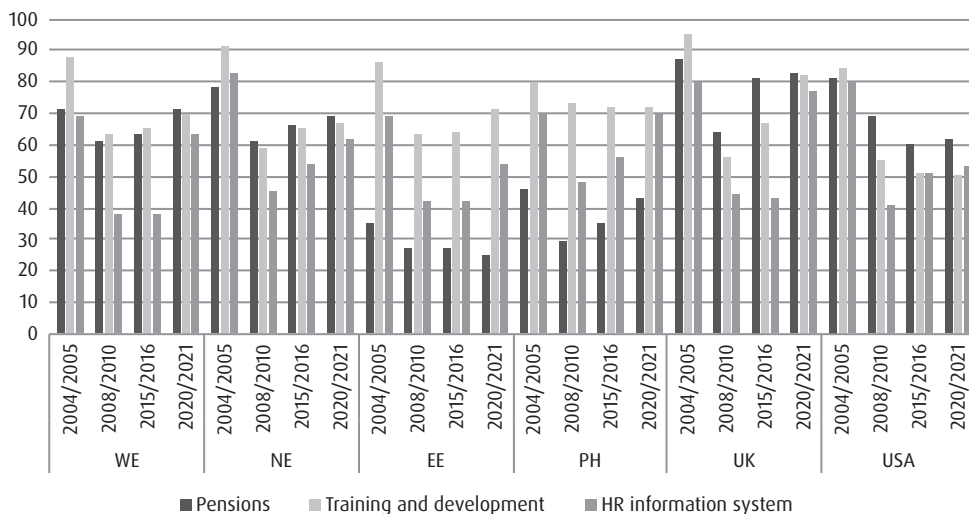
clusters and the use of external service providers (according to the *chi-square* test). The most significant relationship lies in the field of retirement Cramer's  $V(2004)=0.379$ , Cramer's  $V(2008)=0.334$ , Cramer's  $V(2015)=0.411$  and Cramer's  $V(2020)=0.373$ , and in the field of benefits Cramer's  $V(2004)=0.204$ , Cramer's  $V(2008)=0.291$ , Cramer's  $V(2015)=0.364$  and Cramer's  $V(2020)=0.219$ . In the 2020/2021 survey, we also find a significant relationship in the outplacement area Cramer's  $V(2020)=0.306$ .

**Figure 1. Companies/organizations with active HR departments (%)**



Source: Own elaboration.

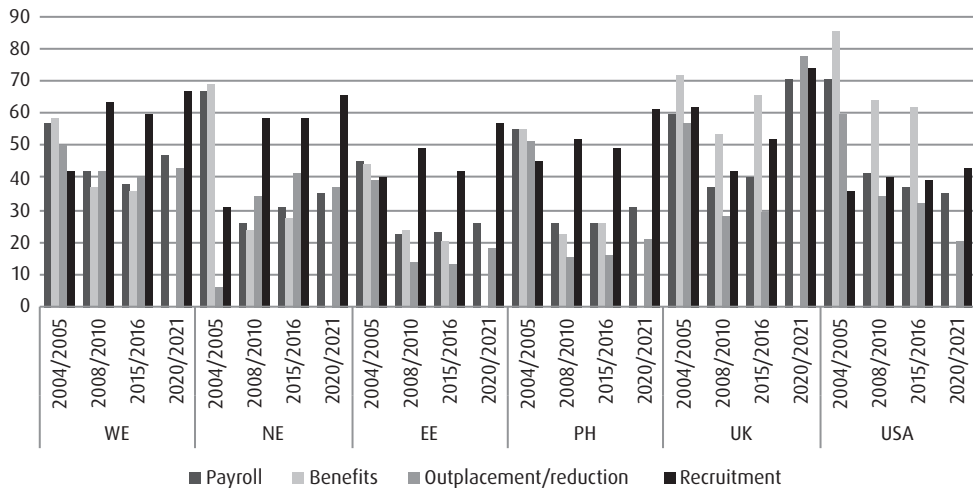
**Figure 2. Most frequent use of external providers by HR area (%)**



Source: Own elaboration.

The Cranet survey examines the use of external providers to perform HRM functions in three broad areas in 2020/2021. Firstly, there is the use of external providers to administer Pensions and Rewards, which may incorporate significant financial decision-making. With the general decline in defined benefits pensions, the actual amount which employees receive has become increasingly difficult to estimate, and the use of external providers may place such arrangements at arm’s length from the company. We found that companies were more likely to outsource Training and Development and HRM Information Systems than other functions. This may be since these areas are knowledge-intensive and require skills not readily available in many HRM departments (Figure 2). The data show that organizations still use external service providers the least in the outplacement and payroll areas (Figure 3).

**Figure 3.** The least use of external providers by HR area (%)

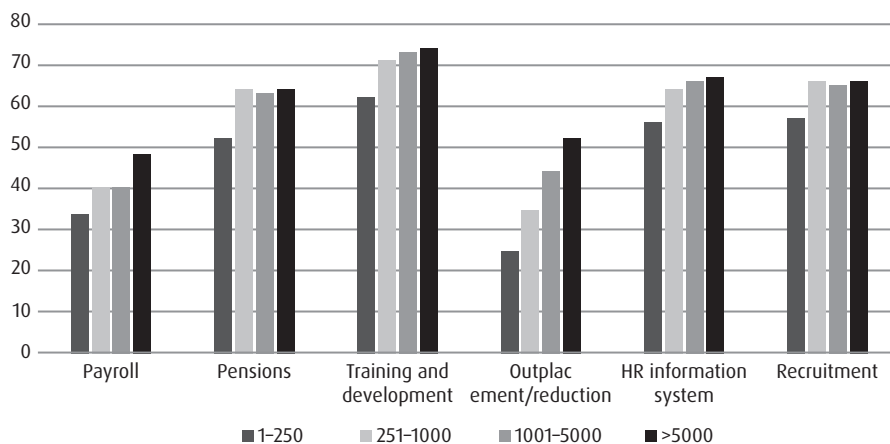


Notes: In the 2020/2021 survey, Payroll and Benefits were merged, the data was shown in the Payroll column.

Source: Own elaboration.

We divided the organizations into four size categories (by the number of employees, as follows: 1–250, 251–1000, 1001–5000, > 5000). According to the survey results, the *chi*-squared test showed a significant correlation between the headcount of an organization and the use of external service providers. The connection is very weak on the basis of Cramer’s V in 2005/2004 and 2008/2010, but the connection is of medium size strength in 2015/2016 and 2020/2021. Analyzing the 4 periods, we can see that larger organizations more frequently demand external services than do smaller entities, although, after the crisis, the number of external service contracts declined in all size categories (Figure 4).

**Figure 4.** Use of external service providers in HR areas by company size in the 2020/2021 survey (%)



Source: Own elaboration.

This may reflect the extent to which larger organizations are more likely to take HR issues seriously, and the smallest concentrate on the basic administrative elements of the function, paring costs down to such an extent that the use of external providers would provide few if any savings.

With one exception, we also found a significant correlation between the HRM department and the use of external service providers. The Cramer's *V* values show a weak relationship, but generally the companies with HRM departments are more likely to use external service providers although the relationship is of medium strength in 2015/2016 and in 2020/2021.

## Conclusions

Our study clearly shows that the COVID-19 pandemic had an impact on companies' HR activities and the use of external HR service providers. Previously, the economic crisis reduced the number of companies with HR departments in all country groups, but Eastern Europe and the peripheral countries experienced the biggest decline. In the recent period, however, the relevance of HR activity reflects the pre-crisis picture in the examined regions: the proportion of organizations with an HR department increased in all regions except the Western European cluster.

The empirical part of our presentation was based on 3 hypotheses. According to H1, the effects of the COVID-19 crisis led to a decrease in the use of external service



providers in HRM, which was partially confirmed. In most areas, the use of external service providers is lower than before the economic crisis, but a strengthening can be observed in the last 5 years.

Hypotheses H2 and H3 were confirmed, the existence of the HRM department increases the probability of using external service providers and larger organizations use external service providers more often in the 4 sample periods. Organizations use external service providers most often in relation to retirement, training development and HR information systems, least in the area of outplacement/reduction.

## Acknowledgement

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# Artificial Intelligence, Wellbeing and HR Business Partner as New Functions of HR Department

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**Keywords:** artificial intelligence, HR business partner, human resources, well-being

## Introduction

The implementation and use of artificial intelligence, introduction of activities enhancing well-being of employees and the conditions of creating partnership in business (HR Business Partner) are new challenges facing human resources departments globally.

So far, these processes were examined in the context of the company's strategy and operations. Many articles were also devoted to defining and describing these relatively new phenomena. The aspect related to the changing function of human resources departments was usually neglected, while in the perspective of years the tasks and functioning of personnel departments have changed radically. Starting from performing administrative, documentation or accounting functions in the case of payroll, through transformation into employee development centers, acquiring, deploying and retaining them in the organization, to the strategic consulting department that manages the personnel policy in the organization as a whole, also in the context of the latest trends, i.e., acquiring and retaining talent, taking care of employees' wellbeing, measuring robotization of work by using artificial intelligence, and ultimately to act as a business advisor.

Changes in the HR function are also influenced by recent shocks, such as the COVID-19 pandemic or the introduction of hybrid work, which is felt in very different ways by employees of enterprises. HR employees are expected to adapt competences, attitudes and behaviours to meet new challenges in many countries.

## Research significance and purpose

Contemporary conditions of enterprise operations require from the personnel department to strengthen competences and perform new functions resulting from the needs of a dynamically changing environment. HR plays central role also during post-pandemic era facing challenges such as: balancing multiple stakeholders needs, tensions between strategic and operational roles [Collings et al., 2021].

As part of these processes, there are still many research gaps concerning the role of HR in the company and competences of HR professionals. The diagnosed research gap considers the implementation of contemporary personnel processes such as artificial intelligence, employee well-being and HRBP. These processes respond to urgent challenges related to human capital management, counteracting talent shortage and responding to the needs of representatives of the Z generation.

The purpose of research is to contribute to a better understanding of the transformation that has taken place over the years in personnel departments, which affects the understanding in management sciences of the role of personnel policy and ways of fulfilling the personnel function. The aim of the article is to show the state of implementation of three processes in organizations operating in Poland, namely: implementation of artificial intelligence in HR departments, implementation of well-being activities and implementation of HRBP functions during the COVID-19 pandemic.

The significance of research consists in a comprehensive approach to the contemporary functions of the personnel department and a look at them from the perspective of performing the personnel function in the context of the changing role of the human resources department. The results of the research may contribute to filling the research gap in the implementation of these processes. In practical terms, they can help managers in responding to the latest challenges and needs of young candidates entering the job market.

## Methodology

A systematic review of world literature was carried out using the following databases: Proquest, EBSCO, Emerald, JSTOR, Science Direct and BAZEKON.

The results were supplemented with conclusions from three research projects conducted by the author on samples of over 100 companies operating in Poland. Details of the research have been presented in Table 1.

**Table 1.** Details on empirical research

No.	Number of respondents	Respondents' characteristics	Main area of research	Research tool	Year
1	102 HR professionals (managers, specialists)	Large organizations operating in Poland and representing 10 industries	Impact of COVID-19 on HR BP activities	CATI interview	2020
2	103 HR professionals (managers, specialists)	Large and medium organizations operating in Poland and representing 10 industries	Wellbeing in HR strategy	CATI interview	2021
3	50 HR professionals (managers, specialists)	Large and medium organisations operating in Poland and representing 10 industries	Artificial intelligence in HR	Online questionnaire	2023

Source: Own elaboration.

## Discussion

### Artificial Intelligence

The most visible application of artificial intelligence can be observed in recruitment and selection [Palos-Sánchez et al., 2022] although other HR processes may also benefit from it. Yet, other researchers raise ethical questions on replacing human interviewers by automated avatars in virtual worlds that need to be considered carefully [Hasler et al., 2013]. The vast majority of respondents say that AI can improve the work of HR departments (strongly agree – 54%, rather agree – 30%).

More than half of respondents define themselves as supporters of the implementation of AI in personnel processes (24% strongly agree, 36% rather agree), yet they admit to have too little knowledge in this area. The absence of widespread fear of losing their job due to the use of robots was also confirmed [Karacsony, 2022].

The most often mentioned advantages of implementing AI were: a possibility to automate routine tasks (94%) and ability to analyse Big Data (90%), while the lack of empathy and “human” approach prevailed among disadvantages (82%) followed by lack of understanding of complicated issues (72%). This is in line with the other research showing that AI may support three areas of business functioning, namely: enhance business process automation, provide cognitive insights that facilitate decision-making and support cognitive engagement through intelligent agents and chatbots [Johnson et al., 2020].

Few companies have implemented or plan to implement AI in HRM in the near future which is confirmed by other studies stating that the application of AI has

not advanced as expected [Nankervis et al., 2021]. The necessity for trainings for HR personnel and clear vision of managers should be underlined.

## Wellbeing of employees

Results of research showed that well-being activities were most often carried out by HR departments (36%). That is in line with other research which underline the role of HRM practices that contribute to the well-being of employees, namely: participation, development, career paths, highly selective recruitment [Liu et al., 2017]. Among the challenges they face, the most significant is the lack of involvement of the employees themselves (33%) and lack of strategic outlook on well-being activities (32%). A new position called happiness manager has appeared only in 4% of analysed companies.

Well-being is becoming an important concept for many companies, placed in the vision and mission and values of the organization (42%). The significant impact of organizational culture and organizational climate on the well-being of employees was confirmed. Many companies have implemented measures for evaluating processes related to employee well-being. The main ones are: analysis of the effectiveness of activities (42%), employee satisfaction survey (23%) and analysis of absenteeism and sick leave (23%).

Research confirms direct and indirect influence of well-being of employees on their performance [Mansoor et al., 2021] thus organizations implemented many activities aimed at increasing the well-being of employees. In terms of physical well-being, the most popular were: additional medical care (54%), sports activities (40%) and ergonomics of the workplace (32%). In the area of psycho-social well-being, the provision of flexible working hours (51%), assistance with family responsibilities (42%), mental health consultations, rewards and recognition of employees have been observed.

Taking into consideration that achieving competitive advantages in business is highly dependent on the ability of employees to consistently perform high-quality work in the changing conditions of the internal and external environment [Ponting, 2020] well-being activities are becoming one of the most important tasks of HR departments.

## HR Business Partner

Review of literature shows that the concept of HR BP is still at the stage of shaping and changing from 1997 proposed by Ulrich until today. In business practice the HRBP tasks are understood differently and may depend on the particular company's needs. The review of job-offers published in Poland showed that employers searching for HR BP are looking for candidates with very different competences [Piwowar-Sulej, 2017].

Furthermore, also the national culture may have influence on abovementioned areas which was proved in research where differences had been found in the design of the HRBP models between the UK and Germany [Wach et al., 2021].

The scope of HR Business Partners activities changes as a result of COVID-19 pandemic. Before the pandemic “building relationships with employees” was indicated as the first priority by 40%, “implementing changes” by 30% whereas “HR analytics” was seen usually as second (42%) or third (30%) priority. As a result of the pandemic, the first place was definitely taken by “implementing changes”, indicated as the first priority by 52% of respondents. The process of “building relationships with employees” fell to the second place, and the third place was taken by “support of the Board”. The pandemic has had the greatest impact on increasing the scope of responsibilities in the position of HR Business Partner (felt by 63% of respondents). What’s more, in 43% of the organizations, the understanding of the importance of having such a position in a company has increased.

The results of research do not support Ulrich model with “strategic partner” function in the first place [Ulrich, Brockbank, 2005], but they are rather in compliance with Timms roles of “relationships builder” and “trustee” [Timms, 2018].

## Conclusions

The results of the research show that HR departments in Polish organizations are trying to keep up with new global challenges. Proposals are being made for workers to ensure their well-being. HR professionals show interest in implementing artificial intelligence and see the benefits of using it. In many organizations, the HR Business Partner function appears.

However, the lag behind the opportunities offered by the current economic and social environment cannot be overlooked. HR departments could do much more. One of the obstacles is the lack of appropriate knowledge, qualifications and support from company authorities.

Research limitations result primarily from taking into account three different editions of research conducted on different research groups. Respondents were selected deliberately, which makes it impossible to formulate conclusions for the entire population but allows general conclusions to be drawn.

There are still many research gaps, especially in the growing area of AI implementation to HR tasks. One of the new HR challenges in this area will be, for example, measuring the results related to the work of robots and the interaction between chatbot and human [Przegalińska et al., 2019]. Reports of the emergence of discrimination against

certain groups as a result of application of AI to recruitment processes shows a link of this area with the area of diversity management and talent search.

The area of well-being also requires further analysis, in particular in the case of the introduction of remote or hybrid work [Benita, Ghayathri, 2020]. Research shows a major impact of these solutions, especially on social well-being of employees and building ties with the organization.

The third area, concerning the HRBP function, is of research interest mainly due to the different understanding of this function in organizations. The question of whether HR will transform in every company towards being a partner for business is not yet a foregone conclusion.

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# Contextual Impacts on the Transfer of Equality, Diversity, and Inclusion Practices of Western Multinationals to Their Emerging Economy Subsidiaries

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**Keywords:** emerging economies, equality diversity and inclusion, institutions, multinational, practice transfer

## Introduction

MNCs are considered the vehicles for transferring practices across countries that disseminate their supposedly best practices across the globe [Geppert et al., 2006; Song, 2021]. Equality, diversity and inclusion practices are areas of social and managerial tension. We analyse the transfer of diversity, equity and inclusion practices within a large Western automotive multinational from Germany to its subsidiaries in the emerging economies of the Czech Republic, Russia, India, and South Africa. As our study aims to answer questions of why EDI practices are being transferred within MNCs and how are EDI practices transferred within MNCs to emerging economies, and how does institutional duality affect the transfer of EDI practices. The methodology is based on Yin [2017], with content analysis integrated into a qualitative case study approach.

## Research significance and purpose

Institutional theory states that if the practices do not fit the institutional environment, their legitimacy and acceptance will be in question [Kostova, 1999]. Consequently, the fact that differences in practice transfer and implementation in subsidiaries may result

from the interaction of host and home country factors as responses to institutional duality is a staple of international management knowledge [Hillman, Wan, 2005; Kostova, Roth, 2002; Kostova, 1999]. Within International Human Resource Management, the successful transfer of EDI practices needs to take contextual differences between headquarters and subsidiary institutional environment into account [Hennekam et al., 2017; Tsui-Auch, Chow, 2019]. Consequently, the transfer of EDI practices will critically differ, depending on the direction and the involved hierarchies of countries within the transfer [Bader et al., 2022]. However, EDI practices within globally dispersed MNCs remain under-researched [Cooke et al., 2019].

## Methodology

According to Yin [2017], case studies aim to understand complex social phenomena and real-life events, such as managerial processes and their outcomes. According to Welch et al. [2022], their main strength is reconciling theory and context. The logic linking the data to the propositions is the need to reconcile theory and context by generating rich data and contextualised explanations for the motives and competitive advantages of PSE companies, which is the main strength of a case study [Welch et al., 2022]. Consequently, we applied an explanatory case study approach to provide in-depth explanations of the phenomenon of PSE OFDI in advanced economies by testing the aforementioned literature-based propositions to answer our questions [Yin, 2017]. In our case study, we applied different data collection methods, by conducting semi-structured interviews and engaging in document analysis. We also used various data sources. We thereby ensure the credibility and confirmability of our study [Hsieh, Shannon, 2005].

The explanations are based on a directive approach to structuring content analysis, and deductive categorisation of content based on seven deductive categories stemming from Loden and Rosener's [1991] internal dimensions of organisational diversity which are applied in the German Diversity Charter which the target multinational is a subscriber to, to analyse the reporting of etc German dimensions of diversity [Mayring, 2014]. The usage of an established diversity concept as the backbone of the deductive coding supports the credibility and confirmability of our study [Hsieh, Shannon, 2005; Sinkovics et al., 2008] and increases the transferability of our method to other cases and contexts [Tracy, 2010]. These are: Sex, gender, and identity (Gender), age (Age), race, ethnic background, colour, and nationality (Ethnicity), physical and mental (dis) ability (Ability), sexual orientation (Sexuality), religion and worldview (Spirituality), as well as social status and background (Status) to create a deductive

categorization of explicit and implicit information on DM activity addressing etic dimensions of diversity with the help of relevant sample quotes. Additionally, we deductively created the categories of Global best practice adoption (Convergence), German HQ practice adoption required (dominance), Localization (Divergence), Reverse transfer and Conflict.

To detect macro-level impacts on meso-level DM reported by the sample companies [cf. Pringle, Ryan, 2015], we collected data on Scott's [2001] institutional pillars in the four relevant home/host countries of Germany, Czech Republic, Russia, India, and South Africa. To examine domestic normative pressures, we analyse national diversity charters, i.e., voluntary initiatives aiming at encouraging organisations to implement and develop DM practices, in preceding content analysis. The more companies, and especially members of the organisational field, are part of the initiatives, the higher becomes the normative pressure. By joining, the companies pledge to pro-diversity values and are obliged to report their actions aimed at reaching the charter targets, creating high pro-diversity pressure. We applied a deductive categorization to the charter contents, based on the codes Initial Funding, detecting whether the initiative is funded by foreign actors, the addressed etic Diversity Dimensions based on Loden and Rosener [1991], and the number of (Automotive) Signatories, a higher number in each of those implies higher pressure [Mayring, 2014]. The information is compiled into a pro-diversity pressure category ranging from none, over low and medium to high, which is used for the other pillars as well.

Each home country's regulative context is examined through a directed deductive content analysis of the national constitution and the labour legislation regarding the etic dimensions of diversity [Mayring, 2014]. We gathered the legal documents in English via the legislationline-database and coded the content on a phrase level according to seven deductive categories based on Loden and Rosener's [1991] diversity dimensions and deducted the pro-diversity pressure from none, over low (Non-discriminatory), medium (Equality before the law/ Equality of rights and freedoms), to high (Special protection/Affirmative action).

Furthermore, the third of Scott's pillars, cultural-cognitive institutions, is analysed through data on eight questions from the newest dataset of the European Values Study, a large-scale, cross-national survey on basic human values [EVS, 2020]. The results are available for each country except for Latvia and have been used in recent diversity research e.g. by Nemeth et al. [2020]. We coded the questions according to the etic diversity dimensions and selected one question (two for Gender to be able to showcase Gender roles) per dimension, which bears the highest congruence with one etic dimension by Loden and Rosener (1991) [Mayring, 2014]. We identified data on gender roles (Gender), xenophobia concerning Ethnicity and Spirituality, homophobia

(Sexuality), support for people with disabilities and health issues (Ability), concern for the elderly (Age), and concern for the unemployed (Status).

## Discussion

Germany provides high levels of education and income [OECD, 2020], well-established HRM practices [Froese et al., 2020; Makino, Lehmberg, 2020; Pudelko, 2006], and rapid demographic changes [United Nations, 2019], while the subsidiaries present vastly different institutional and social settings, which impact etic EDI implementation to varying degrees. While the Russian institutional context hampers EDI implementation, the Czech, Indian, and South African context requires certain EDI practices, e.g. regarding ethnicity, while discouraging others (e.g., sexuality). The paper provides evidence of the failing dispersion of diversity and inclusion best practices in multinational firms' subsidiaries due to isomorphic pressures and the necessity of embeddedness into the local managerial practices and wider social and institutional context. We show that the importance of diversity and inclusion practices localization and thus a strongly reduced transfer of EDI is essential for conflict reduction and is also driven by institutional pressures motivated by customer satisfaction in emerging economies to avoid cultural clashes.

## Conclusions

The transfer of EDI practices by Western multinationals bears two pitfalls: Apart from well-known organisational hindrances of cross-border practice transfer, the institutional duality forces the multinational to take the institutional context and local social tensions into account. Thereby global convergence as well as dominance effects of EDI, which is assumed by the multinationals, is strongly hindered and localization is required. What bears novelty is that the etic Western EDI approaches fail to address the diversity of emerging markets like South Africa and India, which have been dealing with questions of diversity a lot longer than the Western parent company. On the other hand, forcing etic EDI practices in superficially less diverse economies, leads to reluctance in the subsidiary as well, due to a lack of emic institutional accordance.

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**Track 2**

**International Strategy and Global  
Development in Times of Disruption**

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Track chair: **Piotr Trąpczyński**

# Institution Based View of the Electric Vehicle Transition: Car Manufacturers in front of Disruptive Changes

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**Keywords:** disruptive innovation, electric vehicle transition, institution based view

## Introduction

My research covers the revolution of the automotive market driven by the electric mobility and in particular the electric vehicle transition.

Experts consider the EV transition represents a disruptive change for incumbent car manufacturers. For this reason, I begin with a short summary of the theory of disruptive innovation and based on its framework analyse the EV transition.

My research argues that the EV transition is not only driven by firm's innovation, but Governments Policy and society's expectations as well, so they are important factors for firms to define successful management strategy.

Based on these findings I review the corresponding strategic management theories, assuming that the institution-based view is a third leading perspective, which completes the industry-based and resource-based views.

My research describes the decisive role and objectives of Government policies in the electric vehicles transition.

## Research significance and purpose

My research aims to analyse and understand the process of EV transition identifying the role of innovation driven by private firms and the role of Government Policies.

Using the framework of the Institution-based view I review the role of the institutions during this disruptive transition and the impact on car manufacturers strategy.

The result provides valuable contribution to the theory of Strategic Management, offering a concrete example for the Institution-based view theory, requested by many scholars.

My research highlights as well the difference of speed in the transition between western and eastern Europe, which provides additional importance to the conclusions of my work.

## Methodology

In order to assess the EV transition, I identified the countries considered “early adopters” and most advanced in the process:

- Europe with a focus on Norway and the Netherlands,
- the US and the specific case of the state of California,
- Japan.

Beside the above-mentioned regions and countries, it was important to take in consideration China, which despite a delayed start is overtaking many of the early adopter countries, providing valuable information for the subject of the research.

The methodology I used has been to collect publicly available information, articles and documentations on the subject. I reviewed and filtered by relevance, categorized and described my detailed findings.

The research intended to provide answer to the following questions:

- How can electric vehicles replace combustion engine car sales in a specific country?
- What are the roadblocks and the levers identified by the different countries?
- Which actions has been taken by policymakers and governments in order to launch and drive the EV transition? Which measures has been proved to be successful?
- Which strategic goals drove the Formal institutions to take actions related to the EV transition?

## Discussion

My research argues that the EV transition is not only driven by firm’s innovation, but Governments Policy and society’s expectations as well, so they are important factors for firms to define successful management strategy.

Based on these findings I review the corresponding strategic management theories, assuming that the institution-based view is a third leading perspective, which completes the industry-based and resource-based views.



My research describes the decisive roles and objectives of Government policies in the electric vehicles transition.

### **Product (BEV) availability**

The EV transition required battery electric vehicles, which:

- Respond to the mobility need of mainstream customers,
- Can be produced on mass production,
- Proposes viable business model to car manufacturers.

Central funds in Japan, the US, and later in China has been essential to develop in the required timeframe the necessary technology, including the cars, the batteries and other complementary technologies. Government Policy allowed to foster and accelerate mass market BEV availability.

### **Leading charging network implementation**

The widespread usage of EVs requires the coverage of charging networks. Even if Tesla developed his own charging station network, Regional and local government has been required to define the goals and the implementation strategy. The national, regional, and local institutions had an important role in every country to launch and develop the charging network.

### **Speed of the EV transition**

Government Policy has a decisive role on the speed of the EV transition, by defining the objectives, the timing with the key milestones and putting in place the rules in the market: incentives for customers and mandates to the stakeholders including car manufacturers.

My research provides the example of Norway, California, and China.

### **Energy production**

The objectives of the Governments' Policies to accelerate the EV transition are:

- 1) Energy sourcing impact on national security and trade balance
- 2) Economic impact on:
  - Employment,
  - Trade balance,
  - Air pollution and impact on healthcare cost,

- Strategic economic industry, National Competitive advantage.
- 3) Political impact:
- Society well-being (air quality, protection of environment, responsibility for future generations) translated in political preference.

## Conclusions

My research provides the back-casting view including the major milestones leading to the successful EV transition and decarbonisation of the automotive market.

My research concluded that the LEV transition is not the solely result of technological innovation developed and brought to the market by firms or one visionary person but required a clear and decisive intention of lawmakers and governments translated in Government policy.

My research provides a robust example for the Institution-based view and confirms that firm's innovation and management strategy should take in consideration the formal and informal institutions.

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# Drivers, Barriers and Consequences of Reshoring of Supply Chain Activities: A Cross-Case Study Analysis

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**Keywords:** disruption, offshoring, reshoring, supply chain, supply resilience

## Introduction

The globalization of trade has led many companies to relocate their supply chain activities to low-cost countries in search of e.g. cost savings, scale effects, and other benefits. This process has become increasingly relevant during last decades for Central and Eastern European (CEE) countries and their post-transition economies. Among these, Poland has emerged as a significant player in the global marketplace due to its high embeddedness in Global Value Chains (GVCs) [Ciszewska-Mlinarič et al., 2020; Ipsmiller, Dicova, 2021; Pellényi, 2020]. However, recent developments, such as disruptions caused by the COVID-19 pandemic and the conflict in Ukraine, have prompted some companies to reconsider their supply strategies. Some of them decided to reshore supply operations back to the countries of origin, as well as nearshore to nearby countries.

## Research significance and purpose

The strategies to internationalize supply activities have rarely been investigated within the extant international business literature, despite the fact that sourcing strategy may influence a company's competitive advantage [Kotabe, Murray, 2004]. The initial driver of supply offshoring was related to companies' expectations of cost reduction [Holweg et al., 2011], however, other authors have shown that companies may also decide to source supply from abroad to acquire the knowledge and technologies owned

by foreign suppliers [Henke, Zhang, 2010; Lau et al., 2010]. The COVID-19 pandemic has highlighted the importance of improving supply chain resilience [Oldenski, 2021]. Vargas-Hernández [2022] concluded that global supply, production, and value chains, despite their economic efficiency, are no longer secure. Companies may have the urge to bring critical supply chains back to the domestic market. However, relocation processes may have certain limitations [Shih, 2022]. Besides, as Fernández-Miguel et al. [2022] explicitly showed, relocation of supply activities is highly influenced by industry characteristics.

Our paper aims to investigate the drivers and barriers of relocating supply chain activities, including supply offshoring, reshoring, and nearshoring, and to examine the consequences of these strategies for companies. To the best of our knowledge, our study is the first to focus on these issues in two industries in Poland.

## Methodology

This study employs a qualitative approach using in-depth interviews and case studies to investigate the drivers, barriers, and consequences of the relocation of supply chain activities. Our research procedure is consistent with the qualitative approaches used in social sciences [Symon, Cassell, 2012]. To let the interviews develop freely without the bias of suggestive or leading questions, the researchers asked open-ended questions and modified them depending on the themes raised by the interviewee. We applied a cross-case (multiple-case study) analysis, which is recommended when there is less of interest in one particular case, and a number of cases may be studied jointly in order to investigate a phenomenon [Yin, 2018, pp. 54–55].

The research was conducted among four companies from the fashion and electromechanical industries in Poland (two companies in every industry). We used purposeful sampling of companies, with the selection of specific companies from individual industries dictated by their declared supply reshoring/nearshoring decision in the quantitative study, that was previously carried out. The qualitative research was conducted immediately after the pilot study, in the period January–May 2023, among senior managers responsible for supply/manufacturing strategy implementation in four companies from two analyzed industries. The interviews were conducted remotely or face-to-face, what was determined by the time the managers could devote to the interviews. The interviews were recorded and later transcribed. The transcripts were analysed by two researchers to ensure the reliability and validity of the interpretation of the results (researcher triangulation). The researchers jointly prepared and then used a code book.

The study investigated the factors that influence companies' decisions to relocate their supply chain activities, such as cost, quality, speed, and flexibility. The challenges and opportunities associated with such strategic moves are also examined, including factors such as supply chain complexity, logistics costs, and workforce skill levels. Additionally, the impact on the selected companies' results is analysed, including the effects on their financial performance and competitiveness.

## Discussion

The results of this study contribute to the existing literature on supply chain management, globalization, and international business by providing insights into the pros and cons of relocating supply chain activities and nearshoring and/or reshoring them to countries of origin. Our findings provide deeper insights into the drivers, barriers, and consequences of the relocation (offshoring/reshoring) of supply chain activities for companies in the electromechanical and fashion industries from Poland.

The study reveals that while both industries share some similarities in terms of the factors that influence their strategic decisions, there are also some notable differences, e.g.:

- Supply offshoring in the electromechanical industry was motivated more by issues related to the access to the suppliers, while in the fashion industry, the primary driver is the reduction in production costs and "following the global leaders". The study also found that supply chain complexity is a greater concern for the electromechanical industry, as it typically requires more specialized expertise and a higher degree of coordination between suppliers.
- The study also highlights some differences in the challenges and opportunities associated with supply offshoring and reshoring in these two industries, e.g. in terms of quality control, design innovation, ability to respond quickly to market demand which can be challenging to achieve when operating a global supply chain, however companies from both sectors emphasizes the importance of supply chain resilience.
- The study found that the impact of supply reshoring on the financial performance and competitiveness in two analysed industries also differed to some extent, even if both industries experienced similar benefits, such as increased control over the supply chain and improved quality control.

Overall, this study contributes to the growing body of literature on the concept of supply offshoring and reshoring and highlights the importance of taking a nuanced approach to these strategic decisions based on industry-specific factors. Our findings provide valuable insights into the drivers, barriers, and consequences of the relocation of

supply chain activities for companies in the electromechanical and fashion industries. We believe our results have practical relevance to managers who are considering relocating their supply chain activities and policymakers who are interested in promoting the competitiveness of their domestic industries.

## Conclusions

In conclusion, this study highlights the importance of considering industry-specific factors when making decisions about supply offshoring and reshoring. The findings of this study suggest that while cost savings may be a primary driver for supply offshoring in both industries, other factors can differ significantly. Therefore, companies must carefully evaluate the costs and benefits associated with relocating their supply chain activities based on their specific company and industry needs. Furthermore, companies must consider the broader implications of their supply strategic decisions on their performance and competitiveness.

However, our study has several limitations that should be acknowledged. First, it is a qualitative study, which limits the generalizability of the findings. Second, the study is focused on the fashion and electromechanical industries in Poland, and the findings may not be applicable to other industries or countries from the CEE region. Third, the interviews were conducted with the use of open questions, which on the one hand caused some interpretation difficulties. On the other hand, allowed for the development of other themes related to supply chain management. Finally, the study is based on self-reported data from senior executives, which may be subject to bias and may not reflect the perspectives of other stakeholders in the supply chain.

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# What Is the Role of Power in Interorganisational Relationships with Regard to Modern Slavery in Global Value Chains?

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**Keywords:** global value chains, modern slavery, power, systems thinking, vulnerability

## Introduction

With an estimated 50 million people trapped in modern forms of slavery, and 86% of those in forced labour being in the private economy [ILO, Walk Free Foundation, IOM, 2022], modern slavery (MS) has been attracting a steadily growing attention among business and management scholars, commercial and non-profit organisations, and regulators [Szablewska, Kubacki, 2023]. The recognition of the role that businesses play in eliminating modern forms of slavery from their activities is emerging, with a specific focus on global value chains (GVCs) as an environment conducive to labour exploitation and abuse [Caspersz et al., 2022].

## Research significance and purpose

GVCs encompass developing, emerging and developed economies but the benefit from GVC trade has been distributed unequally between the different actors [Carpa, Martínez-Zarzoso, 2022]. GVCs represent a specific business environment and Moller et al. [2020] have proposed a taxonomy of the business environment based on four theoretical approaches: business fields; business networks; business ecosystem; and market systems. We consider GVCs to fall under all four approaches. Despite the growing participation of developing countries in GVCs, they tend to engage in low-

end production activities that involve low-skilled and low-paid labour, with advanced economies benefiting disproportionately from reduced costs by shifting towards emerging economies [World Bank, 2020]. The majority of multinational enterprises (MNEs), which are headquartered predominantly in the developed world [see, e.g., PwC, 2019], are the main orchestrators of GVCs, be it as buyers or by owning high-value intangible assets, like patents and trademarks [Asian Development Bank, 2021]. One arrangement of GVCs is the focal ecosystem, as a purposeful coalition of actors, in which the orchestrator is the focal point for creating the entire ecosystem [Autio, Thomas, 2014], where collaboration and competition are leading processes. Orchestrating the focal ecosystem provides conceptual tools for understanding the emergent and purposeful construction of innovation networks [Dhanaraj, Parkhe, 2006], which can be used towards social innovation facilitating the efforts to combat modern slavery. The orchestrator's approach to power is important in this process. For example, in their research on socially sustainable practices in apparel GVCs, Huq and Stevenson [2018] point to the need for different types of pressure being exercised by orchestrators, i.e., coercive, mimetic and normative, on suppliers to achieve the implementation of socially sustainable practices. Orchestrating the focal ecosystem is an enabling force for the emergence of radically new innovations in contexts characterised by uncertainty, opacity and fluidity [Dattée et al., 2018].

Buyers, as a response to the factors affecting GVC management such as the availability of products and product delivery delays, implement various strategies and practices to build resilience against these factors, thereby seeking to mitigate risks and improve financial performance. The structural and behavioural power dynamics occurring in relationships within GVCs are, foremost, due to the perception of mutual power position by various actors and, secondly, involves exerting pressure, especially by stronger actors but often also weaker stakeholders like non-profit and non-governmental organisations. The use of power by more powerful actors, like MNEs, can be treated as a remedy to the need to adapt to dynamic changes in the environment or turbulence of the business environment.

Consequently, the question can be raised about the meaning and the role of the structural and behavioural power of GVCs' participants regarding the influence of conditioning forces (top-down logic) and the influence of GVCs' transformation processes towards the efforts to combat modern slavery in GVCs. In this research, we identify and order microprocesses using a systemic approach, taking into account bottom-up logic, i.e., micro-meso-macro [Moller et al., 2020]. We also consider, from a macro perspective, the question of the role of the growing push for sustainability development, including social aspects and, more specifically, the mitigation of modern slavery risks in relation to changes in the business environment such as GVC.

## Methodology

In this conceptual paper, we use a systems perspective [March, 2017; Moller et al., 2020] in the analysis of structural and behavioural power as well as the power dynamics in the various stakeholder/actors settings within GVCs networks. This approach is particularly well-suited to studying this phenomenon, as examining the coexistence of various groups of stakeholders at different levels of the social system, including regulatory agencies (macro level), networks including incumbents and challengers (meso level), and individual organisations as well as individuals, such as citizens, consumers and communities (micro level) [Kubacki et al., 2020], will lead to a better understanding of their contribution to the emergence of relationships conducive to MS in GVCs.

## Discussion

We propose a framework representing structural (e.g., resource control, network position and formal position) and behavioural power dynamics in GVCs, their consequences for different stakeholder groups, and their impact on MS. Shifting the attention away from individual instances of MS in GVCs, this study reinterprets MS as a by-product of systemic asymmetrical power structures involving the use of power to ensure compliance with the requirements of the business model, including inter-organisational networks, with a focus on effectiveness, e.g., cost minimisation. Our research will assist with future research directions, such as the application of a narrative approach [Makkonen et al., 2012] to the study of power in GVCs, especially in a micro-meso and micro-macro settings, thus better capturing the perspective of vulnerable stakeholders on MS [Kubacki et al., 2023]. Local responses therefore require integrated efforts to mitigate the impact of power asymmetries on those who find themselves the most vulnerable to MS.

## Conclusions

Based on the growing global push for addressing modern slavery in GVC, we identified and ordered – according to the systems thinking approach – the conditioning forces as well as the microprocesses of transformation of GVC in relation to the power concept in the network with regard to combating modern slavery.

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# Automotive Megatrends in Europe: What Is the New Role of Central and Eastern Europe?

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**Keywords:** automotive industry, Central and Eastern Europe, digitalisation, electrification, location decisions

## Introduction

The automotive industry is among the fastest growing industries in Europe; it is one of the most determining industrial sectors in the EU in terms of production, employment, value-added or investments [Pelle, Tabajdi, 2021]. Due to its high technology needs, the automotive industry has a traditionally fundamental role in research and development (R&D) and is a crucial innovator within the European industries. The European automotive industry generates approximately 7% of the EU's GDP, accounts for 8.5% of manufacturing employment, and for 6.6% of the EU's total employment. Moreover, the European automotive industry is responsible for 15% of the global vehicle output [ACEA, 2022]. Yet, in the past decades, a strong restructuring of production has been going on, taking the direction mainly from Western Europe to Central and Eastern Europe (CEE) [Ricci, 2019]. This was driven by transnational corporations making the automotive industry of the region highly dependent on foreign capital, which is the base for its high technological development level [Pavlínek et al., 2017]. For many years these restructurings were influencing the European automotive industry. However, in the past years the European automotive industry has been going through transformational changes mainly due to electrification and digitalisation which can be called as megatrends shaping the industry [Delanote et al., 2022; Grieveson et al., 2022; Pavlínek, 2022; Pelle, Tabajdi, 2021]. Electrification refers to mobility by the appearance and spread of e-vehicles, while digitalisation occurs in the industry.

## Research significance and purpose

The transition to powertrain solutions with lower CO<sub>2</sub> emissions is driving the development in today's automotive industry, not only in Europe but worldwide. Electrification is the result of the interplay between social and business pressure, and regulation, especially in the EU [Niestadt, Bjørnåvold, 2019]. Due to these pressures, automotive firms are introducing diverse measures to obey regulations and exploit the possible benefits of e-vehicles. Car manufacturers invest significantly in R&D and in new production plants or in the transformation of existing ones so that they meet the conditions of electric car production [Casper, Sundin, 2020]. All major industry players have considerably accelerated the move towards electrification and have announced numerous new investments aimed mainly at the electric transition over the next few years [Casper, Sundin, 2020; Delanote et al., 2022]. Nevertheless, electrification related changes do not appear identically in Western and Central and Eastern Europe. The pressure of regulation and global competition necessitates technological developments and requires global firms to transform their routines and practices, which usually starts in the centres (Western Europe) but also opens up new opportunities in CEE for subsidiaries and suppliers to develop technological capabilities [Szalavetz, 2018]. However, clearly the region is not the innovation centre of electromobility, but some less intensive R&D functions are gradually moving from the core areas to the integrated peripheries [Pavlínek, 2022]. The change in technology can generate significant R&D activity in the region, partly by existing companies and partly by new entrants [Túry, 2021]. At the same time, electrification also takes place at a slower pace in the countries of the integrated periphery [Pavlínek, 2022], due to the advantages of standardised production, such as the functional specialisation of internal combustion engines (ICE) and battery production, lower innovation capacity and labour costs. The production of ICE is therefore highly likely to continue in the region, increasingly serving those segments of global markets where the electrification of vehicles will only take place in the distant future. On one hand, this may mean that the countries of the region will fall back from the forefront in electrification. On the other hand, the continued production of ICE vehicles provides diversification opportunities and, in the medium term, mitigates the negative workforce, social and distributional effects of megatrends in the automotive industry. As batteries are crucial for the e-vehicles and approximately 20–25 new electric battery factories will be needed in Europe in this decade to meet the growing needs of the automotive industry players, the importance of the CEE region will most probably increase, which area seems to specialise in standardised battery production [Delanote et al., 2022; Gerőcs, Pinkasz, 2019].

Besides electrification, digitalisation also significantly transforms the automotive industry. In the automotive industry, digitalisation is transforming business models, manufacturing and products as well [Pelle et al., 2020]. Flexible solutions are spreading, so much so that, for example, according to Daim and Faili [2019], 3D printing will be the cornerstone of 21<sup>st</sup> century car manufacturing. Additive manufacturing, Internet of Things (IoT), Cyber Physical Systems (CPS), Big Data analytics, robotisation and smart factories are the most influential digital technologies in the sector [Pelle et al., 2020, Szalavetz, 2017]. However, Western European and CEE economy players are affected disproportionately as research centres focusing on digitalisation are usually located at the headquarters of OEMs (original equipment manufacturers) while the integrated periphery lacks such centres even despite hosting state-of-the-art factories [Simonazzi et al., 2020]. Moreover, Western European sites are usually the first to introduce new digital technologies due to higher labour costs, entailing higher return on digitalisation. While automation in the CEE is at a lower level, robotisation has grown rapidly in the past years in CEE countries as a result of rising labour costs and labour shortages [Drahokoupil, 2020]. One serious impact of digitalisation and automation on the automotive industry of CEE can be that these new technologies can reduce the competitive advantages of the region and can lead to the relocation of production, i.e., to moving it to other (typically more developed or larger market) areas [Drahokoupil, 2020]. Consequently, CEE's role and attractiveness may deteriorate, because for location decisions the size and rate of development of the market can become more decisive factors, but also the ability of a location to utilise the potentials of new technologies [Szalavetz, 2017]. On the other hand, adding additional knowledge-intensive activities is also an option to take advantage of synergies [Szalavetz, 2017] even with IT companies located in CEE countries, and also to avoid huge sunk costs of relocation [Éltető et al., 2022]. This way digitalisation can contribute to CEE subsidiaries' technological and R&D capabilities upgrading [Szalavetz, 2020]. Yet, this all signals that CEE should no longer rely so heavily on its current capitalism model to attract further investment in the automotive sector. The region in principle has fundamental strengths to capitalise on: solid primary and secondary education systems (the region as a whole produces a large and capable talent pool in science, technology, engineering, and mathematics); relatively high-quality digital infrastructure or emerging digital ecosystem. Further improvements are much needed in the fields of education or reskilling programmes [Burwell and Fleck, 2020].

In our study, we aim at identifying how the CEE region is affected by electrification and digitalisation, what activities are attracted here. We further ask whether these higher value added activities are giving opportunities for the countries of the region for upgrading or whether these are from the lower value added segment locking the region in a low-medium value-added trap.



## Methodology

To answer these questions, we have built our own database of 1201 entries, using the method of content analysis. Data collection began in September 2017 and was continued until the end of December 2021. The sources of our database are, on one hand, the companies' public announcements and press conferences, and on the other hand, international and Hungarian business news portals. During data collection, we specifically focused on news related to the automotive industry (mainly with a geographic focus on Europe), concentrating on company announcements and less on measures taken by countries. The large qualitative input from the content analysis was processed by coding.

## Discussion

Our results are partly in line with literature, partly contradicting it. Regarding electrification, we found that initiatives usually come from the headquarters but, due to the high pressure, most of the CEE countries are also highly involved in the e-vehicle shift. However, we also found proof for moving outdated technologies (ICE production) East, which is in line with literature findings. Furthermore, automotive players are also transforming and modernising the existing factories and capacities in the region to ensure that the production of electric cars or the production of parts for electric cars can also be carried out at a high level in their CEE units. Yet, for certain countries, the most apparent trend in terms of electrification is the attraction of battery manufacturing plants. The region, especially Hungary and Poland, were successful in attracting many such investments in the reviewed period, and increasing the importance of the region in terms of EU battery production. These investments most often are of South Korean or Chinese companies, so the region may serve as some form of a bridge between Asia and Western Europe in the transition to electric cars and battery production in particular. However, even though these investments are crucial for the European battery value chain but also from the countries' economies point of view, certain questions arise. Battery production usually is of lower value added so if these countries are mainly going to be locked in production only and not genuinely participating in battery development, the economic benefit of these investments might be ambiguous. Altogether in terms of electrification the picture for Central and Eastern Europe is mixed. Some countries are becoming powerful battery producers, in some sites ICE production is continued which again is of lower value-added, while in other countries and sites the focus is increasingly on the higher value-added e-vehicles.

In terms of digitalisation, we found that there is a distinction between the European automotive core and CEE region: while the former is leading the digitalisation process, the latter only has a follower's role. This is manifested through digitalisation related business restructuring in Western European locations (e.g., setting up a specific software development division or converting sites into digital production systems), or partnerships formed typically between OEMs and IT firms in Western Europe targeting digital co-development. Yet, as digitalisation related practises are becoming common, automotive firms invest in the modernisation of their CEE sites to a growing extent signalling that the CEE region has not lost its appeal due to new technologies. Literature in the mid-2010s state directly the opposite, expecting that the weight of CEE would decrease, since the role of workforce in car production would also decreasing thanks to new technologies, diminishing the main location advantage of the region, therefore relocation might increase and new investments in the region might decrease. Our results with regards to CEE indicate that this fear of relocation have not proven to be true, at least for the time being, and the automotive industry players present in the region prefer to develop their factories or even create new R&D units. There is one example of the reorganisation of production so that the production of cars made with outdated technology is moved further East, however, in our sample, development related announcements dominate in CEE. This creates an opportunity for optimisation and efficiency improvement resulting from digitalisation.

## Conclusions

All in all, for the region to come out as winner of these megatrends, a shift in policy focus should be emphasised. Labour cost advantages are not likely to matter that much in the future, so infrastructural and skill-based advancements are recommended. Policy makers should focus on quality education, the creation of the appropriate and supporting infrastructure both for electrification and digital transformation, skill developments to meet the criteria of the new era. Otherwise, the region might remain locked in the low-value added trap with mainly assembly tasks brought here.

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# CEE Firms' Outward Internationalization: How Is "Failure" Understood and What Causes It?

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**Keywords:** CEE, failure, internationalization, literature review

## Introduction

Internationalization processes have received considerable research attention for more than five decades, and CEE firms' internationalization for more than three. However, there are still some research gaps. First, there is no consensus regarding how "failure" in internationalization should be defined and if it should be understood differently during disruption times [Vissak, 2022]. Second, although several literature reviews have been published on CEE firms' internationalization, in general [Caputo et al., 2016; Éltető, 2019; Ferencikova, 2018; Ipsmiller, Dikova, 2021; Jaklič et al., 2020; Pušlecki et al., 2016; Wilinski, 2013] and one – by Vissak [2023] – on CEE firms' internationalization success, none of them has focused enough on failure. As originating from the CEE context could affect firms' failure in some specific ways, it is necessary to find out why CEE firms' internationalization has failed.

## Research significance and purpose

To fill the above-mentioned research gaps, this paper aims to give an overview of the literature on CEE firms' failed outward internationalization: understandings of failure, and, thereafter, these firms' failed internationalization processes, causes of firms' failed initial and subsequent foreign activities, and, finally, outcomes of failed internationalization.

## Methodology

The literature – journal articles and book chapters published in English – was found via Scopus. Based on the above-mentioned literature reviews on CEE firms' internationalization, but also on studies on various forms of failed internationalization from which some focused on non-CEE countries and some gave an overview of the literature on a particular (sub-) topic [Arte, Larimo, 2019; Castellões, Dib, 2019; Fonseca, Rocha, 2022; Kafouros et al., 2022; Martins et al., 2022; Nummela et al., 2016; Tang et al., 2021; Trąpczyński, 2016; Vissak et al., 2020], keyword groups:

- a) International\*, export\*, born global\*, FDI\*, foreign direct invest\*, MNC\*, MNE\*, multinational\*, IJV\* and international joint venture\* were used to identify international firms;
- b) Bankrupt\*, fail\*, problem\*, barrier\*, obstacle\*, unsuccessful\*, divest\*, backshor\*, de-internationali\*, withdraw\* and exit\* were chosen to find failed firms, and, at the same time;
- c) Albania, Baltic\*, Belarus\*, Bosni\*, Bulgaria\*, CEE\*, Croatia\*, Czech\*, Eastern Europe\*, Estonia\*, Hungar\*, Kosov\*, Latvia\*, Lithuania\*, Macedonia\*, Moldova\*, Montenegro\*, Poland\*, Polish\*, Romania\*, Russia\*, Serbia\*, Slovenia\*, Slovak\*, Ukrain\*, Visegrád\* and Yugoslavia\* were chosen to identify CEE firms.

First, only article titles, abstracts and keywords were searched. Thereafter, to find additional articles, instead of the second group, keywords compan\* OR firm\* OR corporat\* OR business\* OR enterprise\* OR entrepreneur\* were used to identify firms while the full text of articles was searched for the original group b) terms (bankrupt\*, fail\*, etc.). After the initial analysis, five main authors were identified and three databases – Scopus, Thomson Reuters' Web of Science and Google Scholar – were searched to identify their other journal articles or book chapters on the topic.

## Discussion

The main findings are presented in the Conclusion section. Thus, this part only presents implications for managers and researchers.

Managers should understand that “internationalization failure” is a relative term: in general, it is relatively easy to distinguish between very unsuccessful and very successful CEE firms, but reaching consensus about the others is not easy. Different evaluators use different criteria; moreover, their evaluation may also depend on firm size, age, industry and several other characteristics. As there is no consensus regarding failure criteria, it is also not possible to give universal suggestions regarding

how to avoid failure. Still, in general, firms lacking internationalization experience, resources, motivation and contacts are more likely to fail especially if the external environment is also unfavorable. Thus, before entering foreign markets, some skills and resources should be acquired and network relationships created. Moreover, potential risks should be considered carefully. Even then, it is not always possible to avoid failure. Thus, managers should rather focus on how to accept that they could fail, how to minimize potential losses and how to learn from failures so that they could (hopefully) fail somewhat less frequently in the future.

Future researchers should:

- 1) Try to reach consensus regarding what "failure" means and how to measure it (for instance, which sets of indicators to use for different firm types);
- 2) Focus on failed internationalizers' internationalization processes (for instance, examine if born globals have failed more or less frequently than slower internationalizers);
- 3) Study if in different CEE countries, firms' initial or subsequent internationalization has failed due to different reasons;
- 4) Find out which short- and long-term outcomes failed internationalization has for firms originating from different CEE countries.

To study these topics, data from different databases, but also survey data and case study data should be analyzed.

## Conclusions

"Failure" can be defined and measured differently. While some authors have used objective measures like export (share) decline and the number of exited markets, some others have preferred subjective/perceptual indicators: for instance, being less successful than competitors or not achieving internationalization-related or other (for example, financial) goals. Moreover, in some studies, combinations of both types of measures have been used. As different measures have been selected and as there is also no agreement regarding what levels should be reached in each of them (for instance, in terms of how much exports should decline to consider that a sign of "failure"), there is no consensus regarding which firms can be considered "failed" in their internationalization: different scholars might reach different opinions regarding the same firm depending on how they define and measure failure.

According to the literature on CEE firms' internationalization, failed internationalizers have experienced a wide variety of internationalization paths: some have internationalized very fast while some have done it more slowly. For some

scholars, the latter fact is already automatically a sign of failure (as they only consider born globals “successful”), while some others disagree: according to them, slow internationalizers are not automatically “unsuccessful”.

Due to using a wide range of success criteria and focusing on different types of failed internationalizers, authors have identified a wide variety of internal and external causes of CEE firms’ outward internationalization failure. Moreover, outcomes of failed internationalization also vary considerably as again, scholars have focused on different aspects: some have (mainly) considered internationalization-related outcomes (like closing down all foreign subsidiaries) while some have also mentioned other outcomes: for example, reduced profits. Some have also stated that some firms could “fail” in terms of internationalization but “succeed” financially and vice versa. This complicates the issue even further.

The results also indicated that due to using different failure definitions and criteria and focusing on different internationalization paths, failure causes and outcomes, but also due to the complexity of the failure phenomenon, it is not possible to identify a “typical” type of failed internationalization: different failure types can occur due to different reasons; moreover, outcomes can also vary. Due to this, there is no “optimal” way to avoid failure.

## Acknowledgement

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**Track 3**

**Innovation  
and Knowledge Management  
in International Business**

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Track chair: **Patryk Dziurski**

# From R&D to Open Innovation Alliances: The Evolution of Innovation Cooperation in the Biopharmaceutical Industry in the CEE Region

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**Keywords:** biopharmaceutical industry, CEE, innovation cooperation, open innovation alliances, R&D alliances

## Introduction

In the economic and management literature we can find many interesting publications on R&D cooperation between companies taking into account: the distinction between cooperation based on the transfer and exchange of technology, R&D arrangements and joint-ventures. We can divide technological agreement from one-directional to the ones that are based on strong relationships between companies, e.g., joint-ventures, research corporations, on the other hand, those which involve less organizational dependencies (contractual arrangements such as joint R&D agreements or technology exchange agreements). These types of technological cooperation have different effects on the nature of the sharing of technology, level of competitiveness, organizational aspects and the possible economic consequences for the companies involved in cooperation [Duysters, Hagedoorn, 2000; Hagedoorn et al., 2000; Hagedoorn, 2002; Man, Duysters, Neyes, 2009; Puślecki 2010; Martinez-Noya, Narula, 2018]. Over the last three decades we can observe that R&D cooperation has become a core aspect of the innovation strategy [Culpan, 2014]. R&D cooperation is a very important channel of diffusion of knowledge in both sectors: public and private [Staszków, Puślecki, Trąpczyński, 2017]. Companies are using global strategic partnerships in order to strengthen competitive position, enhance core competencies and skills as well as acquire new technologies. By developing R&D alliances they can gain new opportunities to share the risk of the development of new technologies,

on new, emerging markets [Puślecki, 2010, 2012, 2015; Gomes-Casseres, 2014] and have better innovation cooperation performance [Trąpczyński, Puślecki, Staszaków, 2018]. Moreover, in the last 10 years we can observe the development of new modes of co-operation in the biopharmaceutical industry – Open Innovation Alliances – OIA [Wilks, Prothman, 2012; Puślecki, 2015, 2016; Puślecki, Staszaków, 2015].

## Research significance and purpose

The main aim of this article is to present the evolution of innovation cooperation in the biopharmaceutical industry in the Central and Eastern Europe (CEE) in years 2015–2021, from R&D alliances to Open Innovation Alliances (OIA). The author will share the results of one of the first in the world quantitative primary research focused on innovation cooperation in the biopharmaceutical industry in the CEE region (covering 18 countries) conducted within the research project financed by the research grant of the National Science Centre (Poland) awarded based on the decision no. DEC-2015/19/D/HS4/00414 entitled “Analysis of Open Innovation Alliances and Strategic Partnerships in the Biopharmaceutical Industry in Poland and CEE countries”. Examples of different modes of cooperation (R&D alliances, Open Innovation alliances) as well as cooperation between academia, institutions and business in the field of the biopharmaceutical industry are discussed, also in time of COVID-19 pandemic.

## Methodology

In order to conduct the research regarding the innovation cooperation in the biopharmaceutical industry in the CEE region the research team used quantitative and qualitative methods.

### a) Quantitative

Online survey (online questionnaire) regarding innovation cooperation in years 2015–2017– data collected from January 2019 to March 2020 – long lasting process:

- 18 CEE countries covered;
- 107 companies ( $n = 107$ ) selected for the analysis of innovation cooperation in the CEE from the biopharmaceutical industry – non-random sampling procedure (purposeful selection with snowballing technique).

### b) Qualitative

- Individual and group interviews with several entities from the biopharmaceutical industry in the CEE Region (representatives of biotech, pharma and biopharma

companies, clusters, science and technology parks, pharma and biotech associations, academia) in years 2017–2021 (including also innovation cooperation in the time of COVID-19 pandemic).

## Conclusions

Biopharmaceutical companies try to implement new strategies to transfer their research processes to a higher level, often using open innovation model as an additional tool for developing new products and services. Thanks to the cooperation with universities in the framework of open innovation alliances, through joint work with academic researchers, biopharmaceutical companies are more successful in identifying disease mechanisms, implementation of better medical therapy for patients as well as in development of new drugs. It should be taken into account that nowadays due to pandemic COVID-19 the cooperation of all entities in the whole biopharmaceutical R&D innovation ecosystem is even more challenging and with high level of complexity. The use of open innovation model as well as open innovation alliances (OIA) can significantly speed up the production process of new drugs and vaccines, which are in demand on the market because of COVID-19 pandemic. Moreover, having more interdisciplinary academic teams in the cooperation can also accelerate and support this process [Wilks, Prothmann, 2012]. In these difficult times companies need to be more open to cooperation [Chesbrough, 2020], change their business models, and use local potential and local partners to develop better therapies for patients [Puślecki, 2021; Puślecki et al., 2021a, 2021b, 2022]. Openness to cooperation will allow companies to develop new business strategies faster during and after the COVID-19 pandemic.

Certainly, the COVID-19 pandemic contributed to the development of new strategic partnerships in the biopharmaceutical industry, also in the open model (open innovation alliances). Additionally, we can observe the involvement of many companies from Biopharma in cooperation with IT companies in order to develop diagnostic tools using the latest technologies – IOT, AI, VR, Machine Learning, Blockchain along with the progressive digitalization of health care (telemedicine, medHealth, digitalHealth). Since the end of the 1980s, the world has seen more and more non-equity R&D alliances in the biopharmaceutical industry [Puślecki, 2012], which provide greater flexibility in the selection and possible change of partners, and also enable a faster change of technology than traditional equity alliances. This trend can also be seen in the region of the Central and Eastern Europe (CEE). The results of one of the first in the world quantitative research focused on innovation cooperation in the biopharmaceutical industry in the CEE showed that over 80% of companies ( $n = 107$ )

from the biopharmaceutical industry from 18 CEE countries carried out mainly R&D non-equity alliances in the development of innovation cooperation in years 2015–2017. The most important objectives in the formation of these R&D alliances given by the CEE companies were access to knowledge and experience of partners. Thanks to more flexible and open cooperation (open innovation alliances) as well as to the use of local innovative potential of the biopharmaceutical industry in the CEE region it will be possible to defeat the coronavirus pandemic faster, as well as current and future virus mutations.

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**Track 4**

**Marketing Challenges  
in International Business**

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Track chair: **Agnieszka Głodowska**



# Foreign Venture Capital, Foreign Business Angel Investments and Their Role In Start-Ups' Early Internationalization: Firm-Level Analysis of Polish Start-Ups

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**Keywords:** business angels, early internationalization, international entrepreneurship, venture capital

## Introduction

Financial capital plays a crucial role in the development of a business unit. In line with the resource-based approach, it is identified in the entrepreneurship literature as a determinant of the success of new ventures [Kirwan, Ratinho, Sijde, Groen, 2019], and its lack is a key disincentive to starting a new business in the early stages of an organization's life cycle [Cassar, 2004; Clarysse, Bruneel, 2007].

Many studies have shown that the development of start-ups is limited by a lack of access to traditional sources of financing [e.g., Aga, Reilly, 2011; Akyüz, Akyüz, Serin, Cindik, 2006], which in turn is due to market failures underlying new ventures and is associated with significant information asymmetries [Kirwan et al., 2019; Robb, Robinson, 2014; Waleczek, Zehren, Flatten, 2018]. Start-ups struggle to raise external capital [Hamilton, Fox, 1998; Westhead, Wright, Ucbasaran, 2001]. Hence many studies mention the financing gap small businesses face in attracting long-term financing from market players such as banks and venture capital firms. This is particularly relevant for start-ups operating in the high-tech industry, which experience high uncertainty mainly related to research and development activities [Carpenter, Petersen, 2002].

Moreover, start-ups lack a spectacular track record on which they can base their bargaining power in negotiations with investors [Kirwan et al., 2019].

In our study, we examined whether venture capital and business angel investors play an important role in start-up structures and foster the phenomenon of early internationalization intensively presented in the literature on international entrepreneurship [Fernhaber, McDougall-Covin, Shepherd, 2009; Fernhaber, McDougall-Covin, 2009].

## Research significance and purpose

The main aim of this study is to verify whether there is a relationship between the presence of foreign venture capital funds and foreign business angels in a start-up's ownership structure and the ventures' propensity to early internationalization.

Venture capital funds mainly invest in innovative companies by providing them with the financial capital they need to expand internationally [Park, LiPuma, 2020] in exchange for shares [Drover et al., 2017]. They are usually seen as active and temporary (5 to 10 years) business partners in start-up ventures, in which they usually act as minority shareholders. These entities achieve a return mainly through capital income through exit rather than dividend income [Landström, 2007]. Individuals with extensive international business experience manage venture capital; hence they transfer business knowledge to start-ups [Clercq, Manigart, 2007; Cumming, MacIntosh, 2003], facilitating the internationalization of new ventures [Fernhaber, McDougall-Covin, 2009].

Over the past few years, more studies have appeared on the internationalization of start-ups financed through venture capital [e.g., Clercq, Sapienza, Yavuz, Zhou, 2012; Fernhaber, McDougall-Covin, 2009; Park, LiPuma, 2020; Woo, 2020]. George, Wiklund, Zahra [2005] noted that start-up shareholder capital could influence management attitudes toward internationalization risks. Start-ups whose shareholders are venture capitalists show less risk aversion and are more inclined to increase the scale and scope of internationalization [George et al., 2005]. The international knowledge possessed by foreign venture capital influences the internationalization of start-ups because it is indirectly utilized by them, thereby enriching the venture's resource base [Fernhaber, McDougall-Covin, 2009]. Woo [2020], based on empirical results, concludes that the foreign origin of venture capital is positively related to the internationalization of start-ups in terms of both the probability of internationalization and the intensity of foreign sales. In addition, the researcher noted, among other things, that internationalization is positively related to start-up performance when the venture is backed by foreign venture

capital. Foreign venture capital assists smaller entities in foreign expansion, presumably by leveraging their connections, financial resources and institutional knowledge.

The situation is similar in the context of start-up investments by wealthy private individuals in start-ups. In the literature, these types of investors, known as business angels, are willing to invest their own capital in unlisted young ventures [Drover et al., 2017], usually in exchange for convertible debt or shares [Grilli, 2019]. According to White and Dumay [2017], these types of investors represent the largest funding source for early-stage ventures, i.e., start-ups. They fill a critical financial gap between funds from family and friends and institutional funds (venture capital), which is why some researchers equate business angels to informal venture capital for a good reason [Mason, Botelho, Harrison, 2019; Zinecker, Skalicka, Balcerzak, Pietrzak, 2021]. May and Liu [2015] argue that until the beginning of the 21<sup>st</sup> century, business angel investment was primarily a domestic activity. Still, over the past decade, however, investors have begun to think and act more globally. Start-ups usually try to reach out to such an angel investor who can add value to the venture (other than just funds), such as their experience and networks and connection to other investors, especially foreign ones [Crick, Crick, 2018], which in turn can be the start of an international collaboration for them. Moen, Sørheim, and Erikson [2008] point out that the literature lacks research on investors with a global orientation. Since business angels mainly include experienced successful entrepreneurs [Ramadani, 2009], as well as high-level corporate executives [Kelly, 2007] who would like to allocate part of their savings to ventures with high growth potential, it can be assumed that such individuals have extensive international experience, which in turn can be a significant reason for early internationalization [Paul, Rosado-Serrano, 2019].

Thus, in the study, we put forward two research hypotheses that the presence of foreign venture capital funds and foreign angel investors promotes start-ups' propensity for early internationalization higher.

## Methodology

We based our conclusion on responses from a quantitative survey (CAWI and CATI methods were applied) conducted among 220 Polish start-ups. The research sample included start-ups that are both domestically and internationally oriented. The research sample included micro and small ventures founded between 2017 and 2021, whose core business profile is information and communication technology.

We verified the research hypotheses using a binomial logistic regression model, which allows us to calculate the probability of early internationalization (a dichotomous

variable) depending on the independent variables employed. In addition, we included three control variables in the created econometric models – gender and age of the start-up's founder and whether the start-up is involved in research and development activities. In addition, the likelihood ratio test and the Hosmer-Lemeshow test verified the quality of created econometric models.

## Discussion

The results of our research indicate that the presence of foreign venture capital funds in the structures of the surveyed ventures has a positive effect on the probability of early internationalization in these ventures – it occurs more than 4 times more often than in ventures oriented to domestic sales. In addition, in our model, we observed that the variable referring to the presence of a foreign business angel in the structure of a start-up has a moderator status for the association of variables referring to the presence of foreign venture capital and early internationalization, resulting in a statistically significant interaction of variables referring to foreign business angels and foreign venture capital. This means that the presence of foreign business angels in the start-up structures increases the strength of the relationship between the dependent variable describing early internationalization and the independent variable referring to the presence of foreign venture capital funds. Based on this, we accepted the first hypothesis referring to the fact that start-ups with at least one foreign venture capital fund are more likely to experience early internationalization than other ventures.

Regarding foreign business angels (private investors), having such investors in the structures results in a higher propensity of these ventures for early internationalization. Based on the econometric models created, it is confirmed that a positive relationship can be observed between the variable referring to the presence of foreign business angels in the start-up's structures; nevertheless, the analyzed independent variable in all the econometric models created turned out not to be statistically significant, therefore the second hypothesis we had no basis for both accepting and rejecting. The results of the conducted study are partially in line with Woo [2020], who observed that investments by foreign venture capital funds are positively related to the probability of internationalization in ventures in which the fund has invested, except that in our study, we observed that the variable describing foreign business angels has moderator status for variables related to foreign venture capital.

## Conclusions

In our research, we were able to positively verify only one research hypothesis, namely the one referring to foreign venture capital funds. This is confirmed by statistically significant values of logistic regression parameters in the econometric models created. In the course of the conducted study, there was no statistically significant relationship between early internationalization and the presence of foreign business angels in start-up structures, with the consequence that there was no basis for both accepting and rejecting the second hypothesis. On the other hand, it was noted that the presence of such investors could enhance the involvement of foreign venture capital funds in a given start-up.

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# Sustainability in Employer Branding of SMEs in Emerging Markets

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**Keywords:** emerging markets, employer branding, quantitative methods, small and medium-size enterprises (SMEs), sustainability

## Introduction

Firms in emerging markets are gradually losing traditional labour intensive advantages which are easily to be duplicated or even pirated. The success of businesses relies increasingly on the acquisition and retention of highly competent human capital. The survey report by LinkedIn in 2021 on The Future of Recruiting reflects that China faces with a fast growth in demand for professional talent, and the growth rate with the recent 5 years (from 2016 to 2021) is ever faster than that in global situation and in the Asian-Pacific region.

The situation of Small and Medium-size Enterprises (SMEs) is particularly challenging in that respect. These businesses of relatively limited resources, including human resources, and generate a relatively small annual turnover. In China, a major emerging market, SMEs play an increasingly critical role in the national economy. With the number of over 30 million (in 2018), Chinese SMEs account for 90% of all enterprises, contributing around 50% of the total business taxes, 60% of China's gross domestic product, and creating over 80% employment opportunities. In order to remain competitive in the increasingly complex global business environment, Chinese SMEs are in an urgent need of innovation and optimization which are closely related to and determined by talent. However, SMEs in China have limited resource and face with financing constraints, and many of them have unreasonable industrial structure, simple organizational systems, relatively personalized and informal management which hinder them attracting talent. The features of Chinese SMEs make challenges in attracting and retaining talent, and so employer branding becomes a most important factor for their competitiveness and future survival.



## Research significance and purpose

Small and medium-size enterprises (SMEs) in emerging markets increasingly incorporate sustainability into their promotional strategies to build their brand as employer of choice of the new generation and attract new talent. There is also substantial empirical evidence suggesting that new generation pays more attention to sustainability of the firm when applying for jobs. However, there is little empirical quantitative evidence of how important sustainability of the employer in relation to other potentially relevant factors job candidates appreciate such as remuneration and benefits, training and development opportunities, etc. Furthermore, most studies are based on samples from developed economies. To address this research gap, I conducted a large-scale survey of final-year students of various disciplines: engineering, business, and humanities, using conjoint analysis and cluster-analysis to identify relational relevance of various attributes of employer brands.

## Methodology

I designed this study to test relevance of 6 attributes of employer brand: Innovation and creativity, Ethics and CSR, Corporate atmosphere, Training and development, Work-life balance, Remunerations and benefits. I followed the practice by Baum and Kabst [2013] and included two levels for each attribute. This produces a matrix of  $2 \times 2 \times 2 \times 2 \times 2 \times 2$  which is still too much for respondents to handle. To reduce the number of choice tasks, a strategy of “level balance, orthogonality, and minimal overlap” was adopted to generate the choice tasks. In total, 12 choice tasks were generated using orthogonal design. These 12 choices tasks are appropriate to estimate the utilities for individual level of each attribute. Based on the assumption that the error rate for Best-Worst case is half less than that for CB I feel it reasonable to include seven Best-Worst Case tasks (six random task + one fixed task). The attributes and levels employed in this study are displayed in a sample of the choice task in Figure 1. Sawtooth Software Lighthouse Studio (Version 9.8.1) embedded with advanced features for designing CBC tasks, was employed to create a Best-Worst Case survey for this study.

The survey instrument was originally designed in English, then translated into Chinese by the author, a bilingual teacher at a local university. The translation were reviewed by five PhD students, and a bilingual linguist was invited to make the back translation. Relevant adjustment was made accordingly. Then it was pretested for reliability and validity. The respondents were final year students at a large university in Ningbo, a large coastal city in China. This group was selected as representative

to the talent pool applying for jobs in SMEs in an emerging market context, China. The statistics describing the respondents are presented in Table 1.

## Discussion

The study's findings are displayed in Table 2. The data are evaluated based on the attributes' part-worth utilities and importance weights [Hair et al., 2010]. To estimate how each attribute differently influences respondents' choice behaviour, average utilities (also known as part-worth utilities) are examined in this conjoint analysis. As proposed by Hair et al. [2010], part-worth are an objective representation of respondents' preference. Thus, the six attributes with two levels for each could reasonably portray respondents' preference structure for SME employers.

The utilities of the six attributes are estimated by Hierarchical Bayes (HB) estimation which converts the utility weights to a zero-centered common scale [Orme, 2010]. According to Hair et al. [2010], the attribute with broadest range of utilities add most to the overall utility, so indicating a most preference for the attribute. The average utilities in Table 10 show that the attribute of work-life balance has the greatest range of  $76.21 - (-76.21) = 152.42$ . Remunerations and benefits have a utility range of 137.64, ranking the second. The utility ranges for training and development is 115.12, ranking the third. The following are corporate atmosphere (91.64), ethics and CSR (46.78), and innovation and creativity (17.48). Figure 2 depicts the preference structure for each SME employer brand attributes.

Taken overall, results show that all the six attributes significantly affect talent's choice of potential SME employers ( $p < .05$ ), both in the Best case and in the worst case. However, to a different extent. Work-life balance is considered the most important by final-year students for their choice of SME employers, revealing the current talent's concern for choosing their potential SME employer. The second important attribute is remunerations and benefits, which traditionally was viewed as most important [e.g., Baum, Kabst, 2013], followed by training and development, corporate atmosphere, ethics and CSR. Innovation and creativity is ranked the last but also significantly important for college student's choice of SME employers.

When analysed according to the respondents' study major, results show that respondents in discipline of humanities and business have a preference structure for SME employer brand in accordance with the overall sampled respondents. However, engineering students show different preference structure: Work-life balance (26%), Training and development (24%), Remunerations and benefits (21%), Corporate atmosphere (13%), Ethics and CSR (10%), and Innovation and creativity (6%). They also

attach higher importance to work-life balance (24%) than respondents from humanities (18%) and business (19%). Also, respondents from humanities attach higher importance to remunerations and benefits and corporate atmosphere, compared to respondents from engineering and business. Last, respondents from business show more concern to Ethics and CSR, Innovation and creativity than respondents from humanities and engineering.

The utility values and importance weight from this study suggest Work-life balance, rather than Remunerations and benefits, is perceived to be the most important attribute for SME employer brand, different from the previous research [e.g., Baum, Kabst, 2013]. This result is not surprising. Generation Z grew up in a family-oriented atmosphere and thus are likely to rank work-life balance as the most important factor when choosing a job. In contrast to Millennials, Generation Z are less materialistic or less easily to be driven by money. Generation Z, marking the greatest generational transformation in the workplace, creates significant challenges to HR managers and employers. Another reason is that the sample of this study were final-year college students without working experience and thus face less economic pressure, it is reasonable that Work-life balance were perceived more important than Remuneration and benefits in their choice of SME employers.

Ethics and CSR has been identified as an important attribute of SME employer brand in this study. It has become increasingly important within recent years for Generation Z to choose their future employers, as they tend to define themselves as loyal, open-minded, considerate and responsible. It was observed in various studies that organisation's concern and efforts to CSR improves organisational attractiveness. Thus, in addition to the above attributes, the incorporation of organizational ethics and CSR is not only a powerful mechanism for enhancing firm attractiveness, but also an essential component in attracting prospective employees.

In summary, findings suggest that while taken overall sustainability practices are important to the new generation of talent in the emerging market context, social aspects of sustainability related to the employees are far more important than sustainability practices affecting the local community and aiming at protection of the natural environment.

## Conclusions

At the theoretical level, first, this research contributes to the employer brand literature in the context of SME. The utilization of a decomposition approach has enabled an improved precision in the evaluation of applicants' trade-offs in their decision

procedure. It enhances the comprehension of the selection procedure undertaken by prospective job seekers. Furthermore, it sheds light on the role of individual difference in perceiving the importance of the SME employer brand.

At the practical level, the findings of this study can assist SMEs design effective employer brand for their organizations. The findings also provide evidence that by adjusting SME employer brand to a specific cluster, SME organisations can maximise the effect of the investment in talent attraction. Additionally, they can also adjust their communication strategies regarding targeted talent with different socio-demographic features so that they can effectively attract the desired talent.

## Appendix

**Figure 1. Sample Best-Worst Case (Fixed Task)**

Remunerations and benefits are 20% above the average level.	Remunerations and benefits are about average level.	Remunerations and benefits are about average level.
We provide rich opportunities for training and development.	We provide relatively few opportunities for training and development.	We provide rich opportunities for training and development.
We encourage a family-like, equal and harmonious corporate atmosphere.	We have a relatively hierarchical, strict, and cautious atmosphere.	We encourage a family-like, equal and harmonious corporate atmosphere.
We value work-life balance and provide a flexible working schedule.	We adopt attendance system and need to work overtime at least two to three times per week.	We value work-life balance and provide a flexible working schedule.
We encourage creative and innovative working method to a great extent.	We require employees to complete work strictly following current procedures and specifications.	We encourage creative and innovative working method to a great extent.
We show concern and make efforts to sustainability, local community and natural environment.	We show major concern to corporate financial performance, but little to local community and natural environment.	We show major concern to corporate financial performance, but little to local community and natural environment.
Best	Best	Best
Worst	Worst	Worst

Source: Own elaboration.

**Table 1.** Descriptive statistics of the sample

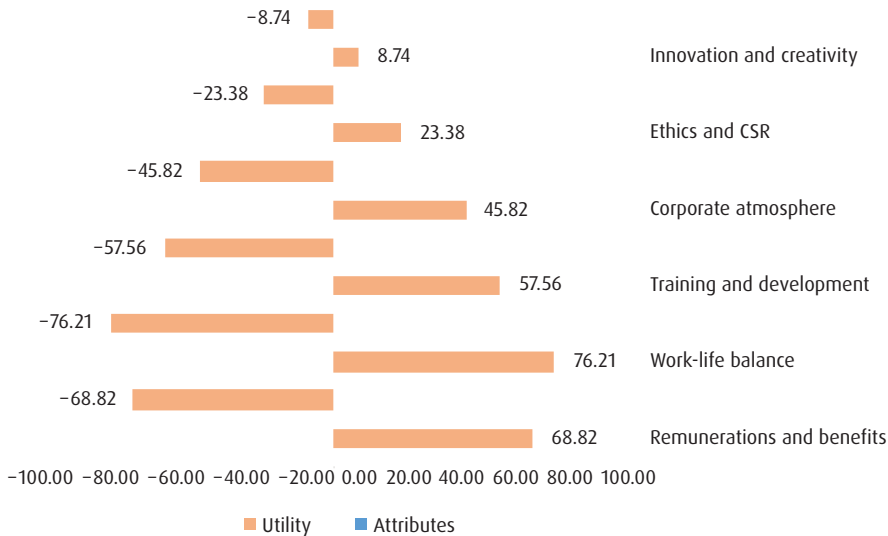
Research sample	Number	Mean or percent
Gender		
Female	221	0.62
Male	135	0.38
Age of respondents (SD = 1.0098)		22.52
Disciplines		
Humanities	169	47.47
Engineering	100	28.09
Business	87	24.44
Job seeking	281	78.93
Internship experience	230	64.61

Source: Own elaboration.

**Table 2.** Average utilities and importance of each attribute

Attributes	Levels	Average Utilities	Average Importance	Significance
Remunerations and benefits	Best	68.82		
	Worst	-68.82	23.672	$p < .01$
Work-life balance	Best	76.21		
	Worst	-76.21	25.911	$p < .01$
Training and development	Best	57.56		
	Worst	-57.56	20.104	$p < .01$
Corporate atmosphere	Best	45.82		
	Worst	-45.82	16.018	$p < .01$
Ethics and CSR	Best	23.38	9.489	$p < .01$

Source: Own elaboration.

**Figure 2. Utilities of Each Attribute**

Source: Own elaboration.

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# Eco-Innovation Performance in the European Union Economies: An Outcomes Perspective

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**Keywords:** eco-innovation, eco-innovation index, eco-innovation outputs, resource efficiency outcomes, socio-economic outcomes

## Introduction

The article explores the problem of the development of eco-innovation of the EU member states with the main focus on the resource efficiency and socio-economic outcomes of their eco-innovation activities. Innovation in general and its specific type, which is eco-innovation contribute to the achievement of Agenda 2030 Sustainable Development Goals, not only by being one of the three aspects of sustainable development explicitly mentioned in the SDG 9, but also through providing the scientific and technological solutions to the challenges posed by other SDGs [United Nations, 2015]. Eco-innovations, as one of the leading area of innovations, are important path influencing the competitiveness of economies and ensuring more sustainable development. Therefore, eco-innovations are the issue of interest to many researchers and politicians shaping the policy in this area. Eco-innovation is a complex category and measuring its performance needs to consider the multiple dimensions included in the methodology of Eco-innovation Index.

Taking into account various aspects of eco-innovation outputs and outcomes, we formulated the following research questions:

- **RQ1:** What is the latest eco-innovation performance in terms of resource efficiency and socio-economic outcomes in all EU countries compared to the economies of eco-innovator leaders?
- **RQ2:** Is the distance between EU countries regarding the eco-innovation outputs and outcomes decreasing or increasing?



- RQ3: In what areas of eco-innovation, the inputs and activities do effectively convert to outputs and outcomes, and in what areas more effective operations are needed?
- RQ4: What are the main factors that influence the effective conversion of eco-innovation inputs into its outcomes?

Following the research questions, the objective of this article is to examine the eco-innovation performance of the European Union's economies, with the particular emphasis on resource efficiency and socio-economic outcomes. EU countries, striving to improve their eco-innovation performance, try to effectively convert eco-innovation inputs into outputs, and, subsequently, improve their resource efficiency and socio-economics outcomes, including the exports of environmental goods and service sector. As in the case of inputs, which were the subject of our previous research, also in the case of outputs and outcomes, an innovation gap was found between innovation leaders and catching-up countries. The quantitative research methods used in the article include descriptive statistics, correlation index and cluster analysis. Taking into consideration the fact, that eco-innovations are important tools for achieving sustainable development goals, the results of the study may provide important guidance for businesses and policy-makers in the area of innovation policy and sustainable development.

## Research significance and purpose

Eco-innovation can be defined as an innovation dealing with green returns on the market [Carrillo-Hermosilla et al., 2010]. This concept is crucial to business and policy makers. Eco-innovation not only supports the sustainability but promotes sustainable development. The importance of eco-innovation is also crucial for the economy's growth and its role in transforming societies towards sustainable development. Eco-innovation should not be limited to environmentally motivated innovations, but need also to encompass products, processes and organizational innovations with environmental benefits. The eco-innovation should be focused, e.g., on resource use, energy efficiency, greenhouse gas reduction, waste minimization, reuse and recycling, and eco-design [Arundel, Kemp, 2009]. Eco-innovation can also be viewed through the lens of implementing the novel in production, assimilation and exploitation of a product, production process, service or business method that result in reducing environmental pollution [Zubeltzu-Jaka et al., 2018], the negative impacts of the intensive use of resources [Yurdakul, Kazan, 2020], and mitigating the environmental risk [Kemp, Pearson, 2007]. Specifically, eco-innovation contributes to sustainable economy and improves economic performance [Arranz et al., 2020; Carchano, Carrasco, Gonzalez, 2023]. It is also important to ensure efficient conversion

of inputs into outputs and outcomes. Arundel and Kemp [2009] highlighted that even if different factors influenced the eco-innovation, the benefits and patterns could be similar for individual economies. Many of the existing studies generally cover the selected issues of eco-innovation output, with their attention increasing in environmental concerns [Urbaniec, Tomala, Martinez, 2021], nevertheless they do not encompass the analysis of all issues related to wider effect of eco-innovation, as suggested by Arundel and Kemp [2009] and interactions between inputs and the outcomes. They often deal with the evaluation of the eco-innovation situation in the selected economy [Loucanova et al., 2015] or the EU as a group of countries in the previous years [Tarnowska, 2013], and to a small extent enable to compare the eco-innovation performance of national economies.

Based on the review of literature, we have identified the research gap that points the need for further developing of comparative analyses revealing the differences and similarities of eco-innovation outputs between economies, setting directions of change and providing possible patterns for the countries with low performance.

Eco-innovation outputs and outcomes can be viewed from the perspective of different macro- and microenvironment factors affecting them [Rodríguez-Rebés, Navío-Marco, Ibar-Alonso, 2021]. The results achieved from the previous analysis for the groups of countries, with the use of Eco-innovation Index methodology, showed that the distance between the EU-27 average and leading countries in terms of eco-innovation performance has slightly narrowed over the period under review [Hajdukiewicz, Pera, 2023]. This should translate into reducing the gap also in terms of eco-innovation outputs and outcomes, however, it may vary depending on the country and a given thematic field. It is very important for EU economies to identify those eco-innovation outcomes areas that require substantial improvement. We develop the following research hypothesis in our article:

- H1: During the studied period the gap in eco-innovation outputs and outcomes occurring between EU-27 member states was narrowed.

Chaparro-Banegas et al. [2023] argued that five factors are key drivers which stimulate eco-innovation performance in European Union countries. They include: the governance, human capital capacity, research institutions, public and private R&D investments. They correspond well with the composite indicators that were adopted by the European Commission [2022] as the components of Eco-innovation index measuring the eco-innovation inputs and eco-innovation activities. They pinpoint a country's performance with regard to: government's environmental and energy R&D appropriations and outlays, R&D personnel and researchers, value of green early-stage investments, implementation of resource efficiency actions and sustainable products among SMEs, and number of ISO 14001 certificates, being the components of the eco-

innovation index [Hajdukiewicz, Pera, 2023]. The improvement of eco-innovation performance at the enterprise level can lead to a sustainable development of the economy and can contribute significantly and profitably to the attainment of the European Green Deal's objectives. Al-Aylani et al. [2021] stated that leading countries in eco-innovation often benefit from a strong governmental support. The countries that invested the most in the R&D sector showed the significant improvements in some inputs of eco-innovation. Government support is an important factor in the field of the ecology and energy sector, as it contributes to the improvement of results, especially with green investments in the initial phase of research, as well as engagement of expert team and academic researchers. Focusing on the overall Eco-innovation index, a high overall country's performance does not mean that a country has performed well in all eco-innovation areas [Loucanova, Nosalova, 2020]. Drawing conclusions, specific eco-innovation aspects covering particular fields should be analysed [Rizos, Behrens, Taranic, 2015]. Eco-innovation is a complex category and it is difficult to identify all the factors affecting its development. Moreover, the drivers and impact of eco-innovation may be different for different countries and for different eco-innovation thematic areas [Triguero Cano, Moreno-Mondejar, Davia, 2013]. Nevertheless, many studies suggest that governments' support for R&D and green investment appear to be a key driver of eco-innovation. As recorded for leading eco-innovators, strong governmental support is crucial for progress and should continuously increase over the years [Al-Aylani et al., 2021]. Does this mean, however, that the eco-innovation leaders spend these funds more effectively than others, expressed by a higher growth rate of outputs and outcomes compared to the growth rate of inputs? Moreover, have they improved more than other countries in the crucial area of Resource efficiency outcomes, which measures a country's efficiency of resources and GHG emission intensity? It is also worth considering whether or how countries with relatively low government support, which cannot expect its significant increase, can improve their relative position in the field of eco-innovation. To address these issues we decided to identify relationships between eco-innovation inputs and activities compared to achieved eco-innovation outcomes and outputs for the EU economies with developed government support innovation system versus countries with limited inputs. Hence we propose:

- H2: Economies with significant eco-innovation inputs and developed eco-innovation activities are able to use it more effectively than economies with more modest eco-innovation inputs and activities.

## Methodology

The quantitative research methods used in the article include descriptive statistics, correlation index and cluster analysis. We investigate, using the Eco-innovation Index (EII) and its subindexes, the differences across the EU countries and the distance of the MS economies to the EU average in terms of resource efficiency, including material productivity, water productivity, energy productivity, and GHG (Greenhouse gases) emissions productivity. We also compare the eco-innovation performance of the EU countries with respect to exports of environmental goods and service sector, employment in environmental protection and resource management activities, and value added in environmental protection and resource management activities. We also examine the relationship between the outcomes and the inputs and between the outcomes and the EII. We analyse the eco-innovation outputs and outcomes in the years 2012–2021. We use the amended measurement of the EII considering the changes introduced in 2021 to the Index calculation method and its component indicators.

## Discussion

The results of the calculation of descriptive statistics point to the moderate shifts in Eco-Innovation indices for the EU countries. The diversity of the EU-27 was on the average level and decreased over the study period. The value of eco-innovation index for EU-27 countries was slightly increasing between 2012 and 2021. However, during the studies period, the minor changes can be recorded. A significant number of countries scored close to the EU-27 average. Although the majority of EU countries continued to score the value of the eco-innovation index below the average, their number decreased in each studied year.

The results of the preliminary analysis conducted for three indicator groups showed a slight narrowing of the eco-innovation gap between the 27 EU member states only in the case of the eco-innovation outputs, which was confirmed by decreasing value of the coefficient of variation from 43% in 2012 to 37% in 2021. The obtained values of this ratio indicated a strong variation of the EU-27 member countries eco-innovation performance. On the one hand the positive changes could be noticed in regard with the resource efficiency outcomes, as the value of the ratio decreased from 61% to 51% throughout the studied period. On the other hand, the most negative changes were recorded for socio-economic outcomes. A widening gap between EU-27 countries could be noticed. In case of this group the values of this ratio decreased slightly from

53% in 2012 to 52% in 2016, while between 2017 and 2021 its value increased of about 3 p.p. to almost 55%.

The eco-innovation index was strongly correlated with summary innovation indexes in 2012 and 2021. The initial examining of the correlation between the different groups of indicators in eco-innovation index enabled to identify only the strong relationship between eco-innovation outputs and eco-innovation inputs in 2012 and 2021. The positive correlation was also recorded between socio-economic outcomes and eco-innovation inputs in 2012. The socio-economic outcomes were also correlated with eco-innovation outputs in both studied years. Analysing the individual sub-indicators, the strongest correlation between eco-innovation index value and the value of a given subindex was recorded for eco-innovation related to patents, and eco-innovation related to academic publications included in eco-innovation inputs category. The strong relationship could be also identified between the eco-innovation index and following sub-indicators from both of the outcomes groups: energy productivity, greenhouse gases emissions productivity, exports of environmental goods and service sector, and employment in environmental protection and resource management activities.

We also tried to find out which of the sub-indicators from eco-innovation inputs and activities are linked with eco-innovation outputs and outcomes. It was not surprising that eco-innovation related to patents as well as exports of environmental goods and service sector, were strongly correlated with governments' environmental and research R&D appropriations and outlays, total R&D personnel and researchers and the total value of green early stage investments. The values of the two last sub-indexes (i.e., R&D personnel and value of green investments) were quite strongly correlated with eco-innovations related to publications and energy productivity. In turn, employment in environmental protection and resource management attitudes was correlated with governments' environmental and research R&D appropriations and outlays, total R&D personnel and researchers. The GHG emissions productivity was the only one sub-index showing a relationship with eco-innovation activities (implementation of resource efficiency actions among SMEs and implementation of sustainable products among SMEs).

## Conclusions

The objective of this article was to examine the eco-innovation performance of the European Union's economies, with the particular focus on resource efficiency and socio-economic outcomes. The study should contribute to a better understanding of the role of eco-innovation, and in particular eco-innovation outcomes in ensuring sustainable

development of national and regional economies. It also highlights the importance of creating appropriate conditions for the development of eco-innovation, including creating sound policy frameworks at the national, regional and international levels.

The problem of eco-innovation development is not new but always relevant for most of the European economies. It is especially important to ensure the effective conversion of eco-innovation inputs into outputs, and, subsequently, improving the resource efficiency and socio-economics outcomes in the EU economies.

The results of the research showed a strong correlation between the eco-innovation inputs and the eco-innovation outputs and between the eco-innovation inputs and the eco-innovation outcomes. The weaker relationship was recorded between the eco-innovation outputs and the eco-innovation outcomes. Additionally, the stronger relationship was noticed at the level of individual subindicators than at the level of more aggregated groups of indicators.

The initial research made it possible to partially confirm the H1. The results of the research show, that the gap in eco-innovation outputs and outcomes occurring between EU-27 member states was slightly narrowed only in case of eco-innovations outputs and resource efficiency outcomes. This has not been confirmed for socio-economic outcomes. However, the further research still needs to be conducted in this regard. The H2 also requires an in-depth analysis.

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# Legitimacy-Building of Post-Transition Country Firms in an Advanced Economy: A Qualitative Study of Polish Subsidiaries Located in Germany

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**Keywords:** Central and Eastern Europe, institutional theory, legitimacy, multinational firms, qualitative research

## Introduction

One of the most noticeable phenomena in international business recently is the expansion of firms from institutionally and economically less developed countries to more advanced economies [e.g., Beule et al., 2013]. A lot of academic attention has been devoted to the peculiarity of these firms' strategies as compared to traditional multinational enterprises (MNEs) [Luo, Tung, 2007]. Specifically, the motives of establishing subsidiaries in more advanced contexts have been studied in the past [e.g., Chen et al., 2012]. Given the surge of upmarket investments, it is the strategic asset-seeking motivation that has recently gained relevance and – consequently – academic attention [e.g., Buckley et al., 2007]. This asset-augmenting focus, particularly discussed in the context of Chinese firms' foreign expansion through mergers and acquisitions (M&A), can be related to resource disadvantages related to their status of latecomers to the international economy. Recently, in line with public attention to Chinese expansion in Europe [Burgoon, Raess, 2014], particularly Germany, academic efforts were related to exploring the effects of Chinese diaspora on Chinese investments in Germany [Schüller, Schüler-Zhou, 2013], effects on local labour [Bian, Emons, 2017].



## Research significance and purpose

While a lot of attention has been devoted to Asian MNEs, far less discussion has focused on post-transition country firms, particularly those from the region of Central and Eastern Europe (CEE). For CEE-based firms, market-seeking motives have clearly prevailed [Svetličič et al., 2007], particularly in the Polish context [Kowalewski, Radło, 2013]. Yet, the studies on the expansion of Polish firms to more advanced economies are still a relatively new research area [Götz, Jankowska, 2019; Trąpczyński, Banalieva, 2016]. Trąpczyński and Banalieva [2016] argue that the performance of Polish subsidiaries in more advanced locations depends on the experience of investing firms and is far from guaranteed. Clearly, establishing subsidiaries in more advanced economies may not be that evident for these novice MNEs. While an upmarket investment may be a unique learning opportunity, there is also evidence that foreign expansion into demanding markets may not be successful without already having some solid managerial capabilities [Hennart, 2012].

Therefore, the main objective of this paper is to explore the strategies and boundary conditions of gaining legitimacy in a foreign market by firms from post-transition economies and how this translates into sustained market success based on qualitative research.

The aim was achieved through specific questions related to our qualitative study:

- 1) How do (the perceptions of) formal and informal institutional differences between home and host countries influence management decisions related to subsidiaries in the context of a more advanced economy?
- 2) Which role do foreign subsidiary management network relationships with local firms play for the legitimacy and success of foreign subsidiaries in a more advanced economy?
- 3) What recommendations can be made for management boards and for economic policy makers in order to assure the success of Polish foreign subsidiaries located in Germany and to foster value-creation in Polish-German business cooperation?

## Methodology

In order to develop a better understanding of the tactics used to build legitimacy in an upmarket context and to explore how market entry success of emerging market firms in more advanced countries is developed and achieved, about which factors both internal (e.g., management innovativeness, board composition) and external (e.g., institutional context, inter-firm networks) to the firm impact on that and about how

those factors interrelate with each other, we conducted three company case studies. Each of them focuses on the company headquarters in Poland. Case study companies were selected according to a theoretical sampling strategy [Eisenhardt, Graebner, 2007] and based on previously established contacts.

The data collection included several tools/instruments: document analysis to explore available written information about all aspects of the study, qualitative interviews with key persons in the company headquarters, complemented by company visits to obtain an intimate inside view of the organisation, as well as feedback workshops about the research findings, to get additional feedback by participants. The case study procedure aims to generate illustrations of emerging market firms' market entry in more advanced countries but also aims to develop some explanatory and theoretical insights [Eisenhardt, 1989].

## Discussion

Our study makes a number of contributions. Researchers using institutional theory to explore foreign market expansion have so far *inter alia* focused on the process of attaining legitimacy by foreign subsidiaries vis-à-vis their parents and the host-country environment [e.g., Kostova, Zaheer, 1999], host-country selection and the choice of market entry strategies [e.g., Xu, Shenkar, 2002] or affiliate staffing [e.g., Xu et al., 2004]. Also, the logic of the institutional theory has been applied to factors increasing legitimacy in a foreign market and reducing the liability of foreignness, such as through strategy adaptation [Petersen, Pedersen, 2002; Zaheer, Mosakowski, 1997]. However, these phenomena have hardly been studied in the context of post-transition economy firms seeking to successfully establish themselves in advanced economies. Accordingly, we argue that institutional theory and its attention to achieving legitimacy towards the foreign market environment can be a promising ground to explore the success factors of establishing and maintaining subsidiaries in a country which is more advanced and challenging.

We explore top management characteristics in upmarket subsidiaries, by drawing on arguments from the upper-echelons theory [Hambrick, Mason, 1984]. Accordingly, we assume that top managers' field of vision, their strategic choices and ultimately firms' organisational outcomes are influenced by their individual psychological characteristics, such as their cognitions, their values and their perceptions [Knight et al., 1999]. We argue that the decisions as to how much parent firms choose to rely on host-country nationals in an upmarket context and to compose diversified teams, is a function of managerial perceptions of institutional differences between countries

[e.g., Johansson, Vahlne, 2009]. As described above, these pertain both to informal (including cultural) and formal institutional aspects. We argue that the higher perceived differences, the higher the urgency felt by new MNE headquarters to rely on local managers to gain legitimacy but, on the other hand, to diversify teams to leverage more capabilities.

## Conclusions

Our study aims at exploring the antecedents of legitimacy and market entry success of post-transition country firms in a more advanced country in terms of economic and institutional environment. While German firms have long invested in Central Eastern Europe, particularly in Poland, the reverse trend is quite recent. Thus, relatively little attention has been paid to market entries of Polish firms in Germany. While the existing instances of the successes of Polish firms in Germany may be a sign of dynamic and entrepreneurial expansion, it is also a signal that firms need to recur to different tactics rather than solely relying upon their origin and own brand reputation in the upmarket context. Indeed, there is evidence that the success of Polish firms' subsidiaries in Germany, may actually be problematic due to the still relatively limited international experience of Polish firms as compared to mature corporations from advanced countries, as well as their still limited managerial capabilities. It is these challenges that the present study seeks to address, with the ultimate goal to identify the success factors of Polish firms' market entry and growth in Germany. The impact of the study results on the development of the research field and scientific discipline will be of both conceptual and empirical nature. The project will provide insights and explanations on the legitimacy and market success of upmarket investments by post-transition country firms, which is still an under-investigated issue.

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# An International Consumer Study into the Role of Cognitive Dissonance in Binge Drinking

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**Keywords:** alcohol consumption, binge drinking, cognitive dissonance, consumer behaviour, international study

## Introduction

Binge drinking is a complex consumption behaviour, shaped globally by a wide range of social and cultural influences, contexts and environments [Sudhinaraset et al., 2016]. Alcohol is consumed by almost half of the world's population and its negative consequences can have serious effects on public health. For example, the World Health Organization [WHO, 2023] estimates that consumption of alcohol contributes to 3 million deaths globally, while remaining the leading risk factor for premature mortality and disability among people aged 15 to 49. Despite different approaches to tackling the harmful effects of binge drinking being deployed worldwide (including, among others, liquor licensing and restrictions on alcohol advertising and availability, increased taxation, and education and social marketing programmes), binge drinking remains a pertinent research area in marketing and consumer behaviour across cultures and boundaries, with calls being recently made by leading industry bodies for a more collaborative approach between industry, government, communities and civil society to change binge drinking behaviours [IARD, 2021] and international marketing and business practices [WHO, 2022]. As such, digital marketing and targeted advertising on social media pose significant risks to young consumers across borders, exposing them to international content, promotions and product placement [WHO, 2022].

Hence, attempting to better understand consumption patterns in an international context continues to be crucial in the prevention of alcohol-related harm.

## Research significance and purpose

While the concept of binge drinking remains poorly characterised across studies [Hasselgård-Rowe et al., 2022], marketing and consumer behaviour research tends to present binge drinking as a single phenomenon. Yet, three specific types of binge drinking emerged in an earlier study by Kubacki et al. [2011]. The first type, *Initiation*, captures consumers' first experiences with alcohol, focusing on the rare but experimental nature of consumption with its ritualistic character and the perception of alcohol as a "forbidden fruit". The second type of binge drinking, *Indulgence*, is characterised by a sharp increase in frequency and amount of consumed alcohol. In *Indulgence* alcohol becomes a social lubricant and careless consumption becomes an expression of one's social identity. The third type of binge drinking, *Moderation*, indicates a different type of alcohol consumption, with a diminishing need among consumers to conform to peer pressure and drink to excess. Consumers in *Moderation* emphasise the importance of their self-identity and their own drinking style suiting their lifestyle and expectations. However, the 2011 study did not explain how consumers transition in and out of different types of binge drinking, limiting the study's practical applications. This research attempts to address this gap by employing cognitive dissonance theory, focusing on behavioural and attitudinal changes and their role in understanding the transitions between the three types of binge drinking.

Cognitive dissonance theory has been extensively used in management [Hinojosa et al., 2017] and more specifically in marketing since the 1960s [see, e.g., Oshikawa, 1969; Soutar, Sweeney, 2003]. Cognitive dissonance theory was originally proposed by Festinger in 1957, who argued that contradictory cognitions create dissonance and psychological tension that motivate individuals to reduce the gap between those contradictory cognitions. For example, a binge drinker who believes that consuming alcohol is unhealthy will experience a dissonance between their behaviour (excessive drinking) and beliefs (alcohol is unhealthy), and may attempt to reduce that discrepancy either by changing their belief, behaviour, or perception of their behaviour [Wiafe et al., 2014]. The balance is restored when one's beliefs are in harmony with their behaviour. The purpose of this study is to explore the potential of cognitive dissonance theory to explain the transitions between different types of binge drinking.

## Methodology

This research is part of a larger international consumer study involving thirty-eight biographical interviews in four countries: Australia, United States, Poland, and the Netherlands. To fully capture both the content and context of the binge drinking types and transition processes all data were collected from informants aged 25–30, educated to a degree level, who declared binge drinking during their time at university. The interview technique consisted of several open-ended questions based on the description of binge drinking types. Informants were asked to outline their history of alcohol consumption, which was then chronologically discussed during the interview process, focusing on key events and changes in informants' consumption patterns. Each of the interviews lasted approximately two hours, and all data were analysed using the NVivo software.

## Discussion

Cognitive dissonance theory proposes that if people experience a dissonance between cognitions, they may attempt to modify one of three elements to restore balance between their beliefs and behaviour: changing their beliefs, behaviours, or perception of their behaviours [Wiafe et al., 2014]. Our initial data analysis indicated four main circumstances in which a presence of cognitive dissonance or lack thereof facilitates transition between the different types of binge drinking.

First, cognitive dissonance between behaviour and either belief or perception of behaviour delays *Initiation*. For example, informants reported experiencing a dissonance between drinking (behaviour) and their beliefs instilled in them at home by their parents and other family members, who normalised abstinence from alcohol; other informants also reported that their involvement in sporting activities made them believe that drinking may interfere with their training. Cognitive dissonance was also experienced between drinking and the perception of specific instances of underage drinking as breaking the rules imposed by society and family.

Second, cognitive dissonance between belief and perception of behaviour facilitates transition into *Indulgence*. For example, general beliefs collided with perceptions of specific behaviours when social pressure encouraged individuals who otherwise already transitioned into *Moderation* to fit into the dominant pattern of excessive drinking preferred by the group they associated with. Cognitive dissonance was experienced when socialising with certain groups of friends with an expectation that one should



drink as much as other group members to fit in, while experiencing shame and guilt when actually engaging in binge drinking.

Third, cognitive dissonance between behaviour and either belief or perception of behaviour facilitates transition into *Moderation*, while the lack of cognitive dissonance between behaviour and either belief or perception of behaviour facilitates transition into *Indulgence*. These findings support the two-directional nature of changes, depending on whether particular cognitive dissonance was experienced or not. For example, informants reported being put off drinking by their association of drinking (behaviour) with being drunk, unattractive, and unreliable (perceptions of behaviour). At the same time, those who see their drinking as a social lubricant transition into *Indulgence*.

Finally, the lack of cognitive dissonance between belief and perception of belief facilitates transition into *Moderation*. This interesting pattern was for example observed when informants who were reporting their growing experience of and with alcohol, were also identifying emerging congruency between their belief that alcohol should be a background to social interactions, and their perception of drinking occasions in social context as being increasingly shaped by their life circumstances (e.g., having children), employment and other responsibilities.

## Conclusions

This research explored the potential of cognitive dissonance theory to explain the transitions between different types of binge drinking. Our initial data analysis identified four main circumstances in which cognitive dissonance or lack thereof facilitates transition between different types of binge drinking. Responding to calls for strategies and interventions to delay initiation of alcohol use [Sudhinaraset et al., 2016; WHO, 2022], social marketers and consumer behaviour researchers attempting to delay *Initiation* need to focus on efforts to create a cognitive dissonance between behaviour and either belief or perception of belief. At the same time, encouraging consumers to transition into *Moderation* requires one of two approaches:

- 1) Creation of cognitive dissonance between behaviour and either belief or perception of behaviour, or
- 2) Removal of cognitive dissonance between belief and perception of behaviour.

While digital marketing and social media may be used by international corporations to reach consumers across border and encourage hazardous alcohol consumption [WHO, 2022], they also create opportunities for positively-framed alcohol moderation messages [Previte et al., 2014]. Shifting away from one-size-fits-all messages [Nguyen et al., 2020], social marketers and consumer behaviour researchers can pursue targeted

strategies and messages that encourage responsible drinking. Cognitive dissonance theory offers a promising framework to understand the way that consumers in different countries transition between the three types of binge drinking. Our study identifies a new avenue for research into binge drinking that can inform international policies and multi-stakeholder collaboration efforts in response to international pressures and expectations for deeper engagement in creating social value from the industry dominated by international corporations.

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# Sustainable Consumer Trends in B2C Enterprises' Marketing Strategies: An Example of Deconsumption

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**Keywords:** consumer trends, deconsumption, market orientation, marketing strategy, sustainable consumption

## Introduction

Consumer trends, defined as major movements in the field of consumer attitudes and market behaviours that appear in a mass scale in society [Vejlgaard, 2008], constitute a crucial component in B2C enterprises' microenvironment and therefore a vital benchmark in added-value chain activities and competitive advantage development strategies in an organization [Peter et al., 1999]. In particular, marketing processes are the subject to the influence of consumer trends, however some procedures on operational level are also affected by the phenomena [Graczyk, 2008]. Especially in terms of sustainable consumer trends and consumer social responsibility (CnSR), which have gained ground on the market in recent years due to rising consumer awareness [Koszewska, 2011], customers' expectations towards companies exceed the category of direct benefits for the client and include simultaneously environmental and societal influence of enterprises' activities (known also as market externalities) [Quazi et al., 2016].

## Research significance and purpose

In the light of growing societal interest and expectations towards corporate social responsibility (CSR) engagement, enterprises on B2C market should be able not solely to accurately identify, understand and integrate consumer trends onto their processes and strategies, they need to implement proactive attitude and take responsibility

for its' creation [Hałasa, Rumianowska, 2007]. As pointed out by Manning [2013], corporate social responsibility and consumer social responsibility are elements of so called push-pull dynamics between enterprises and consumers, in which corporate activities are pulled on consumers' decisions and vice-versa. Such combination of customer and sustainability orientation is potentially beneficial for organizations as well and may affect positively the brand or company image and increase the overall goodwill, thus supporting sales and competitive advantage of a company effectively [Mróz, 2013; Lučić, 2020].

Sustainable consumption which stems from sustainable development agenda stands out as one of the most recognized consumer trend at present. Deconsumption (known also as anticonsumption) is being quoted and accepted as an integral component of sustainable consumption [Neale, 2015]. The term constitutes a hypernym for different consumers behaviours aimed for consumption reduction and/or its' dematerialization, which are of a free will of a consumer (meaning not forced by external factors such as worsening of household economic conditions or inadequacy of market offer to the consumer needs). Deconsumption materializations refer to consumption downsizing or minimazing (including resources usage, such as water or electricity), avoiding or excluding some products categories or brands (including consumer boycotts), developing a new non-materialistic (minimalistic) orientation and lifestyle (such as voluntary simplicity) as well as substitution of ways of meeting the consumers' needs through participation in sharing economy practices or servicization and digitalization of consumption, including pay-per-use practices [Makri et al., 2020].

## Methodology

Two researches were carried out within doctoral dissertation procedure on consumers' and enterprises behaviours in the context of deconsumption in the period between May, 2021 – December, 2022:

- 1) 'Determinants of deconsumption in polish society' (funded by the subsidy of Ministry of Science and Higher Education for the maintenance and development of the teaching and research potential of Collegium of Management and Finance in Warsaw School of Economics in 2021) – further in the text: 'consumer study';
- 2) 'Behaviours of enterprises with domestic and external capital in the context of deconsumption trend' (funded by the subsidy of Ministry of Science and Higher Education for the maintenance and development of the teaching and research potential of Collegium of Management and Finance in Warsaw School of Economics in 2022) – further in the text: 'enterprises study'.

## Discussion

The research objectives in consumer study were to identify the deconsumption motives and determinants among Poles, including level of competences and innovativeness of consumer market behaviours as well as recognition of the attitude-behaviours gap components with indication on perceived deconsumption barriers. The study was conducted using the CAWI technique and an online panel in the period of 17–20<sup>th</sup> of November 2021 on sample of  $n = 516$  respondents that were qualified to the study by using qualifying questions based on the definition of deconsumption. The research tool was a standardized questionnaire consisting of 53 substantive questions rated on a 5-point Likert scale, and 10 sociodemographic questions defining respondents' characteristics. *Chi-square* and *V-Cramers* statistics were used to test the influence of variables on distribution of responses.

The aim of the enterprises study was to recognize the directions of organizational adjustments in B2C companies on Polish market in the context of the trend of deconsumption, including character and form of implemented activities in the field of marketing and operational processes. The study was conducted using the CAWI technique in the period of 21–26<sup>th</sup> of September 2022 on sample of  $n = 215$  respondents who were professionally active employees of production, service and trade companies. The selection of the sample was random and based on the criterion of full-time employment. The research tool was a standardized questionnaire consisting of 12 substantive questions, and 9 metric questions. Various forms of answers provided by the respondents were used in the questions, the appropriate methods of statistical analysis depended on this form (either *chi-square* and *V-Cramer* statistics or logistic model and Wald tests).

## Conclusions

Research results on consumer attitudes and behaviours indicate on multidimensional character of deconsumption processes and each materialisation of deconsumption was determined by different variables, such as age or economic conditions etc. The area in which Polish consumers were at most active was resource efficiency. The main motives for deconsumption in the sample were economic rationalization, followed by the care for environment. Indeed, ecological awareness was the field in which consumer competences were rated at highest. The surveyed respondents were highly involved in innovative behaviours in the field of deconsumption as well. Respondent asked about barriers in deconsumption indicated on marketing activities of enterprises, current fashion and low level of consumer awareness about the risks of consumerism.

The analysis of empirical material in enterprises study shows that companies included in the research sample moderately engaged in the sustainable development process by implementing sustainable production patterns and incorporating sustainable consumption and deconsumption into marketing strategies. Despite of low degree of formalization in the structures of organizations, depended on company size and origin of the capital, sustainability played an important role in organizational efforts, especially in the field of production, however some adjustments were observed also in the area of marketing practices oriented on sustainable products and solutions for customers. The most common practices included creating new solutions focused on deconsumers. A proactive and reactive (induced) approach were observed at the same time in the activities of enterprises.

The results of the studies corroborate the existence of the push-pull mechanism between consumers' attitudes and behaviours and enterprises' marketing efforts in terms of different deconsumption activities. This indicates on the possibility of using market orientation as a platform for dialogue with consumers to support the sustainable trends development for instance. Implementation open innovation approach in a company through consumer value co-creation might be another exemplary practical application and materialisation of the mechanism.

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## **Track 5**

# **International Entrepreneurship, Cooperation and Networks**

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Track chair: **Jurgita Sekliuckiene**



# Barriers in the Internationalisation Process of Polish Enterprises

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**Keywords:** barriers, internationalisation, Polish enterprises, qualitative research

## Introduction

There are numerous examples in the international business literature showing a correlation between a company's level of internationalization and its performance [Damijan et al., 2008; Schwens et al., 2018, Haddoud et. al., 2023]. Many studies [Love, Ganotakis, 2013; Miska-Struzik, 2014; Wu, Chiou, 2021], among others, highlight the learning process that follows sales to foreign markets ("learning by exporting" idea) as a cause of enhanced productivity, sales growth, investments in R&D, and new product solutions.

Despite Poland's vast number of businesses and the country's comparatively significant investment in innovation, only a small number of Polish companies have a global presence. This can be the outcome of internationalisation barriers that can be categorised as:

- **Knowledge barriers**, such as misunderstanding of potential markets, cluelessness of programs supporting exporters, ignorance of the financial and non-financial benefits that internationalization can bring, and obtuseness of how to conduct export activities;
- **Procedural barriers**, such as transportation costs, paperwork and bureaucracy related to international transactions, language barriers, cultural barriers, tariff and non-tariff barriers, and costs of adapting products to foreign markets;
- **External obstacles**, such as intense competition abroad, a volatile exchange rate, and political unrest in the country of destination [Civelek, Krajčík, 2022].

## Research significance and purpose

Therefore, the aim of the study is to present the diagnosis of challenges related to the process of internationalization faced by entities located in the Mazowieckie Voivodeship with the special focus on SME enterprises.

Although this study was conducted in one country only, the findings may also be of interest to exporting and global businesses from CEE region.

## Methodology

The study's goals were achieved using the qualitative methodology, which offers a better comprehension of the problems that Mazovian businesses have in the area of internationalization. Using the in-depth interview method, the study was done on a sample of  $n = 56$  businesses, with the majority of the interviews taking place online (online IDI).

The analysis was based on companies registered in Mazovia, as assumed. Due to the crucial significance that the SME sector plays in the economies of Poland and Mazovia, this sector was chosen as the study's focus. Both the second half of 2021 and the first part of 2022 saw the interviews take place. Purposive sampling was used in the study's execution. The prepared analytical material was entered into the MAXQDA program and subjected to procedure of coding. The coding procedure was divided into two stages. In the first step, an inductive approach based on grounded theory was used with initial open coding [Glaser, 1992; Glaser, Strauss, 2009]. Then, conceptual (deductive) coding was used, with the research objectives at the forefront.

## Discussion

External and internal barriers of internationalisation were mentioned by similar numbers of enterprise representatives. The number of responses to external barriers was a bit higher (202 spontaneous responses) than to internal barriers (172 spontaneous responses), indicating that external factors cause slightly more difficulties for participants during internationalization process than do internal factors. The highly internationalized enterprises paid more attention to internationalization barriers than others.

Among the mentioned external barriers, legal and administrative barriers prevailed, recalled as many as 38 times. For internal ones, these related to financial constrains dominated (see Figures 1 and 2 for details).

## Conclusions

Legal and administrative barriers to entering foreign markets were a significant external barrier to the internationalization of the surveyed enterprises. In this vein, there was also ineffective assistance from Polish side institutions intended, at least in theory, to aid in the internationalization of Mazovian enterprises. The procedures are extremely complex, officials are not adequately prepared, and the assistance is not tailored to the requirements of those in need, particularly small and medium-sized enterprises.

Consideration should be given also to whether assistance is provided to those entities that truly require it, as opposed to those that are accustomed to receiving support and could possibly function without it. Public choice theory suggests that the choice will often concern enterprises – leaders, i.e., those that will most likely manage on the market even in the absence of potential support. Their choice is safe for the public agenda because it increases the likelihood of success and thus makes the decision credible [Radicic et al., 2014].

A significant barrier mentioned by Polish enterprises is also the absence of demand for the company's products, which was frequently attributable to disparities in buyer expectations. The provision of marketing assistance (particularly in the fields of market research and promotion) to businesses could aid in the resolution of these issues. The perception of our country as a provider of low-quality goods, while simultaneously provoking political and ethical debates (the issue of women's and minority's rights), hinders the growth of Mazovian businesses. Therefore, intensive promotional activities should strive to improve Poland's image abroad.

The most significant internal barrier to internationalization for the surveyed enterprises was a lack of adequate financial resources. Apart of internal financial constraints, this may be the effect of another errors in the selection of beneficiaries of assistance programs – “Matthew effect”, also known as “making the rich richer” [Merton, 1968], which involves selecting enterprises that have previously benefited successfully from public assistance [Crespi, Antonelli, 2012] and do not support newcomers.

## Acknowledgements

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## Appendix

**Figure 1. External barriers of internationalisation of Polish SME from Mazowieckie Voivodeship**



Source: Own elaboration.

**Figure 2. Internal barriers of internationalisation of Polish SME from Mazowieckie Voivodeship**



Source: Own elaboration.

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# Global Ecosystem-Based Strategy of International Firm Under Conditions of Increasing Technological Dynamism

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**Keywords:** ecosystem-based strategy, ecosystem-specific advantages, global innovation ecosystems, international firm, technological dynamism

## Introduction

The technological dynamism that is characterized by the 'uncertainty about the direction of technological change' and 'speed of technological change' is strongly affecting the risks and returns of the firm's innovation in general and its internationalization in particular [Schubert et al., 2018]. As the environmental/technological dynamism increases, the creative destruction accelerates [Anthony et al., 2018], latent paradoxical tensions become salient [Smith, Lewis, 2011], many incumbent MNEs lose resilience [Danko, 2021; Danko, Shyriaieva, 2021], and competitive advantages easily become obsolete. The important implications for the international business theory are the heightening risk of the firm-specific advantages quick erosion, as well as the emergence of gaps in our understanding of the internationalization process [Fainshmidt et al., 2017; Grøgaard et al., 2019; Schubert et al., 2018].

In response to these issues, firms worldwide tend to seek complementary resources and competitive advantages from co-creating or joining innovation ecosystems [Teece, 2014; Kumaraswamy et al., 2018]. Innovation ecosystems are essential for international firms' success under the increasing technological dynamism as among the other benefits, they provide dynamic capabilities nurturing to firms, and become new powerful vehicles of internationalization.

Thus, the increasing technological dynamism advances the questions of how international firms manage their engagement into the global innovation ecosystems, what are the typical decisions they address in this process and how they integrate these

decisions into their strategic management practices. In particular, the purpose of this paper is to outline and initially verify the framework of the ecosystem-based strategy of the international firm under the conditions of the high technological dynamism.

## Research significance and purpose

Since its inception in the management literature in the 1990s, the ecosystem concept has gained considerable attention. Primarily, the strategic management research focused on business ecosystems as sources of competitive advantage for individual firms [Clarysse et al., 2014]. Overall, in the era of continuous disruptions, innovation ecosystems are critical for firms to continuously create and capture value [Kumaraswamy et al., 2018]. Ecosystem-specific advantages have important implications for international business theories [Li et al., 2019; Nambisan et al., 2019]. As more companies recognize the need to access globally dispersed knowledge networks [Zahra, Nambisan, 2011], it becomes obvious that international firms must develop strategies to participate in global innovation ecosystems. The emergence of business ecosystem concept offers a new logic for strategy and provides useful perspectives on the ecosystem-based strategy of the firm. A number of cases illustrate ecosystem strategies of large companies [Clarysse et al., 2014; Jiang et al., 2019]. In particular, firm's innovation strategy must match its innovation ecosystem [Adner, 2006]. Strategy making in an innovation ecosystem is iterative, it has to uncover the associated risks through the ecosystem proper mapping [Adner, 2006]. Firm's strategic thinking in the ecosystem must keep its value proposition and business model at the core [Clarysse et al., 2014; Paulus-Rohmer et al., 2016]. Crafting an ecosystem-based strategy hinges on a clear understanding on which activities in the ecosystem the firm's value proposition depends [Adner, 2017]. Important considerations of ecosystem-based strategy design are 'substantive uncertainty' and 'effective distance of knowledge' associated with innovation value proposition creation [Lingens et al., 2021]. Yet, the task of actionable theory elaboration for ecosystem-based strategy in international business is far from full completion.

## Methodology

Correspondingly, in order to outline the framework of the ecosystem-based strategy of the international firm under high technological dynamism we apply the explanatory methodology by addressing the following research questions:

- RQ1: What are the key considerations and factors that influence multinational corporations (MNCs) to initiate and adopt an ecosystem-based strategy in the context of high technological dynamism?
- RQ2: How do MNCs implement and operationalize the ecosystem-based strategy within their organizations, considering the specific steps, activities, and elements that contribute to its successful implementation?
- RQ3: What are the outcomes and performance implications for MNCs that adopt an ecosystem-based strategy in the face of high technological dynamism?

To answer them, we conduct a retrospective case study that allows observing and analysing the evolution of strategies over time and assessing their long-term outcomes. Correspondingly, the selected for analysis market of manufacturing execution systems (MES) is global, and its three decades of evolution are characterized by high technological dynamism. Gartner defines manufacturing execution systems “as a specialist class of production-oriented software that manages, monitors and synchronizes the execution of real-time physical processes involved in transforming raw materials into intermediate and/or finished goods”. The competitive situation at this market is captured and monitored by Gartner Magic Quadrant tool for several years. According to it, among the key actors of the MES market are several well-established multinational conglomerates that belong to electrical and electronic engineering industry, including ABB, Emerson Electric, General Electric, Honeywell International Inc., Rockwell Automation, Schneider Electric that owns UK software firm Aveva, and Siemens. Four of them have their headquarters in the USA, and three are from European home countries, namely, Switzerland, France, and Germany.

## Discussion

Originally, the MES concept might be traced back to the early manufacturing data collection systems followed by the computer integrated manufacturing approach of the 1980s. MES horizontally integrates originally separate shop floor data collection systems and connects them to higher-level corporate resource-planning system. In 1992, initially in order to promote manufacturing execution systems, the major American developers and vendors of MES software and related products and services have established Manufacturing Enterprise Solutions Association (MESA International) that proposed a standardized definition of MES. Today MESA International can be seen as a worldwide innovation ecosystem of manufacturers, IT hardware and software suppliers, system integrators, consultants, analysts, and researchers. Prior to that, the MES term already circulated the electrical engineering academic ecosystem,



particularly the Institute of Electrical and Electronics Engineers (IEEE) conferences, for several years. Notably, both IEEE and MESA have strong USA roots with a deep Western Europe presence that corresponds to the geography of the studied set of MNCs that dominate the MES global market nowadays. This finding aligns with RQ3 regarding the outcomes and performance implications of adopting an ecosystem-based strategy, as it suggests the continuity of ecosystem-based advantage in the observed case. Furthermore, the analysis of the initial stage of MES technology evolution relieves that the observed MNCs had the MES concept on their radar of the future markets as part of their innovation strategies but recognized a lack of internal knowledge and high uncertainties associated with corresponding value proposition development at the early 1990s. Consequently, they have eventually chosen to join efforts and collaborate in the respective knowledge and innovation ecosystems. This analysis is directly relevant to RQs 1 and 2. It highlights the factors that influenced observed MNCs to initiate and adopt an ecosystem-based strategy, as they recognized the need for collaboration and joining efforts within the respective knowledge and innovation ecosystems. Also, it suggests that the studied MNCs implemented and operationalized their ecosystem-based strategy by actively engaging in collaborative activities within the MES global innovation ecosystem. Since early 1990s, several non-profit professional organizations evolved into important ecosystem networks in the MES domain. Namely, they include IEEE RAS which have been the first to start MES-related systematic scientific debate in the 1980s, four professional networks (MESA, ISA, NAMUR, and VDI) that have elaborated own MES standards recognized by the industry, and two more institutional membership organizations (A3 and CSIA) where observed MNCs participate. These networks operate with an ecosystem mindset, fostering a collaborative environment for the advancement of MES technology. Overall, this analysis provides additional detail related to RQ2, as the observed MNCs' are visibly demonstrating existence of rather sophisticated and coherent ecosystem-based strategies with a clear focus on exploration-exploitation evolution of global innovation ecosystems in the MES domain during last 30 years. In the last decade, MES providers had to cope with the new challenges created by Industry 4.0 technologies that included decentralization, vertical integration, connectivity and mobile devices, cloud computing and advanced analysis [Almada-Lobo, 2015]. Despite these disruptions, all observed MNCs managed to sustain their competitive positions in MES global market that relates to the RQ3. By successfully navigating the disruptions brought by Industry 4.0 technologies, the MNCs demonstrate the effectiveness of their ecosystem-based strategies in sustaining their competitive positions.

The observed case study encourages us to distinguish and define three ecosystem-based strategy decision areas at the corporate level:

- 1) Ecosystem selection and entry considerations;
- 2) Agile ecosystem relationship management seeking shared value exploration and exploitation;
- 3) Ecosystem-based global value chain orchestration. All observed MNCs can be recommended for the future in-depth analysis of the corporate practices and mechanisms that relate to the corresponding ecosystem-based strategy decision areas.

## Conclusions

Participation in the relevant global innovation ecosystems becomes essential or even decisive for the international firms' continuous success and resilience under the current conditions of increasing technological dynamism. This prompts the search for the feasible framework of the ecosystem-based strategy of the international firm that becomes an important extension of its innovation strategy.

The study of the MNCs under the conditions of high technological dynamism confirms that they are inclined to match and enhance their innovation strategies with ecosystem-based strategies. In particular, MNCs are prone to initiate ecosystem-based strategies when the distance of knowledge and uncertainty associated with innovation value proposition creation are high. Furthermore, the studied MNCs tend to synchronize their ecosystem-based strategies to the exploration-exploitation evolution of corresponding global innovation ecosystems.

Finally, ecosystem-based strategy framework at the corporate level includes three decision areas: ecosystem selection and entry considerations; agile ecosystem relationship management; ecosystem-based global value chain orchestration. An important direction for the future studies must be the integration of these decision areas within the MNC's strategic management mechanisms with its organizational development and industry-based strategies, which, combined, must result in internalization and sustaining of its ecosystem-specific advantages.

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# International Entrepreneurs during the COVID-19 Crisis: The Case of Education Agents in Australia

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**Keywords:** education agents, entrepreneurship, international education, resiliency

## Introduction

International education agents play a significant role in student recruitment globally [Wit, Minaeva, Wang, 2022], as well as in non-anglophone countries [Nikula, Raimo, West, 2023], including Central and Eastern Europe [Urbanovič, Wilkins, Huisman, 2016; Lányi, Pozsgai, 2016].

International education agents are international entrepreneurs because they facilitate entrepreneurial value creation across borders by servicing international students and universities [Perényi, Losoncz, 2018]. The COVID-19 crisis has impacted the way entrepreneurs operate globally [Ratten, 2020].

Our study focuses on the Australian higher education sector, because it is highly reliant on international student related revenues, and education agents play an integral part in international recruitment of students [Forbes-Mewett, Sawyer, 2019]. This international entrepreneurial activity has been interrupted by the COVID-19 pandemic, which impacted education agents in Australia negatively. Students were not allowed to travel [Cowling et al., 2020], and government subsidies were not provided to universities [Watson, Buckingham, 2023]. Therefore, we explore how international education agents in Australia responded to the crisis.

Entrepreneurs adapt and respond to crises and challenges [Garrett, Zettel, 2021], through proactive, futuristic, and innovative behaviours [Ratten, 2020]. During a crisis, entrepreneurs not only improvise to make the most of the situation, but research on resilience has also demonstrated that entrepreneurial action is used to overcome adversity [Kuckertz et al., 2020]. However, future research is needed about how

entrepreneurs develop and deploy their capabilities and resources to achieve positive outcomes during crisis [Garrett, Zettel, 2021]. In order to shed light on how international entrepreneurs respond to disruptions, we examine the resilience of education agents as international entrepreneurs in response to the COVID-19 pandemic-related crisis.

The manuscript is structured as follows. The literature review provides a summary on basic concepts of international entrepreneurship, education agency and entrepreneurial resilience. The methodology and preliminary analysis of data is presented in the following. The manuscript finishes with the discussion of the preliminary findings and conclusions.

## **Research significance and purpose**

### **Education agents as international entrepreneurs**

Entrepreneurship refers to an economic function that is carried out by individuals, acting independently or within organizations, to perceive and create new opportunities and to introduce their ideas into the market [Schumpeter, 1965]. According to Thomas and Mueller [2000], international entrepreneurs create value across different countries and regions. Education agents are international entrepreneurs, because they service clients (students, education institutions) and industries (education sector, travel and tourism, hospitality, real estate) across borders and multiple nations.

### **International education trends and agency in Australia and globally**

Due to decreasing higher education funding, the recruitment of international students has become a very important revenue source in Australia and globally [Wit, Minaeva, Wang, 2022]. The key to recruitment and retention of international students was understanding their personal experiences. The rise in international student numbers in Australia was driven by their positive experiences [Abari, Fathi, 2011], thus significantly contributing to the Australian economy.

Internationalisation in higher education repositioned students as customers, institutions as service providers and education agents as entrepreneurs. Forbes-Mewett and Sawyer [2019] argue that international students open up new entrepreneurial opportunities for service provision, and education agents recognise these opportunities and exploit them.

## Entrepreneurial resilience and education agents

Individual resilience is associated with a positive attitudes and behaviours and entrepreneurial resilience is similar to individual resilience [Bullough, Renko, 2013]. Resilience, a major factor in entrepreneurial success, is considered as “a personality trait of the entrepreneur” [Bernard, Barbosa, 2016], or an outcome of entrepreneurial life experiences [Vries, Shields, 2006]. Hayward et al. [2010] argue that more confident entrepreneurs will be more resilient, highlighting the importance of personal characteristics and experience of entrepreneurs in building their resiliency.

According to Korber and McNaughton [2018], an entrepreneurially led response to disruptions revolves around constant innovation. Branicki et. al [2017] suggest the need for a greater study of the role of entrepreneurs to achieve resilience. There is need for more empirical research that examines how entrepreneurial resilience is generated [Branicki et. al 2017], how entrepreneurs adapt and deploy their capabilities to enhance their resilience thus responding to crises and challenges [Garrett, Zettel, 2021].

## Education agents as international entrepreneurs

In our research, we propose that:

- 1) International education agents utilise their creativity to identify and implement innovation in response to crises (entrepreneurial opportunity recognition, evaluation and exploitation), and
- 2) Rely on their experiences and networks to mitigate the impact of crises (entrepreneurial networking).

## Methodology

In order to explore how entrepreneurs respond to crises with resilience, we examined international education agents’ experiences during the COVID-19 crisis and their adaptation strategies. As the literature was uncertain as to which specific factors influence the resilience of these international entrepreneurs, we embarked on an exploratory study. We interviewed 17 international education agents servicing Australia, using a semi-structured interview, exploring:

- How and in what ways COVID-19 impacted their business?
- How they identified, evaluated and exploited new opportunities during the crisis?
- What strategies they are planning on pursuing post-crisis?

The respondents were recruited through public records of higher education institutions based in Australia, listing education agents they work with, and referrals that the respondents provided. Interviews were conducted in English, and lasted between 30 and 90 minutes. These interviews were transcribed and subjected to thematic analysis [Braun, Clarke, 2012]. Most respondents were focusing on the South Asian, South East Asian and Middle Eastern markets, suggesting some potential bias in the sample towards these regions. Theme saturation was achieved, however, further diversification of the sample would potentially yield different additional insights therefore the data collection is continuing [Braun, Clarke, 2012].

## Discussion

Reflexive thematic analysis of the transcripts was conducted [Braun, Clarke, 2012]. Table 1 provides a summary of the codes and themes extracted from the interview transcripts by the researchers. The themes can be grouped into three main areas:

- Motivations,
- Entrepreneurial responses and
- Crisis responses.

Motivations of education agents to innovate are derived from three sources: the government changing rules or providing incentives, the client need driven by education trends, and the immediate entrepreneurial networks (which includes competition as well). Entrepreneurial responses to these motivations include the traditional entrepreneurial responses (opportunity recognition, evaluation and exploitation), process customisation and business model innovation. Besides entrepreneurial responses focusing on opportunities, respondents also talked about crisis responses. Financial survival emerged as a key theme, in terms of strategies to handle the economic pressure. Resilience was identified as ways to cope with the new realities of the education sector under the disrupted circumstances. And finally, part of the business response to the crisis was to enact responsible policies towards the most vulnerable stakeholders: the international students.

Based on the responses, we conceptualise, that key external motivations drive education agents during the time of crisis, and their responses fall under two different categories: entrepreneurial and crisis responses. Entrepreneurial responses focus on opportunities, adaptation, customisation, centred on the customers, as well as higher level, complex innovation activities. Crisis responses encompassed short term arrangements for financial survival, strategic responses to strengthen resilience to unexpected impacts, and solidarity, in terms of giving back to the international students.

**Table 1.** Preliminary thematic analysis

Themes	Sub-themes	Codes
1) Motivations	Role of government	<ul style="list-style-type: none"> <li>▪ Bureaucratic decisions</li> <li>▪ Financial assistance to businesses</li> <li>▪ Business grants</li> <li>▪ Easy and low-interest loans</li> <li>▪ Steps based on medical expert advice</li> </ul>
	Need for flexible learning	<ul style="list-style-type: none"> <li>▪ International students</li> <li>▪ Education providers</li> <li>▪ Extended service provision of education agents</li> </ul>
	Collaborative network partnerships	<ul style="list-style-type: none"> <li>▪ Peers within the industry</li> <li>▪ Competitor's behaviour</li> <li>▪ Market response to the crisis</li> </ul>
2) Entrepreneurial responses	Opportunity recognition, evaluation and exploitation	<ul style="list-style-type: none"> <li>▪ Finding talent</li> <li>▪ Taking a calculated risk</li> <li>▪ An alternative source of income</li> <li>▪ Feasibility study</li> <li>▪ Adapt to the new normal</li> </ul>
	Customised processes	<ul style="list-style-type: none"> <li>▪ University response to student demand</li> <li>▪ Role of academics for course customisation</li> <li>▪ Role of student support services</li> <li>▪ Change in pattern of service provision of education agents</li> </ul>
	Business model innovation	<ul style="list-style-type: none"> <li>▪ Technological advancement</li> <li>▪ Digital platforms</li> <li>▪ Survival instinct</li> </ul>
3) Crisis responses	Financial survival	<ul style="list-style-type: none"> <li>▪ Structural adjustment of business operations</li> <li>▪ Managing human resources</li> <li>▪ Cost-cutting procedure</li> </ul>
	Resilience	<ul style="list-style-type: none"> <li>▪ Shift in operation and behaviour</li> <li>▪ Handling of the unknown</li> <li>▪ Diversification</li> <li>▪ Success and failure</li> </ul>
	Business initiated student help	<ul style="list-style-type: none"> <li>▪ Leader initiative</li> <li>▪ Assistance to the international students</li> </ul>

Source: Own elaboration.

What is also interesting, is that there was no substantive mention of international factors, including the particular attributes of the businesses or entrepreneurs, that make them international.

Our findings show that entrepreneurial resilience [Branicki et al., 2017] was generated by host country pressures, not by foreign market conditions. The responses to external challenges [Garrett, Zettel, 2021] were formulated in an entrepreneurial fashion, seeking new opportunities, and also as a response to crisis to enhance resilience.



## Conclusions

We set out to shed light on how international entrepreneurs respond to disruptions, by examining the responses of education agents as international entrepreneurs to the COVID-19 pandemic-related crisis. Their most important motivations included government decisions and support initiatives, demand from students and universities, and competitor and market responses.

Firstly, we proposed that (1) international education agents utilise their creativity to identify and implement innovation in response to crises. Their responses were classified into entrepreneurial and crisis responses. Entrepreneurial responses focused on new opportunities, enhanced services and higher complexity innovation. Entrepreneurial responses were driven by opportunity recognition, evaluation and exploitation, to access new talent, adapt to the new conditions, diversify for alternate sources of income. Respondents also engaged in process customisation, to meet the changed needs of their customers in a more flexible and adaptive manner. Business model innovation helped respondents to pivot in the direction of digital technologies.

Secondly, we proposed that (2) international education agents rely on their experiences and networks to mitigate the impact of crises (entrepreneurial networking). The motivations presented by the respondents include collaboration partners and networks. Motivations for responses included reliance on governments (rules, grants and benefits), clients' needs (universities and students) for flexible learning and business networks (other agents). Furthermore, crisis responses incorporated direct material and immaterial support to international students, which required utilisation of resources within the agents' networks.

Further analysis of the data needs to explore how the different driving forces (motivations) are connected with the entrepreneurial and crisis responses.

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# Challenge-Based Learning as Innovative Approach to Encourage Cooperation between University and Business

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**Keywords:** challenge-based learning, entrepreneurial education, university-business cooperation

## Introduction

The cooperation between business and university is a critical element in higher education. The integration of business companies into education programs creates opportunities for students to practice through internship placements by applying gained knowledge and developing robust skills. The reversible benefits for business companies include scientific knowledge-based ideas for managerial as well as technological innovations, support in solving problems and everyday challenges. Though the need for cooperation and potential mutual benefits are well known and widely reported [Vilalta-Perdomo et al., 2022; Vivar-Simon et al., 2022], the lack of closer integration of business and academia is also a common issue in most countries, including CEE region [Bischoff, 2017].

This creates reasons and rationale for the research, which looks for experience-based and innovative methods and approaches to strengthen, encourage and expand closer cooperation between business companies and universities. Currently, universities look not only for national, but also international cooperation opportunities, projects, and initiatives, including international placements [Rimmer et al., 2019].

Thus, this study explores how challenge-based learning (CBL) as an experience-based learning method encourages mutually beneficial cooperation between universities and business companies. The aim of the research is to conceptualize the analytical framework for CBL-based university-business cooperation encouragement.

The empirical study is built on a qualitative approach involving in-depth interviews. Our study adopts a three-stage empirical research design and is conducted in a Lithuanian higher education institution, a leading technological university in the Baltic States, which emphasizes an entrepreneurial attitude to education and develops interdisciplinary study programs. The University's programs' curriculum promotes and fosters innovation, experiential learning, and a lifelong learning mindset. The empirical evidence suggests that active engagement, motivation, and encouragement of learners and companies to participate in CBL activities is crucial for the mutually beneficial and long-lasting cooperation between universities and businesses.

## Research significance and purpose

Until recently, teaching methods in higher education mainly were focused on education about entrepreneurship by concentrating on imparting knowledge using teaching methods such as lectures and seminars [Neck, Corbett, 2018]. However, research has advocated that learning entrepreneurship means students must engage in entrepreneurial activities and processes to gain experiential knowledge [Read et al., 2011]. Experiential methodologies have proved to be particularly effective in the entrepreneurship domain [Rasmussen, Sørheim, 2006].

The innovative, experience-based, and active learning methods such as design thinking, creative workshops, field trips, problem decision sessions, etc. promote student involvement in learning; they are encouraged to use activity and creativity in the study process. The turn to creative and experience-based methods is led by Association to Advance Collegiate Schools of Business (AACSB) which provides quality assurance, business education intelligence, and learning and development services worldwide [AACSB, 2022].

CBL approach is an experiential learning methodology that allows students to learn by dealing with real challenges while being supported by professors and/or external stakeholders. The specificity of this methodology is that students can apply the knowledge and competencies gained during their university career in a real context to develop new skills, mindsets, and career aspirations thanks to these experiences [Membrillo-Hernández et al., 2019].

The CBL is already established and widely applied as a didactic (pedagogical) approach to education. CBL is organized around external real-world challenges, solved by students. It supports the development of skills, and capabilities, which are relevant and expected in business communities [Pérez-Sánchez et al., 2020]. The research reports a positive effect of CBL on entrepreneurial mindset [Cannata et al., 2022; Colombelli

et al., 2022; Martinez, Crusat, 2020]. Business, public, non-governmental organizations become “challenge givers” or “owners”, who have a stake in efficient and applicable solutions. The effective implementation of CBL in studies requires building and developing close integration and cooperation ties between universities and external interested bodies, e.g. business organizations in the case of entrepreneurship education.

The business now is motivated to engage in studies programs and curricula development due to rapid changes in skills and competencies that are expected from graduates. CBL often thus is seen and perceived as a way to integrate business with the university in various study fields, especially business, management, and entrepreneurship [Vilalta-Perdomo et al., 2022].

To achieve efficient cooperation between business and university through CBL, both sides must be aware of expected benefits, required investments, respective returns, and overall cooperation value. The motivation of students, their learning aspirations, and their engagement with CBL assignments are another set of crucial factors.

Thus, our aim of the research is to provide evidence of how CBL as an experience-based learning method encourages mutually beneficial cooperation between universities and business companies. By referring to the previous and our own research, and experience, we propose that CBL is a reasonable and suitable solution to develop students’ entrepreneurial competencies and enhance students’ abilities to integrate into the business environment more quickly. But the solution is not straightforward. It requires thorough research of the process to understand and manage it properly. Our conclusions are based on the arguments that are developed from answers to the following research questions: What are the preconditions for the successful implementation of CBL into entrepreneurially oriented courses? What are the perceived expected benefits from CBL of both parties – University (students, teachers, and faculty staff) and business companies? What are the motives of learners and business companies for engagements and participation in CBL, that possibly lead to close and mutually beneficial cooperation?

## Methodology

Following the research rationale and the purpose as they are defined above, we are doing the case study research to answer the following research questions:

- 1) What are the perceived expected benefits from CBL for all parties?
- 2) How engaged university and business representatives perceive expected costs, including the time needed for students’ mentoring, consultations, and any other if present?

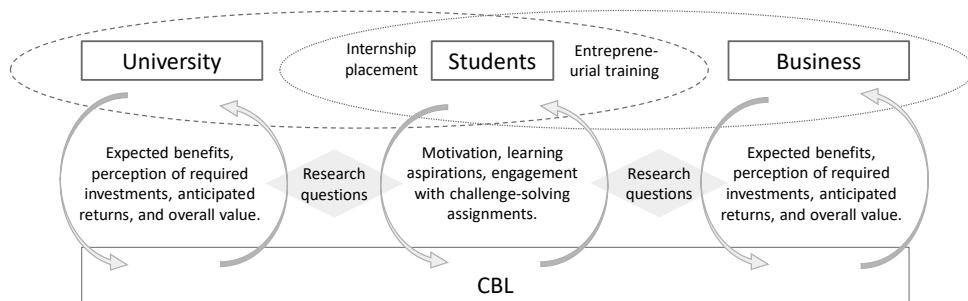
- 3) Does the costs/benefits ratio is associated with a positive value, that motivates engagement, participation, and cooperation?
- 4) What are students' motivations, learning aspirations, and overall attitude to CBL assignments? Do they feel being able to deliver valuable solutions, that may be implemented and deliver real value for business, community, and any other stakeholder group?

The answers to these research questions provide us with empirical data-based specifications of the process, which then will be conceptualized as the framework for CBL-based university-business cooperation encouragement.

The empirical study is built on a qualitative approach involving in-depth interviews. Our study adopts a three-stage empirical research design. The first stage of the study, already partly completed, is a series of interviews with students-learners. The second stage of the study consists of interviews with educators-teachers, and the third stage – is with companies' managers, who offered internship placements.

Figure 1 depicts the context of the research with some more details. It indicates that expected encouragement of cooperation through CBL projects or assignments is available only if the business and university will expect value that exceeds needed investments or cost; if students are keen to deliver applicable, and valuable solutions to the given challenges.

**Figure 1.** The field of research questions to be answered to encourage cooperation between business and university



Source: Own elaboration.

To answer the above-stated research questions, we have to do a case study research, exploring the ongoing CBL projects in business, management, and entrepreneurial education. We have selected the Business and Entrepreneurship undergraduate degree program at the Kaunas University of Technology developed on a sandwich degree tradition. The study program includes one-year placements in two different business

organizations for the whole semester. The transformation to this type of program was made two years ago. The first cohort of students has just finished the first placement rotation at the time of the current conference presentation.

The CBL assignment is a part of the placement subject. The groups of four to six students meet weekly in person or remotely for two-hour classes assigned to the CBL project. The whole project lasts for 10 weeks. More than 20 students are engaged in 5 CBL projects. The challenges were presented by 3 business companies and a governmental agency, that represents exporting manufacturing and service companies.

The primary data for the research is collected during the project (by observing students' work, engagement, and interest in the assignment) and will be collected after the finish (by doing in-depth interviews with students and focus group discussions with university and business representatives). The research relies on qualitative data and content analysis. The students' reports will serve as a third data source; students are asked to deliver their report in the pre-made template, indicating each individual contribution, summaries of group work and discussion, group decisions on how tasks for the coming phases are shared among groupmates. We expect that the track of the group work will deliver extra data to answer the fourth research question. By coding collected data we expect to cover the whole research area indicated in Figure 1.

## Discussion

We shall discuss only initial and preliminary findings since the research is still ongoing and final results and conclusions will be published after the finish of the first placement rotation and CBL projects.

It is expected that more conclusions and insights will appear over the process and after the thorough analysis of the full dataset, however, it is concluded that at the initial stages of CBL implementation, the significant barrier may become low students' motivation, doubtfulness in engagement with assignments, and overall interest in the activity. Finally, the research will deliver a complete set of criteria to analyze any other CBL process aiming to improve its capabilities in encouraging cooperation between business and university.

The CBL is an unusual way of learning which is accepted with some difficulties and natural reflection reactions. To achieve long-lasting cooperation, which is beneficial for the university and business, the students' attitudes, expectations, and overall feelings within the CBL assignments should be taken into consideration with very serious attention.

**Table 1.** The preliminary research results, based on the partial data

	University	Students	Business
Perceived expected benefits from CBL	Increased motivation, developed skills of cooperation, group work, as well as competencies like opportunity spotting and assessment, search for resources, and others. Achievement of goals of placement courses.	Not final and fully working decisions, but rather ideas, some of which might be further developed by employing companies' internal resources.	
Perceived expected costs (time, financial and other)	The engagement costs are covered by the teacher's regular workload in placements subjects study modules.	Participation in several discussion sessions is agreed upon on a volunteering basis. Companies do not devote designated time to work with students.	
Expected value	The costs to acquire expected benefits are considerably lower than they might be compared to other available ways or didactic methods.	As the costs so far are near to nothing, the value is perceived as relevant, irrespective of the quality of the delivered solution.	
The level of motivations, learning aspirations and overall attitude to the solution that will be delivered.	The exact outcome of the assignment is not clear and difficult to anticipate. This reduces motivation and greatly disturbs the traditional way of learning, which is difficult to cope with. The aspirations to learn also may be lower due to the uncertainty in the actual value of the delivered solution.		

Source: Own elaboration.

The study provides theoretical grounding regarding the CBL method as an innovative one. It is rich in practical evidence of its implementation in CEE country's higher education institution's context. Furthermore, the study adds novelty to the existing research by creating a proposed research framework for encouraging cooperation between business and university and shows the evident drivers of cooperation between university and business.

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# Internationalising Sustainability and Sustainable Business Model: District Heating Perspective

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**Keywords:** DH industry, high temperature heat pumps, internationalisation, sustainability, sustainable business model

## Introduction

To aid the internationalisation process, managers and entrepreneurs develop a strategy of their operations abroad and try to identify changes implied for the existing modus operandi [Cavusgil, Knight, 2015]. At the same time, being alarmed by global challenges like climate change, governmental bodies encourage businesses to operate sustainably considering a wider landscape, not focused solely on monetary profit generation. As means of meeting the goals remain in the hands of national governments [UN, 2022], a heterogeneous group of stakeholders participate in creation of the regulatory incentives on international, supranational and national levels and formulate an intricate system defining rules of the game and, thus, participate in construction of institutional logic [Tannen, Hamilton, Schiffrin, 2015; Benito, Petersen, Welch, 2019]. Resulting in sustainability being approached and interpreted in a variety of ways.

Driven by the SDG agenda, companies are encouraged to develop and implement sustainable business models (SBMs) to contribute to the shared goal of climate change mitigation. This, in turn, requires them to develop their strategy that is not based solely on a conventional understanding of business operations but includes a larger scope of demands and expectations. The district heating (DH) industry, being part of the larger energy one, continuously seeks innovative solutions to meet the set targets. The hopes are directed at high temperature heat pumps (HTHP) and their potential in decarbonising the heat generation [IEA, 2022]. With lack of unambiguous guidelines, conceptual meaning of sustainability is problematic to catch which in result might

hinder construction of sustainable value. The process becomes more complex in case of internationalising resulting in proliferation of confusion around sustainability.

### **Sustainability and sustainable business model**

Notwithstanding extensive research on sustainability and sustainable business model, there is close to no consensus existing on what both concepts encompass. In academia, sustainability is broadly regarded through three dimensions: people, planet, and profit, delineating interconnectedness of those dimensions [Elkington, 2018] with multiple interpretations stemming from it. Derived from the former, SBMs prioritises the alignment of a company's goals, represented by financial performance and economic gains, on one side with social and natural environment ones on the other [Schaltegger et al., 2016]. Thus, it can be understood as a company's manifestation of what is expected by the stakeholders, how it can be achieved, what it results in with regards to profit generations, society and natural environment, and, thus, how it can be potentially improved – how to create sustainable value [Lüdeke-Freund et al., 2018].

### **Institutional logic**

Institutional theory was developed to provide a tool for an analysis of existing normative, cognitive and regulative structures in a society [Peng, 2002]. The interaction between an organisation and institutions is multidirectional with different factors influencing each other and impacting the structures both on the institutions and firm levels [Jackson, Deeg, 2008]. Development of a sustainable business model involves analysis of multiple stakeholder views taking into consideration multi-layered regulatory aspects [Geissdoerfer et al., 2018], thus, SBM can be regarded as a company's conceptualisation of institutional logic it exists and operates in. Taking internationalisation perspective, delineation of sustainability within various institutional landscapes will create a need for a company to align those expectations and transform sustainable value creation, if the concept is regarded differently. However, whether there is similar or different understanding of sustainability existing within several national contexts, if it encompasses academic approach and if there is consensus between industry stakeholders on the topic, especially if applied to high temperature heat pumps, stays outside of the scope of business research narrative.

## Research significance and purpose

The objective of the paper is to identify how the stakeholders existing in Finnish, Danish and the UK markets shape and interpret the sustainability of the district heating industry, and how this affects the BM value dimensions of a sustainable business model. Furthermore, the paper provides a comprehensive analysis of the district heating environment in various contexts, relating to industry practices and influencing factors on a company's sustainable value creation. The implied existence outside of the domestic market, necessitates the quest for finding answers to the following question: **How do the industry stakeholders interpret sustainability in these various market environments?**

The research is focused on the analysis of one specific industry – district heating – and limited to three markets – Finland, UK and Denmark. Additionally, the data is gathered for a LUT university project – HT-COMP – meaning that the interview script was partially tailored to fit its needs. Thus, the findings will be limited to one industry and might be only relevant to companies operating in a similar context with careful preliminary assessment.

## Methodology

To provide analysis for the research question identified, the paper will apply a qualitative approach to interpret and increase understanding of the complex plurality of context [Birkinshaw et al., 2011], more specifically to investigate stakeholders' assertion of sustainability, SM and heat pump technology within DH, discourse analysis will be implemented. The discourse analysis is chosen over other methodologies as it focuses on exploration of the overall context around the phenomenon at hand, rather than exploring individual narratives. Thus, the generalisation, though in limited scope, is sought for in this paper. A semi-structured in-depth interview approach will be adopted to grasp stakeholder's perceptions of social reality in the contexts identified and the ways they shape and interpret future trends in the district heating industry [Gummesson, 2006; Granot et al., 2012]. Thus, rather than taking a normative stance, the study employs a descriptive and exploratory approach. The analysed materials include 18 stakeholder interview transcripts: nine from Finland, eight from the UK and one from Denmark (Table 1) The sampling for the interviews was conducted in a purposive way, however, aspects of stakeholders' approachability were taken into account. To guide the dialog, two central themes of the interview were selected: the

first part of the interview is allocated to sustainability and SBM with gradual transition to trends and practices in the DH industry, with focus on HTHPs.

## Discussion

### Finland

Overall, there is a clear trend for sustainability to be associated mainly with environmental aspects: renewable energy, reduction of CO<sub>2</sub> emission and negative footprint, decarbonisation. At the same time, there is a recognition that the concept includes an array of things: “it means very many things” and “sustainability encompasses everything” either support that understanding of sustainability is getting close to a holistic perspective or show lack of coherence around the concept. Stakeholders with previous experience in the sustainability field were the only ones aware of a mainstream definition of triple bottom line, but they pointed out you usually think first about “low greenhouse gas emissions” and resource efficiency, and only then take an economic and social stance. However, social dimension is predominantly overlooked or not treated as meaningful with regards to DH context. The underlying reasoning might originate in structural composition of the industry, where the end-consumer has relatively low bargaining power.

In DH context, SBM was associated with a “base” definition of sustainability as something that can be sustained. Based on that, it was extrapolated that SBM is something future oriented: a company doing things to exist tomorrow, not deplete resources, both as a decision maker and individually some expressed a tendency to think about what is left for “the future generations to come”. Responsible supply chain management was also considered to be part of SBM. All in all, the CO<sub>2</sub> and emissions on the footprint side are things that dominate the discussion and at the same time have a positive impact or doing something good – your handprint. HTHP technology was regarded to be sustainable due to its potentially positive environmental effect: carbon deduction and electrification. Financial aspects and ability to overcome technological constraints with electricity overload were considered to be one of the fundamental success factors of HTHP adoption. Social factors were predominantly disregarded.

### The UK

In general, sustainability in the UK is strongly associated with decarbonisation and resource efficiency. Other concepts associated with sustainability are “circular

economy”, “waste heat”, “decarbonisation” “emissions reduction”, “electrification”, “net zero” and contrasting to “fossil fuels”. Minority of stakeholders had an academically driven view on the topic. Social and economic aspects were mostly disregarded or not directly associated with sustainability, with only two stakeholders mentioning social impact DH: low installation costs for end-consumers, and if high efficiency achieved, lower price for a unit of heat. Mostly, stakeholders provided examples of sustainable impact through positive environmental actions.

SBM is something that can be sustained or cannot be depleted or does not deplete anything else – considering the existence of your company in time and not overconsuming resources so that there is a future. From this, sustainability was connected to the circular economy and working with other industries to find integrative solutions. Hence, social aspects are connected to sustainability, their positive presence is to a high degree dependent on industry development performance. Overall in the UK sustainability was treated as something predominantly positive, however some emphasised distorted popular view on climate change which in result affects popular environmentally centric perception of sustainability: social and economic aspects are usually not taken into consideration.

HTHP is expected to solve the issue of insufficient and low-quality housing insulation in addition to decarbonisation potential. However, it was indirectly assumed that despite positive environmental value associated with HTHP individual heating solutions such as gas boilers as well as small heat pumps are still regarded as more economical and linked to the feeling of energy security by regular consumers. At the same time, there is a lack of skilled labour which hinders growth of technology adoption, coupled with operational and maintenance costs being too high. Thus, a vague link of economic and social aspects with sustainability in stakeholder cognition was detected when examining HTHP technology.

## Denmark

Based on the point of view of one stakeholder from the Danish DH industry, sustainability is closely linked to positive environmental actions. From their experience, people tend to regard it from CO<sub>2</sub> reduction perspective whereas they regard it from “energy efficiency” and “carbon footprint” perspective.

SBM falls in line with sustainability definition, however, it is “open to interpretation” and, thus, there is no definite SBM: it is about “degrees of sustainability”. Talking about DH industry, sustainability was mentioned with regards to environmental issues mostly, but the holistic aspect of the phenomenon was underlined later in the discussion. More specifically, the social aspects were connected to the DH system’s “resilience” and “reliability”. At the same time, another crucial factor for a HTHP solution to be called

sustainable is to contain non-toxic refrigerant like CO<sub>2</sub>. If it leaks it will be “carbonated water”, confirming an environmentally-centric view.

## Conclusions

It was discovered that overall discourse around sustainability is predominantly environmental and ecologically focused (Figure 1). Our findings show that even though respondents are aware of the existence of sustainability, and all effortlessly used it to underline the prospect of the DH industry and heat pumps, the concept itself is not tangible: when asked to define sustainability some needed time to provide an explanation of what they mean by that. In all three markets, only those who have a background in sustainability and environmental science have a solidified view of the concept. Part of the interviewees could not conceptualise a definition, but rather provided examples of a technology that might be treated as sustainable, a venture that has a sustainable business model or included juxtaposition into their interpretation – something sustainable is something that is not “fossil fuels”. Others were knowledgeable about the classical definition of sustainability but likely due to the industry discourse being concentrated around climate change, decarbonisation and electrification. This shows then when dealing with sustainability the institutional logic revolves around environmental concerns which in some instances might be used synonymously to sustainability itself. Social aspects of sustainability are usually overlooked and are the hardest one to solidify. At the same time, social dimension can be treated as secondary to both environmental and economic one, rather a spillover byproduct of environmental value creation. Thus, a new theoretical conceptualisation of sustainability with hierarchical arrangement of its dimension is suggested in Figure 2.

However, there were still some differences that can be attributed to the scope of the DH sector and differences in national political and economic situations. Although economic and social security were discussed more often by the UK stakeholders, they were mostly mentioned as something contrary to sustainability and hindering adoption of “environmentally conscious” solutions: DH networks proliferation and adoption of HTHP. At the same time, it could be argued that to create ecological value, a sustainable solution should have strong economic foundations. In Finland, social value is regarded as an outcome of positive environmental impact. At the same time, end-consumers were not considered to affect institutional logic and, thus, can be overlooked when developing sustainable value. In the Finnish DH industry, to be sustainable a solution needs to be put into perspective with other technology and analysed from an angle of potential integration into existing DH networks. If it is profitable and has a low (er)

footprint, it can be viewed as sustainable, automatically having a positive impact on “the society”. In Denmark, interpretation of sustainability is quite similar to Finnish one. However, the majority of solutions with positive environmental impact are considered to be financially viable, and thus, almost no hierarchy was noticed to exist between dimensions of sustainability. Both Finland and Denmark DH were either praised for its “equalising” property or “resilience”. Nevertheless, environmental aspects are considered to be of a primary nature if people talk about sustainability. Thus, it was discovered that there are country-specific differences of sustainability interpretation with overall ecological focus. However, whether it is important to generate positive environmental impact is different for Finland, Denmark and the UK. Overall, sustainability can be considered an important phenomenon that is associated with decarbonisation but at the same time includes something more fundamental with ambiguous defined connection to economic value and unclear link to social one. The findings suggest the existence of differences in institutional logic with regards to sustainability that is manifested in interpretation different from dominating academics view. The dimensions though interconnected are expressed in a hierarchical way where environmental factors are primary and social ones are treated as resulting outcomes. Thus, potential internationalisation and operations in the three markets considered would require consideration of sustainability and change in business model. However, more analysis is needed to support the existence of differences and delineate the gaps of sustainability interpretation with both new markets, industries and stakeholders being considered.

## Appendix

**Table 1.** Overview of Stakeholder Case Sample

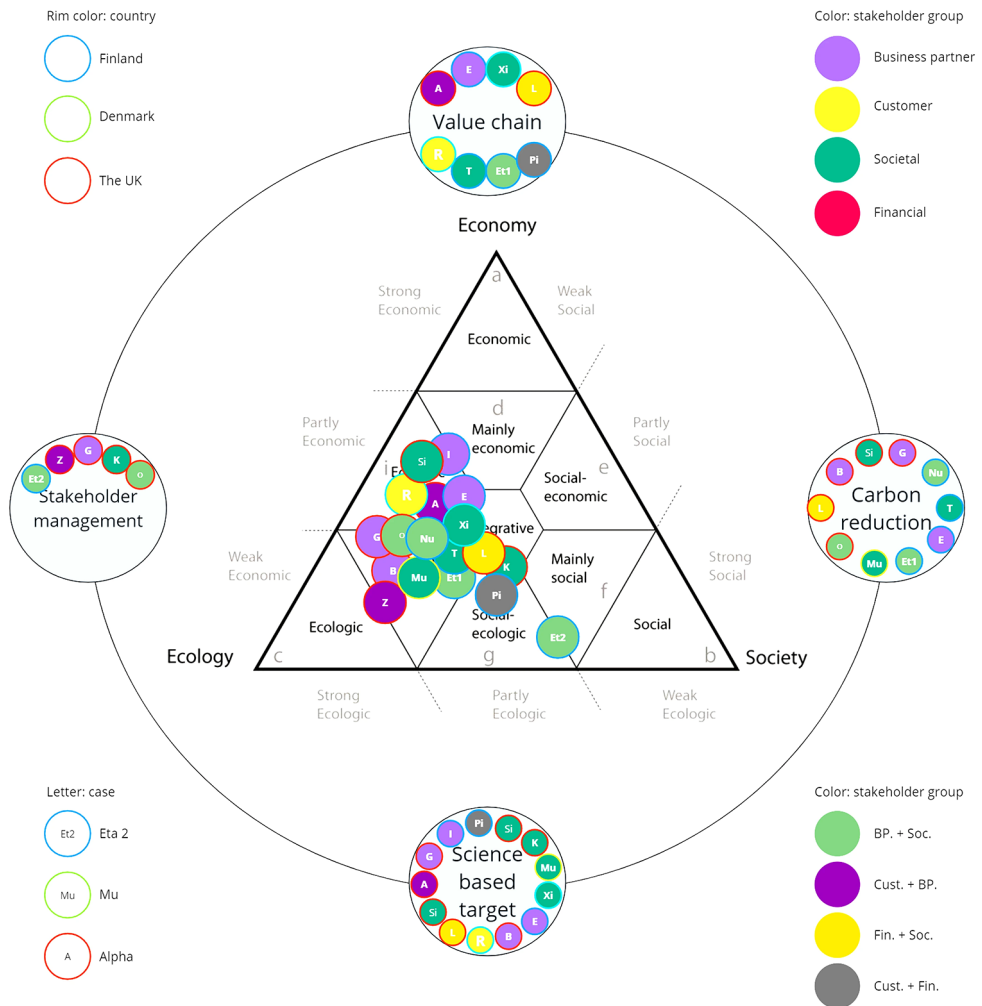
Stakeholder	Date	Length (min)	Country	Group
Alpha	22.09.2022	27	The UK	Business partner, customer
Beta	27.09.2022	27	The UK	Business partner
Gamma	29.09.2022	18	The UK	Business partner
Epsilon	06.10.2022	31	Finland	Business partner
Zeta	12.10.2022	23	The UK	Customer, business partner
Eta 1	14.10.2022	34	Finland	Societal, business partner
Eta 2	14.10.2022	27	Finland	Societal, business partner
Theta	19.10.2022	33	Finland	Societal
Iota	04.11.2012	40	Finland	Business partner
Kappa	09.11.2022	28	The UK	Societal
Lambda	09.11.2022	33	The UK	Financial, societal



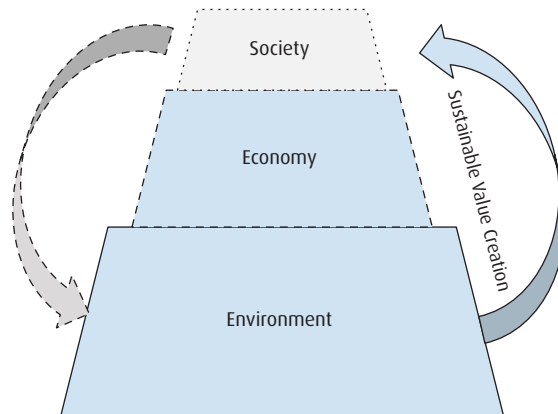
Stakeholder	Date	Length (min)	Country	Group
Mu	11.11.2022	35	Denmark	Societal
Nu	17.11.2022	28	Finland	Societal, business partner
Xi	21.11.2022	35	Finland	Societal
Omicron	21.11.2022	25	The UK	Societal, business partner
Pi	29.12.2022	25	Finland	Customer, financial
Rho	02.12.2022	25	Finland	Customer
Sigma	11.01.2023	32	The UK	Societal

Source: Own elaboration.

**Figure 1. SBM and sustainability discourse through stakeholder lens**



Source: Own elaboration based on Lüdeke-Freund et al. [2018].

**Figure 2.** The pyramid of SBM in DH industry

Source: Own elaboration.

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# Export Market Experience, Relational Capital, and Export Performance: Moderating Role of Psychic Distance

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**Keywords:** export performance, international experience, psychic distance, relational capital

## Introduction

Research on a company's export performance determinants seeks for combinations of factors affecting these activities, positively and negatively and analyses sets of moderating factors that impede or enhance the impact of export success determinants.

Evolutionary views and classic Uppsala model of internationalization underline a chance for positive effect of company's export market experience on export performance, due to effective organizational routines resulting from experiential learning of foreign markets. Organisational capabilities views, business network view and revisited Uppsala model pay attention to the possibility of enhancing export performance by using company's relational capital on foreign markets. These relationships may be thus affected by distance of export markets, which may be a source of liabilities of foreignness and newness [Forsgren, 2017].

Although there are studies on relationships between export experience (EE), knowledge or relational capital (RC) and export performance (EP), still there is a need for research based on models combining these factors as jointly affecting export performance, in conditions of different levels of psychic distance (PD) towards foreign markets.

## Research significance and purpose

Since there is a wide discussion about determinants of firms' performance in foreign markets which play mostly complementary role in neutralising negative effects of liabilities of foreignness and newness to the market [Forsgren, 2017], we find it crucial to check for the influence of distance to markets as an important moderating factor. The purpose of the research is to assess the direction and strength of psychic distance influence as a moderator in relations between companies' exporting experience and relational capital and their export performance.

In the context of internationalization processes, the traditional Uppsala model and the evolutionary view assume that, due to its potential for knowledge incubation, the experience resulting from the presence in foreign markets may contribute to improving the performance of activities undertaken in these markets, by reducing the negative effects of liability of foreignness [Forsgren, 2017]. At the same time, evolutionists point to a negative phenomenon associated with the "shadow of the past" of experience and the ineffective learning process. Thus, enterprises that are stuck in the trap of past experiences do not develop on the market [Sampson, 2005].

According to the network and relational views it is the relational capital abroad that is considered one of the key resources determining international strategic advantage [Johanson, Vahlne, 2009]. Relationships with partners on foreign markets are treated as domains of potentially separate knowledge to be accessed, knowledge that is culturally conditioned, which is an additional source of rent. Relational mechanisms create favourable conditions for cooperation and learning [Urzelai, Puig, 2019], as well as for development of relational competences of parties [Vahlne, Bhatti, 2019].

Both the decision on entering foreign markets itself, and the processes of a firm's learning are affected by psychic distance. From an objective perspective, PD can be regarded as set of factors disturbing the flow of information between parties located in different countries, thus hindering their processes of learning about the foreign market [Håkanson, Ambos, 2010]. From a behavioural perspective, PD is a subjective state of mind of a decision-maker concerning individually perceived differences between countries [Ghemawat, 2001], affecting the feeling of uncertainty, the quality of decisions, and the accuracy of actions in foreign markets.

Companies tend to develop different patterns of dealing with PD, and a paradox is visible. Those relying on own experience may either simplify assumptions concerning distance and take risks even if not ready [Evans, Mavondo, 2002] or gather knowledge and get over-prepared to distant markets due to cautiousness [Sousa, Lengler, 2009]. The other group prefers to use the support from knowledgeable local partners, which requires relational capital [Kale, Singh, 2007; Gulati et al., 2009; Vahlne, Bhatti, 2019].

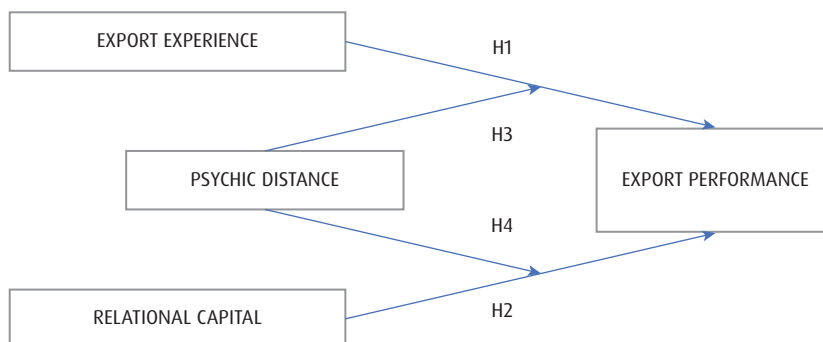
The literature proposes different sets of complimentary rather than mutually excluding factors minimising liabilities of foreignness, so it is necessary to research the contexts explaining firms' internationalisation performance. We propose a model combining relations between foreign experience and relational capital with export outcomes, including the role of psychic distance.

Based on literature review we posit that:

- H1: Firm's prior experience in the export market positively affects export performance.
- H2: Firm's relational capital in the export market positively affects export performance.
- H3: The positive relationship between export experience and export performance is weaker when the psychic distance to export market is higher.
- H4: The positive relationship between relational capital and export performance is stronger when the psychic distance to export market is higher.

The conceptual framework is shown in Figure 1.

**Figure 1.** Conceptual framework



Source: Own elaboration.

## Methodology

Primary data for the empirical study were gathered from interviews (CATI) with well-informed respondents of 500 firms, conducted in 2020. It turned out that 275 firms served their major export markets in cooperation with local partners, therefore subsequent analyses focused on this sub-sample.

Host-country experience was measured with the number of years since the entry into the major foreign market.

Relational capital was proxied by relationship quality measure adapted from Lages et al. [2005]. Managers were asked to assess several aspects of partnership on a 7-point Likert scale.

Export performance was measured through a number of financial and non-financial indicators [see, e.g., Brouthers et al., 2008]. Respondents were asked to evaluate the overall export performance on a 7-point Likert scale.

Psychic distance measure came from the assessment of the level of several types of differences between Poland and the indicated foreign market, using 7-point Likert scale, following the method of Puthussery et al. [2014].

To address the hypotheses, we ran OLS regression analyses with IBM SPSS 23. To capture the moderating effects, the full models with independent variables were computed for sub-groups with PD values below and above the median for the sample, and the coefficients of each hypothesised variable were compared [see, e.g., Dikova, 2009].

## Discussion

The results confirm the general assumptions that firms' export experience and relational capital positively affect export performance, whereby relational capital has a stronger positive effect. The analysis of the moderating effects confirmed PD to be a significant moderator of that relationship.

The positive influence of export experience on export performance is weaker for more distant markets. Relational capital also shows positive influence on export effectiveness, and this relation is stronger for markets of higher psychic distance.

The findings show that companies care about the quality of relationships with foreign partners as it brings access to resources available through partners' local embeddedness and helps in diminishing the liabilities of foreignness and outsidership [Strange, Humphrey, 2019].

## Conclusions

Companies prefer to actively shape export effectiveness in distant markets – stronger effect of RC than EE on EP in distant markets indicates that companies see there the possibility of achieving greater benefits by using the potential of a partnership, than by acquiring knowledge on their own. Participation in trust-based relationships may lead to lowering the subjective psychic distance of decision-makers operating on objectively distant markets, thus it may mitigate the uncertainty and entry risks [Wang

et al., 2019; Vahlne, Johanson, 2021]. RC may be a stronger predictor of effectiveness in distant markets due to its role as a facilitator in filling in the gaps in company's resources necessary to overcome liabilities of foreignness. Quality of relationships is more critical for EP than a longer presence in distant export market as it builds the grounds for minimising transaction costs and for more effective usage of joint resources and knowledge [Miocevic, 2016; Strange, Humphrey, 2018; Urzelai, Puig, 2019]. Relational capital stabilizes relationships in export markets, mitigating the negative effects of dissimilarity and asymmetry of information [Navarro-García et al., 2016].

There is also a need for an explanation of how companies build on their experience. Managing uncertainty and entry risk through pre-entry preparation and building relationships means that companies do not need experience related to the time of functioning abroad as it may not be a guarantee of learning.

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# When Do We Pay More Attention to the Cooperation in Female Entrepreneurial Internationalization?

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**Keywords:** attitude and resources, female entrepreneurship, international entrepreneurship, internationalization, microenvironment

## Introduction

Female entrepreneurship has contributed to the world economy's internationalization for many years. Women as business owners or managers are increasingly important, given their impact on the economic and social fabric of the international business community [Ratten, Tajeddini, 2018]. Despite this, there is still an apparent gap in the literature on the entrepreneurial internationalization of women-owned firms. The development of women's entrepreneurship in recent years has been critical in many nations' economic and social development. However, it is difficult to identify a coherent framework and research areas that would treat this entrepreneurship from an international perspective. Although the concept of internationalization is derived from the original assumptions of international entrepreneurship, in the context of women, it can be seen that the pace of development of research on entrepreneurial internationalization has not kept up with the involvement of women entrepreneurs in the internationalization process [Kraus et al., 2016]. Given the shortage of research on women's entrepreneurship and internationalization, it is essential to identify the mechanisms and trends and better understand the specificity of female entrepreneurship in the international market as a kind of sensitive entrepreneurship. The cultural context in many countries still shapes a specific perception of women entrepreneurs. Starting to focus more on female entrepreneurship as a driver of international growth, there is still a lack of understanding of how women in relation to general research or male entrepreneurship, internationalize their business activities.

## Research significance and purpose

In this paper, we refer to female international entrepreneurship from Visegrad countries (Poland, Czechia, Slovakia, and Hungary). We confront firm's resources and competences with the cooperation in the internationalization of women-run firms. The article's novelty stems from its selection of Visegrad counties (Czech Republic, Hungary, Poland, Slovakia) as post-emerging economies, and such countries as late entrants to international business are still understudied in the literature. The study conducted in four Visegrad countries also offers a broader perspective of different nations. Additionally, we applied the resource-based view to women's international entrepreneurship during times of economic turmoil. While RBV has been exhaustively studied in the entrepreneurship literature, this paper extends its application to the context of women entrepreneurs operating internationally and in difficult economic conditions. The paper attempts to provide a deeper understanding of the specificities of female entrepreneurship in the international market, recognizing that cultural contexts often shape unique perceptions and challenges faced by women entrepreneurs. By focusing on the international activities of women entrepreneurs, the paper fills a void in research and contributes to a more comprehensive understanding of their role in driving female international entrepreneurship.

The objective of this paper is to identify the role of resources and competences in facilitating international cooperation of women entrepreneurs during the economic turmoil in the international markets. The study seeks to investigate how women entrepreneurs leverage their resources and competences, adapt to obstacles, and cultivate international cooperation in the face of economic disruptions (e.g. post-pandemic crisis). In the article we utilized primary data on international women entrepreneurship obtained through a Computer-Assisted Web Interviewing (CAWI) survey conducted using an online panel during October – November 2022. In times of economic uncertainty, the article aims to cast light on the resource-based factors that contribute to women entrepreneurs' international entrepreneurial success. The two research questions that this article aims to address are as follows:

- RQ1: What role do resources and competences play in understanding the international cooperation of women entrepreneurs during economic disruptions in the international markets?
- RQ2: How do women entrepreneurs leverage their resources and competences to overcome challenges and establish international cooperation in turbulent economic times?

## Methodology

In our paper, we use primary data collected in a survey conducted in 2022 on a sample of women running internationalized firms from Poland, the Czech Republic, Slovakia, and Hungary. The survey was conducted using the CAWI method, and as a result, 222 female respondents' answers were obtained, which became the basis of this research.

We use structural equation modelling (SEM) to explain multiple statistical relationships simultaneously through visualization and model validation. This method verifies and tests hypotheses about relationships between observed and latent (unobserved) variables. It is worth explaining that latent variables are not measured directly. Thus, their values are (indirectly) estimated from observed variables. In the covariance-based analysis (CB-SEM method), latent variables are reflective. The observed indicators are the effect of the latent variable that manifests itself in their form. We used SPSS Amos 29 software for all calculations in the study. The variables used in the study are presented in table 1. They were evaluated by respondents on Likert's scale.

**Table 1.** Variables (questions for the survey) used in the study

Area	Variables/Questions
Competences	Specific knowledge and market experience Networks, relationships, contacts Managerial competences Previous experience in the international market Creativity, innovativeness, willingness to take risks
Resources	Financial resources Human resources Physical resources Information resources Intangible assets
Cooperation	Cooperation with suppliers Cooperation with consumers

Source: Own elaboration.

## Discussion

First, we determined that the observed variables do not have a multivariate normal distribution. It means that the asymptotically distribution-free method (ADF) should be used to estimate the model.

The standardized path coefficients ( $\beta$ ) seen in Table 2 suggest the positive effect of *Attitude* and *Resources* on the *Microenvironment*. The unstandardized values of path coefficients ( $b$ ) shown in Table 2 have better interpretative utility. We can use them

because the same scale (7-point Likert scale) was assigned to all observed variables. They tell how many scale units the value of the explanatory variable (*Microenvironment*) will change if the values of the explanatory variables (*Attitude* and *Resources*) change by a unit. A one-point higher level of *Attitude* explains a 0.301-point higher level of *Microenvironment*.

In contrast, a one-point increase in *Resources* explains a 0.730-point shift in the *Microenvironment* level on the scale. Both explanatory variables are statistically significant ( $p < 0.001$ ). The  $R^2$  value (0.63) means that the level of *Attitude* and *Resources* explains 63% of the variation in the *Microenvironment*. In the social sciences, this represents a relatively high value, as levels as low as 10% are usually considered acceptable, and those exceeding 20% are considered high [Hair et al., 2012].

**Table 2.** Path coefficients of the model and their level of significance – measures of model fit

Path coefficients				
Dependent variable	Independent variable	$\beta$	$b$	$\rho$
Microenvirionment	Attitude	0.288	0.301	< 0.001
	Resources	0.740	0.730	< 0.001
$R^2$	0.63			
Measures of model fit				
Fit indices	Threshold value	Model		
CMIN/df	< 5.00	2.277		
GFI	> 0.90	0.901		
RMSEA	< 0.08	0.076		
PCFI	> 0.50	0.583		

Source: Own elaboration.

As shown in Table 2, the model is a good fit, as evidenced by all the fit measures used in the study. It means that the results obtained are statistically significant.

The study on a sample of women from V4 confirmed the rule present in previous international entrepreneurship research analysed without the gender filter. Many studies indicate that resources and competences are important both for internationalization itself and for cooperation [Helfat et al., 2023; Handoyo et al., 2021]. With regard to the research on female entrepreneurship itself, it broadened the perspective of perception of the limited involvement of women in networking and cooperation demonstrated by Rosenbaum [2017]. The author, based on multiple case studies based on semi-structured interviews, proved that women entrepreneurs used networks to expand into international markets to a limited extent. This was

mainly explained by the need to maintain a work-life balance and concerns about misappropriation of knowledge. In our study, you can look at this problem through the prism of having the right resources and competences. The survey of women from the V4 showed that their attitude to international cooperation depend on their resource (financial, human, physical, information, intangible) and competences (knowledge, market experience, managerial competences, innovativeness, creativity, etc.). The lack of these attributes may explain the insufficient involvement of women in networking and cooperation.

We believe that our study should encourage to deepen this aspect. All the more so because the latest research shows that more and more women entrepreneurs decide to internationalize at the earlier stages of their business development [Ratten, Tajeddini, 2018]. This allows minimizing the risk of business abduction on the domestic market. In order to do so, women need to accumulate new skills and knowledge. To a large extent, these are attributes coming from the environment, which is why establishing cooperation is particularly important for the development of female entrepreneurship on an international scale. Similarly, Marques et al. [2019, p. 642] proving that the factors of international female entrepreneurship come from the environment “the ability of women to take risks in business is dependent of the international environment”. This knowledge should be acquired by women – entrepreneurs who are described in the literature as successful, but focusing more on the business itself than cooperation [Turunen, Nummela, 2017].

## Conclusions

Research has shown that in the Visegrad countries, women’s entrepreneurial attitude is related to specific market knowledge and experience, including international and managerial competencies, connections, and networks. Factors reflecting the entrepreneurial orientation of women-owned firms understood as creativity (as proactivity), innovativeness, and risk-taking are also significant. The company’s resources included in the research are typical for firms in general. Both aspects related to international activity have a positive relationship with the cooperation with suppliers and customers. It is consistent with the natural development of entrepreneurship, where external factors, in our case resulting from the microenvironment, become more critical by developing the firms’ internal potential.

This study is not without limitations. The survey itself was a pilot study. Therefore, the findings of the research cannot be generalized. They can therefore be treated as a starting point for future in-depth research, which we believe is needed. With the growing role

of women in the economy and business, research in this field should be intensified. It will have many implications for policies that support female entrepreneurship and women entrepreneurs who want to expand the international market.

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# The Concept, Activities, and Strategies of Small and Medium Enterprises (SMEs) in the Ecosystem

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## Introduction

The emergence of discussions about ecosystems has certainly attracted a lot of attention from researchers and practitioners in the past two decades until now [Attour, Lazaric, 2020; Daymond et al., 2022; DeJordy et al., 2020; Sklyar et al., 2019; Stallkamp, Schotter, 2021; Stonig et al., 2022]. An ecosystem is the perspective of business management and innovation creation in the network structure with discussing the activities of value co-creation between actors, resources liquefaction and integration, and institutional management of process mechanism by adopting interactive relationship and network strategies [Aarikka-Stenroos, Ritala, 2017; Adner, 2017; Dedehayir et al., 2018; Jacobides et al., 2018; Klimas, Czakon, 2022; Ritala, Almpantopoulou, 2017; Vargo, Lusch, 2008, 2010; Wieland et al., 2016]. This research continues to be fascinated by ecosystems as a trigger for exploring the distinctness, mechanism of execution, and novelty of each well-known ecosystem, namely platform, entrepreneurship, business, innovation, and service ecosystem. Among the reasons for this is that ecosystems allow better use of technology and the development of regionally based start-ups because ecosystems offer more actionable strategies in maximizing the use of technology [Altman et al., 2022]. Studies in the ecosystem sector are needed to develop because the principles of institutions and institutional arrangements are crucial in encouraging an ideal coordination strategy between all actors involved in the business and value proposition process. The ecosystem represents an integrated and robust hierarchy from upstream to downstream providers and complementors [Jacobides et al., 2018; Riquelme-Medina et al., 2022; Zhang et al., 2022].



Previous research on ecosystem types also has specific characteristics that occur in terms of actors, firms in the ecosystem, mechanisms, governance, and in terms of leaders who are trusted to lead the ecosystem based on capabilities and resources than other firms' participants. The ecosystem is a pivotal alignment because a group of suppliers, producers, and competitors incorporate under one direction or more firms that become the center of coordination [Adner, 2017]. Within the ecosystem, actors will coevolve over time to increase capabilities and productivity through collaboration and cooperation [Adner, 2017]. This approach mentions the position of each actor, the activities carried out, who will execute each value proposition activity, and what material flows throughout all parts of the ecosystem [Thomas, Ritala, 2022]. Therefore, attention to constructing an ecosystem focus on commercial, innovation, advanced technology, and social purposes [Rong et al., 2018; Thompson et al., 2018], which originates from the co-evolution of industrial systems that existed before and elaborated with environmental changes [Fischer et al., 2022].

## Research significance and purpose

Regarding theories and studies of ecosystems, limited studies explore the role of actors, a small-scale firm that engages in ecosystems. Previous studies of ecosystems explain the actors who are large platform firms or leading western firms and how they dominate rules, institutions, and competitions in an ecosystem [O'Mahony, Karp, 2022; Pop et al., 2018; Rong et al., 2018]. They show a higher level of innovation and operation in experiencing and successfully building a reputable track record in the global competition [Rong et al., 2018]. It shows the first interesting issue of the scale of actors in the ecosystem because small-scale firms could be the orchestrators in an ecosystem [Gawer, Phillips, 2013; Pop et al., 2018]. Exploring solid and intact small-scale firms as the critical role in the ecosystem is necessary to discuss and extend the knowledge of ecosystem studies. Small-scale firms in small and medium-sized enterprises (SMEs) and entrepreneurial firms are distinct in their culture, applied leadership, communication patterns, hierarchy, and other intangible elements by contributing to job creation, innovation, and acquiring more workforce, even compared with larger firms and earlier business stability [Volery, Mazzarol, 2015]. The operations, focusing on the output produced, administrative regulations, and supporting institutions, are diverse between SMEs and entrepreneurial firms [Runyan et al., 2008]. SMEs are limited to local and regional market targets in performing innovations and business potential for growth. Inevitably, extant SMEs eliminate their focus on information and talents that rewire technical abilities and sufficient conceptual capability. Despite

their small size, SMEs can establish themselves in the market due to their well-established and widely distributed products [Kesting, Günzel-Jensen, 2015; Volery, Mazzarol, 2015]. The independence of SMEs triggers competitive behavior to build their advantages and further compete or deal with local and international competition by requiring a strong network of partners in adaptation processes and strategic business decision-making.

Consequently, our justification for proposing a SMEs-based ecosystem is the nature of SMEs that still conduct business independently by considering the ownership and control aspect implemented as the essential nature of SMEs in the ecosystem [Bijaoui, 2017]. Independent SMEs certainly will not be successful in innovating and creativity if they are carried out alone and independently without collaboration and networking with other SMEs. Contemporary innovation is prominently salient as the result of teamwork. Relations between firms with one, including suppliers and distributors, are intentional without any partitions [Prahalad, Ramaswamy, 2004]. Combining pictures of SMEs' advantages in flexibility and managerial characteristics, it is appealing value co-creation for SMEs entailed developing ideas, information, and collation engagement in an active dialogue and improving their potential as an ecosystem. This research contributes to complementing the ecosystem literature by integrating two concepts of ecosystems (entrepreneurial ecosystem and service ecosystems) in one framework for the SMEs-based ecosystem. It manifests the essence of entrepreneurial strategy in embedding the spirit of creativity, innovation, and service-dominant logic (SDL) in customer orientation to elevate the extended ecosystem notion. These SMEs have great potential to take advantage of the current network, although it is limited. The built ecosystem can unite all the potential possessed by SMEs into different and unique capabilities with regionally coordinated governance.

## Methodology

### The rise of fundamental ecosystem

Ecosystem references have risen exponentially in the last 20 years and have been published in prestigious business and management journals [Logue, Grimes, 2022]. Earlier research proposed and disseminated ecosystem theories for organizational context, which is described as a comprehensive phenomenon with priorities closely related to business development and strategic systems [Adner, 2017; Bogers et al., 2017; Daymond et al., 2022; Jacobides et al., 2018; Lingens et al., 2021; Panico, Cennamo, 2022]. Firms working together will be able to enter the market and access wider and more varied resources, which will not be possible if only one firm works alone [Agarwal,

Kapoor, 2022; Hannah, Eisenhardt, 2018; Jacobides et al., 2018; Lingens et al., 2021]. Arranging the studies of Adner [2017] and Daymond et al. [2022], Table 1 introduces an ecosystem's definition, characteristics, and structure briefly. The term "ecosystem" refers to a collective of actors who contribute to a central value proposition; hence, each type of ecosystem is supplemented by varying degrees of multilateral and complementarities. The ecosystem is controlled by nonformal hierarchically. Each actor prepares and functions to create a value proposition that varies depending on the type of ecosystem. The module is acceptable if it is unique, means it cannot function unless integrated with other modules or if its value increases when combined with other modules [Lingens et al., 2021]. We research and broaden the interpretation of ecosystems and present new elements that have not been discussed previously by trying to distinguish the existing ecosystems. Initial excitement can only emerge from the actor or parties involved because the actor is the driving force that establishes an ecosystem. Accordingly, we attempt to explain the distinctions in ecosystems and types by referring to three main points:

- 1) The reasons of "why" comprises an explanation of why businesses should involve in engaging in ecosystems,
- 2) The main ecosystem components that appear,
- 3) How these ecosystems work effectively.

Then, indicating that opportunities for continuing to expand the topic of ecosystems remain when regarded from the perspectives of reasons (why), mechanisms (what), and processes (how).

## Discussion

Actors are important players in the ecosystem. Referring to the previous reviews of ecosystem studies, we propose that SMEs are the critical actors for us to construct the SMEs-based ecosystem with three points to discuss: key actors, activities, and strategies in the ecosystem. In the previous section, we have discussed the reasons why SMEs should participate in the ecosystem and tried to show the differences among the five types of ecosystems. Aside from that, focusing on the idea reinforces the existence of more specific differences, particularly in the entrepreneurship ecosystem. We emphasize that there has been no discussion of SMEs who were based on the actors to establish an ecosystem earlier, even though the formation of the ecosystem, which consists of many SMEs dominated, is possible. Furthermore, if the SMEs' physical presence is in a nearby location to facilitate coordination, location is not the only reason. The physical existence or spatial features between actors are far apart in terms

of distance but maximize the platform to create a value proposition as the objective. Although previous research has investigated a spatial feature where ecosystems form based on geographic perspectives [Fischer et al., 2022], our concept would focus on the actor element. The point is that the actors discussed in this concept are small and medium-sized enterprises (SMEs) that do not have the resources or power to control the ecosystem, unlike a large firm. However, the term orchestrators in this ecosystem refer to all SMEs which are neutral and equal to perform business activities together. Neutral means the same level of position and connected at the same network. It shows that trustworthiness is essential in maintaining all members' interdependence to smoothly avoid one party's dominance.

Furthermore, the activities incorporated in this ecosystem are, of course, the primary activities in developing consumer-required solutions as well as value propositions. However, it is time for SMEs to incorporate technology or digitalization into their business implementation. The main barrier for SMEs in the field is a digital-based marketing strategy. The primary requirement for horizontal integration is digitization. These SMEs members contribute to the development of ecosystems through *digitalization* (with proper technology for SMEs scale) but progressively will improve the ecosystem's performance. Khurana et al. [2022] suggest that adopting digital technologies for SMEs can reveal their resilience capability. Digitalization speeds up reshaping and exchanging the business process to generate new creations by accessing resources and interacting with ecosystem actors. Resources exchange and establishing a formal system among SMEs in the ecosystem solve the lack of resources matters. This concept proposes how the exchange activity differs from that of other ecosystems. The SMEs-based ecosystem has a give-receive rule because the ecosystem as complementors will be able to generate opportunism. If one actor gives a resource to another actor, the actor who delivered it must also receive another value from the exchange. Hence, the SMEs-based ecosystem also centralization for heritage (traditional and local) resources and value propositions that originate from traditional culture and customer voices from established markets. SMEs maintain and strengthen community empowerment. Concerning the history of SMEs, given that they grow and develop in an environment that is oriented toward local communities and present local materials, this can truly be the main capital for SMEs to form their ecosystem. It is not difficult for SMEs to adopt local cultural values in order to expand to significant destinations, such as export destinations. The benefits expected from the SMEs-based ecosystem include resources that the SMEs themselves can access. The last activity considered in this study is related to capacity building by internalizing the view of learning in the ecosystem among actors to solve the lack of knowledge and innovation. Learning in the ecosystem provides opportunities for SMEs to access diverse resources and improve their capabilities in new developments and

creations [Khurana et al., 2022]. Gomes et al. [2022] consider that learning enhances actors in the ecosystem to create their capabilities from others and facilitates partners' engagement in sharing resources to strengthen their collaborative platform in this boundary [Gomes et al., 2018]. It presents that learning in the ecosystem could invite customers to enter the ecosystem. Customer orientation genuinely invites consumers to participate in the ecosystem's value proposition to meet the consumers' needs. When it is inspired by a service ecosystem that includes more than just products and services as output, then a genuine interconnected ecosystem may only be implemented by firms with extensive resources. Adopting the view from service-dominant logic (S-D Logic), it presents the value-determination of focusing customers' problem-solving for firms to transform goods-based orientation to service-based orientation and co-create value with customers interactively [Vargo, Lusch, 2004].

In the SMEs-based ecosystem, applying the S-D Logic compensates limited resources of SMEs by co-creation between firms and customers. From the interaction between SMEs and customers, SMEs can arrange customers as the resources for them to exchange and coproduce the outcomes in the operation or service process [Vargo, Lusch, 2008]. The principle is not only complementary but also mutually beneficial. Value co-creation in the ecosystem creates a firm's capability to exchange and integrate resources. Interaction between ecosystem actors allows the focal actor to receive complementary resources through their interdependencies of cooperation [Beirão et al., 2017]. Steinbruch et al. [2022] suggest that trust can facilitate a firm's innovation in the ecosystem because ecosystem actors are willing to share and deliver the resource to a focal firm [Steinbruch et al., 2021]. This interactive channel provides the chance for the focal firm to combine existing knowledge with the external resource to create new products or services in the market. In the interconnected, there is balance and neutrality. According to Mele et al. [2018], neutralization also aims to prevent the emergence of opportunism as the dark side of an ecosystem. Since the Hub or orchestrator will arrange it, no one has ever discussed neutrality in the ecosystem.

Customer engagement means inviting customers to participate, generating new knowledge, and co-creation emerges from two directions: SMEs and consumers. Customers provide insightful value to the ecosystem. In previous references, it was written about an unusual partner, demonstrating that the partner is above average, based on resources, and provides resources. Hollebeek et al. [2019] consider that value co-creation between a firm and its customers enhances its effectiveness in dealing with operant resources and creating particulate outcomes [Hollebeek et al., 2019]. It shows the way for SMEs to improve their resource stocks because customer engagement provides the chance for a firm to recover and strengthen its limited resources. Customer engagement with value co-creation between a firm and its customers contributes

firm’s value in creating resources by receiving and integrating resources to generate benefits. Therefore, the firm’s strategies in the SMEs-based ecosystem are driven by how to increase its resources in considering customer orientation, interdependencies with trustworthiness relations, and customer engagement in the interactive boundary.

**Table 1.** Purposing the SMEs-based ecosystem

Elements	Entrepreneurial ecosystem	SMEs-based ecosystem
Key concept	<ul style="list-style-type: none"> <li>Community and social-oriented.</li> <li>Resources interdependencies.</li> <li>Diverse connections and establishing a <b>start-up</b> with financial support continually.</li> </ul>	<ul style="list-style-type: none"> <li><b>SMEs as participants.</b> SMEs are business actors who are rarely considered for corporate collaboration in the ecosystem. They are not counted on the Stock Exchange and are not given the power and freedom to export and import.</li> <li>There has never even been an incumbent firm that acts as a “hub” because this SMEs-based ecosystem practice ecosystem is based on <b>trustworthiness</b> with each other.</li> </ul>
Activities	<ul style="list-style-type: none"> <li><b>It is creating community</b>, constituting organization and networks forming <b>legal infrastructure and financial support</b> [Daymond et al., 2022].</li> <li>Accelerators connect new ventures to other ecosystem actors, founders, and coordinate mentors and founders based on interests and capabilities [Daymond et al., 2022].</li> <li>This ecosystem also reaches <b>social interaction</b> [Fischer et al., 2022].</li> </ul>	<ul style="list-style-type: none"> <li>These SMEs members contribute to the development of ecosystems through <b>digitalization</b> (with proper technology for SMEs scale) but progressively will improve the ecosystem’s performance.</li> <li><b>Resources exchange</b> and establishing a formal system to solve the lack of resources matters.</li> <li><b>Centralization for heritage</b> (traditional and local) resources and value propositions originate from traditional culture and customer voices from established markets. Strengthen the community empowerment.</li> <li>capacity building by <b>internalizing the learning ecosystem among members</b> to solve the lack of knowledge and innovation matter. This cocreation also could invite customers to enter the ecosystem.</li> </ul>
Strategies of ecosystem	<ul style="list-style-type: none"> <li>According to [Thompson et al., 2018], this seems new to the theory about the <b>cultural cognitive and material micro-dynamics</b> of activities occurring in support of social impact entrepreneurs and businesses.</li> <li><b>Co-location</b> is the center of co-creation to conceptualize the idea of opportunity, power, and control of each resource and differentiate knowledge under <b>mentoring</b> to arrive at the market.</li> <li>The approach is similar to <b>spatial features</b> in driving competitiveness for an entrepreneur’s success [Fischer et al., 2022].</li> </ul>	<ul style="list-style-type: none"> <li><b>Customer orientation</b> genuinely invites customers to participate in the ecosystem’s value proposition to meet the consumers’ needs.</li> <li><b>Neutral interdependencies and trustworthiness relationships</b> among members (SMEs). The principle is not only complementary but also mutually beneficial. In the interconnected, there is balance and neutrality.</li> <li><b>Customer engagement</b> means invite customers to participate, generate new knowledge, and co-creation emerges from two directions. Customers provide insightful value to the ecosystem.</li> </ul>

Source: Own elaboration.

## Conclusions

First, we discussed the differences between the five types of ecosystems such as platform ecosystems, innovation ecosystems, entrepreneurial ecosystems, business ecosystems, and service ecosystems. The main points of our explanation are based on indications of why, what, and how by considering previous scholars in discussing ecosystems [Adner, 2017; Kretschmer et al., 2022]. With these indicators, it is simple to identify each ecosystem in terms of why they participate in an ecosystem, what the main elements are within the ecosystem, and what strategies the actors use to remain in the ecosystem with the orchestrators. Based on this distinction, we then concentrate on actors and propose novel concepts that have not been acknowledged in previous research. This actor is pivotal for an ecosystem, particularly the type of company involved because it determines how the interdependence cooperation pattern is enforced.

Second, we address a greater emphasis on the types of small and medium enterprises (SMEs) instead of large firms because they are frequently perceived to have insufficient resources. However, the relationship between SMEs and the entrepreneurship ecosystem should be considered advanced. We compare how the principles of both of them with the indication of three things, namely key concepts, activities, and strategies. Following this, more intriguing differences are proposed and investigated further. Thus far, the debate between the two has been framed through the perspective of firm innovation and dynamics. SMEs that are more adaptable and have a more stable market has a better chance of establishing their novel ecosystem and compensating for scarce resources. It is why SMEs must be regarded as the primary actors. Third, we want to emphasize the potential of the SMEs-based ecosystem's trustworthiness as the core assets of SMEs, considering that each member's position will almost certainly be managed equally. It is referred to as neutrality interdependencies in this study. The orientation of SMEs closely toward customers is potent in terms of developing connected relationships with customers and participating in the creation of ecosystem value. In the earlier types of ecosystems, customer engagement was rarely discussed further. By addressing the three strategies of the SMEs-based ecosystem (customer orientation, interdependencies with trustworthiness relations, and customer engagement), it constructs the fundamental of the SMEs-based ecosystem and how it contributes to and extends the existing literature of the ecosystem. For future research, we will emphasize deeper strategies and concept activities in the SMEs unit as an agenda for future discussion. Our next agenda is to delve deeper into the potential of the service-dominant logic (S-D Logic) to become a part of this new ecosystem, not just conceptually strengthen it.



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# Social Franchising as a Strategy for Expanding Impact: Challenges and Motives

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**Keywords:** franchising, social business model, social entrepreneurship, social franchising, social impact

## Introduction

Social franchising is a brand-new, rapidly growing sector of the franchise industry that is still widely underappreciated for its potential for future expansion. Simply put, it is the use of commercial franchising techniques to accomplish a social aim. The main distinction between a social franchise and a commercial franchise is that a social benefit is intended by using the franchise business model. The social franchise was created to encourage collaboration toward a common good, not to maximize profits. Various social issues, including poverty, hunger, the environment, unemployment, education, disabilities, refugees, family planning, and health care are just a few that can be the focus of a social franchise. Additionally, social franchising provides a tested technique for organizations to scale up successful projects and programs to have a bigger influence on the social issues they are attempting to solve.

The distinction between a pure social franchise and a regular, for-profit commercial franchise, which may provide certain social or charity effects as part of its business, must be made. The entire goal of a social franchise's business model is to provide social benefit, or to "do good". Not merely a by-product of its company, but the only purpose for its existence. The adoption of social franchising by the franchise industry presents a significant opportunity for the sector to demonstrate its proficiency in replicating successful ideas through the creation, documentation, and implementation of processes and procedures while managing risk and sustaining the level of quality and consistency of goods and services.

Franchises are being used more frequently by social entrepreneurs to scale social value. Tracey and Jarvis [2006] compared social franchising to commercial franchising but recognized important difficulties brought on by having two competing objectives. The sharing economy, which is based on the knowledge economy paradigm (the value of knowledge, information, and innovation), and rational choice theory, raises questions about social franchising as a business model (maximizing impact, the importance of human capital, and sustainability).

The use of commercial franchising methods for social good is known as social franchising. As a result, it is a business strategy that is employed to increase sufficient awareness of social issues. The research on social franchising is young and sparse, even though it is a rapidly expanding trend in practice [Volery, Hackl, 2010; McBride et al., 2017; McKague, Wong, Siddiquee, 2017].

## Research significance and purpose

Social franchising is a significant category of social enterprise that uses the franchise model to further social objectives. As compared to social entrepreneurship and social economy, social franchising is a new idea, both in terms of its application and the research literature that investigates its implications [Tracey, Jarvis, 2006]. The social franchising process has several challenges that still need clarification, support, justification, and comprehension. They include developing a practical definition of social franchising, understanding its challenges, and how it operates. Investigating how social franchising differs from conventional franchising and what drives its operations is equally crucial.

The study aims to investigate challenges and motives influencing the impact and growth expansion of social entrepreneurial organizations in the context of social franchising. However, even though social franchising is becoming more and more popular on a practical level, there hasn't been much investigation into how to apply franchising theories to social enterprises.

According to the argument, due to their unique characteristics, social companies may encounter unusual or additional challenges when franchising. It also implies that social companies may be encouraged to franchise by the Social Capital Theory in addition to the Resource Scarcity Theory and the Agency Theory. The primary goal of this research is to examine the challenges that a social enterprise may encounter when expanding through franchising.

## Methodology

This study contributes to the discovery and better understanding of an emerging topic because there hasn't been much reported about the challenges social enterprises experience when they expand through franchising. This study contributes to the exploration and enhanced understanding of an emerging concept and is therefore of an exploratory nature. The use of multiple qualitative perspectives was chosen. The analysis is based on semi-structured interviews with social franchisors and social franchisees as well as an analysis of written social franchise agreements. Secondary data was collected from franchisor websites.

Case studies, by Yin [2003], are appropriate when "how" or "why" questions are being posed, which is typically the goal of an exploratory study like this one. Case studies help researchers come up with new theories and allow for a comprehensive examination of a phenomenon [Yin, 2003]. When little prior research has been conducted on the topic, a case study approach is also favorable [Miles, Huberman, 1994]. Hence, it can be considered a natural choice when researching the still-novel idea of social enterprises expanding through franchising.

However, social businesses are frequently greatly impacted by the external environments in which they operate (since that is where they are attempting to bring the social effect), therefore it is crucial to keep the study's subject in perspective. When the emphasis is on the events occurring in a real-life situation, case studies, according to Yin [2003], are preferred. In addition to the interviews, the studied organization also provided some company documents to be used as sources of secondary data for the case study. These documents included company presentations, the franchisee manual, franchisee training materials, monthly reports, and company newsletters. The main research questions are as follows: What challenges do social enterprises that grow through franchising encounter, and how that issues can be overcome? How and why are they distinctive from the difficulties experienced by business franchise systems? The research questions will be answered through a comparison of already existing theoretical research with the empirical observations derived from several case studies.

## Discussion

The idea of franchising can serve as an effective strategy for navigating the challenges of successfully replicating social ventures. It provides innovative entrepreneurs the framework and assistance necessary to turn their social ideas into enduring ventures, as well as a plan for implementing them. Social benefits

can be realized on a larger scale through an adaptation of conventional commercial franchising, in which the creator of a successful project (franchisor) enables others (franchisees) to replicate the business model using a brand name and – perhaps even more importantly – a tried-and-true system. A new organizational concept in the field of social entrepreneurship, this system of contractual relationships uses the structure of a commercial franchisee, and it represents a promising leverage tool to help achieve social goals and, as a result, let more people benefit from the goods and services of social enterprises [Volery, Hackl, 2010]. However, it should be highlighted that social franchising differs from its traditional form in a few ways because of the unique character of the social sector in general.

According to Ahlert and Dinh [2008], some of the most significant differences between social franchising and commercial franchising to consider are distinct objectives, no transfer of financial risks, different consumer bases, and attitudes toward franchise fees.

According to Oxenfeldt and Kelly's [1969] original Resource Scarcity Theory, businesses choose franchising when they must develop more quickly than is feasible with solely internally produced resources to attain economies of scale. According to the agency theory, a franchisee's actions have an impact on both their success and the success of the principal (the franchisor). This can be especially troublesome when coupled with the second premise, which holds that the principal's limited control over the agent's intents and behaviors leads to information asymmetries between the two parties because it is difficult to monitor all the agent's activities. According to the agency theory, each party is self-interested and inclined to act opportunistically. The structural dimension and the relational dimension are two social capital dimensions that group their characteristics. The patterns of relationships in a social system are represented by the structural dimension of social capital. The structure of the social network and, as a result, the ability to access the resources of other members are significant aspects of this dimension [Volery, Hackl, 2010]. This point of view on franchising may be compared in some ways to the Resource Scarcity Theory since it strongly emphasizes accumulating additional resources. In this instance, the resources are not only collected and utilized by the newly recruited agent but they are also made available to other system members thanks to social interactions. The relational component is concerned with the substance and quality of social relationships. This dimension stresses the assets – trust, identity, and norms – that are ingrained in and triggered by social relationships [Volery, Hackl, 2010]. According to Mayer, Davis, and Schoorman [1995], trust is both a prerequisite and a result of social relationships. It is the willingness of one party to be vulnerable to the actions of the other party, based on the expectations of their goodwill and competence, regardless of the ability to control

or monitor them. One rule, known as the reciprocity rule, or the duty to repay a favor, can be particularly important for social entrepreneurs [Cialdini, 2009].

The potential franchisor's capacity for expansion is one of the key elements determining whether it succeeds or fails [Richardson, Berelowitz, 2012]. This involves identifying the innovation that will be scaled up, which entails figuring out which aspects of the company are essential for success, and which may be altered without compromising the impact [Dees et al., 2004]. The proper selection of franchisees, particularly the selection of individuals to fill open jobs, is a crucial factor for a franchise system to consider [Bradach, 2003]. Additionally, having appropriate resources for the construction and maintenance of a successful franchise system is critical.

The financial model may be tailored to local conditions by determining if the innovation can be disseminated in a way that reduces costs while maintaining effectiveness and whether there are chances to produce new consistent income sources [Dees et al., 2004]. For the franchisee to have adequate income, the local demand must be strong enough. And last, social companies frequently face challenging working circumstances. Those who live in developing nations may have poor infrastructure, such as a lack of power or running water, and poor transit and road conditions. They may encounter inadequate information technology and communication infrastructure, as well as weak supply chain market skills [Seid, 2009]. In addition, social enterprises frequently decide to hire underprivileged individuals.

Social franchising has a wide range of growth potential but faces several challenges. Maintaining the original objective comes first. The main objectives of the franchisor and the franchisee may occasionally diverge depending on the sort of social franchising used. This may cause miscommunications and divert attention from societal concerns. Parties occasionally favor adopting commercial profitability and indicators over bringing about social effect and change. The second is to damage a good name. One firm that uses the same operating model may be thought of as such. So, it should be considered that improper actions of one unit frequently have an impact on the reputation of other participants in the same franchise system.

Reputation and trust are important components in social franchising because they enable people to offer assistance and support. As a result, the system's standardization, an essential component, presents additional challenges. A fundamental component of any social franchise system is standardization. Yet, it can be challenging to standardize non-profit enterprises since the necessary knowledge and skills are frequently implicit. A project's success is also frequently influenced by certain regional or cultural distinguishing features. Hence, excessive standardization might result in flexibility, making adapting the project to different locations more challenging. It is thus important to find the right balance between standardization and flexibility. Thirdly, societal

change may not be as crucial as the competition. The involvement of parties with the same social mission can be ineffective because many of them cover the same social issues, while other not less important remains ignored. As a result, in some cases, the funds are not used cost-effectively and efficiently, and future financial support raising may be challenging.

## Conclusions

Social franchising is regarded as the third generation of franchising development, coming after the commercial franchising industry developed as a business model and trade name [Alon, 2014]. Further beneficial effects of social franchising include the activation of society's hidden economic resources, the sharing of cost-effective operational methods, the distribution of financial responsibilities, the mobilization of volunteers, the gaining of political capital via scale, and the facilitation of social innovations through networking.

Undoubtedly, social enterprises aiming to expand their business through franchising must overcome numerous difficulties during the process. To learn more about how to make social franchising successful, it is important to recognize the challenges that such companies encounter and how they may differ from those faced by traditional franchise systems.

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## **Track 6**

# **International and Sustainable Finance, Financial Technologies and Investment**

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Track chair: **Inna Romānova**

# The Effects of Outward FDI on Parent Companies: Evidence from Warsaw Stock Exchange

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**Keywords:** international business, outward FDI, parent company, Warsaw Stock Exchange

## Introduction

Companies from emerging markets are increasingly beginning to use international expansion as a source of competitive advantage enabling them to compete effectively with companies at home and abroad.

The specificity of emerging economies makes some researchers believe that multinational enterprises (MNEs) in these countries “diverge from the standard” behavior MNEs exhibit in developed economies and call for developing a separate line in international business theory [Luo, Tung, 2007] while others maintain that the existing research framework perfectly suffices for analytical purposes [Narula, 2012] as the MNEs in the emerging economies are still in their infancy and differ from the “model” in developed countries only with a shorter history and less mature market approach.

It is emphasized that MNEs from emerging markets have unique experience from operating in difficult markets, evaluate location factors differently and are able to accept even high risks in investing markets [Buckley et al., 2008; Cuervo-Cazzura; Genc, 2008]. Furthermore, the success they achieve in expanding abroad is due to their ability to acquire resources, to find market niches [Kothari et al., 2013], and to operate in an unstable institutional environment.

MNEs from some emerging countries (e.g., China, India, Taiwan) were quite extensively analysed [Cozza et al., 2015; Das, 2015; Sauvart, 2008] due to their longer and more visible presence in the world economy. This is not the case of MNEs from Central and Eastern Europe which are beginning already their expansion [Trąpczyński, 2014; Wiliński, 2013; Damijan et al., 2014] and which operate in different institutional settings than their Asian rivals.

To be able to fill this gap we should, *inter alia*, identify how the economic performance of parent companies in Poland evolves as a result of their FDI. Similar issues have been studied by, e.g., Gorynia et al. [2015], Götz, Jankowska [2019], Karaszewski [2013], Trąpczyński [2014]. Successful or failed investment abroad is decisive, first and foremost, for the fate of the investor but it may also impact the economic performance of its domestic business partners, competitors and even the local community. That is why we need to learn what factors are decisive, perhaps not so much for the economic performance of the affiliate, but for the effects on the competitiveness of the multinational enterprise and changes in its domestic economic environment. This knowledge is important for Polish managers and politicians responsible for commercial policy especially in the light of a rather common global practice of offering government support to domestic FDI [Sauvant et al., 2014].

## Research significance and purpose

The principal goal of the study is to identify, describe and quantify the effects of FDI to Polish enterprises involved in it in the light of the theory of enterprise internationalisation developed by, *inter alia*, Johanson and Mattsson, Johanson and Vahlne, Cavusgil, Buckley's internalisation theory, and Dunning's OLI paradigm.

Taking into consideration the outcomes of studies carried out also by other authors [e.g., Trąpczyński, 2014] we adopted following two hypotheses:

- H1: Companies undertaking FDI are characterized by higher productivity from entities not involved in foreign investments.
- H2: The scale of the benefits achieved thanks to OFDI for the parent company depends on several characteristics of the enterprise (investor).

## Methodology

Statistical analysis of data from financial statements of companies listed on the Warsaw Stock Exchange were used (No. 332). We compared two groups of companies, i.e., investing and not investing abroad.

Non-random quota sampling was used to select two groups of enterprises. The scope of analysis covered elements as, for instance: size of a company, sales, R&D expenditure, profits, export experience, revenue from business activities, productivity (measured by operational profit/sales and operational profit/assets). We used statistical methods

that enabled comparing distributions of the above elements in two analyzed samples and assess the effects of FDI on the Polish companies.

## Discussion

Foreign affiliates mobilize their parent companies in their home country. Trade affiliates abroad generate demand for their output while manufacturing subsidiaries generate demand for raw materials, components, parts and semi-finished products manufactured in Poland. Better access to the market of the host country reinforces the increased profitability and value of a particular enterprise. Better knowledge of the preferences and needs of customers abroad, good relations with customers and better knowledge of competitors' behaviour increases the ability to quickly respond to market changes (resilience to shocks) and improves the reputation of the enterprises as reliable business partners. That translates into increased exports, domestic production and employment.

## Conclusions

Polish direct investment is on an upward trend, particularly noticeable after Poland's accession to the EU. The main direction of capital internationalisation of Polish companies are European countries, which are characterised by geographical and cultural proximity and political stability. A significant amount of foreign investment by Polish companies is relocated to countries that offer favourable tax and financial regulations.

The level of internationalisation of Polish companies listed on Warsaw Stock Exchange is moderate. This is illustrated by the low value of foreign assets held by the surveyed companies in comparison with the total assets, the share of employment abroad in total employment and the small number of countries in which FDI is located. The internationalisation of Polish companies and conducting FDI in many cases follows the traditional Uppsala model. The preliminary analyses have shown that FDI firms are more efficient and productive than other firms.

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# The Effect of BEPS on Avoiding Permanent Establishments: An Empirical Study

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**Keywords:** BEPS action plan, OECD, permanent establishment, tax avoidance

## Introduction

Base Erosion and Profit Shifting (BEPS) refers to the tax planning strategies used by multinational enterprises (MNEs) to exploit gaps and mismatches in tax rules to shift profits to low or no-tax locations. One of the ways in which MNEs achieve this is by avoiding creating a permanent establishment (PE) in a high-tax jurisdiction. The avoidance of PE not only erodes the tax base of the host country but also creates an uneven playing field for domestic companies. As noted by OECD [2015], “the absence of a taxable presence in a country could mean that an MNE group is not paying its fair share of taxes in that country”. Therefore, research on the avoidance of PE in the context of BEPS is essential to identify the extent of the problem and develop effective solutions to prevent tax base erosion and ensure a level playing field for all businesses.

Over the past few decades, there has been a tremendous increase in the relationship between domestic economies and overseas markets. Traditional tax systems are increasingly challenged when existing regulations relating to the intricate organizational structures of multinational corporations present potential for base erosion and profit shifting. The BEPS project, which the OECD and the G20 accepted and is likely to have an impact on the global business environment, has had a significant impact on this. It is a well-known truth that one of the most challenging aspects of applying foreign tax laws is the concept of a permanent establishment. The attribution of profits to a permanent establishment is as complex as the concept of a permanent establishment itself. As the tax laws and exemptions vary from state to state, companies operating and generating revenue in cross-border markets are constantly looking for ways to reduce taxes due to these differences and existing tax gaps.

By ensuring that profits are taxed where economic activity and value are created, the BEPS project fights tax avoidance. As a result, a permanent establishment's status as well as its implications for a foreign corporation play a crucial role.

## Research significance and purpose

An analysis of the concept of permanent establishment reveals that the BEPS project was conceived in the wake of the scandals that rocked the world over multinationals' tax avoidance, shifting profits to low-tax countries, or exploiting tax loopholes and mismatches to avoid taxation of profits entirely. The aim of Action 7 of the BEPS project was to provide clarity and precision in the definition of the concept of permanent establishment and to make explicit reference to the general principles for the formation of the concept of permanent establishment as contained in the OECD Recommendations and the Supplementary Interpretations. However, there is no mention of the fact that the creation of a permanent establishment may significantly increase the tax administration costs related to the number of new permanent establishments to be registered and the checks on them. It is therefore essential that the tax authorities can focus on how to actually increase tax collection through verification. In the academic literature, many authors have dealt with the issue of permanent establishment avoidance only at a theoretical level [see Svažič, 2019; Brauner, 2014], while no detailed empirical studies have been found that show how the financial situation of a company actually changes and what additional costs it incurs and what requirements it faces. This is what justifies the need for the study. Therefore, research is required to ascertain the influence of the BEPS project on the artificial avoidance of permanent establishment as well as how the situation has altered after the project's implementation.

The purpose of the paper is to look into how the BEPS project has affected the practice of avoiding permanent establishment.

## Methodology

The methodology for the study was designed to determine whether the BEPS project has contributed to a reduction in the practice of permanent establishment avoidance or whether it has contributed to the creation of more permanent establishments in the countries where the company's activities are carried out, or whether the impact on the amount of corporation tax levied is significant. The study was divided into three main phases:

- Case studies of companies resident in Lithuania, but operating in foreign countries;
- Analysis of the tax revenue data of the countries covered by the study;
- An assessment of the significance of the BEPS project's impact on permanent establishment avoidance and a summary of the study.

## Discussion

The analysis of the scientific articles reveals that the BEPS project has split authors into two groups: one group believes the project is important because it will strengthen the international tax system and enable the fair calculation and payment of corporate tax; the other group believes it is only a political initiative that will never be fully implemented [Avi-Yonah, Xu, 2017].

The BEPS project aims to fight tax avoidance by ensuring that profits are taxed "where economic activity takes place and value is created". However, a summary of the academic literature on the subject suggests that while the BEPS project aims to take strong measures to curb harmful tax competition, the concept of permanent establishment is not ideally suited to the modern business environment, and there is still a fair amount of room for interpretation, with the OECD Convention and its commentaries not being entirely consistent with domestic legislation and its commentaries. As a result, the strategies of companies that partly operate abroad are still characterised by tax planning, the exploitation of tax loopholes and the pursuit of opportunities to take advantage of inconsistencies in the tax rules in order to artificially avoid the establishment of a permanent establishment.

## Conclusions

A study on the impact of the BEPS project on the artificial avoidance of permanent residence found that:

- Following the implementation of the BEPS project, it is becoming increasingly difficult for companies to avoid establishing a permanent establishment in foreign countries, thus preventing harmful practices and shifting the payment of corporate tax to the country of permanent establishment, which is the main objective of the BEPS project, to pay profits where economic value is created, thus clearly demonstrating the relevance and necessity of the BEPS project;
- Although the BEPS project is geared towards the objective of taxing income where it is earned, in the case of the Netherlands, the implementation of this project has



not affected the establishment of a permanent establishment, which can be said to be the country's own position;

- The retroactive establishment of a permanent establishment is a very significant challenge for the company and a significant additional cost;
- The study also raised the discussion question – if the establishment of a permanent establishment was not retroactive, but after the companies had been in the market for several months, might this encourage companies not to avoid the establishment of a permanent establishment? More and more research is needed to answer this question.

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# Do Stock Exchanges Work Effectively in CEE? From the Perspective of Feldstein Horioka Paradox

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**Keywords:** Feldstein-Horioka paradox, investment, saving, stock exchange

## Introduction

Since the 1990s, CEE countries have been successful in attracting FDI. However, the change in the supply chain – such as EV, and geopolitical risk have made attracting more FDI complex.

If equity investments are more fluent, the investment is not restricted by savings. Moreover, Hungarian Stock Exchange has been run by the central bank “MNB” since 2015, and Prague Stock Exchange’s ownership was taken hold of by Vienna Stock Exchange.

## Research significance and purpose

Only Warsaw Stock Exchange became big in CEE. According to Feldstein-Horioka (F-H) paradox, investments should no more be restricted by savings owing to the liberalization of the capital movement. However, the saving rate is still significant for predicting investment rates in some countries. Some people insist that home country bias exists. We conducted the F-H test to assess whether the domestic saving rate restricts the investment rate.

## Methodology

Numerous previous studies have utilized the F-H test. While some use trade, others use FDI in addition to basic variables. We used panel analysis and get data from IMF's World Economic Outlook Database October 2022. The data includes 195 countries from 1992 to 2021.

**Table 1. Descriptive statistics**

	Mean	Std. dev.	Min	Max
Investment ratio	23.74184	9.326462	-10.18	115.102
Gross saving rate	20.76879	11.72386	-76.451	120.552

Source: Own elaboration.

The model is very simple as follows:

$$INV_{it} = \alpha_{it} + \beta SAV_{it} + \epsilon_{it},$$

where:

INV – total investment ratio (percent of GDP at current price),

SAV – gross national savings (percent of GDP at current price).

## Results

From the Hausman test, the fixed effect model was selected. Empirical results reveal that the saving rate ( $\beta$ ) parameter is low overall.

**Table 2. Results of the Hausman test**

	$\alpha$	$\beta$
Coefficient	17.16563	0.310025
t-value	66.98	26.6

Source: Own elaboration.

Owing to globalization, the global financial market is bigger than before. When we assess each using OLS, Czech's investment is highly related to its saving and those of Poland and Hungary are not.

**Table 3.** Results for selected countries

		$\alpha$	$\beta$
Poland	Coefficient	12.97919	0.421308
	<i>t</i> -value	3.292251	1.938806
Hungary	Coefficient	20.21358	0.195363
	<i>t</i> -value	7.497257	1.540779
Czech Republic	Coefficient	7.194589	0.81348
	<i>t</i> -value	1.087853	3.357627
Slovakia	Coefficient	1.911506	1.087394
	<i>t</i> -value	0.27756	3.494641
Slovenia	Coefficient	-5.40837	1.179975
	<i>t</i> -value	-0.91885	5.000116

Source: Own elaboration.

## Discussion

Generally, if the coefficient of  $\beta$  is high, domestic capital goes abroad. Czech's coefficient is high. Czech has a trade surplus, and their primary balance is positive, and they do not rely on attracting equity investment. They attract FDI and invest in their country. However, their stock market has room to development.

On the contrary, Hungary's coefficient is extremely low. Their saving does not restrict their investment, and they succeed in attracting FDI. However, their stock exchange needs improvement.

Hungarian National Bank has the stock exchange's ownership, which is undesirable from the perspective of the central bank's independence. Commitment to the financial market is detrimental for the central bank's independence in general. The market capitalization of the Budapest Stock Exchange did not increase steadily.

Poland's coefficient is medium. WSE is known as one of the most successful stock exchanges in Europe, Poland also attracts FDI. However, recently, geopolitical risk has been an obstacle to some degree.

Slovakia and Slovenia's, coefficient of  $\beta$  is extremely high, which is puzzling because their stock exchanges are not so large. Although they introduced the euro, they could not attract investment under the CEE Stock Exchange Group.

**Figure 1. No title**

Source: Own elaboration.

## Conclusions

CEE countries exhibit a strong correlation between total investment and gross savings.

Domestic investment is still highly dependent on domestic savings. FDI is not rigid for the geopolitical crisis. In the EU's fiscal framework, CEE countries could not rely on debt finance, and the Capital Market Union controversy occurred. Therefore, CEE countries should strengthen their stock market to more investment.

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**Track 7**

**International Business: From Born  
Globals to Multinational Corporations**

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Track chair: **Tiia Vissak**

# The Influence of Decision-Making Logic on the Internationalization of Born Globals: Bolt Case Study

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**Keywords:** born global, causation, decision logic, effectuation, VUCA

## Introduction

This paper presents a case study of Bolt from the perspective of the decision-making logic's influence on the internationalization of Born Globals (BG). Bolt is the first European mobility super-app, offering ride-hailing, shared cars and scooters, food, and grocery delivery. Bolt, formerly known as Taxify, is an excellent example of a BG company, entering the international market very quickly, only half a year after the establishment of the company. The company is operating in over 500 cities in more than 45 countries in Europe, Africa, Western Asia, and Latin America and is 2022 worth EUR 7.4 billion.

Behind a company's success and failure may be many different factors, but this paper is focused on the influence of decision-making logic used in Bolt company in the VUCA and non-VUCA environment. VUCA stands for volatility, uncertainty, complexity, and ambiguity. The challenges of volatility are unexpected and unstable situations without knowing how long the difficult period will last. Uncertainty is expressed in situations with a lack of information, though the cause and outcome of an event are known and there is a clear need for changes. Complexity arises from the many interrelated parties and variables for which some information is available or predictable, but the size or nature of that information makes it difficult to implement. In ambiguity, causal relationships are unclear because there are no previous precedents and companies face "unknown unknowns" and learn through experiments [Bennett et al., 2014].

The paper shows that the choice of decision-making logic does not depend on the company's size but on the decision context and ability to choose between effectuation

or causation [Hauser, 2019]. Thus, companies may use the combination of two decision-making logics and many studies have focused mostly on the positive side and the negative side is less covered [Galkina, Lundgren-Henriksson, 2017].

### Research significance and purpose

The paper outlines the characteristics of the two main decision logics used and gives recommendations on which circumstances effectuation or causation to use. The decision logic to be used depends on several factors, such as the availability of information, the competence of the management, the stage of development and experience in the international market, as well as the level of maturity of the target market and the environment in which the company operates (VUCA or non-VUCA environment). The table below sets out the different circumstances and recommendations on which decision logic to adopt.

**Table 1.** Recommendations on which circumstances effectuation (E) or causation (C) to use

Circumstances	E	C
Possibility to get information [Fisher, 2012; Gruber, 2007] to set objectives and change business strategies [Nemkova, 2017] and to predict the future with analysis, ensuring more control and clarity in the company [Galkina, Chetty, 2015].		x
Market is volatile [Cussen, Cooney, 2019], and the future is uncertain and unpredictable or cannot be analyzed or measured [Fisher, 2012], and there is time pressure by making decisions, without a certain market to operate [Nummela et al., 2014].	x	
Uncertainty is decreasing and managerial skills are increasing [Sarasvathy, 2001] in emerging economies and in a less uncertain environment [Yu et al., 2018].		x
Skilled managers in high uncertainty, by using opportunities etc., including expanding the international market [Dew et al., 2009; Sarasvathy, 2001] in emerging economies with high uncertain environments [Yu et al., 2018].	x	
Less experienced managers in high uncertainty [Cui et al., 2019; Vissak et al., 2020]; because it does not require so much planning and forecasting [Fisher, 2012].	x	
Companies with a lack of experience on the international market [Evers, O’Gorman, 2011] or at an early stage of development [Prashantham et al., 2019].	x	
Experienced and active companies in foreign markets [Matalamäki, 2017; Nummela, 2014].		x
Finding opportunities and coming up with exciting solutions [Nemkova, 2017] to adapt better to change in uncertainty, as goals and opportunities are constantly changing [Prashantham et al., 2019].	x	

Source: Own elaboration based on Cui et al. [2019]; Cussen, Cooney [2019]; Dew et al. [2009]; Evers, O’Gorman [2011]; Fisher [2012]; Galkina, Chetty [2015]; Matalamäki [2017]; Nemkova [2017]; Nummela [2014]; Prashantham et al. [2019]; Sarasvathy et al. [2014]; Sarasvathy [2001]; Vissak et al. [2020].



The theoretical basis, together with the case study of Bolt, clearly shows that theory and practice are compatible, providing an opportunity for other companies to learn from it and to make a more considered choice of decision-making logic in different environments.

## Methodology

The case is presented through semi-structured in-depth interviews conducted with the founders and management of the company. The paper presents the widely used decision-making logics of effectuation and causation, outlining their main differences and suggesting scenarios for using them. Interviews took place in 2020, 2021 and late 2022. The interviews focused on internationalization, related failures and their antecedents and consequences. The interviews were conducted over the internet and by phone and the duration of the interviews varied from 40 minutes to 137 minutes, and all conversations were recorded with the consent of the interviewees.

## Discussion

At the company's first stage, Bolt's founders had yet to gain experience. The company lacked money, and the founders started understanding the need for change. The company quickly assessed the value proposition's importance and drew conclusions from mistakes, which helped prevent more significant losses. From day one, the company has been very lean and cost-effective, understanding the importance of differentiation and localisation. The company started to research and analyse the market as knowledge and experience grew by learning from failures. The company emerged ambitiously in a developed London market without conducting in-depth research and was forced to exit. The company was able to draw conclusions from failures and learn from them.

The decision-making process in the company evolved as the business developed in international markets. Management was deciding on essential issues in a very small circle due to a need for more highly qualified staff. The company started to make quick and bold decisions, which benefited the whole organisation. In 2017, huge investments were received, and the company started a strategic partnership with Didi Chuxing but remained independent in its decision-making. In 2020, with the widespread outbreak of the COVID-19 pandemic worldwide, the company ran into financial difficulties, despite previous investor involvement, and had to decide how to deal with the crisis quickly. The company learned from previous financial difficulties and decided to keep its cash

reserves in better shape for the future. Despite VUCA challenges, the company could survive and even grow because opportunities were seen and exploited, the company was very flexible, and decisions were made quickly.

The company has five different verticals: ride-sharing, car-sharing, food delivery, grocery delivery, and scooters, and those different verticals have helped to ease the way out of crises. The company's management was able to find solutions to unexpected crises. The company coped well in crises through flexibility and making intelligent and quick decisions. Looking back on the various failures in Bolt's history, the manager, who has been with the company for eight years, admitted:

"There were cases when we did not do enough research and then failed. There were cases where we did not hire a good enough manager or a team and then failed. There were also cases when we got value propositions wrong in the market, resulting in us failing with our pricing, quality, or availability is suboptimal. (...) It's super important that you do the right research, hire a great value-breathing team and understand what makes customers like and use your service. (...) Companies succeed because they have a smart enough team, are hard-working, and do not give up" [Jevgeni, Belousov, 2022].

The skills and knowledge of the company's manager play a big role in adapting to different environments to recognize opportunities and make decisions according to the situations. It is important to use existing resources and to find new ideas, opportunities, etc., including expanding internationally [Dew et al., 2009; Sarasvathy, 2001]. However, BG bases its decision-making on both. From an effectuation logic perspective, BG finds opportunities and comes up with exciting solutions. Causation, on the other hand, helps to set objectives and change business strategies according to the information available [Nemkova, 2017].

The company Bolt used both effectual and causal logic in its decision-making. It used different logics at different points in time. As its experience grew, the company began to analyze markets before entering them. Still, it was also ready to change as the market changed, reacting quickly to great opportunities. The company's management was able to learn quickly from failures and had a strict plan for expanding internationally. In the VUCA environment, managers were flexible, adjusting earlier plans in response to changed circumstances. The challenges of foreign market entry were mainly related to limited funding, lacking market knowledge, challenges in the regulatory environment, changes in competitive scene, and product handicaps.

## Conclusions

Every company must deal with its own VUCA environment, even if some organizations are not aware of its existence. To survive in the VUCA conditions companies should be flexible, make necessary changes, and focus on their strengths. One of the key competencies is the ability to develop and adapt digital technologies to the needs of the organization or the ability to flexibly switch thinking between various problems [Baran, Woznyj, 2020].

The use of causation or effectuation changes according to the situation and the environment in which the company operates [Gil-Barragan et al., 2020]. Choosing the decision-making logic, companies should consider how much uncertainty is in the market and how many resources they have [Futterer et al., 2018]. In high environmental uncertainty causation and effectuation have a positive interaction effect on a company's performance and using decision-making logic strategically, helps companies to cope with uncertainty [Yu et al., 2018]. Causation firms may not be able to cope well in a crisis because of lacking flexibility or adaptability and the incapacity to make fast changes. Their longer-term plans and goals may prevent them from taking important decisions in a crisis and may have a negative impact on the firm [Laskovaia et al., 2019].

Most significant factors that slowed down the Bolt's expansion were mistakes in hiring the team, and the lack of resources during the beginning of the expansion phase. Company's management came to the understanding that it is necessary to be able to evaluate the destination market very well; hired employees must fit the management and company culture and value propositions; it's necessary to assess realistic amount of capital necessary to pull it off and grow the market to achieve critical mass; investigate product conformity in regards to local regulations and competition; non-working models must be changed and if a business model does not work well enough for a long time, it must be abandoned or changed. Bolt learned from mistakes made and they did exit from loss-making markets. Despite VUCA challenges, the company was able to survive and even grow because opportunities were seen and exploited, the company was very flexible, and decisions were made quickly.

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# The Fast Track to Global Player Status: Internationalization Patterns of Leading Antivirus Software Companies from Central and Eastern Europe

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**Keywords:** antivirus software, born global, digital business, internationalization

## Introduction

Over the last 30 years, we could observe a steadily increasing number of businesses originating from Central and Eastern Europe that expanded successfully to international markets. Many of those companies operating in traditional industries such as retailing, banking and industrial manufacturing entered neighbouring markets, some even became markets leaders in CEE [Schuh, 2014]. Others tried to build a presence in the markets of Western Europe or the world.

That a small group of CEE companies from one business sector, namely the antivirus software market, rose to global player status and stood up to Western competitors is rather rare and makes it worth examining. In August 2021, the global market scores held by Windows anti-malware application vendors were as follows: 3<sup>rd</sup> Kaspersky, Moscow, Russian Federation (2.28 market score); 4<sup>th</sup> Bitdefender, Bucharest, Romania (1.98); 8<sup>th</sup> ESET, Bratislava, Slovak Republic (1.7); 10<sup>th</sup> AVAST Software A.S., Prague, Czech Republic (1.45) [Statista, 2023].

No other industry in CEE has produced such a high share of global players. And they have not forgotten their roots. Even after three decades in business, their headquarters and core R&D facilities are still in CEE. How did it come that so many firms from CEE made it to the top in this industry? What are the characteristics of this successful internationalization? How do their internationalization paths resemble or

differ? These questions have been driving our research. Furthermore, we test which internationalization theory explains those patterns best.

## Research significance and purpose

A profound socio-economic transition, a resource-constrained business environment and the overwhelming competition from Western multinational companies that flooded the region after the fall of the Iron Curtain created an enormous challenge for local firms continuing an existing or starting a new business never mind internationalizing one [Jaklič, Raskovič, Schuh, 2018; Meyer, Peng, 2005]. That made the region at this time a unique societal context to test internationalization theories mostly developed in the 1970–1980s from a Western company view. Four theoretical perspectives on internationalization have been guiding the research design and our analysis of the internationalization of those companies: the Uppsala internationalization model [Johanson, Vahlne, 1977]; the network approach [Hakansson, Snehota, 1995]; the resource-based view [Barney, 1991]; the theory of international new ventures [Oviatt, McDougall, 1994]. Furthermore, our research contributes to the growing body of research centering on internationalization in the digital economy [UNCTAD, 2017]. It is fair to assume that digital businesses have an accelerated (“born global”) and geographically farther reaching internationalization than traditional businesses with a necessary physical presence.

## Methodology

Our research design is an exploratory one. A comprehensive literature review covering the software industry, digital economy and internationalization theories formed the framework for the analysis of the selected companies. The selection of the four businesses was based on their strong position in the global antivirus software market and their presence in more than 170 countries. In Table 1 you find the profiles of the four companies. We employed the multiple case study design to gain insights and a better understanding of the motives, drivers and barriers to internationalization.

Each case report included the following chapters: company profile, historical milestones, corporate mission and vision, business model, product portfolio, financial performance (2014–2019), internationalization pattern/strategy, motives, drivers and impediments to internationalization and competitive strategy. The length of the case reports ranged from 13–17 pages. To enhance the validity of results, we used

triangulation. The findings from the in-depth semi-structured interviews with executives were complemented by secondary data such as corporate websites, annual reports, press articles, publicly accessible business and industry studies as well as published cases.

**Table 1.** Company profiles (2019/2020)

	Bitdefender	Kaspersky	ESET	AVAST
Establishment date	2001	1997	1992	1988
HQ location	Bucharest, Romania	Moscow, Russia	Bratislava, Slovakia	Prague, Czech Republic
Legal form	Private limited company	Private closed joint stock company	Private limited company	Public limited company
Number of employees	1600	4300	1700	1700
Target segments	B2B, B2C	B2B, B2C	B2B, B2C	B2B, B2C
Revenue (EUR)	143	609	527	791
EBIT/Revenue (%)	40	11	17	41

Source: Own elaboration.

## Discussion

Table 2 presents the findings on the internationalization patterns in a condensed form. So what did our analysis of the internationalization patterns reveal? In all cases it was the interplay of push and pull factors that triggered the international expansion. The foundation of all the firms (or their predecessors) in the late 1980s and early 1990s goes back to individuals or teams of computer science researchers who were commissioned to remove a virus on infected computers. The original solution that they developed for detecting and removing the virus became their flagship product and was the starting point for the business. Small home markets and insufficient domestic demand at this time pushed Bitdefender, ESET and Kaspersky to enter foreign markets quickly (today we name such firms “born global”) while it took nine years in the case of AVAST.

Market-seeking motives and the vision and entrepreneurial spirit of the founders dominated the “going international”. Coming from (post-) communist countries, the interactions with their first Western customers were a culture shock. They taught them about the importance of customer satisfaction, high quality standards and competitiveness. Given their focus on computer sciences, the lack of management and foreign language skills as well as of a thorough understanding of the workings of a market economy hampered the internationalization of their businesses at the beginning and triggered a fast learning process.



**Table 2. Overview of internationalization key data**

	Bitdefender	Kaspersky	ESET	AVAST
Number of years until going international	0	0	0	9
First foreign market entered	France	Germany	Austria	USA
Entry modes used at beginning	Exporting	Licensing	Exporting	Licensing
International reach	170 + countries	170 + countries	170 + countries	170 + countries
Share of foreign sales (%)	97-98	80-82	97-98	97-99
Most successful foreign region	North America (USA)	Europe	EMEA	North America (USA)
Pace of internationalization	Gradual	Gradual	Gradual	Abrupt
Main motive(s)	Market seeking	<ul style="list-style-type: none"> <li>▪ Market seeking</li> <li>▪ Resource seeking</li> </ul>	Market seeking	Market seeking
Major internationalization driver	<ul style="list-style-type: none"> <li>▪ Insufficient domestic demand + market size</li> <li>▪ "The Entrepreneur"</li> </ul>	<ul style="list-style-type: none"> <li>▪ Insufficient domestic demand + market size</li> <li>▪ "The Entrepreneur"</li> <li>▪ International recognition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Insufficient domestic demand + market size</li> <li>▪ International recognition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Insufficient domestic demand + market size</li> <li>▪ Competition</li> <li>▪ Financial hardship</li> </ul>
Major barriers to internationalization	<ul style="list-style-type: none"> <li>▪ Lack of business + strategic skills</li> <li>▪ Cultural differences</li> <li>▪ Negative COO effect</li> </ul>	<ul style="list-style-type: none"> <li>▪ Local business environment</li> <li>▪ Lack of business + language skills</li> <li>▪ Negative COO effect</li> </ul>	<ul style="list-style-type: none"> <li>▪ Negative COO effect</li> <li>▪ Custom issues</li> </ul>	<ul style="list-style-type: none"> <li>▪ Insufficient marketing funds</li> </ul>
Competitive strategy	<ul style="list-style-type: none"> <li>▪ Hybrid focus strategy</li> <li>▪ Payment model</li> </ul>	<ul style="list-style-type: none"> <li>▪ Differentiation focus strategy</li> <li>▪ Payment model</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hybrid focus strategy</li> <li>▪ Payment model</li> </ul>	<ul style="list-style-type: none"> <li>▪ Focus strategy challenging generic strategies</li> <li>▪ Freemium model</li> </ul>

Source: Own elaboration.

In addition, their firms also suffered from a negative country-of-origin effect as Western customers associated producers from CEE with low-quality products in the 1990s. While the excellent technical performance of the antivirus products increasingly convinced foreign customers and helped building trust. Trust is a precious core asset in this industry as the deep knowledge of cyber-threats can also be used in a criminal way. Geopolitical conflicts in combination with an increased awareness of cybersecurity bring new threats for the firms. The newly inflamed tensions between the USA and Russia and alleged suspicion of spying via its software products have damaged Kaspersky's reputation and impaired sales in the large US market.

Initial market entry modes were exporting of packaged software and licensing. OEM partnerships with local cybersecurity vendors where the own technologies were licensed and integrated into third party security products, offered Kaspersky the opportunity to enter large markets such as Germany and the USA and to build an indirect presence there. For instance, 70% of the firm's revenue came from technology licensing with European clients in 1998 and provided the necessary cash flow for further business development. Today, more than 120 companies license technology from Kaspersky. Also AVAST initially licensed its antivirus software to the large US competitor McAfee. The licensing agreements provided both CEE firms with financial stability and a better understanding of the working of the global market.

Building up a distribution network of partners and resellers parallel to setting up own sales offices in all major markets followed. Then the internet as a distribution channel became the norm, especially in the consumer market, what facilitated a quick and cost efficient internationalization. Interestingly, in the B2B business, the local physical presence is still an important success factor. Business customers are more demanding; they value regular personal contact and communication as building and maintaining trust is an essential precondition to become a legitimate player in the cybersecurity market.

Which role did acquisitions play in this ascent to global player status? While Kaspersky refused to internationalize through acquisitions – mainly due to their potential threat to the unique company spirit, they were a major growth driver in AVAST's internationalization, a move that was followed later by Bitdefender and ESET too. In AVAST's case, the entry of a US-based private equity fund as the first investor brought capital, strategic advice and ties to Silicon Valley in 2010. In 2013, AVAST began with its acquisitions of local and foreign firms in the core and related product markets. In the following six years, it bought eight firms headquartered in the USA, Germany, UK, Slovakia and Czechia. The biggest acquisition was the Czech cybersecurity giant AVG for USD 1.3 billion in 2016 that doubled the user base to over 400 million devices and brought about new talent and technologies. In 2020, all four companies were present

in up to 170 countries and foreign sales account for 80% to 99% of total sales (Table 1). Return on sales figures show that antivirus software can be a highly profitable business: in 2019, ROS ranged from 11% (Kaspersky) to 41% (AVAST).

A precondition for internationalization to overcome the liability of foreignness is to have a sustainable competitive advantage that is skilfully transformed into an appropriate competitive strategy. The main sources of competitive advantage of all companies were related to technological or business model related strengths. However, when looking closer, the key source of the competitive advantage are the brains and the entrepreneurial spirit of the founders, the core R&D and management team, and the strong innovation-driven organizational culture. All companies follow a niche strategy in the software market by concentrating on antivirus solutions. Bitdefender and ESET pursue a strategy that combined a high quality solution with a lower price, i.e., a “good-value-for-money” strategy that is often employed by CEE firms, while Kaspersky bet on differentiation and a premium price strategy. The disruptive freemium business model of AVAST is based on a pricing strategy that aims at a quick penetration of the private user market. “AVAST Free Antivirus” offers basic features initially for free or at low-cost, while upgrades or extensions are already subject to a charge. This is a more radical approach than offering free trials or selected tools for free a done by the other competitors.

From a theoretical perspective, the network approach and the international new ventures theory explain the internationalization of those digital businesses best (Table 3). Three of the businesses can be described as “born global” as they expanded internationally within the first year. Besides the entrepreneurial drive the founders had an international orientation from the outset, had technological savvy and were willing to enter close relationships with business partners. The main reason for this fast internationalization might be related to the product type, the software. Although at the beginning the export of packaged software resembles the internationalization of physical products, licencing the software program and later selling via the Internet changed the character of internationalization markedly.

Generally, digital products also need a competitive advantage as an indispensable requirement to succeed internationally. That supports the resource-based and knowledge-based view although helps less when interpreting the internationalization process itself. Advanced technological expertise and related innovation capabilities, high product quality, product localization and local presence via subsidiaries and strategic partnerships are key elements. Not to forget the vision and drive of the founders, who were without exception software engineers. A superior technical knowledge provides a strong base for a competitive advantage. Finding the right partners and distribution networks not only facilitates the going international but shapes it too as

the licensing approach in Kaspersky's case and in the AVAST case the connection via an investor to Silicon Valley demonstrate. Latter explains AVAST's acquisition spree that markedly distinguishes it from the other firms. Later on high economies of scale and strong network effects have been driving the globalization of the digital businesses including a worldwide presence to tap local resources and talents for R&D, be closer to regional markets and so be able to respond swifter.

**Table 3.** The fit of the theoretical perspectives across the four cases

	Bitdefender	Kaspersky	ESET	AVAST
Uppsala model	Partial	No	Partial	Partial
Network approach	High	High	High	High
Resource-based view	Partial	Partial	Partial	High
International new ventures	High	High	High	Partial

Source: Own elaboration.

## Conclusions

The internationalization of antivirus software companies offers interesting insights and explanations answering our research questions in two ways. First, it underlines the assumption that the digital nature of the product and the internet as distribution channel allow for a faster, less costly internationalization and a wide international reach. Second, a business based on antivirus software offered entrepreneurs in the emerging economies of CEE a low cost entry into a global market with a vast demand. For capital starved young entrepreneurs with superior technical skills and a strong business idea the digital business allowed opened the door to immediate growth and profitability. And the historic context is important: the 1990s opened a window of opportunity for entrepreneurial antivirus software developers that does not exist today anymore.

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**Track 8**

**Digital Enterprises and the Role of  
Digitalization in International Success**

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Track chair: **Miklós Attila Kozma**

# Foreign Market Selection for Digital Platform Companies: A Review of Internationalization Aspects in a New Era

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**Keywords:** digital business models, digital platforms, international new ventures (INV), international strategies, internationalization of firms

## Introduction

One of the primary features of a modern society moving towards a knowledge-based economy is the growing dependence on information technology. Digital technologies have transformed the global economy, allowing small businesses to compete on a more level playing field. The rise of cloud computing and digital platforms has further facilitated this shift, enabling businesses to scale more quickly, efficiently and differently. Recent studies on international marketing strategies have increasingly taken into account the impact of technology and platform-based business models [Watson et al., 2018; Katsikeas et al., 2019; Elia et al., 2021; Katsikea et al., 2019; Elia et al., 2021]. Digital platforms enable businesses gain competitive advantage in the marketplace, using functionalities such as customer support, engineering and data management in general. As a result, the digital platforms businesses expand into the global marketplace with an accelerating growth. This brings the question of how the digital platform businesses identify international markets to enter into with their service software.

## Research significance and purpose

In literature, foreign market entry strategies for platform companies are recent and those studied follow a single or multiple case studies aiming to add data and insights

from real life cases into the literature [Brouthers et al., 2016; Chen et al., 2019; Ojala et al., 2020]. In this study, our purpose is to identify internationalization strategies and concepts applicable to digital platform companies and question them based on our case study. In particular, we will examine former internationalization theories and concepts such as the economic, behavioural and network theories and consider the use of the business model approach for internationalization to develop a foreign market selection framework for digital platform companies. The studies regarding the internationalization of digital platform companies are very recent; therefore, the significance of our study is the addition of the findings of a new case of foreign market selection criteria of a digital platform company in a B2B market who offers a value proposition of improving relationship-marketing aspects of e-commerce companies. We utilize the Analytical Hierarchy Process (AHP) and Country Portfolio Analysis in building our framework.

## Methodology

Our study follows a secondary research based on a literature review and a single case study. The data underpinning the case study has also been collected through interviews and databases based on the criteria developed together with the digital platform company. The case study benefits from previous theoretical findings and aims to contribute to them with empirical findings from business. This approach of contributing to theory with views from businesses, is labelled as collaborative research design [Young, Freytag, 2018] in a mixed approach framework.

## Literature review

Several theories and concepts have been developed to date, to explain the internationalization and foreign market entry criteria of the businesses. Theories based on resource advantages such as the Resource Based View (RBV) [Barney, 1991] emphasize that the competitive advantage is a function of the resources and capabilities of the firm, whereas theory on Transaction Cost Approach states that firms should internationalize in a way that results in the least foreign trade costs [Williamson, 1986].

On the other hand, behavioural approaches to internationalization such as the Uppsala Gradual Internationalization Process Model [Vahlne, Johanson, 1977] proposes a gradual entry approach to internationalization where prior knowledge and learning affect how the businesses approach foreign markets, as well as the physic/cultural



distance between countries. Another behavioural theory is the Born Global (BG) theory, grounded on the International New Venture Theory (INV), which claims that some businesses have a shorter period to internationalization due to technological advances, managerial change and new market conditions [Knight, Cavusgil, 2004].

Network approaches to internationalization, view the process as the establishment of relationships with network participants, both formal and informal [Johanson, Mattsson, 1988]. Insiders within the network have established access to the network's knowledge and resources, while outsiders do not [Johanson, Johanson, 2009]. The Uppsala model has also been updated later to incorporate network theories in the context of trust-building in network relations. Gaining knowledge and trust is crucial for expanding networks and learning about new markets.

These theories and approaches primarily apply to physical, product-based businesses, with some consideration given to those relying on technology and the internet. However, the rise of digital platform companies, which operate solely online, necessitates the modification of current approaches or the creation of new ones for internationalization.

Digital platforms are a business model that uses digital technologies to facilitate interactions between multiple groups of users who derive value from the platform's activities [Haigu, Wright, 2015]. Since platforms bring together different groups of users, they create network effects or externalities arising from networks. Positive externalities arising from networks imply that they rely on increased user base and their value increases as the user base increases [Eisenman et al., 2006].

Digital platform companies provide a foundation for businesses to build on; they do not create value on their own. The critical factor that determines the success of a business using platform technology is the company's ability to leverage the technology. Therefore, digital platform companies must create a compelling value proposition, attract users to their platform, and monetize their offerings effectively [Cavusgil, Knight, 2015]. The way they undertake this effort may change when moving into foreign markets. As a result, their value proposal for foreign customers will be affected from factors such as, characteristics of the platform service, requirements of customer support, customization needs, target group, and technological and legal market readiness. This is even more important for enterprise SaaS businesses in B2B markets compared to plug and play SaaS business, which requires more customization, training to the customer and integration to the other software.

Internationalization theories and concepts apply to digital platform companies with modifications. Digital platforms require resources and capabilities, including the ability to optimize digital capabilities and intangible assets, when entering a new market. However, while digital platform companies can internationalize more rapidly and cost-effectively due to their digital nature, they still need to protect themselves through

comprehensive contracts due to possible legal differences, data privacy concerns, or misunderstandings between the company and the client about the delivered value. These protections can be costly.

Considering the validity of behavioural theories on digital platform companies, although the digital platforms can expand throughout the world rapidly, they still prefer a gradual expansion based on trust and knowledge of the foreign market before they enter it. Physic/cultural distance is an important reason for this caution.

Network theories relate more closely to digital platform companies. When a digital platform company becomes part of an international network, it can find out about new market opportunities from the network partners, which would help it expand further. Digital platform companies do not require extensive networks to internationalize. However, a challenge for newly created platforms is that, when generating network externalities, attracting users to a platform only takes place and creates value once a strong user base exists. Therefore, users generate more users, but the challenge is generating the initial set of users [Evans, Schmalensee, 2010]. Therefore, when expanding into a new market, an existing set of potential users will be regarded as attractive criteria for a platform company and a critical factor in decision making.

When expanding into foreign markets, firms face “liability of foreignness” (LoF), making it more challenging for them than for local firms who are familiar with the market conditions [Johanson, Johanson, 2009]. To overcome LoF, expanding firms can demonstrate Firm Specific Advantages (FSAs) arising from intangible assets and capabilities that increase their competitive position [Rugman et al., 2011]. Therefore, if digital platform companies can demonstrate the possession of unique assets not present in the foreign market and access a strong user base, they can create an FSA and gain a competitive advantage.

## Case study

This paper aims to recommend a market entry strategy for a Northern European digital platform company, which offers a digital parcel-tracking platform to businesses. In their business model their value proposition involves an improved customer satisfaction for e-commerce customers (web-shops) by providing visibility of their parcels from the moment an order is placed. Once a package leaves the warehouse of a web shop, there is little control and knowledge of the whereabouts of the package by the seller until it is delivered or a customer complaint is received. The digital platform company aims to solve this issue by their solution that can be connected to the e-commerce companies’ systems to extract, process and analyse shipment data.

Initial set of criteria that we have looked into when selecting a foreign market to enter were, market size, market growth rate, market intensity, market consumption capacity based on GDP, and market receptivity based on technological readiness and number of couriers. We carried out a series of interviews with the company co-founder to assess the validity of these criteria. The company decided to initially focus on the European countries from the viewpoint of overall political, legal and cultural proximity. We have crosschecked these criteria with the availability of data. We have also received additional criteria from the company based on their value proposition and business model, such as legal and technological readiness to receive their platform, presence of target group, language requirements for SaaS customization and customer support. A cultural distance aspect here has been identified to be of importance as an important criterion to select that market. The cultural and business model related aspects are considered as the FSAs of the company, which are partially location bound.

After reviewing all of the aspects identified in the first round, we used a methodology that involves the Analytic Hierarchy Process (AHP) combined with a Country Portfolio Analysis. The AHP serves as the ruling framework for the methodology, while the Country Portfolio Analysis provides the necessary weight values for each country to be used in the AHP.

In the first step, we defined the European countries to be analysed. In the second step, we identified key criteria relevant to the parcels and logistics industry. The growth rate of parcels shipped per country and the number of couriers were considered essential criteria, while other criteria such as legal and technological readiness, cultural distance, language requirements, and overall logistics performance were considered as important.

Next, we collected data on the growth rate of parcels shipped per country during the period of 2012 to 2020, as well as the number of couriers already existing per country. We then created a scatter plot that combined the growth rate of parcels with the number of couriers per country. In step five, we defined three regions of action, named Avoid, Consider, and Engage, based on ranges of values. The Avoid region represents the countries with low demand and high complexity, while the Engage region represents the countries with high demand and low complexity. The Consider region includes the countries with a mix of attractiveness levels.

After identifying the countries that fall into each region, we applied the AHP in step six by defining additional criteria such as legal and technological readiness, cultural distance, language requirements, and overall logistics performance. In step seven, we evaluated the hierarchy through pairwise comparisons to determine the appropriate and justified weight to be given to each criterion and country. In step eight, we defined priorities for each node in the hierarchy. Priorities represent the relative weights of

the nodes and are absolute numbers between zero and one. The priority of the Goal is 1.000, and priorities for the Criteria and Countries depend on their previous scoring.

In conclusion, this methodology provides a quantitative analysis to determine the most appropriate market entry strategy for the digital platform company, based on a combination of the AHP and Country Portfolio Analysis. The methodology can be replicated for other companies that need to expand their markets and want to make data-driven decisions.

## Discussion

When expanding into a foreign market, the digital platform company considered several issues. Some of these issues relate directly to the former approaches to internationalization:

- **Transaction Cost Approach:** The digital platform company may incur costs in case of technological differences, contractual obligations or issues that could arise due to data privacy concerns.
- **Resource Based View:** The digital platform company should have enough competencies and FSAs to get a foothold in the new country.
- **Uppsala Gradual Model and BG Model:** The digital platform company will approach the foreign markets in a gradual way prioritizing the countries with similar identified attributes and physic/cultural distance is an important factor to consider.
- **Network Approach:** The concept of LoF is an initial concern as the company does not possess the local knowledge in the foreign country. This issue will try to be overcome by focusing initially on European countries. However, network considerations are not crucial for the digital platform company that is studied here, because the market is a B2B market and being a part of a big network does not bring exponential advantage in the first instance.

Some other market selection criteria are linked to more recent additions to the former approaches:

- **Business Model Approach:** When creating value in the foreign market compared to the home market, the digital platform company considers issues with respect to characteristics of their platform service, requirements of customer support, customization needs with respect to language and other local needs, target group, and technological and legal market readiness.

In our study, we have found that the former theories apply to the digital platform companies albeit with certain modifications, and digital platform companies attribute

importance to aspects of business models which are not studied widely in the earlier models of market selection literature. We consider that the business model related aspects are important to market selection however an ex ante verification of these aspects prove difficult. Therefore, in the case of digital platform companies, aspects of business models would be better understood after the market entry or through an ex post evaluation. In the end we used AHP model to prioritize selected countries.

## Conclusions

Foreign market selection criteria for digital platform companies still follow aspects of the earlier internationalization models, however certain modifications are necessary. Explanatory power of network theories is stronger in the case of B2C markets and are reduced in B2B markets. Business models aim to explain how companies create value for the customers and since the way that the digital platform companies create value is different compared to physical product companies, the way they internationalize is also different. However, a detailed ex ante identification and assessment of business model related aspects of the digital platform company is not always possible and an ex post evaluation may be more plausible.

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# Digital Transformation Risks and Strategies for Enterprises Operating in Global Markets

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**Keywords:** digital, enterprises, global, risks, strategies

## Introduction

Digital transformation has become a buzzword in the business world, with organizations of all sizes and types seeking to leverage technology to stay ahead of the competition. Gesenhues [2020] defined digital transformation as the use of modern technologies to dramatically increase the productivity and value of enterprises. Global enterprises are embarking on a digital transformation of their global business processes to improve competitiveness and profitability [Mithas, Whitaker, Tafti, 2017]. In this digital transformation, global enterprises are implementing and upgrading information technology (IT) and Internet-enabled applications to achieve operational efficiencies [Whitaker, Ekman, Thompson, 2017], reshape relationships with customers, and integrate with suppliers [Kim, Jean, Sinkovics, 2018], resulting in profound impacts to corporate strategy and financial performance [Mithas, Tafti, Bardhan, Goh, 2012]. The benefits of digital transformation are numerous and well-documented, from increased efficiency and productivity to enhanced customer experience and improved decision-making.

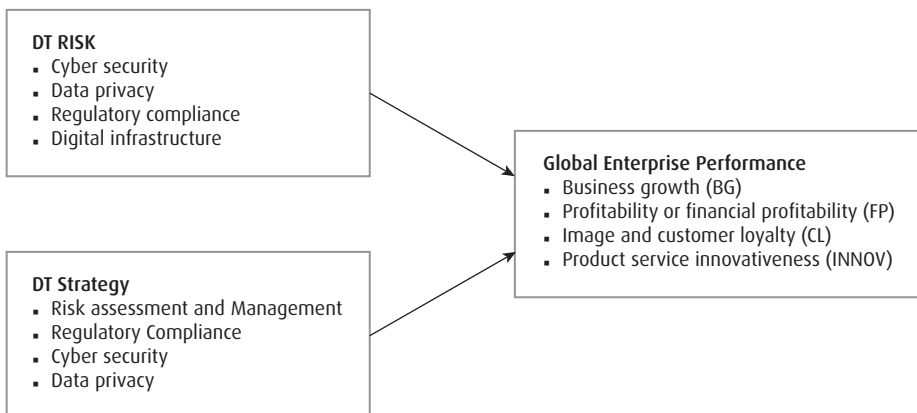
However, along with the obvious business benefits, digital transformation leads to an increase in potential risks [Dokuchaev, Maklachkova, Makarova, Volkova, 2020; Dokuchaev, Gorban, Maklachkov, 2019], such as:

- Risk of job cuts;
- Risk of information leakage when using UC&C;
- Risk of personal data leakage about the intimate aspects of the subject's life;
- Risk of substitution of the digital image of the subject;
- Risks of digital identification;
- Risks of artificial intelligence when making decisions;
- Risks of using blockchain when concluding smart contracts;
- Risks of new criminal offenses, etc.

For enterprises operating in global markets, the risks associated with digital transformation are particularly significant. These organizations must navigate complex regulatory environments, cultural differences, and technology infrastructures that vary widely from one country to the next. In addition, they must grapple with the challenges of managing a geographically dispersed workforce, ensuring data security and privacy, and adapting to rapidly evolving market conditions [Masuda, Shirasaka, Yamamoto, Hardjono, 2017].

This research project seeks to explore the risks associated with digital transformation for enterprises operating in global markets, as well as the strategies that can be employed to mitigate those risks. Through a review of existing literature, empirical study, and interviews with business leaders, this study aims to provide insights and recommendations for organizations looking to embark on a digital transformation journey while minimizing the associated risks.

**Figure 1. Digital Transformation Risk and Strategies Model**



Source: Own elaboration.

## Research significance and purpose

The significance of this research topic lies in the increasing importance of digital transformation in the modern business world, especially for enterprises operating in global markets. As more organizations embrace digital technologies to drive growth and operational efficiency, they must also confront a range of risks that can threaten their success. Understanding and managing these risks is crucial for enterprises seeking to achieve their strategic objectives and remain competitive in an ever-changing business landscape.



The purpose of this research project is to provide a comprehensive analysis of the risks and strategies associated with digital transformation for enterprises operating in global markets. By exploring the experiences of business leaders and conducting a review of existing literature and carrying out empirical study, this study aims to provide valuable insights into the best practices for managing digital transformation risks in a global context.

The research findings will be of interest to business leaders, policymakers, and academics who are seeking to understand the challenges and opportunities associated with digital transformation in a globalized economy. The study provides practical guidance for enterprises seeking to implement digital transformation initiatives and minimize associated risks, as well as insights into the key factors that contribute to successful digital transformation in global markets. Ultimately, the research aims to contribute to the development of a more robust and resilient global business ecosystem that leverages digital technologies to drive sustainable growth and innovation.

## Methodology

The purpose of this study is to examine the relationship between digital transformation risks and strategies for enterprises operating in global markets using linear regression analysis. The data for this study was collected through a survey questionnaire distributed to leaders in enterprises operating in global markets. The questionnaire was designed to capture information on digital transformation risks, strategies, and their impact on the performance of enterprises. The questionnaire was distributed to a sample of 130 global enterprises, with a response rate of 70% expected. All items were measured on a five-point Likert-type scale (1 = “strongly disagree” to 5 = “strongly agree”).

## Data Analysis

The data collected from the survey was analyzed using multiple linear regression analysis. The regression analysis is used to examine the relationship between digital transformation risks, strategies, and the performance of enterprises operating in global markets. The regression model includes the following variables: Multi-item scales were used to measure all constructs.

**Table 1. Variables and Measures**

Variable	Measures
<b>Dependent variable:</b> <ul style="list-style-type: none"> <li>▪ Global enterprise performance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Business growth (BG)</li> <li>▪ Profitability or financial profitability (FP)</li> <li>▪ Image and customer loyalty (CL)</li> <li>▪ Product service innovativeness (INNOV).</li> </ul>
<b>Independent variables:</b> <ul style="list-style-type: none"> <li>▪ Digital transformation risks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cybersecurity risks</li> <li>▪ Data privacy risks</li> <li>▪ Regulatory compliance risks</li> <li>▪ Digital infrastructure risks</li> </ul>
<b>Independent variables</b> <ul style="list-style-type: none"> <li>▪ Digital transformation strategies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk assessment and management strategies</li> <li>▪ Regulatory compliance strategies</li> <li>▪ Cybersecurity strategies</li> <li>▪ Data privacy strategies</li> </ul>

Source: Own elaboration.

## Result

A multiple linear regression was performed to evaluate the predictive ability of digital transformation risk and strategies on global enterprise performance. The survey items used to assess the variables of digital transformation risks and strategies, and global enterprise performance were collected from previous Data were screened for accuracy and then for missing studies. Collinearity statistics indicated that multicollinearity was not a problem (risk, tolerance = 1.9; strategies, tolerance = 1.9), and no bivariate outliers were detected (std. residual min. = -2.601, std. residual max. = 2.052). Descriptive statistics, correlations, and Cronbach's alpha reliability values for the three variables of interest are contained in Table 1. The internal consistency alphas for each of the variables of interest ranged from  $\alpha = .714$  (risk to  $\alpha = .721$  strategies). According to Nunnally and Bernstein [1994], alpha values exceeding  $\alpha = .70$  indicate that the instruments used in the study were adequately reliable. The explanatory power of the model was measured by using squared multiple correlations values ( $R^2$ ),  $R^2 = .60$ . This implies that the independent variables (DT risks and strategies) in the model can predict 60% of the variance in the dependent variable (global enterprise outcome).

DT risk ( $\beta = .088$ ,  $t = 4.19$ ) and DT strategies ( $\beta = .089$ ,  $t = 4.45$ ) statistically significantly predicted global enterprise outcome. Table 2 contains the multiple regression results for the three variables of interest. These results indicate that both digital transformation risk and strategies are significant predictors of global enterprise outcome.

**Table 2. Descriptive Statistics for Study Variables (n = 86)**

Variable	Mean	SD
Global Enterprise Outcome	3.3581	.92653
DT Risk	3.1302	1.02430
DT Strategies	3.3279	1.01328

Source: Own elaboration.

**Table 3. Multiple Regression Results for Study Variables (n = 86)**

Variable	B	Beta		t	p-value
DT Risk	.370	.088	.409	4.199	.000
DT Strategies	.396	.089	.433	4.448	.000

Notes:  $p < 0.05$ ; dependent variable: global enterprise outcome.

Source: Own elaboration.

## Discussion

The findings suggest that digital transformation risks can be categorized into four main areas: cybersecurity, data privacy, regulatory compliance, and digital infrastructure. Cybersecurity risks arise from the increasing use of technology in business processes, making enterprises more vulnerable to cyber threats. Data privacy risks emerge from the collection, storage, and use of personal and sensitive data, which can expose enterprises to legal and reputational risks. Regulatory compliance risks arise from the rapidly changing regulatory landscape, with new laws and regulations being introduced to address digital transformation risks. Digital infrastructure risks emerge from the reliance on technology and the need to maintain and upgrade digital systems to ensure business continuity.

In this study, the relationship between global enterprise performance and the variables of business growth (BG), profitability or financial profitability (FP), image and customer loyalty (CL), and product service innovativeness (INNOV) is influenced by the risks and strategies associated with digital transformation. Digital transformation brings about numerous opportunities, but it also introduces certain risks that can impact enterprise performance. To manage these risks, enterprises need to adopt a proactive approach and implement a comprehensive digital transformation strategy. The findings are congruent with existing research [Ekman, Thilenius, Thompson, Whitaker, 2020; Schwertner, 2017; George, Schillebeeckx, 2022]. This study identifies four key strategies: risk assessment and management, regulatory compliance, cybersecurity, and data

privacy. Risk assessment and management involve identifying and analyzing digital transformation risks and implementing appropriate risk management measures. Enterprises need to have a clear understanding of the risks they face and the potential impact on their business operations. Regulatory compliance involves understanding the regulatory landscape and implementing measures to comply with relevant laws and regulations. Compliance is critical in ensuring that enterprises avoid legal and financial penalties and maintain their reputation in the market. Cybersecurity involves implementing measures to protect enterprise systems and data from cyber threats. This includes implementing firewalls, encryption, and multi-factor authentication, as well as training employees on cybersecurity best practices. Data privacy involves implementing measures to protect personal and sensitive data, such as encrypting data, limiting data access, and implementing data retention policies.

This work may have some important practical implications. A key implication for business practitioners is the understanding of how global firms direct their resources and manage risks for innovation search. One obvious piece of advice is the need for global business managers to become increasingly conscious of their approach to digitally transform their work processes and its impact on global markets. Enterprises operating in global markets need to prioritize risk management, cybersecurity, regulatory compliance, talent development, strategic partnerships, and continuous monitoring. By adopting a proactive approach and implementing a comprehensive digital transformation strategy that includes risk assessment and management, regulatory compliance, cybersecurity, and data privacy measures, enterprises can mitigate digital transformation risks and reap the benefits of this transformational process.

## Conclusions

In conclusion, digital transformation has become a necessary step for enterprises operating in global markets to remain competitive and meet the changing demands of customers. However, this transformation process also comes with significant risks that can impact the business operations, financial stability, and reputation of enterprises. This research explored the digital transformation risks and strategies for enterprises operating in global markets.

The study identified four main areas of digital transformation risks: cybersecurity, data privacy, regulatory compliance, and digital infrastructure. Enterprises need to adopt a proactive approach and implement a comprehensive digital transformation strategy to manage these risks effectively. The strategies include risk assessment and

management, regulatory compliance, cybersecurity, and data privacy measures. By implementing these strategies, enterprises can mitigate digital transformation risks and reap the benefits of this transformational process. They can improve operational efficiency, increase productivity, enhance customer experience, and drive innovation. In addition, enterprises can improve their reputation in the market and maintain customer trust by demonstrating their commitment to cybersecurity and data privacy.

Overall, the findings of this research provide valuable insights into the digital transformation risks and strategies for enterprises operating in global markets. As the digital landscape continues to evolve rapidly, it is crucial for enterprises to stay updated on the latest digital transformation risks and strategies to remain competitive and secure in the global market.

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# Digital Technologies and Access to Health Services in Central and Eastern Europe Countries

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**Keywords:** CEE countries, digital innovation, healthcare system, m-health

## Introduction

The goal of individual countries' and the European Union's health policies is to provide equal access to modern and effective health care for all Europeans [European Union, 2019], since universal access to medical care is one of the social determinants of citizens' health [Wilkinson, Marmot, 2003, p. 7; Modranka, Suchecka, 2014]. Equal access to benefits means that individuals or entire households with the same level of need for medical care are provided with it regardless of their income (horizontal equity) [Wagstaff, Van Doorslear, 1992]. Equal access to health services, which is recognized as a right of every citizen, should therefore be based primarily on need, rather than ability to pay. Despite the constitutional guarantee and government efforts to equalize access to medical services funded by public funds, particularly in less developed countries, access remains uneven and limited [González, Triunfo, 2020]. Based on research from the UK, Hart's so-called Inverse Care Law was formulated, according to which the availability of health services in a region is inversely proportional to the size of the needs of the population living there [Hart, 2000].

Digital technologies can help to solve the problem of unequal access to medical services. The benefit of telemedicine solutions is that they do not require the presence of both parties, i.e., the medical entity and the patient, at the same time and in the same place. As a result, digital technologies increase the availability of medical services, particularly in areas where stationary health care is scarce [Czerwińska, 2015]. However, there are many barriers related to the digitization of health care systems, both on the

side of health service providers and their customers (patients). A prerequisite for the remote medical services market is the development of the information society.

The study has been divided into three main parts. In the first part, a macroeconomic analysis of access to health services and the level of digitization in the countries of Central and Eastern Europe was conducted. The next section identifies the key determinants of access to health services for patients in the countries surveyed. The last section is an in-depth analysis of the degree of implementation of digital technologies in the healthcare system in Poland. The main focus is on solutions such as electronic medical records, digitization of medical records and solutions in the field of telemedicine, e-Health and artificial intelligence.

## Research significance and purpose

The aim of the study is to assess the availability of medical services in the countries of Central and Eastern Europe and to identify digital technologies that can contribute to increase the availability of these services. There is an urgent need to learn from the experience of the COVID-19 pandemic, where digital health innovations were rapidly integrated and scaled to address healthcare delivery challenges.

In this context, an important part of the study are recommendations on how to make digital health solutions an effective way to provide health services to those in need, as well as to coordinate the management of the health care system.

## Methodology

Our study covers countries from Central and Eastern Europe, such as: Bulgaria, Czechia, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Romania, Slovenia, Slovakia and Serbia.

The analysis of digital development in the countries of Central and Eastern Europe is provided by the Digital Economy and Society Index (DESI). The DESI Index is a weighted average of five sub-indices comprising: Connectivity and Infrastructure, Human Capital, Internet Use, Digital Integration and Digital Public Services. Statistical analysis also uses Eurostat data on public spending on health care. This spending makes it possible not only to meet current health needs, but also to address long-term so-called grand challenges associated with critical health and development issues, including population aging and diseases of civilization [Kowalski, 2022].

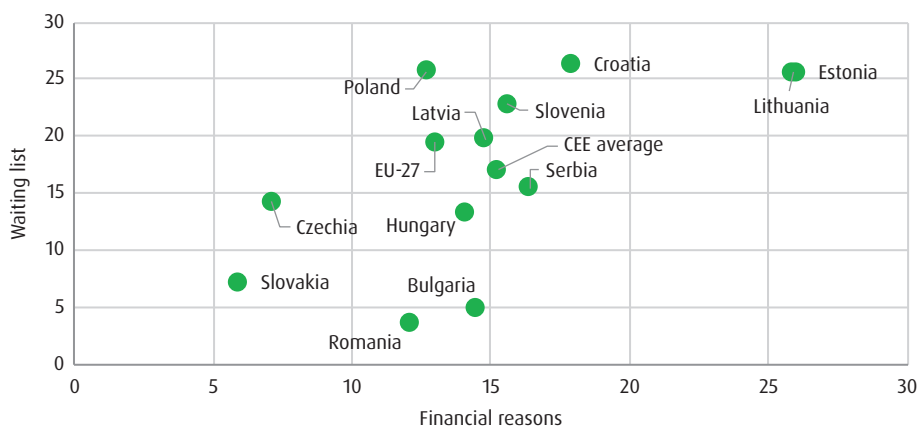


Data on the level of health of citizens and access to medical services are derived from the latest European Health Survey EHIS, covering the sample of more than 950 000 EU citizens aged above 15.

## Discussion

The most frequently indicated factors influencing the unsatisfied needs in the field of health care in the European Union countries include the waiting time for a visit, financial considerations and the distance to the nearest health center. The average of indications for 12 countries of Central and Eastern Europe was, respectively: for long waiting period: 17%, for financial reasons 15% and for geographical distance 4%. Results differ a lot among CEE countries under study (see Figure 1).

**Figure 1. Self reported unmet needs for health care taking into account financial reasons and waiting list (% of indication)**



Source: Own elaboration based on Eurostat [2021] and EHIS [2019].

## Conclusions

The COVID-19 pandemic has highlighted the need for the European Union’s health and care sector to undergo digital transformation in order to become more crisis-resistant and efficient (Regulation (EU) 2021/522).

The study’s findings, which are based on data from multiple sources, including the EHIS questionnaire, indicate that urgent public health intervention is needed in the region’s countries to increase equal access to health care services and close existing

disparities. The main issue here is the long wait for an appointment, which has been identified as the most important variable influencing unmet healthcare needs.

An opportunity to further increase the efficiency of health systems is the use of digital technologies. These can play a particularly important role in Central and Eastern European countries due to the fact that many countries in the region have a higher percentage of people using the Internet to search for health information than the EU average. Telemedicine solutions enable rapid communication between patients and healthcare providers and the transfer of data between different players in the healthcare market, as well as direct contact between patients and healthcare professionals. Digitization contributes to increasing the quality, accessibility and efficiency of health care services on the one hand, and to lowering health care costs on the other. From a macroeconomic perspective, telemedicine leads to economic growth, through its impact on productivity levels and competitiveness in healthcare.

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# Technology and Digital Models in Higher Education: An Internationalization Perspective

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**Keywords:** business models, EdTech, digital transformation, higher education, internationalization, universities

## Introduction

Education not only can transform an individual's spectrum of career opportunities but has been a crucial part of a state's well-being and competitiveness. Currently, the sector experienced many new, tech-based solutions in the market. These EdTech companies bring the digital solutions traditional universities are too slow to adapt. However, it is not yet clear what the demand is and what the success factors are in this new competitive landscape. There are many open questions on competition or collaboration, the purpose of institutions and demand factors. These open questions shape technology's opportunities for internationalising educational services, mainly based on demand conditions like accessibility.

## Research significance and purpose

The purpose of this research is twofold: first, to get to know the landscape and the environmental factors that shape EdTechs and universities opportunities, and second, to explore how different digital technologies and business models contribute to success in this changing competitive environment. As EdTechs and universities use different business models, it is crucial to understand what each player bets on as the future of the competitive landscape. The players pursue different strategies with their own respective rationale.

Given the current unclarity of the industry's future, this research can provide more comprehensive insights into the sector and the digital business models in education. The research offers managerial and policy implications as well.

The research results can be used for both universities and EdTechs to make more informed long-term strategic decisions and understand the competitive dynamics shaping this market.

## Methodology

The research methodology is an exploratory qualitative case study research, with three cases to be presented: a university with high growth aspirations in the CEE region, an EdTech company based in Canada that serves universities, companies, and students, and another EdTech based in Hungary that serves companies and students. As part of the cases, three semi-structured interviews have been conducted with the leaders of each case study organisation. Industry experts have also been interviewed to get an insight into the competitive landscape from a different view. The semi-structured interviews will be reviewed based on the questions the interviewees answered, and propositions will be assessed against the findings. Analytical generalisability will be used at the end of the research to derive broader conclusions from the interviews.

## Discussion

The findings suggest that higher education's dynamics are more complex than first assumed. The interviews indicate that the technology level is currently higher than the speed at which students and universities can adapt. Universities remain the players with the broadest access to students, and they haven't faced any demand-related factors that would require them to innovate. Universities have different and more complex stakeholder maps than EdTech companies do. As a result, technology adaptation is a decision that comes long after purpose, mission, vision, and other education and ranking-improving decisions.

EdTechs, on the other hand, have a push to serve today's market with their technologies, can adapt quickly and can employ different business and monetisation models. However, they need traction and "distribution channels" for students. Different expectations are present from the students, corporations, and universities as clients. EdTech companies can mainly rely on their extensive data and provide value for students

and employers by measuring, analysing and making informed decisions. This makes EdTechs relevant to the market of today.

From the internationalisation perspective, EdTechs can use their technology push to internationalise local best practices globally, given that they have a more adaptable and flexible business model and less “historical infrastructure debt” than traditional universities.

The fast internalisation of local best practices (for EdTechs and universities alike) can also be further discussed based on the findings.

## Conclusions

Although digital technologies create value for all stakeholders in the higher education sector, they have not been demanded by students at scale. As a result, the whole market is not based on digital technologies as a success factor yet. This gives time for universities to create their digital strategies and EdTechs to find the best monetisation model for their operations. Data turns out to be the biggest asset in the higher education industry, which is not yet fully exploited in value. Data-based technologies can be the next wave to be adapted at scale in higher education.

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# Personality Traits as Determinants of Player Performance in Esports

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**Keywords:** Big Five, esports, League of Legends, performance, personality

## Introduction

In recent years, as the popularity of esports and esports games has skyrocketed and is expected to increase even more [Gough, 2019], esports has stopped being regarded with suspicion by researchers and a growing number of scientific articles about professional video games have been published. However, most of the papers have focused on media studies, informatics, and the business side of esports, such as Weiss [2008], Weber [2009] or Zang [2007]. Sports psychology is not the least researched topic, but it clearly trails behind other, more prominent study areas regarding esports [Reitman, 2019]. This research aims to help fill this gap.

## Research significance and purpose

The goal of this study is to investigate how personality traits affect players' performance in League of Legends (LoL), a popular multiplayer online esports game. The research was carried out under the assumption that the determinants of players' performance in esports are similar to those in regular sports and are informed by sports psychology literature. The tested hypotheses held that different personality traits may affect player performance. To operationalize personality traits, the Big Five personality model was selected. The Big Five framework consists of measurement scales for five personality dimensions, including extraversion, openness to experience, conscientiousness, agreeableness, and neuroticism [Pytlik, Zillig, 2002]. One of the implications of the study is that it provides a deeper understanding of performance-driving factors to researchers, professionals, coaches, owners of esports organizations

and even aspiring players that would otherwise have to be discovered by trial and error. Eliminating the process of the constant rediscovery of the knowledge related to esports should significantly help the growth of this industry, which, judging by viewership [Gough, 2019] and profitability [The Business Research Company, 2020], seems to be the future of entertainment and starts to rival traditional sports [Roundhill Team, 2020].

## Methodology

The data was collected by a CAWI (Computer-Assisted Web Interviewing) survey on international LoL-related Facebook groups and Discord servers and consist of responses from 174 LoL players. Statistical methods include factor analysis and binary logistic regression using SPSS 26. The dependent variable in the model was player performance, which was based on the official ranking system for LoL players. The ranking distinguished nine subsequently higher skill and achievement levels: Iron, Bronze, Silver, Gold, Platinum, Diamond, Master, Grandmaster and Challenger with ranks Iron through Diamond being further divided into four sub-tiers each [Riot Games, 2009]. Overall, the higher the rank of an individual, the more games they have won and the better player they are supposed to be. There has been an ongoing debate about whether the current ranking system is effective at measuring performance and even the developers themselves admit that it is not perfect [Altorfer, 2019]. However, the ranking is considered an acceptable performance metric that virtually any player can report off the top of their head. For the purpose of the logistic regression model, players' ranks were dichotomized into higher and lower ranks, designated as 1s and 0s, with the cut-off point set at the silver rank. Given the research topic, the target respondents (teenagers and young adults) and the placement of the questionnaire (social-media platforms and online communicators designed for gamers), the interviewing time should be kept to a minimum, so as not to discourage the participants and help them stay focused. To satisfy this condition, the Big Five personality model has been selected. It is one of the shortest and most widely available scales for measuring personality with well-established reliability and validity [Pytlik, Zillig, 2002].

## Discussion

Extraversion was an insignificant variable in the regression model. This means that extraversion does not significantly influence player performance in LoL. This might imply that exertion due to playing LoL in long sessions, which extraverts should



in theory be better at dealing with, is not as big a factor in LoL as it is in traditional sports. The reason for that can be that for many people LoL is ultimately a form of fun and relaxation and they purposely avoid situations in which playing their game of choice would cause long-term exhaustion. Moreover, the short-term weariness, manifesting as tilt, which is annoying for players to deal with during a game, may not have a long-term impact. If it had, extraverts should be more proficient at mitigating its effects, making extraversion a meaningful performance factor. Openness also seemed to make no difference in distinguishing between low- and high-performance players. As suggested in the literature, openness is the most unstable of the Big Five personality traits across cultures. Since the people who filled out the survey came from all over the world, their responses could cancel each other out. To get around this problem, either a larger sample size or research on a specific culture or country would be needed. Like the two personality traits mentioned above, agreeableness did not help predict player performance. Similar to openness, this is consistent with research done by Matuszewski et al. [2020], which implies that volatile environment of ever-changing teams in LoL favors more selfish behavior, where one plays to win on an individual level rather than with a team, and thus the ability to cooperate with others, which is indicated by agreeableness, is unimportant for good results. In the same vein, conscientiousness does not seem to influence player performance in LoL, which is consistent with the findings of Matuszewski et al. [2020]. This means that it is difficult to give a rationale for this insignificance, since extant theory states the conscientiousness should positively affect performance but actual data of LoL players indicate no such association. This may be another indication that traditional sports psychology does not apply to gamers. Neuroticism was found to be the only significant personality trait in the regression analysis. The odds for that variable were 0.418 which means that scoring one unit higher in neuroticism decreases the odds of being in the better performing group by almost 60%. It is well-documented that stress impairs performance, and because LoL can be a stressful experience, one's susceptibility to stress can exert a major influence. However, the effects of stress may be much more severe than what can be seen from this model. It is important to remember, that neuroticism was used as a proxy variable that measures the ability to cope with stress, not the amount of stress experienced or the actual psychological and physiological response to it. This leaves room for further research, to better understand the role of stressors in casual video games.

## Conclusions

The goal of this research was to find personality traits that affect player performance in League of Legends based on sports psychology literature. A high number of insignificant hypotheses suggests that sports psychology findings can't be fully applied to esports. However, the hypotheses that are supported show that certain psychological factors are meaningful, even to casual players. As this research tried to cover a broad spectrum of determinants, a more specialized study centered on specific factors could yield better results. Moreover, development of dedicated scales for computer games setting seems necessary.

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# Exploring the Impact of Digitalization on International Business Strategy: A Comparative Study of Traditional and Born-Digital Firms

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**Keywords:** digitalization, born-digital, international business strategy, traditional firms

## Introduction

In today's fast-changing business landscape, digitalization has become a critical driver of internationalization [Denicolai et al., 2021]. The emergence of born-digital firms, which were "born global" and leveraging digital technologies to facilitate their international expansion [Tumbas et al., 2017], has further emphasized the importance of digitalization in international business. This comparative study aims to explore the impact of digitalization on international business strategy by examining the differences and similarities between traditional and born-digital firms.

## Research questions

- 1) How do born-digital firms differ in their international business strategy compared to traditional firms?
- 2) How have born-digital firms adjusted to the digital landscape in their internationalization process?
- 3) What are the key factors for the success of born-digital firms in the global market, and how do they differ from those of traditional firms?

## Research significance and purpose

The study will be of interest to researchers, practitioners, and policymakers, to be able to navigate through the rapidly evolving landscape of global business. Finally, this study will clarify the dynamic relationship between digitalization and international business strategy, with particular emphasis on the unique challenges and opportunities faced by born-digital firms compared to traditional firms.

The study will conduct a comprehensive literature review of existing research on digitalization and international business strategy, including studies on traditional and born-digital firms. This will help identify research gaps that need to be addressed.

## Methodology

This study will employ both qualitative methods and quantitative analysis of financial data and performance metrics. For in-depth analysis and comparison, the case study will utilize a sample of traditional firms such as Deutsche Bank, British Petroleum, and Nestle, and born-digital firms such as Wise, Revolut, and Spotify, which have a significant global presence.

- **Data collection:** Collect both quantitative and qualitative data on the firms' digitalization efforts and their impact on international business strategy. Quantitative data will include variables of financial performance metrics, revenue growth, capitalisation and profitability, while qualitative data will include Industry reports to gain insights into the competitive global markets.
- **Data analysis:** This study will analyse the data to compare the digitalization strategies of traditional and born-digital firms and how they impact international business strategy. This will involve statistical analysis of financial data as well as thematic analysis of qualitative data.

## Results

The results of this study will enhance the understanding of digitalization on international business strategy, providing insights into the key success factors for born-digital firms and identifying the challenges faced by traditional firms in the digital era.

## Discussion

The paper will provide recommendations for traditional firms seeking to digitize their operations and compete with born-digital firms in international markets.

Lastly, the paper will discuss the limitations of the study, including any data or methodological constraints, and suggest areas for future research.

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## **Track 9**

# **Global Environment: From Geopolitics to Identity Politics**

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Track chair: **Matt Raskovic**

# To Understand the Political Governance Strength and Cross-Border Acquisition Completion

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**Keywords:** cross-border acquisition, institutional theory, nonmarket strategy, political governance, state-owned enterprises

## Introduction

To understand the outward FDI, institutional theory has been a central tenet. Since North [North, 1990] recognized institutions as “the rules of the game”, a constellation of studies has paid attention to the humanly devised mechanisms, categorized into formal institutions such as laws, regulations, and political regime, and unintendedly and collectively shared norms, which are grouped into informal institutions. No matter for the formal or informal institutions, when we look at the process in which firms engaged, the process includes two components. First are the entities holding the institutions per se, like a government department, or an NGO; second is the persons working in these entities who conduct certain procedures conforming to formal regulations or informal consciousness. In our study, separating these two parts is meaningful. That is, not only the regulations or norms are affecting business activities, but the bureaucrats, staff, or any employee serving for the institutional entities are directly influencing business due to the heterogeneity of working efficiency, personal integrity, and so on.

Institutional theory takes the core idea that organizational “actors pursue their interests within institutional constraints” [Il Park, Xiao, 2021; Ingram, Silverman, 2002], thus, foreign investors, through their FDI activities, are interacting with these institutional constraints in the whole business process. The institutional perspective argues that the structure and behavior of organizational actors are influenced and more or less controlled by the institutional context in which these actors are embedded [Ang Benischke, Doh, 2015; Il Park et al., 2021]. Following this argument, we propose that we

need to examine not only the actors' active strategic behavior, which Corporate Political Action (CPA) literature has deeply studied, but also the institutional components which are influencing the firms and their investments. This is also in accordance with the fact that some scholars point out that, "it is not yet fully understood how the influence of institutional quality varies across contexts" [Jimenez, Lee, Orde, Ana, 2021]. Responding to CPA, these institutional components are political related. In our study, we use political governance strength to represent such components. We focus on extending institutional theory and CPA literature to understand the effects of political governance strength in host countries upon CBA completion. Political governance strength, as one of the nonmarket components in host countries, reflect the quality of institutional design with which foreign investors interact.

As for nonmarket risk and FDI, scholars have taken political risk in host countries as an important component in the nonmarket environment. There is clear evidence of an interaction between firm-level experiences, political risk, and the market's reaction to announced FDI [Goerzen Sapp, Delios, 2010]. Taking the frame of nonmarket strategy (NMS), such firm-level experiences are accumulated in their nonmarket strategic behavior. Interacting with the government entities in host countries is serving the firm's aim to try to control the political risk to some extent. Such studies, with a large amount, are taking the firm's scenario in the two-party interaction. However, this two-party interaction is a game between the firm and the political governance in host countries. The other scenario, political governance, strong or weak, is an important force deciding the game rule and influencing the game result. Therefore, our study is in a conversation of linking institutional theory and nonmarket strategy, probing into the political governance strength in host countries and examining its impacts upon FDI. We propose political governance strength separately from other institutional or nonmarket components, because it is rooted in institutional theory's demonstration about the institutional design and pillars, and it is also the other player in the two-party game between firms and nonmarket environment in terms of political component.

Chinese firms, as the dominant FDI contributors worldwide, have often been used as the context for its special country-level characteristics in many FDI related studies [Park, Roh, 2019]. Chinese firms have always been in the teeth of the storm in cross-border acquisitions. We choose Chinese acquirers' CBA deals as our sample to find evidence for the political governance strength's impacts, for the following considerations. Firstly, China has been a dominant country in terms of outward FDI in the past decades. Secondly, the target countries of Chinese acquirers show a great variety of capitalism, as well as the ideology, social norms, business code, and governance regime. This provides diversified observations for us to capture the heterogeneity of political governance strength in host countries. This is also a fertilized



soil for us to understand from the perspective of institutional theory. Thirdly, Chinese firms, as well as the shareholders, decision-makers, and managers in firms, have been subconsciously in a mental mode of nonmarket strategy, due to the Chinese culture. In the context of CBA, political risk is often unpredictable. The interactions between foreign acquirers and local nonmarket environment are dominated vastly by government departments. When acquirers are from China, the host government may be more sensitive in investigating the motivation and process and even tend to behave in protectionism. In this way, political governance strength becomes even more important. Strong or weak political governance, can mitigate or exaggerate the intentional intervention from host governments, thus influencing the CBA completion. Summarized, Chinese acquirers' CBA activities provide us with enriched observations due to the varieties in institutional characteristics and traditional nonmarket mental mode in acquirers' decision-makers.

## Research significance and purpose

Recent years have witnessed increasing interventions and sanctions imposed by host countries upon inward direct investments, due to the protectionism and national discrimination in some states. Firms cannot predict such political hindrance, let alone adopting effective responses to reverse the risky situation. However, firms can take some observable factors into considerations in advance before making foreign investment decisions. In this study, we examine political governance strength at the host-country level and international level, using Chinese acquirers' cross-border acquisition deals as the sample, and find that the political governance strength has significant effects upon cross-border acquisition (CBA) completion. Stronger political governance in host countries significantly improve the likelihood of CBA completion. The existence of International Investment Institutions between home and host countries enhances this positive effect. However, the state ownership of acquirer firms weakens it. To summarize, firms can pay attention to political governance strength, which are more observable and objective than unpredictable behavior of host governments, in order to increase the success likelihood of CBA. Our study also contributes to the linkage of institutional theory and nonmarket strategy in the cross-border context.

## Methodology

This study seeks to ascertain the effects of political governance strength upon the likelihood of CBA completion. We take a sample of cross-border acquisitions conducted by Chinese listed firms listed in Shanghai Stock Exchanges and Shenzhen Stock Exchanges between 1992 and 2016 (24 years). Data in this sample was obtained from Zephyr, Wind, and UNCTAD.

## Discussion

This study was motivated by the phenomenon of increasing failure of Chinese firms' CBAs. Especially, it shows a trend that more of them are not caused by market forces such as capital cost or financing difficulties, but by nonmarket factors. Confronting such uncertainty from nonmarket environment, the Corporate Political Activities would entail different performances under heterogeneous context. Specifically, CPAs are the interaction between firms and agents from government sides. Therefore, we are interested in digging out the factor(s) that has these characteristics:

- 1) Have heterogeneous levels in different host countries;
- 2) Are embedded in the political environment;
- 3) Existed in the process of firms' interacting with the government sides.

For this aim, we suggested that political governance is the most related determinant satisfying the three requirements in our research. Starting from the linkage of institutional theory and nonmarket strategy, we found empirical support (H1 and H2) for the positive effect of political governance strength in host countries upon the likelihood of CBA completion.

As for the political governance strength at the international level, we examine the moderating role of the existence of IIAs between home and host countries. Our Hypotheses 3a and 3b are supported. This moderating effect is a "cardiotonic" for foreign investors, and it is noteworthy that, with the existed strong political governance strength in host countries, IIAs can still provide a "double insurance" to complete the CBA deals.

We also consider the moderating role of the state ownership of acquirers. Our study takes acquisition deals initiated by Chinese firms as the sample. Therefore, the state ownership cannot be neglected. SOEs are often treated with discrimination and distrust in their foreign investment. In Hypotheses 4a and 4b, we proposed that the state ownership can weaken the positive effect of political governance strength upon the likelihood of CBA completion. And these arguments are both supported.

## Conclusions

In this study, we examine political governance strength at the host-country level and international level, using Chinese acquirers' cross-border acquisition deals as the sample, and find that the political governance strength has significant effects upon cross-border acquisition (CBA) completion. Stronger political governance in host countries significantly improve the likelihood of CBA completion. The existence of International Investment Institutions between home and host countries enhances this positive effect. However, the state ownership of acquirer firms weakens it. To summarize, firms can pay attention to political governance strength, which are more observable and objective than unpredictable behavior of host governments, in order to increase the success likelihood of CBA. Our study also contributes to the linkage of institutional theory and nonmarket strategy in the cross-border context.

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# MNES' Power, Business Diplomacy, and Grand Challenges

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**Keywords:** business diplomacy, corporate power, grand challenges, MNEs

## Introduction

It is undeniable that the world inhabitants are facing common problems that affect everyone living in the planet. These problems range from climate change, hunger, poverty, food sovereignty, water sanitation, gender inequality, decent living and working conditions, freedom, and education, thus governments, multinational enterprises (MNEs), and civil society are part of the solution. Moreover, these problems that require multiple and coordinated stakeholder work in order to remove barriers and be solved with widespread implementation are called grand challenges [George et al., 2016]. These grand challenges surpass economic, geographic, and societal borders making them naturally multinational [Buckley et al., 2017]. In order to solve part of these grand challenges, not only governments have committed to the United Nations Sustainable Development Goals (SDGs) agenda to be achieved by 2030, but also there are many MNEs that have taken these challenges seriously and have implemented actions in their corporate social responsibility (CSR) programmes to advance the goals locally and globally, making MNEs an important international actor. Furthermore, MNEs have extended their social responsibilities beyond CSR and have found new ways to manage stakeholder relationships and interactions with governments where they operate [Buckley et al., 2017]. One of those new ways to manage and build stakeholder relationships is the use of business diplomacy.

Additionally, MNEs have become important actors in the international arena. MNEs, apart of actively attracting customers, now have a seat at the negotiation table, are capable of setting the agenda, and may persuade governments [Olins, 1999]. MNEs may exert greater power than individual countries in different international organizations, including the UN, WEF and WTO [Josselin, Wallace, 2001; Saner, 2006]. In addition

to their great economic power, that can be reflected in international indexes, MNEs have prestige, values, and attributes appealing to customers and citizens of different states. I argue that MNEs not only exercise their financial power, but also utilize persuasive strategies of business diplomacy to convince publics and governments about their activities, uniqueness, and social responsibility, and create a favourable environment for their operations.

Business diplomacy refers to companies engaging with different stakeholders, emphasizing governmental ones, utilizing communication and representation tools to change stakeholders' minds, convince them on MNEs' ideas, build a favourable environment, and establish long-term relationships with government and non-government representatives [Martínez Pantoja, 2018]. It also consists in making a suitable environment for MNEs to operate and reduce possible risks and uncertainty [Saner, 2006]. One important instrument of business diplomacy used by MNEs is the active participation and involvement in industry associations [Rowlands, 2001]. Via industry groups, MNEs are present as organizations that propose solutions, present ideas, advance the interest of the MNEs involved, try to minimize risks, and exercise power. For example, BIO is a powerful industry group in the United States that exerts power not only in its own country, but in other countries by making statements, producing material, and attending important events. Another example is pharmaceutical companies. Pfizer, with the development of the COVID-19 vaccine not only gained support from different governments around the world, i.e., the New Zealand government giving final approval [RNZ News, 2021] and the Czech government donating Pfizer vaccines [Ministry of Foreign Affairs of the Czech Republic, 2022], but also opened new markets, secured direct access to previous markets, and improved its image and corporate social responsibilities. Another sector exerting power on governments is car manufacturing. For example, Tesla has persuaded the Mexican government to have permission to establish a manufacturing plant in the north of the country [BBC News, 2023], thus contributing not only to the manufacture of electric cars and helping solve the climate change problem, but also providing employment to locals and bringing prestige to the country. All these endeavours implemented by MNEs may contribute to solve, partially, the grand challenges of today. Furthermore, MNEs have utilized business diplomacy instruments to promote their ideas and possible solutions to these problems, including electric vehicles, sustainable and AI farming, and gene editing.

I argue that MNEs have great power and utilize business diplomacy strategies and instruments to solve grand challenges. However, many of these strategies and instruments are used to solve partially the grand challenges that the world faces today. Hunger, poverty, health, food sovereignty, and environmental degradation are issues that cannot be solved solely by governments or MNEs who sometimes have

counterproductive actions toward those challenges. How MNEs utilize industry groups as a business diplomacy strategy to advance their interests, project social responsibility, exert power, and solve grand challenges is the subject of this paper.

## Research significance and purpose

This research contributes to the analysis of MNEs power exertion not from a financial point of view, but from a persuasive approach. As part of the strategies and instruments available for MNEs, the use of business diplomacy is a subtle way of exercising power and advancing the interest sometimes in alignment with governments. The purpose of this research is to analyse strategies and instruments of business diplomacy that some MNEs operating in Eastern Europe have utilized to generate a favourable environment and whether they contribute to solve part of the grand challenges. This research focuses on MNEs operating in Eastern Europe from the sectors of biotechnology, food, and organic food often neglected in the literature. This paper contributes to the study of MNEs located in Eastern Europe, their use of business diplomacy strategies, and their involvement in grand challenges, that have been understudied in the international business literature written in English.

## Methodology

This is a desk research that includes an archival analysis of source materials (texts from official reports, news releases, official statements). I have reviewed webpages, official documents, CSR reports, and newspapers of the last three years (2020–2023), to identify and analyse the main strategies and business diplomacy instruments employed by MNEs to exercise power, and their possible contribution to the solution of grand challenges.

## Discussion

The case of biotechnology companies: EuropaBio. In Europe, biotechnology companies are grouped by the industry group EuropaBio. This group can be considered as a sister group of BIO from the United States. EuropaBio, as stated in its webpage, represents corporations and associates from different sectors related to biotechnology, grouping 2600 companies from the healthcare, pharmaceutical, and food technology sectors

in Europe [EuropaBio, 2023a]. This group, in addition to promoting biotechnology, advocates for free and open markets, informed dialogue with stakeholders, and emphasizes the socially responsible use of biotechnology [EuropaBio, 2023a]. EuropaBio implements instruments of business diplomacy such as events and summits [Martínez Pantoja, 2018]. For example, the Biomanufacturing Platform – Policy Summit 2023 is intended to set Europe's global innovation vision related to the role of MNEs and SMEs for biomanufacturing, gathering stakeholders related to finance, skills, policy, regulatory framework, and trade [EuropaBio, 2023b]. This event not only gathers stakeholders from Europe, but also includes representatives from the US, i.e., the Director of International Affairs of Biotechnology Innovation Organization (BIO) Hilary Stiss, the director of Novartis Wojciech Nowak, and the Director of Prosperity from the European Commission, DG Research and Innovation Peter Dröll, among others [EuropaBio, 2023b]. These are representatives from industry groups (BIO and EuropaBio), biotechnology companies (Novartis), and the government (European Commission) that gather to receive and provide information about biotechnology, with opportunities for networking and mingle, and a venue to exchange ideas among companies and government representatives. This is a subtle way to show the benefits of the products offered by the company members of the industry group, and to promote the companies values and ideas among government representatives and other stakeholders. EuropaBIO claims that industrial biotechnology such as the use of microbes and bio-based products used by its members enables a competitive and sustainable circular bioeconomy that reduces CO<sub>2</sub> and thus contributes to the UN SDGS [EuropaBio, 2019]. The extent of solving grand challenges is not clear, but this group encourages prioritization and investment in cutting-edge technologies and innovative solutions [EuropaBio, 2019].

The case of the industry association of industry associations: Industry4Europe. This association is a large coalition with the objective of promoting an EU industrial and manufacturing strategy across Europe, comprised of 156 organisations [Industry4Europe, 2023]. Industry4Europe released a joint for the European Heads of States and the European Commission to give priority to the industrial strategy, with participants from Eastern Europe, including Czech Republic, Croatia, and Poland [Industry4Europe, 2018]. The benefits of this industry prioritization are employment and global reputation for quality and sustainability [Industry4Europe, 2023]. Issuing statements is an instrument of business diplomacy to try to change the environment of the corporations involved.

The case of food companies: FoodDrink Europe industry association. This association promotes sustainable food systems, a healthier living, and a greener planet [FoodDrinkEurope, 2023]. FoodDrink Europe groups companies such as Kellogg,

Cargill, Mondelez, McCormick, and Nestle. This group has attractive programmes to tackle relevant problems. For example, in the Czech Republic, the programme 'In the Rhythm of Health' consists in the industry educating Czech primary school pupils, working with the Ministry of Health, to change consumers' behaviour by providing information and education [FoodDrinkEurope, 2022]. FoodDrink Europe also has events to promote the companies' agenda. For example, Food Future Ideas Fest, Packaging Waste and Sustainability Forum, Food Future talks, with guest speaker from the US Jack Bobo, emphasising sustainability [FoodDrinkEurope, 2021]. These instruments are great to share ideas, promote the industry, and change the point of view towards biotechnology incorporation to food systems. To some extent, it contributes to the grand challenge of education and sustainability, but also to promotion of these companies.

The case of organic food: ENSA (European Plant-Based Foods Association). It groups companies focused on the production of organic food, mainly soy foods producers in Europe [ENSA, 2022a]. The purpose of this association is to promote plant-based foods and raise awareness about the benefits of healthier diets among policy-makers [ENSA, 2022b]. It promotes the adoption of plant-based diets as a way to accomplish the objectives of the COP 26 (Paris Agreement) and urges governments to support sustainable agricultural practices, educate citizens about plant-based food, labelling requirements, and allocate funds for diversified climate-friendly crops [ENSA, 2023]. These are actions plans and statements to convince governments, but still more work is needed to solve the problems of climate change and sustainability.

## Conclusions

One way to exert power is by the implementation of business diplomacy strategies and instruments. Promotion of ideas, interactions with government, invitations to events, and publications of statements are used to advance interests and set the agenda. The groups analysed in these paper, EuropaBIO, FoodDrink Europe, ENSA, consciously and unconsciously utilize business diplomacy to exert power. In a subtle way, they disseminate ideas to achieve their objectives which look aligned to solve the SDGs. However, the solutions are different and sometimes contrasting, i.e., EuropaBIO promotes biotechnology whereas ENSA promotes sustainable agriculture. Thus, it looks more like solving grand challenges is a mean to advance their interests more than completely solving the problems of the world. To what extent not solving them is still a profitable business? Possibly it is, but MNEs are also interested in winning the hearts and minds of the public in order to properly operate rather than just making



profits. More research is needed to evaluate specific actions, solutions, and impacts of the proposals of SMEs and their industry groups, but this research has contributed to the understanding of how companies may exert power in persuasive ways.

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# Beyond Imagination: Generative AI, International Business and Geopolitical Uncertainty

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**Keywords:** cultural AI, generative AI, geopolitics, scenario-based approach, socio-technical imaginaries

## Introduction

The tidal wave of generative artificial intelligence (AI) that has gained momentum in late 2022 and 2023 is irreversibly reshaping the way we think about the future of humanity [Dwivedi et al., 2023; Kissinger, Schmidt, Huttenlocher, 2023]. After the launch and subsequent retraction of Meta's Galactica advertised as large language model (LLM) for scientists [Taylor et al., 2022] in November 2022, Open AI has launched ChatGPT, a tool for the masses, based on its GPT-3.5 LLM. ChatGPT set a new record for the fastest growing online service in human history, reaching 100 million monthly users in January 2023 [Hu, 2023]. ChatGPT was upgraded to a superior GPT-4 model in February 2023, which according to Microsoft researchers, shows sparks of artificial general intelligence (AGI) [Bubeck et al., 2023] – a claim contested by other AI experts. In the meantime, Open AI has deepened its partnership with Microsoft, which has started to incorporate GPT-4 in its products; and Google launched its own LLM, Bard, and announced integration of AI tools in its working suites. In China, Baidu launched its own chatbot [Baptista, 2023], and Alibaba announced its own AI products soon. In the US, while Meta contemplates a rebound, Apple, Amazon and Nvidia prepare for entering the race. In addition to LLMs, advancements in audio-visual generative AI also had disruptive effects: AI tools now generate hyper realistic images, indistinguishable from real photographs [Morrison, 2023]. In addition to the mobilization of tech giants in a race to develop cutting edge AI tools, in 2023 there is an unprecedented activity of AI startups that develop hundreds of new AI tools daily. Experiments with automated AI have taken off. All of this is poised to drastically changed global political, economic and social landscapes.

Historically, technological breakthroughs and their commercial applications have gone hand-in-hand with significant geopolitical changes. Key examples include the epoch-making shifts brought about by industrialization, electrification, advancements in information technology, and the development of nuclear technology, to name a few. These transformations have consistently demonstrated the intertwined dynamics of technology, international business, and geopolitics. Therefore, an integrative framework that combines insights from both international business and geopolitics can provide a comprehensive and nuanced lens for analyzing the potential future trends of the current technological transformation, which is being largely driven by generative AI. Such approach allows for better understanding of the multifaceted implications of AI, as well as to predict and prepare for the broad array of potential outcomes. In this vein, from an IB standpoint, the paper makes a case that at the current historical juncture, it is relatively less significant how MNEs use AI for particular organizational and commercial purposes, and more about how they navigate and strategically position themselves amid global geopolitical uncertainties in which technological competition, as well as competition over normative blueprints of how technology is applied in society is at the fore. AI-fueled competitiveness, in this sense, orders commercial rivalry under strategic power plays and normative tug of war between governments, economic blocs and alliances in the making. MNEs' strategic and axiological positioning and flexibility in such a dynamic landscape, driven not only by technological capabilities but also the (struggle for establishing) normative blueprints, policy frameworks and regulatory environments directly affects their future trajectories.

## Research significance and purpose

The rise of generative AI presents immense opportunities and challenges alike [Davenport, Mittal, 2022; Dwivedi et al., 2023; Engler, 2023; Zarifhonarvar, 2023]. For instance, it can augment creativity, enhance cognitive labor and productivity, address complex problems beyond human and existing computational capacities (such as in natural sciences or medicine), create personalized content to transform education and training, and improve communication across various contexts. When considering these potentials at scale, particularly in the context of their prospective adoption (and further innovation) by MNEs, the transformative potential is tremendous. However, the advent of generative AI also poses risks, including the generation of misinformation or harmful content, infringement on data privacy and intellectual property rights, perpetuation of biases, increased spam, scams, and phishing, potential job redundancies, and the emergence of mental health issues.

Like any other technology (and especially technologies with pronounced dual-use character), the impacts of generative AI deployment hinge on human utilization, which, in turn, depends on ethical guidelines, regulatory frameworks, and responsible development practices established and implemented by governments, companies, and individual stakeholders.

The unparalleled acceleration has far-reaching implications for various aspects of our society on both macro and micro levels. A number of prominent voices have been excited by the prospects of advanced AI playing a bigger role in human life and society. However, this rapid pace of innovation and breakthroughs is juxtaposed against a largely underdeveloped AI governance and regulatory landscape. Institutions have found themselves unprepared for the disruptive impact of generative AI advancements [Engler, 2023; Stockheim, Allen, 2023]. By late March 2023, a group of prominent AI scientists, visionaries, CEOs of leading AI companies, and other influential technology figures (including Elon Musk) signed a collective letter warning the public about the risks of rapid AI innovation and calling for a six-month moratorium on large-scale AI projects. Other leading AI figures such as Elezior Yudkowsky [2023] have claimed that the letter does not go far enough and suggested shutting down advanced AI research indefinitely, and enforcing limitations on computational power.

The goal of this paper is to critically engage with the ways in which different actors see the prospects of a world in which generative AI will play an ever increasing role, and to develop a scenario-based analysis of the short- and medium-term future developments in the domain of international business and geopolitics of generative AI. The intersection of AI and international business transcends operational efficiency or competitive advantage. The adoption and integration of AI within multinational enterprises are influenced by global business dynamics such as market demands, resource availability, and the quest for leadership, making it a key technology across hierarchies and functional units. However, of primary importance are the uncertainties arising at the intersection of AI and geopolitics, which go beyond the widely acknowledge risks of disinformation campaigns or inherent bias in AI algorithms. The development and application of AI is imbued with national security considerations, big power rivalries, and struggle for technological supremacy, as well as with ideological considerations of what kind of society we want to live in.

As governments and companies grapple with the consequences of disruption, a systematic reexamination of the *socio-technical imaginaries* and using them to develop *dynamic scenarios* of our collective future can help guide future thinking and action. Socio-technical imaginaries are the “collectively held, institutionally stabilized, and publicly performed visions of desirable futures, animated by shared understandings of forms of social life and social order attainable through, and supportive of, advances

in science and technology” [Jasanoff, Kim, 2015, p. 4] which are the result of the interplay of optimism and fear, or rather the utopian and dystopian tendencies in human imagination. Conceptually, socio-technical imaginaries bridge the fields of study of the construction of imaginaries in social studies and the discussion of impacts of technological innovation in science and technology studies. They belong to the study of “cultural AI” as opposed to the more technical or practical studies of AI; they take “AI development as a social phenomenon” that interacts “with the wider social, cultural, economic and political conditions in which it occurs and by which it is affected;” in such an approach, “AI-triggered new trends, processes, actions and relations in a diversity of social settings” occupy central position [Liu, 2021].

## Methodology

Drawing on a diverse set of theoretical perspectives and incorporating a rich array of cultural references, the paper illuminates various short- and medium-term scenarios concerning the impacts of generative AI in international business and geopolitics. Ultimately, it aims to foster informed policy dialogue and contribute to shaping a more balanced and sustainable future.

Utilizing scenario analysis, this paper examines socio-technical imaginaries of a future dominated by generative (and potentially autonomous) AI. Socio-technical imaginaries are best captured by combining a review of the state of the art across different scholarly disciplines dealing with the impacts of AI, and an interpretivist analysis of cultural artifacts (i.e., literature, movies or other media) reflecting societal expectations, aspirations and fears from a future in which generative AI plays a central role; this method is well known and applied in social AI studies [Hudson, Finn, Wylie, 2023]. The insights from the scholarly debates and from the cultural analysis are integrated with a foresight method [Fahey, Randall, 1998], employed to discern plausible future trajectories based on critical factors driving change in the generative AI domain, considering the intricate interplay of technological, political, economic, and social factors. This integration fosters a more nuanced analysis of potential future paths, taking into account not only driving factors but also the cultural context and societal expectations and fears surrounding generative AI.

In analyzing potential future trajectories, the paper adopts a multiple scenario development approach [Schoemaker, 1993]; in particular, it adopts the dynamic scenarios technique [Bishop, Hines, Collins, 2007], that considers inherent complexities and uncertainties shaping the future. Informed by eclectic cross-disciplinary theoretical inputs and complemented with cultural analysis of the different socio-technical

imaginaries of an AI-dominated future, a scenario matrix is constructed on the basis of three key variables:

- 1) **The pace of generative AI development and adoption** which refers to the speed at which AI technologies advance and are taken up by users, both at the organizational and individual level. The speed of development and adoption determines the extent of the impact of AI on human society. Fast innovation and adoption can lead to rapid transformations, but also amplify the risks, and affect the global constellations of power and competing interests that drive AI forward. While the paper talks of AI in a global context, it is mindful of the differences in the pace of development and adoption across different parts of the world, which is also an important factor that shapes outcomes. The pace of innovation and diffusion is considered a critical issue at this current juncture, as witnessed in the open letter signed by more than 1000 leading AI and tech figures calling for temporary halt of advanced R&D activities [Pause Giant AI Experiments, 2023].
- 2) **The degree and nature of international cooperation and competition in generative AI research, deployment and use**, which refers to the relationships between different governments, large tech corporations and other key stakeholders in AI development. Given the significance of AI, global coordination and collaboration is of key importance when it comes to fostering equitable distribution of AI benefits and utilizing it to address global challenges. AI necessitates the establishment of shared norms and best practices, and a stable international business environment, that can be only achieved through global multi-stakeholder cooperation. Sharp competition – both in terms of big power competition in the domain of geopolitics and unregulated competition between tech corporations – can lead to fragmentation, prioritization of short-term gains, “race to the bottom” characterized by lowering ethical and other standards; deepening inequalities; and ultimately, mainstreaming a securitized, weaponized understanding of AI, while missing opportunities to use AI for good. Technological innovation and transformation, although not always explicitly recognized as such, are intrinsic parts of geopolitics and play a central role in shaping geopolitical relations – and vice versa [Grochmalski, 2020; Kapetas, 2020; Larsen, 2022; Lee, 2018; Miaillhe, 2018; Schmidt, 2023].
- 3) **The effectiveness of global governance and regulation of AI development and use** refers to the ability of governments, international organizations, and other stakeholders to develop and enforce rules, norms, and policies that guide the development and deployment of AI technologies, that are to be used ethically and responsibly, in a manner that boosts equity and social inclusion and helps tackle national and global challenges, while minimizing risks. Lack of adequate regulation can lead to misuse of AI, and prevent societies in developing the necessary

safeguards and standards that are prerequisite for dealing with such a powerful technology. AI regulation emerges as one of the key policy issues in our day and age [Candelon, Carlo, Bondt, Evgeniou, 2021; Engler, 2022, 2023].

Each of these factors are considered in a dynamic constellation, with 3 degrees of intensity for each (i.e., slow, moderate and fast pace of AI development and adoption; high cooperation, balanced cooperation and competition and low cooperation; and highly effective, moderately effective and ineffective regulation). A matrix of 27 unique scenarios is generated, from which, on the basis of a critical analysis of the extant literature and by taking into account socio-technical imaginaries, the most probable, best-case, and worst-case scenarios are identified and analyzed in depth. The analytical horizon of these scenarios is narrower and less ambitious than scenarios commonly developed by AI scholars and visionaries, who talk about different radically utopian or dystopian futures [Tegmark, 2017]. In the matrix visualized in Figure 1 below, scenarios are presented as unique combination of the three factors, labeled with a number (1–9) and a letter (A–C).

**Table 1. Scenario Matrix**

	Slow AI Development	Moderate AI Development	Fast AI Development
High cooperation	Effective regulation (1A) Moderate regulation (1B) Ineffective regulation (1C)	Effective regulation (2A) Moderate regulation (2B) Ineffective regulation (2C)	<b>Effective regulation (3a)</b> Moderate regulation (3b) Ineffective regulation (3c)
Balanced cooperation and competition	Effective regulation (4A) Moderate regulation (4B) Ineffective regulation (4C)	Effective regulation (5a) <b>Moderate regulation (5b)</b> Ineffective regulation (5c)	<b>Effective regulation (6a)</b> Moderate regulation (6b) Ineffective regulation (6c)
Low cooperation	Effective regulation (7A) Moderate regulation (7B) Ineffective regulation (7C)	Effective regulation (8a) <b>Moderate regulation (8b)</b> Ineffective regulation (8c)	Effective regulation (9a) Moderate regulation (9b) Ineffective regulation (9c)

Source: Own elaboration.

## Discussion

One of the worst-case scenarios, dubbed **Unruly Race (6C)**, describes a situation where AI development accelerates, cooperation trends remain unchanged, and regulations remain fragmented and only moderately effective. In this turbulent global AI landscape, rapid innovation exacerbates inequality and unmanaged risks proliferate. Unintended consequences abound, with automation causing job losses, increased privacy infringement, and social divisions intensified by digital technologies. The US and China continue to vie for strategic advantages through AI, while MNEs navigate a complex landscape with limited potential to fully benefit from AI transformation.



An even more alarming scenario is **Unbridled Disruption** (9C), marked by swift AI development, deteriorating cooperation, and ineffective regulation. The world becomes embroiled in an AI arms race, with national security interests dominating the agenda. Inequalities worsen, and global instability becomes a constant. Weaponized AI, mass surveillance, and fake news are defining features of social reality under this scenario, resulting in heightened geopolitical tensions, mistrust, and conflicts. MNEs face a fragmented regulatory landscape, unpredictable market conditions, and are overwhelmed by unmitigated ethical concerns.

One of the best-case scenarios, termed **United Acceleration** (3A), features rapid AI development alongside a high degree of global cooperation and effective regulation, ensuring AI serves as a common good, used ethically and responsibly to address global challenges. International collaboration, joint investments in R&D, and a focus on shared global challenges such as climate change, healthcare, and poverty alleviation take center stage. Mutual trust and the pursuit of shared global prosperity foster a stable, collaborative environment conducive to innovation, driving global economic growth and human well-being.

Another promising scenario is one of **Responsible Convergence** (6A), where accelerated AI development is effectively regulated within a backdrop of balanced geopolitical cooperation and competition, which nonetheless proves sufficient for securing peaceful coexistence and fostering a fair, constructive, and well-regulated environment that promotes innovation. Risks are addressed, and overall, AI is harnessed for the greater good.

In a realistic scenario with moderately slower AI development, a constellation called **Opportunistic Adaptation** (5B) could emerge, where the geopolitical and regulatory status quo is maintained, albeit with some incremental improvements. Big powers engage in “coopetition,” balancing strategic competition and cooperation on solving global issues, while moderately effective regulation addresses certain concerns like privacy, but leaves others, such as job loss, unresolved. Some countries are better at regulating AI than others. This complex landscape requires MNEs to be alert and adaptive to the dynamics, managing the risks arising from this constellation.

Another potential scenario is **Rival Progress** (8B), where moderate AI development occurs against a backdrop similar to the present day in terms of regulations, but with even less international cooperation. Competitions and rivalries between the US and China drive the AI agenda as they vie for control over critical resources and infrastructure. Geopolitical risks loom large in fragmented global markets, and ethical concerns are heightened. In such a constellation, the moderate pace of development of AI is a safeguard against more pessimistic outcomes, as it provides more time for

the different stakeholders to rethink their strategies, coordinate between each other and potentially change course.

## Conclusion

The paper's central argument posits that AI development must be accompanied by robust governance mechanisms and a commitment to global cooperation in order to yield favorable outcomes. Given the prevailing trends, the paper projects a moderate pace of AI development as most likely. However, both best-case and worst-case scenarios contemplate further accelerated AI development. Scenarios with a slower pace of AI development are not examined in-depth, as their realization would diminish AI's overall importance. The scenario analysis tends toward pessimism regarding the prospects of achieving constructive international cooperation, with the most likely scenarios not deviating significantly from the worst-case ones. Most likely scenarios involve either balanced cooperation and competition – meaning a tangible improvement from the present situation – or a further weakening of cooperation. The US-China strategic rivalry (often dubbed a “New Cold War”), with their struggle for technological preeminence playing a central role [Lee, 2018], is a crucial factor determining cooperation levels (or lack thereof) in the field. Additionally, the Ukraine war contributes to a securitized and weaponized interpretation of AI [Schmidt, 2023], dampening hopes for increased global cooperation in the short to medium term. A best-case scenario would involve transcending global divisions and fostering a more cooperative environment; if such a transformation proves unattainable, maintaining the status quo would be acceptable, provided further deterioration is avoided. Thus, regulation emerges as the pivotal differentiation element in the analysis, significantly influencing potential outcomes [Candelon et al., 2021; Haddad, 2023]. Both most likely scenarios presume a moderately effective regulatory framework, suggesting that current efforts to establish regulation will yield some improvement, albeit limited. In contrast, best-case scenarios assume breakthroughs in AI regulation, while worst-case scenarios envision a regressive process, wherein existing regulations become bifurcated, weakened, and ultimately ineffectively applied.

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## **Track 10**

# **Post Pandemic Dynamics in International Business Environment in Emerging Markets**

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Track chair: **Bersant Hobdari**

# Institutionalisation of Economic Integration and Its Impact on Trade and Growth: A New Look at RCEP Economies from East Asian Perspective

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**Keywords:** economic growth, institutionalised economic integration, RCEP, real income convergence, trade intensity

## Introduction

Already in the 1990s of the 20<sup>th</sup> century the region of East Asia was characterised by a low level of the institutionalisation of economic integration, which was preliminarily caused by an increased economic, political and social heterogeneity of its countries [Munakata, 2004; Skulska, 2012; Hoshiro, 2019]. Additionally, East Asian economies indicated great attachment to sovereignty, which resulted from their colonial experiences. However, despite numerous barriers for the establishment of institutions in East Asia, since the 1997 Asian financial crisis, an intensive development of institution-based economic integration in a form of bilateral and multilateral free trade agreements (FTAs) has been observed (e.g., currently, Singapore has 27 FTAs, China – 21, and Japan – 20) [Asia Regional Integration Center, 2022]. Initially the structures of economic cooperation in East Asia were concentrated around ASEAN, and subsequently the regional links were tightened with the creation of, among others, ASEAN Plus Three (APT) in 1999 and East Asian Summit (EAS) in 2005. The second and third decade of the 21<sup>st</sup> century is characterised by the acceleration of economic integration processes as a result of the establishment of mega-FTAs, embodied, in East Asia, by the Regional Comprehensive Economic Partnership (RCEP). The agreement was signed on 15 November 2021 by 15 economies (10 ASEAN countries, China, Japan, South Korea, Australia, and New Zealand) and is currently the world's largest FTA by GDP of the member countries.

## Research significance and purpose

This paper contributes to the existing literature in the following ways. Firstly, the previous research on RCEP was concentrated to the large extent on its history, structure and depth measured by the degree of liberalisation [Shimizu, 2019; UNCTAD, 2021; Nicita, 2021; Park, 2022; Rillo, Robeniol, Buban, 2022; Serafica, Ramli, 2022; Thangavelu, Kimura, Urata, Narjoko, 2022; Ye, Roelfsema, 2022]. Empirical research on the potential impact of RCEP on East Asian countries (mainly with the use of CGE and gravity models) were ex-ante analyses [Park, Petri, Plummer, 2021; Itakura, 2022; Thangavelu, Hing, Khov, Khong, Seychanly, 2022]. Secondly, this study investigates if and to what extent the increased cooperation through intergovernmental regional trade/investment agreement among RCEP member countries impact trade and growth of East Asian economies, which has been scarcely and vaguely researched by scholars. Moreover, the phenomenon of real income convergence in the context of RCEP economies has not been addressed in literature yet.

The aim of the study is to present the evolution of institutional economic integration of East Asian economies in the context the ASEAN-based Regional Comprehensive Economic Partnership (RCEP) and the temporal changes in trade intensity as well as growth dynamics in the region, accompanying the institutionalisation process. As far as the latter aspect is concerned, the research aims at the verification of the hypotheses of *b*- and *d*-convergence.

## Methodology

In the study, the cross-sectional data from 1997 to 2021 for a group of 13 RCEP economies (excluding Australia and New Zealand) and a subgroup of 10 ASEAN countries are used. Additionally, *b*- and *d*-convergence models cover five subperiods, i.e., 1997–2019, 2000–2021, 2005–2021, 2010–2021 and 2015–2021.

The degree of economic integration within RCEP is measured with the use of three trade intensity indicators: intra-regional trade intensity index (ITII), revealed trade performance (RTP) and revealed trade leadership (RTL). The ITII is equal is formulised as follows [Iapadre and Plummer, 2011, p. 105]:

$$ITII_{rr} = \frac{IT_{rr} / T_{rw}}{T_{rw} / T_{ww}},$$

where  $ITII_{rr}$  – intra-regional trade intensity index,  $IT_{rr}$  – intra-regional trade of region  $r$ ;  $T_{rw}$  – total trade of region  $r$ ,  $T_{ww}$  – total world trade  $w$ .

The RTP index calculated for a region measures to what extent member countries tend to trade among each other more intensively than with third countries. In the study, the RTP index is given as follows [Iapadre, Plummer, 2011, p. 107]:

$$RTP_{rr} = (HI_{rr} - HE_{ir}) / (HI_{rr} + HE_{ir}),$$

where  $RTP_{rr}$  – intra-regional revealed trade preference index,  $HI_{rr} = (T_{rr} / T_{rw}) / (T_{or} / T_{ow})$ ,  $HE_{ir} = [1 - (T_{rr} / T_{rw})] / [1 - (T_{or} / T_{ow})]$ ,  $T_{rr}$  – intra-regional trade of region  $r$ ,  $T_{rw}$  – world trade of region  $r$ ,  $T_{or}$  – trade of region  $r$  with the rest of the world;  $T_{ow}$  – trade of the rest of the world with the world,  $HI_{rr}$  – intra regional trade intensity;  $HE_{ir}$  – extra-regional trade intensity.

Determining RTP indices for exports and imports enables to calculate the RTL indices, which, in turn, allow for specifying the role (local supplier or export hub) of each member country in a region. The RTL index takes the following formula [Iapadre, Tajoli, 2014]:

$$RTL_{ir} = \frac{RXP_{ir} - RMP_{ir}}{2},$$

where  $RTL_{ir}$  – revealed trade leadership,  $RXP_{ir}$  – revealed export preference index,  $RMP_{ir}$  – revealed import preference index,  $i$  – country,  $r$  – region.

The impact of institutionalised economic integration within RCEP on growth dynamics is examined with the use of two types of real income convergence: beta (less developed countries exhibit a faster rate of economic growth than more developed one) and sigma (income differences between economies decreases over time).  $b$ -convergence is tested to determine if membership in RCEP leads to the situation that less developed member countries indicate a faster pace of economic growth, which ultimately causes a decrease in disparities in their income level. To verify the  $b$ -convergence hypothesis the following regression equation is estimated [Matkowski, Próchniak, Rapacki, 2016, p. 869; Próchniak, Suska, 2022]:

$$\frac{1}{T} \ln \frac{GDP_T}{GDP_0} = \alpha_0 + \alpha_1 \ln GDP_0 + \varepsilon_t,$$

where  $GDP_T$  and  $GDP_0$  – GDP per capita (PPP) between period 0 and  $T$ ,  $\varepsilon_t$  – random factor.  $b$ -convergence is observed when  $\alpha_1$  parameter is negative and statistically significant.

The  $d$ -convergence is tested to investigate whether the membership in RCEP leads to a decrease in income differences among the member countries over time. To verify



the *d*-convergence hypothesis the trend line of dispersion in income levels between member countries is estimated [Matkowski, Próchniak, Rapacki, 2016, p. 869]:

$$sd(\ln GDP_t) = \alpha_0 + \alpha_1 t + \varepsilon_t,$$

where  $sd(\ln GDP_t)$  – standard deviation of log GDP per capita between the economies,  $t$  – time variable ( $t = 1, \dots, 24$  for 1997–2021),  $\varepsilon_t$  – random factor. *d*-convergence exists when the parameter next to  $t$  variable is negative and statistically significant.

## Discussion

The analysis of intra-trade intensity indices (ITIIIs) of the East Asian economies within RCEP and ASEAN shows that, in 1997–2021, they all took the values greater than the unity (Figure 1). On this basis, it can be stated that trade of the researched economies is targeted at the region. It is particularly relevant for ASEAN countries, for which trade intensity was substantially greater than in the case of RCEP. Lower values of the ITII for RCEP result from the fact that its non-ASEAN East Asian members (especially, China but also Japan and South Korea) are largely dependent on extra-regional trade. Between 1997–2021, the regional trade preference (RTP) indices for RCEP and ASEAN took values greater than 0, which means that their intra-regional trade has a greater significance than trade outside the region (Figure 2). Particularly, ASEAN has been characterised by relatively high rates of intra-regional trade preferences, e.g., in 2021 its RTP index amounted to 0.862, confirming a strong degree of economic integration in the region. The analysis of values of trade leadership (RTL) index revealed that RCEP countries (except for Brunei) play the role of export hubs, which means that their importance as destination markets for the region is more important than their reliance on intra-regional exports (Table 1). However, in the case of China, negative values of the RTL index are rather the result of regional production networks, in which final products made of inputs produced in other countries in the region (spokes) are exported by the hub to the rest of the world.

The outcomes of the estimation of regression equations confirm the explicit tendency to *b*-convergence both among both RCEP and ASEAN economies (Figure 3). The slope of both regression lines is statistically significant at the level of significance 5%. The determination coefficient amounts to 67% for RCEP and 76% for ASEAN. The estimated coefficient of the speed of convergence amounts to 1.34% for RCEP and 1.19% for ASEAN, which implies that convergence was slightly faster within the first group. RCEP countries characterised by a lower level of income per capita in 1997 (e.g., Myanmar, Cambodia, Laos, China and Vietnam) recorded the fastest economic

growth. In turn, Brunei and Japan as well as Singapore, i.e., well developed countries in the initial period of the study, indicated a slower economic growth. In shorter periods the outcomes of the estimation of regression equations indicate a weaker fit and are less statistically significant.

The study also confirms the existence of *d*-convergence for both RCEP and ASEAN countries between 1997–2021. The fit of the trendline to the empirical data is very good (the determination coefficient is 98.1% for RCEP and 97.9% for ASEAN). Income differences within RCEP and ASEAN decreased most obviously in the period 1997–2019. In 2009–2010, due to the effects of the global economic crisis and a slowdown/recession, income disparities increased in both groups. Also, the post-pandemic period is characterised by an increase in the income differences within RCEP and ASEAN.

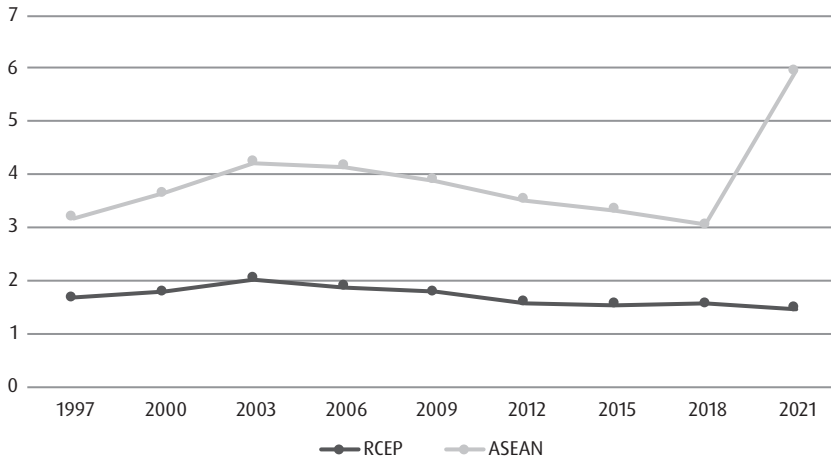
At the microeconomic level, increasing regional trade and economic integration as well as income convergence among the economies constituting the ASEAN-based Regional Comprehensive Economic Partnership (RCEP) may open new business and export opportunities for regional enterprises, especially those that produce electrical machinery and equipment (the import structure of RCEP (23%) and ASEAN (27%) is dominated by this type of commodities).

## Conclusions

The paper has presented the evolution of the institutional economic integration embodied by the establishment of a mega-FTA – Regional Comprehensive Economic Partnership (RCEP) and the temporal changes in regional trade and growth patterns, accompanying the institutionalisation process. For RCEP and ASEAN economies, intra-regional trade intensity during the period 1997–2021 have been analysed. Additionally, the existence of real income convergence: beta and sigma has been researched for a group of 13 RCEP countries and a subgroup of 10 ASEAN members. The outcomes of the study reveal that membership in ASEAN and the integration anchor connected to the establishment of RCEP co-exist with targeting trade towards the region, which is particularly relevant for ASEAN. Some RCEP economies (especially China) are still largely dependent on extra-regional trade. Moreover, the study indicates that East Asian members of RCEP as well as ASEAN are on the economic growth path in line with the hypothesis of real income convergence. Beta and sigma convergence are confirmed among both RCEP and ASEAN countries for the whole researched period 1999–2021 and in the majority of subperiods.

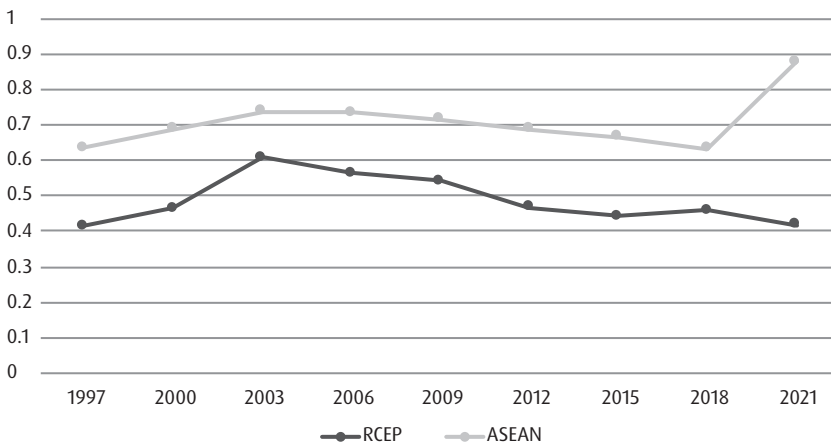
## Appendix

**Figure 1.** Intra-regional trade intensity indexes (ITIs) for RCEP and ASEAN in 1997-2021



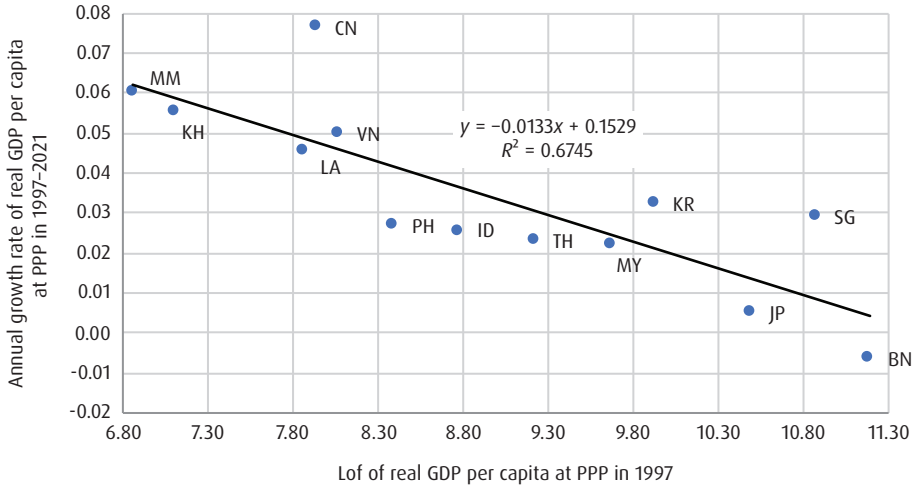
Source: Own elaboration based on UN Comtrade Database [2022].

**Figure 2.** Revealed trade preference (RTP) indices for RCEP and ASEAN in 1997-2021



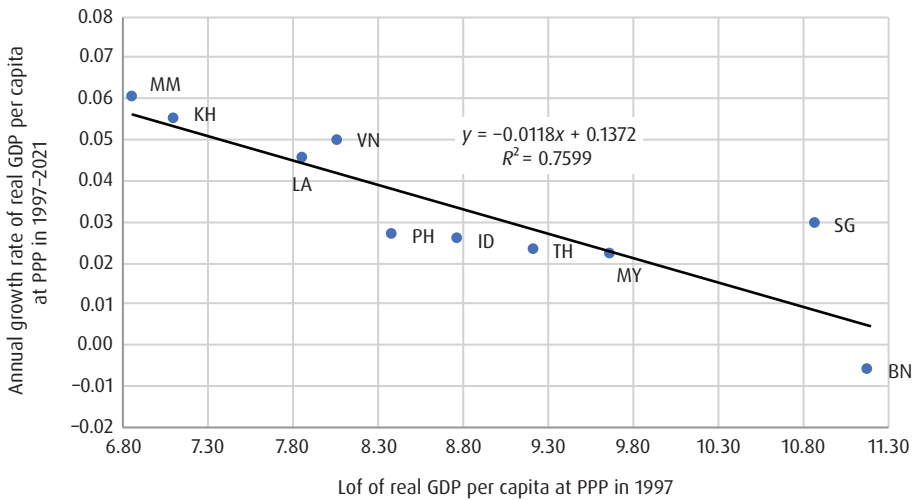
Source: Own elaboration based on UN Comtrade Database [2022].

**Figure 3.** GDP per capita growth rate over the period 1997–2021 and the initial GDP per capital level for 13 RCEP countries



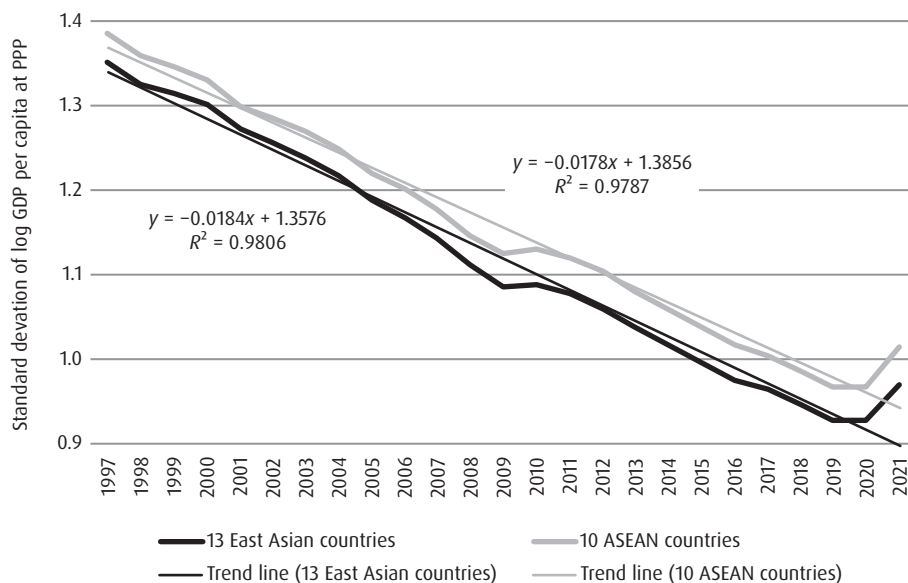
Source: Own elaboration based on World Bank [2022] and IMF [2022].

**Figure 4.** GDP per capita growth rate over the period 1997–2021 and the initial GDP per capital level for 10 ASEAN countries



Source: Own elaboration based on World Bank [2022] and IMF [2022].

**Figure 5. Standard deviation of GDP per capita**



Source: Own elaboration based on World Bank [2022] and IMF [2022].

**Table 1. Revealed trade leadership (RLI) indices of RCEP and ASEAN economies in 1997-2021**

Country	RCEP		ASEAN	
	1997	2021	1997	2021
Brunei	0.127	0.197	-0.139	-0.002
Cambodia	N/A	-0.504	N/A	-0.134
China	-0.149	-0.167	N/A	N/A
Indonesia	0.005	-0.159	0.073	-0.014
Japan	-0.082	-0.133	N/A	N/A
Laos	N/A	-0.038	N/A	-0.011
Malaysia	-0.081	-0.138	0.055	0.017
Myanmar	N/A	-0.196	N/A	-0.096
Philippines	-0.166	-0.253	-0.007	-0.141
Singapore	-0.044	-0.089	0.04	-0.009
South Korea	-0.069	-0.087	N/A	N/A
Thailand	-0.085	-0.163	0.111	0.028
Vietnam	N/A	-0.358	N/A	-0.12

Source: Own elaboration based on UN Comtrade Database [2022].

**Table 2.** Regression results for  $\beta$ -convergence

Period	$\alpha_0$	$\alpha_1$	t-stat. ( $\alpha_0$ )	t-stat. ( $\alpha_1$ )	p-value ( $\alpha_0$ )	p-value ( $\alpha_1$ )	$R^2$	$\beta$ -convergence	$\beta$ -coefficient (%)
13 RCEP countries									
1997-2021	0.1529	-0.0133	6.08	-4.77	0.000	0.001	0.6745	Yes	1.34
1997-2019	0.1769	-0.0156	7.32	-5.83	0.000	0.000	0.7555	Yes	1.57
2000-2021	0.1575	-0.0135	5.99	-4.67	0.000	0.001	0.6643	Yes	1.36
2005-2021	0.1513	-0.0128	4.78	-3.76	0.001	0.003	0.5628	Yes	1.29
2010-2021	0.1322	-0.0109	3.88	-3.04	0.003	0.011	0.4565	Yes	1.09
2015-2021	0.0743	-0.0054	1.69	-1.18	0.120	0.263	0.1124	-	-
10 ASEAN countries									
1997-2021	0.1372	-0.0118	6.55	-5.03	0.000	0.001	0.7599	Yes	1.19
1997-2019	0.1641	-0.0144	7.53	-5.90	0.000	0.000	0.8133	Yes	1.46
2000-2021	0.1408	-0.0119	6.57	-4.97	0.000	0.001	0.7555	Yes	1.20
2005-2021	0.1324	-0.0110	5.25	-4.00	0.001	0.004	0.6664	Yes	1.11
2010-2021	0.1191	-0.0097	3.85	-2.93	0.005	0.019	0.5181	Yes	0.97
2015-2021	0.0593	-0.0040	1.47	-0.94	0.181	0.374	0.0997	-	-

Source: Own elaboration based on World Bank [2022] and IMF [2022].

**Table 3.** Regression results for  $\sigma$  convergence

Period	$\alpha_0$	$\alpha_1$	t-stat. ( $\alpha_0$ )	t-stat. ( $\alpha_1$ )	p-value ( $\alpha_0$ )	p-value ( $\alpha_1$ )	$R^2$	$\sigma$ -convergence
13 RCEP countries								
1997-2021	1.3576	-0.0184	168.72	-34.08	0.000	0.000	0.9806	Yes
1997-2019	1.3668	-0.0195	330.71	-64.77	0.000	0.000	0.9950	Yes
2000-2021	1.2964	-0.0181	144.26	-26.38	0.000	0.000	0.9721	Yes
2005-2021	1.1846	-0.0161	123.24	-17.18	0.000	0.000	0.9516	Yes
2010-2021	1.0941	-0.0147	88.03	-8.73	0.000	0.000	0.8839	Yes
2015-2021	0.9888	-0.0078	54.44	-1.91	0.000	0.114	0.4227	-
10 ASEAN countries								
1997-2021	1.3856	-0.0178	170.46	-32.49	0.000	0.000	0.9787	Yes
1997-2019	1.3946	-0.0188	333.99	-61.79	0.000	0.000	0.9945	Yes
2000-2021	1.3249	-0.0173	148.27	-25.37	0.000	0.000	0.9699	Yes
2005-2021	1.2197	-0.0156	121.18	-15.84	0.000	0.000	0.9436	Yes
2010-2021	1.1368	-0.0148	83.04	-7.96	0.000	0.000	0.8636	Yes
2015-2021	1.0277	-0.0071	51.57	-1.60	0.000	0.171	0.3380	-

Source: Own elaboration based on World Bank [2022] and IMF [2022].

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## **Track 11**

# **Building Emerging Market Firms' Resilience in the Face of Rising Economic Uncertainty and Sustainability Challenges**

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Track chair: **Maoliang Bu**

# Responsible Consumption: The Perspective of Consumers in the Cosmetics Market in Poland

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**Keywords:** circular economy, cosmetics, ecological awareness,  
packaging, sustainability

## Introduction

Climate change, energy and waste disposal crisis translated into the worldwide economic crisis and trigger the ongoing discussion among economists and scientists related to the search for a new development path. The linear economy model of “take-make-consume-dispose” led to the exponential growth in consumption of natural resources, accompanied in some communities, by deepening the income gap between the richest and poorest regions of the world [Diaz-Lopez et al., 2021, pp. 6–7]. The product life cycle shortened significantly, as in the linear system the value is created by maximizing sales and production. [Dieguez, 2020, p. 1]. An alternative approach is circular economy, also called a closed loop economy (CLE), which is directly aligned with the Sustainable Development Goals (SDG). The core CLE concept can be expressed as “reduce-reuse-recycle”. Hence, in contrast with linear economy, this approach focuses on long-term use of the product, economy of sharing, replacing the running out natural resources with others, suitable for recycling, and allowing to minimize and use any waste generated [Roleders et al., 2022]. In the SDG model, it is necessary to combine economic, environmental, and social issues. This is supported by sustainable supply chains in which the decisions made are underpinned by the issues of profitability and reduced impact on the environment [Carter, Rogers, 2008; Gimenez et al., 2012; Centobelli et al., 2017].

In the face of growing backlash caused by destruction of the environment and the global crisis, it became necessary to involve not only governments, but also businesses in efforts to counter these trends. The joint effort of appointed by European Commission

experts resulted in designing the uniform classification of activities supporting sustainable development, called the *EU taxonomy* [PARP, 2021]. The purpose of the taxonomy is to define clear criteria and ensure uniform notions for sustainable activities, as well as to counteract *greenwashing*. The general framework for the EU taxonomy was laid out in regulation (EU) 2020/852 of the European Parliament and Council. Work on new CLE-related solutions in the EU is pending. In March 2022, action was taken to make several provisions more uniform and to implement the new ones as a part of the European Green Deal aimed at preventing the manufacturing of “single use” items [Directive 2019/904; Wiński et al., 2022] and premature aging of products, while banning the destruction of unsold non-food goods. The legal regulation also embraced the products packaging as per directive 2018/851 extending the responsibility of producers for packaging that should be recyclable (soaps, body balms, shampoos, make-up cosmetics and toothpastes) or imposing an obligation to note the percentage of recyclable products in packaging. According to the directive, in the future, products meeting sustainable criteria would bear a special marking (“digital product passport”) to allow consumers to make informed purchasing decisions [Wolters Kluwer, 2022; European Commission, 2019; EY Global, 2022].

The literature review on cosmetics industry and the purchasing choices in the Polish cosmetics market showed the so far research covered mainly the role of information included on the cosmetics’ packaging in purchasing choices of the customers [Binda, 2013; Ankiel, Sojkin, 2018; Bojarczuk, Smalej, 2020] and examined determinants of purchasing behavior in the natural cosmetics market [Kalicińska et al., 2017; Hübner, Kantor, 2019; Dziadkowiec, Firek, 2020]. Also, the attitude-behavior gap in green choices of Polish consumers [Witek, 2019] and determinants of the green purchase behavior of Poles [Witek, Kuźniar, 2021] were analyzed. There is no extensive and updated research concentrated on determinants of the sustainable purchasing behavior of cosmetics consumers in Polish market as well as the cosmetics consumers ecological awareness. The conducted research was aimed at filling in the identified gap and concentrated on the following categories of cosmetics: soaps, body balms, shampoos, make-up cosmetics and toothpastes. Another reason of conducting the survey was the fact that packaging (external and internal) of cosmetics available on the market doesn’t fit their content and the packaging itself is still treated and used as a marketing tool.

The paper presents results of the research being a part of the comprehensive survey conducted in 2022 by ARC Rynek i Opinia pooling agency at the request of the International Women Forum. The study carried out as part thereof is supposed to form a basis for taking awareness-raising measures among consumers as well as companies producing cosmetics and their packaging as regards the duties provided

for in the legal provisions relating to implementation of sustainable reporting and the European Green Deal guidelines.

## Research significance and purpose

The purpose of the research was to examine to what degree the discussion in the media, at conferences and seminars, and the new EU regulations related to sustainable development and circular economy affect consumer decisions while choosing products. In the research section, the cosmetics industry was chosen as a basis for analysis. The study was aimed particularly at determining whether the above-mentioned purchasing choices in the cosmetics industry are determined by sex, age, education, and place of residence of the consumer? The chosen drivers were determined by the survey hypothesis and referred to the results of the literature review where the purchasing choices were usually diversified by these criteria. The further goals of the study were to evaluate the level of consumers ecological awareness and seek to determine whether the purchasing choices of consumers will be able to influence the actions of businesses as regards implementing sustainable strategies? The results of the conducted nationwide study were used to develop a social and educational campaign “The Perfect Packaging” (in Polish “Opakowanie w sam raz”) on choosing products which packaging size matches the product’s size and of which the packaging itself is recyclable. The study focused on a broad range of cosmetic products because, as mentioned before, findings show that in the case of cosmetic products the size of both external and direct packaging often does not match the contents.

## Methodology

The research process consisted of two stages aimed at different goals and adopting the different types of research. The first step of the research was aimed at diagnosis of the level of consumer’s ecological awareness and their buying behavior. The focus group interviews were conducted in June 2022 with 10 people (2 groups by 5 people) aged from 20 to 60, among them persons with children, single persons, and people in relationships without children where each of the partners works professionally. The interviews were used to collect information about opinions on the packaging of purchased products and to identify preferences concerning cosmetic packaging. The study was also to help determine what ecological product packaging means according to the respondents, to determine their attitudes towards ecology and ecological products,

and what motivations and barriers exist when choosing cosmetic products packaged in an environmentally friendly manner. The focus study was used as a foundation to draft a questionnaire for the quantity study conducted in August 2022 – the second stage of the research process. The questionnaire consisted of three groups of questions: questions demonstrating purchasing habits concerning specific personal hygiene products; questions dealing with the type and function of cosmetics packaging (direct, external), and questions concerning ecologically aware and potentially take ecology into account in purchasing decisions concerning cosmetics. The survey was addressed to men and women (the percentage of men and women in the study sample was equal to 50%) and resulted in 1006 correctly filled out questionnaires ( $n = 1006$ ). The latter determined the study sample as the representative one and enabling to conclude on the population. The purpose of the quantitative study was to collect opinions on cosmetics packaging, in particular the role played by packaging, knowledge of the markings placed on packaging, and the potential impact of packaging on purchasing decisions. The quantitative survey was rounded out by a batch of questions concerning ecological beliefs and manner of expressing ecological attitudes.

## Discussion

The research conducted on a representative sample of adult Poles aimed at analysis of the eco-friendly attitudes of consumers, taking into account their individual traits such as sex, age, education or place of residence. Based on the research results, three groups of consumers who show similar attitudes towards ecology and similar habits in purchasing cosmetic products were identified. The first group is “ecology enthusiasts” ( $n = 315$ ). They are mostly women, older people (age 55–65) buying cosmetics for themselves and spending on cosmetics more than other (more than PLN 182 per month on average). They represent eco-friendly attitude, and their purchasing decisions are guided by ecological considerations. The second group, more numerous one, is the “ecological centrists” ( $n = 324$ ). The group consist equally of both women and men with secondary or higher education. Those with primary/secondary vocational education are in the minority. The ecological centrists are more often 45–54 years old, appreciate cosmetics but spend almost a third less per month on them than the enthusiasts. Usually, the centrists buy cosmetics in brick-and-mortar drugstores, and their buying choices are mostly driven by appearance and functionality of cosmetics packaging. They also do not see the need for use of external packaging. The third largest group is the so-called skeptical minimalists ( $n = 367$ ). These are usually men, people from 25–34 and 35–44 age group and those with primary/vocational education. They

are skeptical towards ecology and trends showing eco-friendly behaviors with only a small percentage of engaging in eco-friendly behavior.

The results of quantitative research pointed to changes in consumer attitude towards ecology, at least in their verbal declarations. At least half of the respondents noted the need of introduction of new packages with less negative impact on environment. About 30% of the cosmetics buyers are willing to pay more for the product in ecological packaging. The same number declared their willingness to stop buying the products due to its harmful effect on the environment. It can therefore be expected that, as ecological awareness grows, consumers will increasingly reject cosmetics in non-ecological packaging, which may be an important sign for manufacturers. Another finding of the research is not sufficient level of knowledge about ecological packaging among the questioned consumers. There is apparently a considerable need to develop and systematize knowledge about what ecological packaging is, as well as to dispel existing myths (such as glass is the most eco-friendly material, packaging from recycled materials is not aesthetic and, moreover, cannot come into contact with the product). Therefore, in awareness-raising activities it is worth focusing not only on proving that care for the environment is important, but also showing in detail what criteria must be met for a packaging to be considered eco-friendly. Considering the needs and priorities of consumers, it is advisable to promote packaging that combines ecology with aesthetics, safety, and functionality.

## Conclusions

In reference to questions raised in the introduction of the research, sex, as well as the level of education and place of residence, do indeed affect purchasing decisions in the case of cosmetics. The sustainable approach is mostly presented by elderly people aged 55–65. Young people's attitude towards sustainability and ecology gives no basis to confirm the statement of high level of eco-awareness among young population of Poles. The reason of that may be in the turbulent macroenvironment (COVID-19 pandemics, Russian aggression on Ukraine) and this shall be investigated further. Based on the results of the conducted study, one cannot unequivocally answer the question of whether consumers are able to influence producers of cosmetics. Yet, in the context of growing eco-friendly attitudes and awareness, the results of the study may form an important part of activities undertaken by enterprises with respect to their business strategies and models. The study also revealed the need of research among the cosmetics producers to determine their recognition of the growing ecological expectations of consumers.

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# How Does Building Resilience in Times of Multiple Crises Influence the Internationalization Strategies of CEE Companies?

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**Keywords:** affiliates, CEE, crisis, internationalization, multinational firms, resilience, war

## Introduction

The increased uncertainty in the business environment following the COVID-19 pandemic and the war in Ukraine has forced companies to focus more on building and enacting resilience. This has necessitated change in both business strategies and processes for many companies – also in terms of business internationalization.

## Research significance and purpose

Our study focuses on business responses to the war in Ukraine and the related business risks by foreign-owned firms in Slovenia. The focus on foreign-owned entities with experience in an emerging market economy is thereby grounded in their crisis response know-how, greater dependence on the developments in the international markets, as well as their overall better business performance indicators compared to domestic businesses already prior to the crisis, which makes these firms more likely (and capable) to engage in multiple and diverse strategies aimed at tackling polycrises. The study examines:

- 1) What changes in internationalization and the related business processes have been introduced by companies from a CEE country (i.e., Slovenia) in response to the high business risks related to the war in Ukraine;

2) Which policy measures aimed at building and enacting resilience they have used.

The study is based on original data from a survey conducted among foreign-owned companies in Slovenia between October and November 2022: 112 companies responded to the survey.

## Discussion

The results show that almost one fifth of the surveyed firms enhanced their market diversification efforts in response to the war. Many also introduced changes in their value chains: an increase in regional rather than global diversification of suppliers was reported by a larger share of firms in this respect. In addition, a notable share of firms planned to introduce actions from the recovery and resilience plan for Slovenia: more than 70% those related to human resources management, more than 60% those related to digitalization, more than 45% those aimed at changing energy sources, and more than 40% those introducing circular economy models. When reporting the effect of the war in Ukraine of these aspects of business operations, the majority of firms reported stable investments in digitalization, circular economy and search for new energy sources. The largest share of firms (i.e., 25% and 20% respectively) reported growth in investments aimed at new energy sources and cyber security. More than 70% of foreign-owned firms in Slovenia managed to maintain the manufacturing volume or volume of services following the war in Ukraine and almost 90% retained the pre-war levels of innovation.

All in all, our findings show that, although internationalization has traditionally been understood as a lever for growth and development, polycrises necessitate holistic responses and adjustments in multiple business strategies. Internationalization namely does not rank first among resilience-building measures, but rather lags behind measures in the areas of HR, sustainability, and cybersecurity. The most successful companies in terms of building and enacting resilience thereby implement multiple changes in their internationalization and related strategies. Policy measures addressing polycrises thus need to reflect this.

## Conclusions

The increased uncertainty in the business environment following the COVID-19 pandemic and the war in Ukraine has forced companies to focus more on building and enacting resilience. This has necessitated change in both business strategies and

processes for many companies – also in terms of business internationalization. Our study focuses on business responses to the war in Ukraine and the related business risks by foreign-owned firms. The study examines:

- 1) What changes in internationalization and the related business processes have been introduced by companies from a CEE country (i.e., Slovenia) in response to the high business risks related to the war in Ukraine and
- 2) Which policy measures aimed at building and enacting resilience they have used.

The study is based on survey conducted among foreign-owned companies in Slovenia in 2022. Our findings show that, although internationalization has traditionally been understood as a lever for growth and development, polycrises necessitate holistic responses and adjustments in multiple business strategies. Internationalization does not rank first among resilience-building measures, but rather lags behind measures in the areas of HR, sustainability, and cybersecurity. The most successful companies in terms of building and enacting resilience thereby implement multiple changes in their internationalization and related strategies.

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# Global Managers and Their Shifting Role for Global Demands and Local Contexts in the Automotive Industry

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**Keywords:** automotive companies, global managers, local culture, organizational culture

## Introduction

In the last forty years, the automotive industry has been strongly internationalized. This evolution led to an intense harmonization of processes and ways of operating and increased exchanges between individuals and entities that belong to that industry, regardless of their country of origin [Sturgeon et al., 2009]. In addition, since the '90s, automotive MNCs have entered into many emerging and developed markets across the globe as they embraced new business opportunities thanks to globalization and digitalization [Warter, Warter, 2020]. Furthermore, automotive companies have set many forms of partnerships with local firms, which have increased the need for these firms to work and cooperate more closely by transferring technologies, financial and human capital across the headquarters and their subsidiaries, especially in the emerging markets [Lee, Tan, 2019]. Thus, automotive firms have sent many experts to numerous assignments worldwide to manage a large variety of projects fostering global managers who operate with employees located on the same site or anywhere globally. Therefore, global managers are key for automotive companies to succeed. Likewise, global leaders are increasingly asked to tackle multiple challenges by mediating corporate, regional, and local demands. Despite the global managers' importance and input to organizations, global managers' research is still scarce. Thus, our research aims to identify the various factors that influence global managers' actions in the automotive industry, particularly the influence of national and organizational cultures in local contexts.

## Research significance and purpose

Research usually focuses on global managers and their skills to respond to the company's needs and how they can perform better in international settings when considering culture. For example, Barakat et al. analysed the impact of cultural intelligence on job satisfaction and performance, whereby overall cultural intelligence positively relates to job satisfaction and job performance of global managers [2015]. Thus, global managers' cultural intelligence was reviewed as an essential consideration for job satisfaction and job performance [Barakat et al., 2015]. Another field of research has focused on the career paths that global managers can follow, including different environment domains such as the individual, organizational, and global [Cappellen, Janssens, 2005, pp. 348–349]. Other studies have focused on developing global managers, including a model to train MBA students and executive programs of study [DiStefano, Maznevski, 2003]. Another type of study signals the difference between the career competencies of expatriate managers, which differ from global managers [Cappellen, Janssens, 2008]. Similarly, Janssens and Cappellen studied global managers empirically examining global managers' experiences and international work as coordinators across different cultures and geographies [Janssens, Cappellen, 2010, p. 338]. However, research about shifting roles considering national culture, organizational culture, and local context has been scarce.

Our research aims to elucidate the particular environment in which global managers operate, distinguishing it from their local colleagues' working environment, mainly focused on national or regional issues. More precisely, we aim to identify the factors influencing global managers' actions, particularly national cultures and organizational cultures, and possibly the links between these two types of cultures. Since the study of global managers is usually too theoretical, making it difficult to apply, the significant contribution of this research would be to present a practical set of instrumental characteristics belonging to global managers. Specifically, our questions are as follows:

- 1) What other cultural characteristics may contribute to the concept of global managers?
- 2) What are some practices that represent the global managers shift roles between the local and global?

## Methodology

We used a qualitative research method based on continuous feedback from and to the field. All managers interviewed belonged to the automotive sector, directly in an

OEM (Renault, Skoda, Fiat), or working for subcontractors (Faurecia, BASF Coatings, Gefco). Among the respondents, we find two distinct populations:

- 1) Managers working at the head office or on another site, with a team spread out over several countries;
- 2) In the broad sense, expatriates who have left their country of origin to work in another; in this last group, people with a local contract are often managers sent by a company who have decided to stay there mainly for family reasons.

We did half of the managers' interviews remotely and the other face-to-face. They lasted between 50 and 90 minutes. We recorded the interviews and transcribed them. They were subsequently analysed using the grounded theory [Glaser, 1978; Glaser, Strauss, 1967; Strauss, Corbin, 1997]. We conducted several interviews in the working language of the managers, either French, English, or Italian, whereas we did those with German and Czech managers in English, see Table 1. We did not look at translation issues for this paper, and we contented ourselves with translating the quotes made in other languages into English.

**Table 1. Nationalities or countries present among the managers interviewed**

Interview number	Nationality of the manager	Country of the location of the job	Country of the location of the MNC headquarters
1	French	France	France
2	Russian	Russia	France
3	French	France	France
4	Russian	France	France
5	Russian	Russia	France
6	Iranian	France	France
7	French	France	Japan
8	Italian	Italy	Italy/NL/USA
9	Italian	Italy	Italy/NL/USA
10	Italian	Italy/USA	Italy/NL/USA
11	Italian	Italy	Italy/NL/USA
12	Czech	Czech Republic	Germany
13	Italian	China	Germany
14	Czech	Czech Republic	Germany / Czech Republic
15	Czech	Czech Republic	Germany / Czech Republic
16	Czech	Czech Republic	Germany / Czech Republic
17	Czech	Czech Republic	Germany / Czech Republic
18	Spanish	Spain	Germany/Spain
19	French	France	Italy + Netherlands + USA (joint-venture)

Interview number	Nationality of the manager	Country of the location of the job	Country of the location of the MNC headquarters
20	French	France	Russia
21	Spanish	France	Russia
22	French / Portugal	Poland	Russia
23	French	Russia/Japan	France
24	Czech	Czech Republic	France
25	Czech	Czech Republic	France
26	Polish	Czech Republic	France
27	Czech	Czech Republic	France
28	German	Czech Republic	Germany/ Czech Republic
29	French	Czech Republic	Germany/ Czech Republic

Source: Own elaboration.

## Discussion

This section of the paper presents the main findings of our research, although, for length size constraints, many quotes are not included. We will limit ourselves to three phenomena specific to global managers which deserve further attention: Cultural affiliation diverseness, organizational culture impact, and cultural influences.

First of all, the analysis of the interviews shows a higher level of cultural affiliation diverseness, implying a variety of national cultures. This cultural affiliation diversity applies first of all to the managers themselves. For example, in a Czech company, we find a manager with dual French and Saudi nationalities who is also married to a German. What can be the dominant national culture in this person's attitude? Interestingly, when several managers noticed traits that stood out from the country's dominant culture or the company's, they admitted that they changed and evolved in their way of operating to come closer to the culture of their immediate environment. These people also sometimes admitted to playing on their cultural affiliations according to contexts.

Our analysis shows that it is the context, more than belonging to a national culture, which will determine the attitude of the global manager. Moreover, it is extremely difficult to reconstruct the influence of organizational culture when one is outside the company concerned. Referring to official documents is practically impossible because these are imprecise, incomplete, and contradictory. "It is not the global setup [which is important], but how you apply it locally. In my case, my professional [culture] of origin, agriculture, should not play any role (...)". This quote shows the cultural adaptability that characterizes global managers. Furthermore, this cultural adaptability is directly correlated to the global managers' leadership skills, more precisely to their ability

to adapt their way of managing to particular situations and specific contexts [Deal et al., 2003, p. 151].

Similarly, the complexity of the cultural reality of managers is found in the same way within companies. We have, for example, the interesting case of Škoda, a company of Czech origin that is part of the Volkswagen group. When we questioned Czech managers, their attitudes, the etiquette, and the immediate environment in which the interviews took place, all of this was reminiscent of the functioning of German companies. Even if the Czech business culture strongly marks the intermediate and lower levels, we assume that progressing to higher responsibility requires some form of Germanization. Going further in this reflection, we can question whether multinational companies have a nationality or a dominance and how long this situation will remain. We have another example with certain companies born within the Fiat group, which have gradually been directed by an entity spread over three countries, the United States, the Netherlands, and Italy.

Our second finding revolves around the organizational culture perceived as defining the company's rules, norms, rituals, and other modes of operation. Certain procedures and routines are an integral part of the organizational culture. In this case, such procedures and routines will impose themselves on global managers, whatever the extent of their actions. In situations where nothing has been planned at the central level, the choice will likely fall on procedures or routines, which may vary depending on the country of application.

The third finding brings together the questions we raised about the impact of cultural influences. The analysis showed that bridging between headquarters and locals is the most challenging part of the job of global managers, which can create a significant level of stress and the one that most distinguishes their task from that of local managers. Capellen reports that global managers have the power for decision-making working at the headquarters in contrast to the local subsidiary, presenting advantages and challenges for global managers [Janssens, Cappellen, 2010, p. 342]. As a global manager commented, "Some people do not support, and we must escalate in the group!". Therefore, how can global managers apply the standards defined at headquarters without harming the expression of local specificities? They must do it despite significant potential differences between the mentality of the corporate and that of the local markets. "Czech reports are done in one way, but China is a completely different world (that is difficult to illustrate in the official format)".

Procedures and routines are defined at the head office level and applied locally. This is how globalization is organized. These specificities are an integral part of the corporate culture, and they are therefore directly linked to the value of the company. This confirms what several respondents told us. There is a macro-management for



everything that concerns the definition of strategies and procedures of the headquarter and a micro-management for their local application. Global managers can be affected by the first, or the second group, or both.

## Conclusions

This article contributes to a better understanding of the identity and role of global managers. They are the focal point for teams facing the internationalization of companies. They can be expatriates originating from the parent company, or they can come from local establishments. What is important is that they make it possible to connect the markets to the parent company or to open up the premises to the world. While having different educational backgrounds, they have accumulated an important number of experiences in several fields and several markets, which makes them able to understand others and integrate certain specificities related to their cultures. Furthermore, global managers have a cultural affiliation diverseness consisting of coming from different countries as the country of the multinational corporation, living in a different country, and interacting with subordinates from different nationalities. This special context has barely discussed in the literature.

Global managers can be found at the highest levels of the companies where they work, but above all, they act as interfaces between the local and the central. The differences in experience and skills are largely explained by the specific context of the company where they work. Above all, this paper has shown that the daily actions of these managers translate at the local level into the application of procedures and routines specific to each company. The way in which the latter are defined is linked to the organizational culture in which we find aspects from the original culture of the company, its geopolitical exposure, and many other elements. It is this context that explains the shifting role of global managers between the global and local.

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