

Adventurous Foreign Direct Investment¹

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Abstract

Purpose: The aim of this paper is to explore the phenomenon of an advanced form of internationalization: foreign direct investment (FDI) in a distant location. We label this transaction “adventurous FDI”, and explain how this new concept is related to, yet distinct from, other widely studied theories: born global companies, the LLL model, and the Uppsala model. We propose a theoretical typology of adventurous FDI based on two critical factors for risk-taking: distance and embeddedness.

Methodology: We present a theoretical proposal of a typology of AFDIs. To support our proposal, we illustrate the typology with examples from a longitudinal study of foreign direct investments undertaken in the years 2007-2009 by Polish firms. Selection of the time period for this study is justified by the fact that the number of FDI transactions and AFDIs has almost doubled in the observed time period. We apply methods of social network analysis to identify embeddedness of FDI and use geographic distance measures to classify transactions on a distance scale.

Originality: Current theories of foreign direct investment (FDI) focus broadly on either gradual learning or instant globalization. We identify a new category which we term “adventurous FDI”. The distinctive features of adventurous FDI includes the exploration of many unknowns related to distant locations and the use of advanced internationalization forms. We propose that embeddedness in country networks is instrumental to adventurous FDI, as the rapid learning inherent in such network arrangements enables firms to overcome the ambiguity associated with vast geographic, psychic, and cultural distance.

Keywords: internationalization, foreign direct investment, distance, social network analysis, embeddedness

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Introduction

Why do some firms undertake foreign direct investments (FDIs) to distant locations relatively early on in their internationalization process? The aim of this paper is to explore this phenomenon, which is related to yet distinct from widely studied international new ventures and born global companies (Oviatt and McDougall, 1994; Madsen and Servais, 1997). Born global firms are supposed to internationalize very quickly right from their birth, to enter multiple countries at once and also often to enter distant markets (Oviatt and McDougall, 1994; Madsen and Servais, 1997). According to several studies, this last expectation may not be supported (Rugman and Verbeke, 2004; Rugman et al., 2011; Rugman and Almodovar, 2011). These authors find that born global firms from Spain and Korea are regional rather than global regarding their investments and also that regionally-oriented firms tend to outperform globally-oriented ones.

Such findings piqued our interest in foreign direct investments that do not necessarily fit into the definition of a born global company; they may start internationalization later in their life cycle and have only marginal incomes from foreign markets. Some firms use advanced forms of internationalization such as FDI to invest in a distant location relatively early on in their internationalization process. We think that such transactions are a phenomenon that requires more detailed study and we label them “adventurous FDI”.

These investments, while uncommon, may not be outliers. For example, the ratio of global FDIs among approximately 200 Spanish firms fluctuated between 9–14% in the years 2000–2008 (Rugman and Almodovar, 2011, p. 258). Since global Spanish FDIs were defined as firms that have a large proportion of distant FDIs versus regional FDIs, we surmise that at least some of these are adventurous FDI transactions. We also observe a notable number of distant FDI transactions among Polish FDIs that we use to illustrate our proposed typology. The phenomenon seems important enough to elaborate further on types of adventurous FDIs and the likely learning patterns of companies, that undertake such an advanced form of internationalization into a distant location.

Rapid learning from embeddedness in a country network enables adventurous FDI and distinguishes it from the incremental approach of the Uppsala Model (Johanson and Vahlne, 1977). The gradual learning process from internationalization implies, that firms can learn in the process of extending their global reach (Johanson and Vahlne, 1977). The accumulation of knowledge from several neighboring countries

empowers firms to invest into more distant locations gradually and use more advanced forms of internationalization such as FDIs. Each new country, in which a firm has made an investment, is a learning experience. The firm learns how to deal with uncertainties, often referred to as liabilities, that result from various distances among home and location countries including geographic, cultural, institutional and psychic distances (Ghemawat, 2007; Wąsowska, 2012). While some of the learning from internationalization is location/country-specific, other more general knowledge of dealing with internationalization uncertainties is scalable to new locations.

Our paper is structured as follows: we briefly review the literature on distance, the network perspective in internationalizations and location. We also present literature on emerging market FDIs which are latecomers to internationalization, and would often follow the pattern of foreign investments that requires new theoretical lenses such as LLL theory or accelerated internationalization theory (Matthews, 2006; Matthews and Zander, 2007). Later we propose a typology of adventurous FDIs, that recognizes two critical factors for risk-taking in these transactions: distance and opportunities to learn from local networks. We illustrate this typology with examples of FDIs of Polish listed companies, that are latecomers to internationalization and had increased the number of FDI locations by 11 new countries in the period of our observations from 2007–2009. Finally, we summarize our contributions and offer suggestions for future research.

Theory

Motivation amid existing internationalization narratives

Seeking the logic of a firm's internationalization remains challenging for IB research. This is especially true for firms from emerging countries, since they provide new experiences requiring revision or expanding current theory on the process of internationalization (Buckley et al., 2007; Luo and Tung, 2007; Yiu et al., 2007). Despite the growing phenomenon of FDI from developing to developed countries, there is relatively little published research on the internationalization of firms based in emerging economies that in the absence of OLI advantages need to be explained with different theoretical models such as LLL – linking, learning and leveraging (Mathews, 2006).

This paper contributes to calls for exploring FDIs that are “the other way round” from emerging to advanced markets (Yamakawa et al., 2008), and to increase research into entrepreneurship and internationalization strategies of companies from devel-

oping countries (Brutton et al., 2008). It fills partially the existing knowledge gap by presenting a longitudinal study of FDI localization patterns from the largest developing country in Central and Eastern Europe – Poland. The transformation of Central and Eastern Europe offers a unique research setting to test the applicability of existing theories in a new context (Meyer and Peng, 2005). Our particular focus is on the FDIs of firms that invest directly in a distant location, usually early on in its internationalization process. We propose to call these FDIs *adventurous* as they imply risky, bold steps into unknown waters of operating in the new business world, which have several potential knowledge gaps, liabilities and risks to bear.

Distance is an important, though perhaps a relatively underserved category in IB research (Dunning, 1998; Ghemawat, 2007). Differences between countries in terms of varieties characteristics are covered by the concept of psychic distance, developed by researchers at the University of Uppsala in the 1970s. It was defined as: ‘the sum of factors preventing the flow of information to and from the market’ (Johanson and Vahlne, 1977, p. 24). It is assumed that differences in language, culture, legal and political systems, level of education and industrial development etc., increase the uncertainty for managers and likelihood of misunderstanding market information. Therefore they create barriers for companies to involve foreign activities. According to this model, firms invest first into markets at a shorter psychic distance and later, after acquiring international experience, into markets with a greater psychic distance to their home market (Johanson and Vahlne, 1977).

Over time the number of factors capturing distance has expanded to include components such as the dominant religion, business language, form of government, economic development, levels of emigration (Boyacigiller, 1990) and marketing infrastructure (Evans et al., 2000). Many researchers have measured the distance between countries using cultural dimensions based on Hofstede’s concept (Tihanyi et al., 2005). Related to cultural distance is the notion of psychic distance. Evans and Movando (2002) proposed defining psychic distance as the space between the home market and a foreign market, determined by perceptions of both cultural and business differences, while business distance is created by legal, political, economic, business practice and language differences.

Business distance gives rise to the concept of institutional distance. Institutional theory emphasizes the influence of the systems, socially constructed, surrounding organizations that shape social and organizational behavior and establish the ‘rules of the game’ for firms (North, 1990; Scott, 1995). Institutions are commonly categorized into regulatory, normative and cognitive elements/pillars (Scott, 1995). Their variations across

countries are crucial for explaining differences in the behaviors of firms between countries. This perspective is gaining increasing recognition as a major perspective underpinning the strategy research in emerging markets. Institutional distance (Xu and Shenkar, 2002) can expose firms to the liability of foreignness during internationalization, placing them at a disadvantage when competing against local firms.

Beyond developing constructs for distance, its actual measurement stirs debate in the literature. One broad category of measurement is to capture perceptions of distance using surveys and interviews. A second way is to use more objective criteria such as geographic distance. An example of the former is surveying managers responsible for internationalizing firm operations about psychic distance (Evans et al., 2000; Shenkar, 2001).

The first approach has considerable limitations (Dow and Karaunaratne, 2006). One of them is *ex post* decision-makers' perception of a critical decision as the measure of distance. Post-decision experience may be different than perception *ex ante* that may impact on a strategic choice. Dow and Karaunaratne (2006) proposed a measurement method to cover factors that influence managerial perception named psychic distance stimuli. They suggest seven dimensions measured by multiple indicators using data from publicly available statistics as well as sociological constructs, like Hofstede's cultural dimensions.

The conceptualization of psychic distance emphasizes factors which prevent or disturb a firm's learning about understanding of a foreign environment (Nordstrom and Vahlne, 1994). The learning process based on acquiring both objective and experiential knowledge is a widespread driving force of internationalization. In their overview of empirical research with different categories of distance in the IB literature, Wąsowska and Ciszewska-Milinaric (2012) suggest that geographic distance is a good proxy for other categories of distances, and that it performs most consistently as an explanatory variable in research relating distances to results.

The problem of learning reoriented the IP debate in the literature on business relationships and network ties as a faster way of overcoming the lack of market knowledge acquired through experience from current business activities in the market. Extending their original IP model presented as a relationship-based model of internationalization, Johanson and Vahlne (2003; 2009) describe the interplay between the experimental learning and commitment in the business relationship as the main mechanism for learning and entering new distant markets. The extension of the IP model encompasses not only firms, but also their networks. It shares this perspective in common

with the IMP network approach (Johanson and Mattsson, 1988), social exchange theory (Blau and Emerson, 1964) and resource dependence theory (Pfeffer and Salancik, 1978). Internationalization knowledge can be acquired from other members in the network, thus the firm's network activities become a strong antecedent of a foreign investment decision (Coviello and Munro, 1995; Elango and Pattnaik, 2007).

The network perspective has been applied to a variety of different firms; however, this approach is particularly prevalent in emerging economies. Networks are emphasized in the emerging market context where institutions typically have a lower level of institutional infrastructure (Hoskisson et al., 2000; Wright et al., 2005). Emerging market firms frequently suffer from the lack of traditional ownership, location and internalization (OLI) advantages compared to their counterparts from developed nations. Most emerging market firms do not have extensive international experience and are engaged mostly in the early stages of internationalization (Bangara et al., 2012).

In such situations, Johanson and Vahlne's internationalization process model assuming the stepwise, incremental internationalization of firms appears inadequate to explain the aggressive internationalization of emerging market firms. Such firms often invest in many locations at once and expand across distances quickly. In the network approach to internationalization, firms are embedded in a web of relationships linking resources of interdependent organizations and units in both domestic and foreign markets (Forsgren et al., 2005; Sydow et al., 2010). Networking interactions facilitate internationalization in several ways. They moderate the perception of risks in entering foreign markets, reduce the investment cost and time of process integration and improve performance (Hosseini and Dadfar, 2012).

Researchers increasingly apply the network perspective to explain the internationalization of firms' lacking experience and resources. This is especially true for SMEs (Chetty and Holm, 2000; Zhou et al., 2007), born globals (Coviello and Munro, 1995; Coviello and Munro, 1997; Sharma and Blomstermo, 2003), and companies headquartered in emerging economies (Yiu et al., 2007; Elango and Pattnaik, 2007). The network contacts of entrepreneurs, which allow them to internationalize earlier, are conceptualized as network dynamics of international new ventures (Mathews and Zander, 2007).

Adventurous FDI do not find support in most internationalization theories and represent a new phenomenon. Table 1 compares and contrasts adventurous FDI with three prevalent internationalization narratives: the Uppsala Model (Johanson and Vahle, 1977; 1990), Born Global (Oviatt and McDougall, 1994; 2005), and LLL

(Mathews, 2006). In terms of process v. phenomenon, the Uppsala Model primarily describes the process of firm internationalization, while the other three capture specific types of firm internationalization.

Table 1. Internationalization narratives

Internationalization Narrative	Process or Phenomenon?	Parameters	Elements
Uppsala Model (Johanson and Vahlne, 1977; 1990)	Process	Time Market Access	Gradual learning, evolution of firm capabilities and resources
Born Global (Oviatt and McDougall, 1994; 2005)	Phenomenon	Time Market Access	Internalization Alternate governance structures Foreign location advantage Unique resources
LLL (Mathews, 2006)	Phenomenon	Time Resources	Latecomer advantage Networks
Adventurous FDI	Phenomenon	Time Embeddedness Geographic distance	Immediate learning Networks

Source: author's own work.

All four include time as a parameter, but with distinctions. The Uppsala model takes the most gradual view, while Born Global is more instant. Mathews (2006) speaks of accelerated internationalization, but notes some incremental development. Adventurous FDI emphasizes the leapfrogging mechanism more like Born Global. Both the Uppsala Model and Born Global have market access as a parameter, whereas LLL stresses resources and adventurous FDI focuses on embeddedness and geographic distance as distinct features.

In terms of elements, the Uppsala Model is evolutionary in outlook while Born Global is immediate. Both Born Global and LLL highlight the importance of resources; the former speaks of firm-specific, unique resources while the latter emphasizes resources gained via linkages with other firms. These resources are then leveraged to obtain latecomer advantage. Both LLL and adventurous FDI identify networks in their respective internationalization narratives, but the emphasis differs. As our empirical section illustrates, the firm's embeddedness in the network is of consequence, whereas in LLL the mere existence of a network, more so than embeddedness, is the salient characteristic. Whereas our network focuses on firms investing in the same location,

the networks in LLL and other FDI literature focus on suppliers, political allies and the like. Both LLL and adventurous FDI incorporate learning as an element, but the former is a more incremental approach than the latter.

The typology of adventurous FDIs

Typologies are theoretical proposals requiring quantitative modeling and empirical verification (Doty and Glick, 1994). In our case there are two first level constructs that we use: distance and learning due to network embeddedness. Distance, as already explained above, increases liabilities and risks on FDIs. We propose to use geographical distance as a proxy of risk and liabilities, but other distance categories can also be applied depending on the interest of specific studies.

The second of the first level constructs that we use in designing our typology is that of learning due to embeddedness and thus mitigating the risks and liabilities of adventurous FDIs. Since our paper is grounded in the network perspective of internationalization (Johanson and Vahlne, 2003; 2009; Johanson and Mattsson, 1988) we take into account the likely learning from internationalization at the network level and not only the individual level of a firm that could have been learning in the process of its earlier internationalization. By analogy, when individuals immigrate to a distant country, they often settle close to other immigrants from their home country. These more established immigrants often bridge cultural and institutional differences and limit the liability of foreignness that the newly-arrived immigrants face.

Outward FDI (i.e. establishing a new entity in a foreign country) is considered to be the most advanced stage in the process theory of internationalization (Johansson and Vahlne, 1977), since firms make greater commitments than simply increasing their foreign sales (McDougall and Oviatt, 2000). Common investment in the same location makes a relationship between companies likely, even if they invest in unrelated industries. This is because executives from companies investing abroad in the same location have many opportunities for networking, information search and discussing joint initiatives. These opportunities include participation in country-specific chambers of commerce, participating in trade and industry missions, meeting at major cultural and sporting events, etc.

We suppose that the likelihood of contact and knowledge flow, among companies that invested in the same location, is especially large for developing countries with a relatively small amount of companies that have outward FDI in the same location. The probability of relationships among companies increases with each additional

country where both firms have FDI. Since by their nature adventurous FDI bring more uncertainties and liabilities, we expect local business networks to be an especially important factor for risk mitigation via learning. Even without direct contact among executives of firms that invested in similar locations, a firm may vicariously learn from others getting information about their conduct indirectly through observation (Baum et al., 2000; Gimeno et al., 2005).

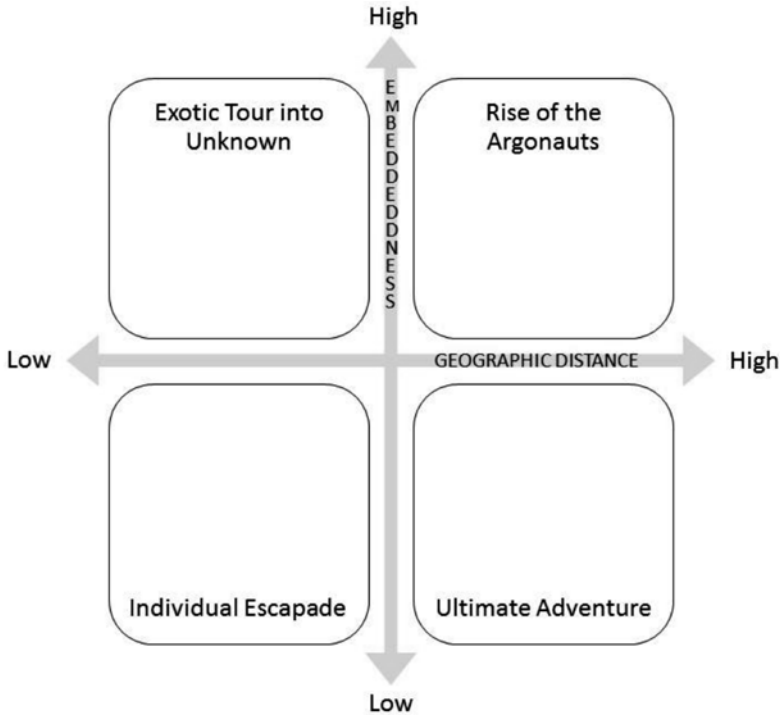
The gradual process of learning from networks in the process of internationalization is theorized in the network approach to internationalization (Johansson and Mattsson, 1987). Several studies on developing countries FDI have confirmed the importance of networks and the participation of business groups in the sequence and results of internationalization (Elango and Pattnaik, 2007; Yiu et al., 2007; Peng and Zhou, 2005). Usually they focus on the firm's network of suppliers or political allies rather than the network of firms, sometimes from unrelated industries, that invested in the same distant location.

We think that the presence of such networks, changes the level of risks and uncertainty involved with adventurous FDI as firms become embedded. Firms from the same country tend to internationalize their operations in similar locations, as well as exiting from investments in similar locations – both processes leading to the geographic agglomeration of investments (Porter, 1990; Kim et al., 2010). Learning in clusters reduces transaction costs and is an important factor in a firm's ability to build a competitive advantage in a complex, global environment (Dunning, 2009).

Based on a combination of distance and embeddedness we propose four ideal types of FDI: Rise of the Argonauts, Ultimate Adventure, Exotic Tour into the Unknown and Individual Escapade. Each has different implications for learning possibilities, risks and behaviors of companies engaging in the FDI, their networks and the host country.

Rise of the Argonauts presents the type of adventurous FDI in which there are relatively many transactions made by other country firms to accumulate knowledge and offer learning possibilities at the network level. This accumulated knowledge can help to overcome extreme distances and liabilities now faced by newcomers. We would expect that due to the large distance the risk perception among managers responsible for such projects will be high. They will mitigate risk by searching for knowledge within the network. An institutionalization of networking, such as a chamber of commerce or other business organization, will be prevalent in these locations.

Figure 1. Typology of adventurous FDIs



Source: author's own work.

Ultimate Adventure occurs when a firm decides to invest in a very distant location as the first company from its home country. There is no direct learning possibility for such a firm to gain knowledge about host-country-specific risks or distances from the home-country network. The first firm may enjoy more attention from home-country firms and institutions, such as the embassy. There may be diplomatic support to encourage increased economic exchange. This support may to some extent offset the lack of opportunities to mitigate internationalization risks from an existing home-country network.

Exotic Tour into the Unknown is similar to the rise of Argonauts described above with the exception that distances are smaller and thus the risks less evident. In such an environment, firms and their executives may be less focused on learning and networking since they anticipate that business conditions are more like their home country. Since we are only looking for distant locations and investment into other continents/outside the geographic region the differences in distance are a matter of degree. A caveat is that nearby or regional locations can pose a challenge of hubris/

overconfidence, as firms miscalculate the true degree of difference between the host and home country.

Individual Escapade involves an investment in a distant country that is borderline between a regional v. a global location. Again there is no direct learning possibility for such a firm to gain knowledge about host-country specific risks from a home-country network. We would expect that the firm which decided to invest in such a country may not search for such a network, for similar reasons for which we expect less learning in the case of the exotic-tour type of FDI. The firm may not perceive the distance to be a source of major risk or liability. For similar reasons, it may gain less attention and support from host-country institutions.

Methodology

Empirical context. Polish listed companies

Poland is, in absolute terms, the largest source of outward FDI among the new European Union (EU) members, with an OFDI stock of US\$ 50 billion in 2011 (Table 1). However, it loses this leading position when OFDI is compared to the size of its economy or population. In terms of the OFDI to GDP ratio and OFDI stock per capita, Poland is ahead of other countries in the region of Central and Eastern Europe, such as Hungary, Slovenia and Estonia (Zimny, 2012).

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

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

suggests that, at least recently, less than three quarters of Poland's outward FDI represents international production of MNEs or "genuine" FDI (Zimny, 2012).

In 2011, over 57% of the stock was located in six economies (Table 2): Luxembourg (US\$ 11.8 billion), the United Kingdom (US\$ 5.4 billion), Cyprus (US\$ 3.3 billion), the Netherlands (US\$ 3 billion), Switzerland (US\$ 2.5 billion) and Belgium (US\$ 2.5 billion). These economies are known for being sources and destinations of intra-corporate fund transfers as well as convenient locations for registering companies (including holding companies) for tax and financing reasons.

Table 2. Central European outward FDI stock, 2000–2011 (US\$ billion)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Poland	1.0	1.2	1.5	2.1	3.4	6.3	14.3	21.2	24.0	29.6	44.4	49.7
Bulgaria	0.03	0.03	0.04	0.1	-0.2	0.1	0.5	0.8	1.4	1.4	1.5	1.7
Czech Republic	0.7	1.1	1.5	2.3	3.8	3.6	5.0	8.6	12.5	14.8	14.9	15.5
Hungary	1.3	1.6	2.2	3.5	6.0	7.8	12.4	17.3	17.6	19.2	20.0	23.8
Romania	0.1	0.1	0.1	0.2	0.3	0.2	0.9	1.2	1.5	1.4	1.5	1.5
Slovakia	0.4	0.5	0.5	0.8	0.8	0.6	1.3	1.9	3.0	3.2	3.3	4.2

Sources: Zimny (2012). For Poland, annual publications of the National Bank of Poland (NBP), *Polskie inwestycje bezpośrednie za granicą*, various years, available at <http://www.nbp.pl/home.aspx?f=/publikacje/pib/pib.html>; for other countries, UNCTAD, UNCTADstat, available at: <http://unctadstat.unctad.org/TableViewer/tableView.aspx>

The level of data analysis in our study differs from most earlier studies of FDI from emerging economies which tend to focus either on aggregate data at a country level (Gorynia et al., 2007; Boudier-Bensebaa, 2008; Zdziarski, 2015) or are based on survey data (Yiu et al., 2007). The design of this study allows for an in-depth structural analysis of FDI based on the disaggregation of FDI into individual transactions based on an archival, complete data set for 2007–2009. Modeling FDI as an affiliation network enables bridging between the two most common approaches to study internationalization: country and firm level analysis.

This research is based on data on FDI of all Polish non-financial companies listed on the Warsaw Stock Exchange in the years 2007–2009. Selection of the time period for this study is justified by the fact that the number of FDI transactions has almost doubled in the observed time frame and the number of adventurous FDI locations have

increased substantially. Polish companies, like other emerging economy firms, are latecomers to the globalization game and thus provide a fascinating field for study for some processes that are no longer important in established, emerged economies. We extract data on individual FDIs from annual reports and the firms' public statements published in this period. The CEPII database is the source of distances between countries (Mayer and Zignago, 2015).

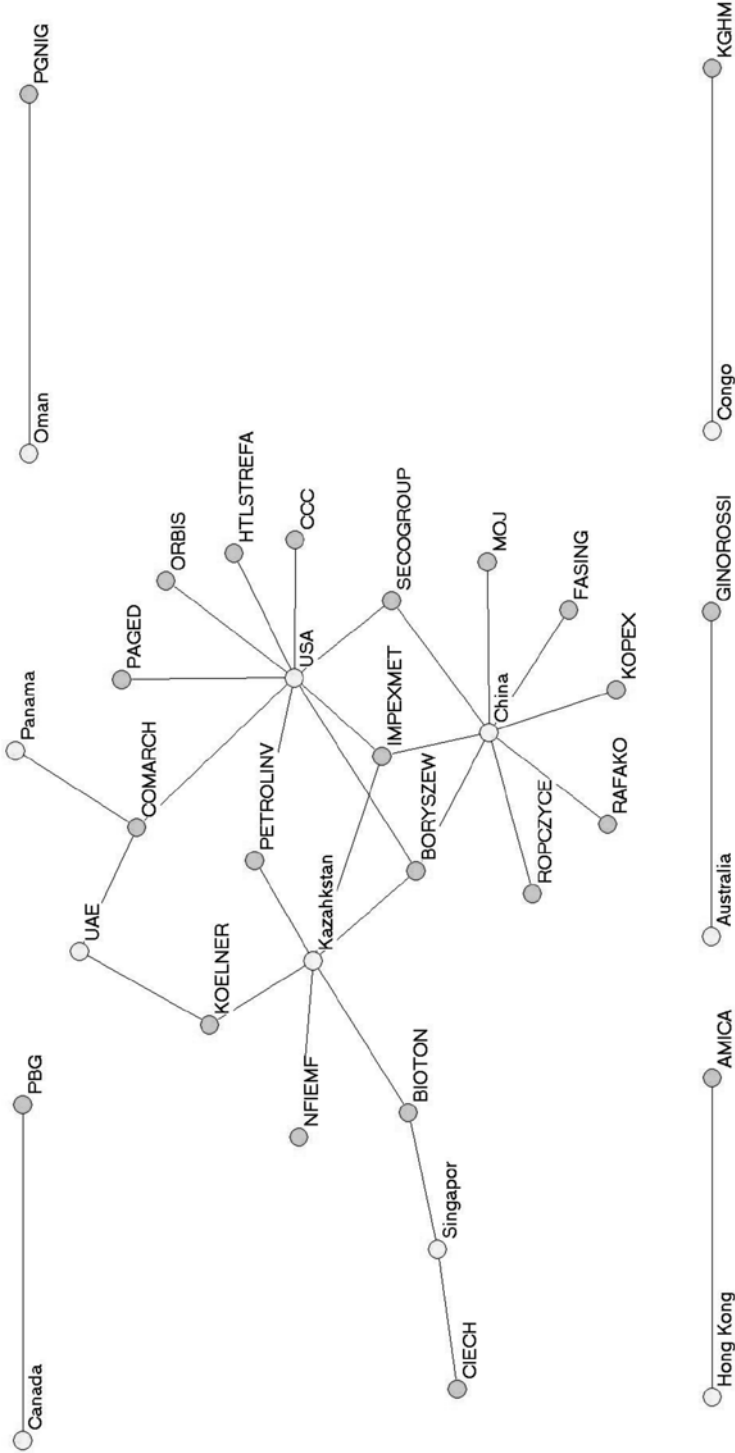
We use social network analysis methods (Wasserman and Faust, 1994) in detecting groups of companies with comparable patterns of investments that are clustering in similar locations. We apply block-modeling techniques (White et al., 1975; Scott, 1991; Wasserman and Faust, 1994) and multidimensional scaling for a graphic presentation of clustering patterns in low-dimensional space (Young, 1987). We employ metric multidimensional scaling optimization for similarities with algorithms used in Ucinet software for network analysis (Borgatti et al., 2002).

The geodesic geographic distance between capitals of home and host country location is our basis for country distance. Our typology represents each FDI as a unique combination of firm and location country. In case there are many FDIs located to the same country we will only represent them by a single figure.

The variance in degrees for each location is projected into the embeddedness dimension in our typology. Degree centrality in our research measures direct opportunities to learn from other country firms that internationalized to the same location by absolute number of firms that co-invested into the same location. In our sample it ranges from 0–13 in 2010 in which we observed the highest accumulation of all FDIs during the period of our research.

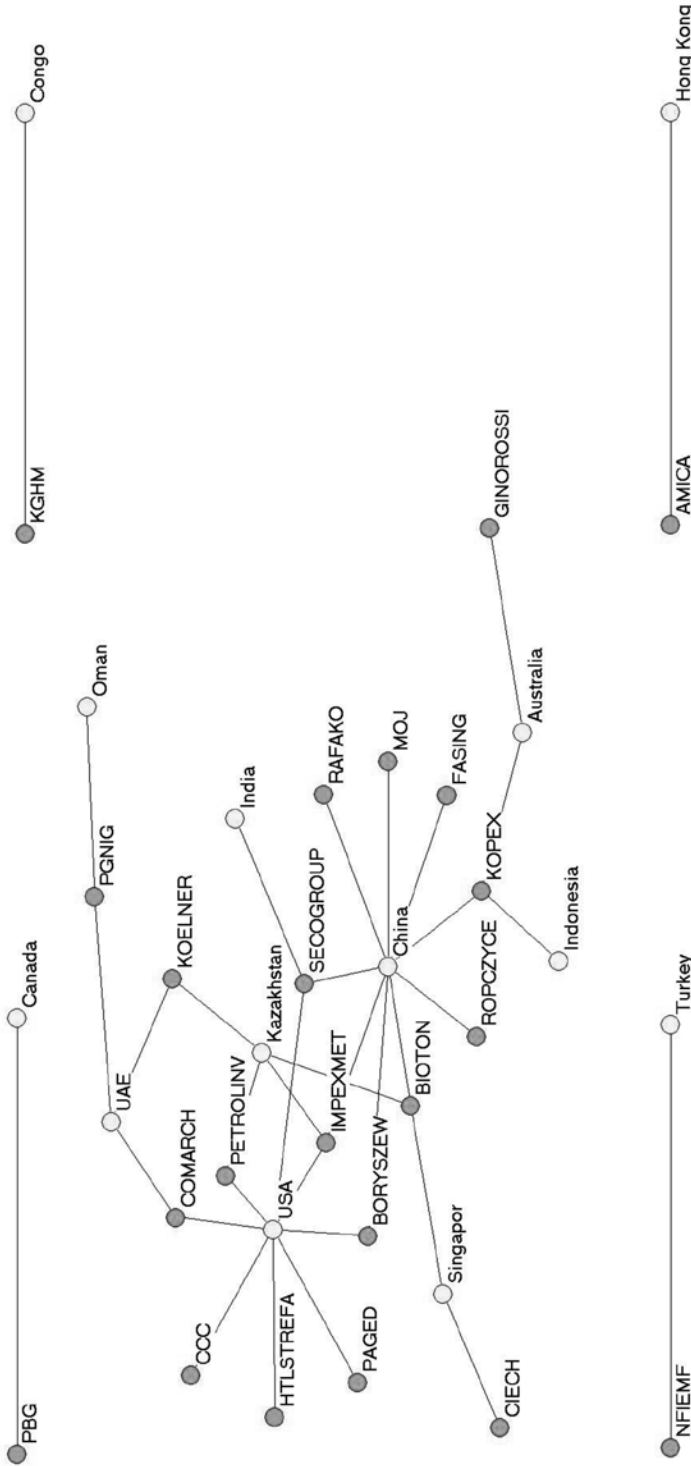
We use a scale from 0–15 FDIs into a country in absolute numbers for a representation of firms in our typology. While 15 is an arbitrary number, there must be some threshold of country FDIs into the same location beyond which one can no longer expect a transaction to be adventurous, thus demanding the acquirement of knowledge that is hard to find. The reason is that accumulated home country experience and knowledge about distances and ways to deal with them in the location country becomes more common with every additional transaction and firm exposed to liabilities. Further research into use of country networks for knowledge search in distance, adventurous FDIs is needed to confirm our expectation about the nature of the relationship among learning from local networks and the number of FDIs, as well as the specific threshold of the scale in which adventurous FDIs should be measured.

Figure 2. Adventurous FDI of Polish listed companies in 2007. Produced with Ucinet



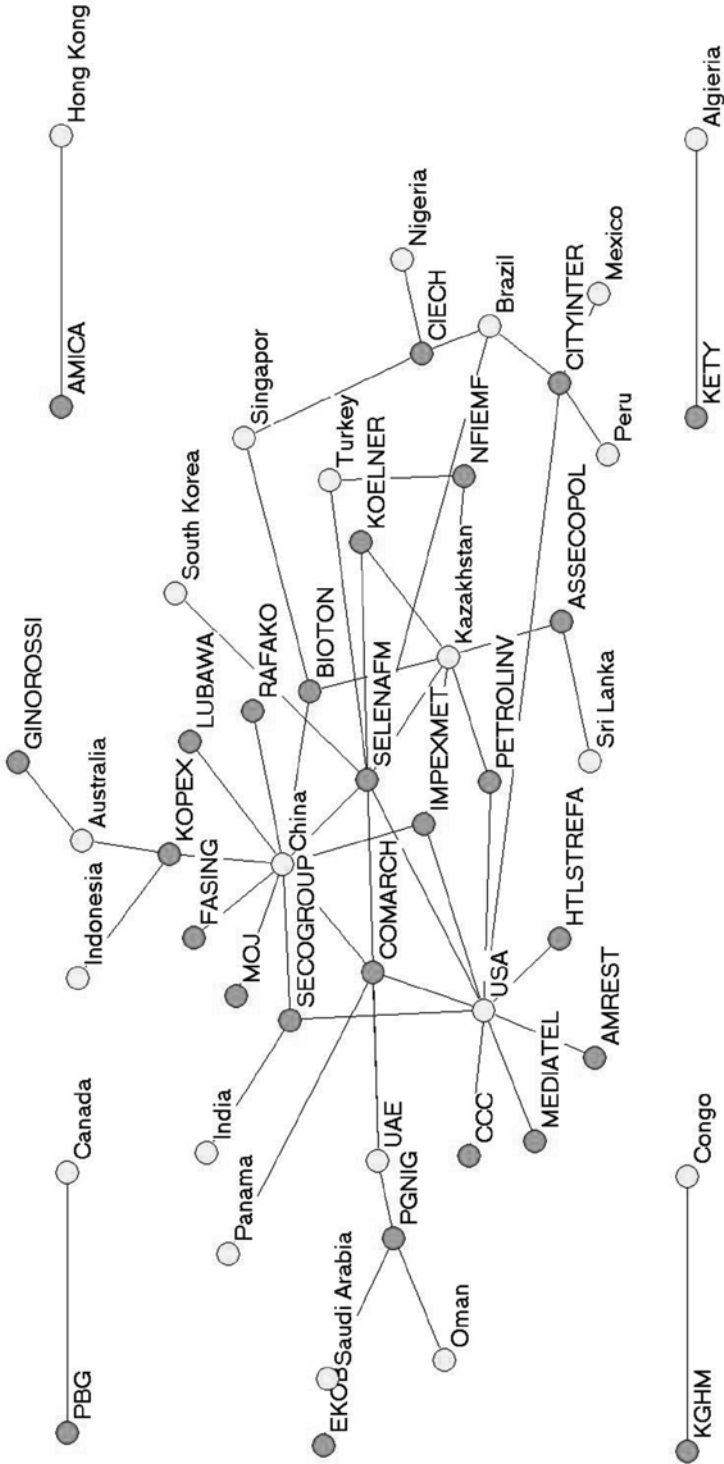
Source: author's own work.

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



Source: author's own work.

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



Source: author's own work.

We transform the two mode network into one mode network: network in which firms are connected, if they invest in the same location with other firms. For each firm in our network we calculate the degree, which in the case of this network counts how many times the firm has an FDI located in a country to which other companies also located their FDIs. The results are presented in the following figures.

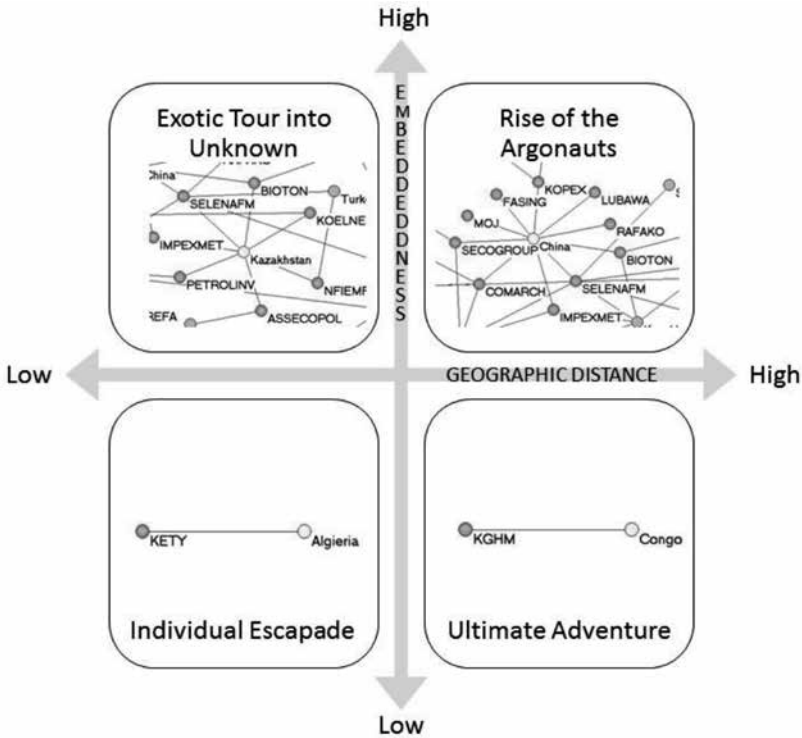
In the first year of our observation (2007) we had 11 locations, that are coloured in white in the above figure, in which any of the listed companies had ever invested in the FDI form. 23 firms had such investments. There were selected from 232 firms listed on the Warsaw Stock Exchange. There were three countries in which several firms invested from Poland: China, USA and Kazakhstan. Five host countries: Australia, Canada, Congo, Hong Kong and Oman, had only one listed Polish firm undertaking an adventurous FDI.

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

Let's now project some of the observations from the years 2007–2009 into the typology that we proposed earlier. The projection serves as an illustration of the match of existing FDIs to ideal types. Further qualitative study should enable us to verify theoretical proposals about ways in which firms, undertaking an adventurous FDI, learn and mitigate risks. The number of locations for adventurous FDI have increased by 9 new countries to 22 locations. We also have 5 more firms, compared to the previous year, that undertook an adventurous FDI. While no new localizations with reach networking opportunity have emerged, we can observe that networks increase in size in China and USA, and remain stable in Kazakhstan for the three years in which we conducted our exploratory study.

In Figure 5 we present examples of FDIs from our empirical study that are alike the ideal types we described in our typology. Further qualitative research into the ways firms limit risks and learn depending on liabilities, distance and presence of the local network will be explored in the next stage of our research.

Figure 5. Typology of Adventurous FDIs of Polish listed companies in 2009



Source: author's own work.

Conclusions

We proposed a typology of adventurous FDIs in which we theorize about the likely risks limiting the behaviours of firms undertaking these type of transactions, their network partners and institutions in the host and home countries. We expect that patterns in learning behaviours will differ depending on distance and embeddedness in the network of local country firms. We propose to study FDIs into distant locations on the transaction level, rather than the firm level of analysis. They seem to be a paradoxical phenomenon, yet relatively many companies undertake them. At the firm level, the distinct learning and risk level behaviours related to the specific transaction may not be observed and/or the relation between adventurous FDI and firm level results may be different from observations of results relating to a global versus regional orientation of the overall portfolio of FDIs. Thus, more research is needed to explain why firms undertake adventurous FDIs, what are their learning patterns and risk limiting behaviours, what is the role of country networks in pro-

viding learning and legitimacy needed to minimize related liabilities, and how home and host country institutions support such transactions depending on the presence and absence of other adventurous FDIs from the same country.

We believe that practical implications will depend on the type of AFDIs undertaken by executives in charge. Managers should benefit from understanding which type of AFDIs they are performing and use of appropriate learning and risk mitigation strategy. This may be a deliberate networking with executives from other listed firms that co-invest to the same distant location to exchange practices and agree on possible joint initiatives in the case of the Rise of the Argonauts type of FDIs. In the case of Ultimate Adventure, relationships with host country institutions supporting foreign investments, and industry peer companies from other home countries may be more beneficial.

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

It seems that FDIs from developing countries would be especially important to study, as we observe a rise in levels and reach of foreign direct investments from these countries around the world. For firms from developing countries that are on their way to becoming multinationals, understanding the dynamics of adventurous FDI, the risks, and likely behaviours of key stakeholders in the process, should be of crucial importance.

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