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Establishing a Swedish business in Poland

Studying institutional and rational aspects of internationalization in the case of
Build AB, a Swedish construction company

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Abstract

Internationalization is a topic that has been studied widely but often by considering the rational aspects of it only even though the institutional ones also are of importance. Here, a combination of the rational and institutional aspects is studied in order to understand organizations when they establish on a foreign market. This study is conducted in order to gain knowledge about the process of internationalization to Poland of a Swedish company, here named *Build AB* and how they handle the insecurity of going abroad as well as the pressure from local institutions. Also, the Polish business environment and the special economic zones and their influence on the operations of *Build AB* will be investigated. This will be done by conducting eight interviews with a Swedish construction company that has internationalized to Poland called *Build AB*. Six interviews will be done with a Swedish organization in Warsaw, called *Ease*, which facilitates the internationalization of Swedish companies to Poland. Another six interviews are conducted with a consultancy firm located in Poland that supports the internationalization process of *Build AB*. The findings show that *Build AB* has created a greenfield investment in the special economic zone of Pomerania for the production of building components. The second phase of the internationalization is the creation of an industrial center where *Build AB* will help other firms to establish their subsidiaries and thus work as consultants. This means that services will also be part of their business strategy even though they intend to operate in a production oriented economic zone.

Key words: *Internationalization, Sweden, Poland, Business environment, Special economic zones, insecurity, Pressure, Institutional entrepreneurship*

Introduction

The world has turned from being divided into several countries into being a global arena in exchange of trade, culture and knowledge between people and nations (Held ET. Al, 1999; Hill, 2012; Wood, 2014). Internationalization is therefore often on the agenda for companies in order to increase their comparative advantage and efficiency in relation to other firms (Andersen, 1993; Hill, 2012). Some firms aim for a large commitment with big investments and others want to have a smaller commitment to the specific foreign market in exchange for e.g. flexibility. This because Organizations have different strategic motives for their internationalization (Andersen, 1993; Cantwell, 2009). The topic of internationalization is often studied as a rational process where companies search to optimize their operations but the question is whether internationalization always is rational? In this study, a combination of the institutional aspects of internationalization and the rational ones will be studied in the case of a Swedish construction company and its process of internationalization in order to understand the underlying reasons to their behavior.

Whether the case of a country being a suitable market for internationalization or not, there is always a degree of insecurity when internationalizing to a foreign country (Streeck, 1998; Hill, 2012). Insecurity is created by the gap of the possessed knowledge about internationalizing to a foreign market and the perception of the needed knowledge and is sometimes a deciding factor in the decision of whether to internationalize or not (Ibid). It could be lowered if having adequate information regarding the potential market as well as by the choice of entry mode and psychic distance in terms of culture between the domestic and targeted country (Hilmersson & Jansson 2012; Poulakidas, 2013; Johanson & Vahle, 1977). Different institutions and the local business environment further influence the operations of foreign firms. These institutions pressure organizations to look similarly either by laws and regulations, norms from both the domestic business environment as well as the one in the targeted country and from the pressure of gaining legitimacy and lowering the degree of insecurity by doing as others (DiMaggio & Powell, 1983; Rosenzweig & Nohria, 1994). Organizations often adjust to these pressures which push them to become homogeneous. This view on organizations can be interpreted as deterministic and there is in fact a possibility to break free from these pressures and become innovative within this local environment in which the organization operates (Kirzner, 1997; Shane & Venkataraman, 2000; Garud et. al, 2007). It further means that it is possible to change or create new institutions if organizations manage to break free from the pressure from the surrounding environment (Ibid).

The purpose of this study is thus to investigate the internationalization process to Poland of a Swedish construction company called *Build AB*. The objective is further to get insights about how the Polish business environment has an influence on the operations of *Build AB* in Poland and how the specific organization has worked to lower their insecurity when internationalizing. It will be done by describing and analyzing empirical material from interviews with a Swedish enterprise that operates on the Polish market as well as interviews with a company that works for facilitating business between Poland and Sweden and a

consultancy company that is involved in the internationalization process of *Build AB*. For this reason, the aim is to answer the research questions below:

How has Build AB established themselves on the Polish market?

How does the Polish business environment, from the point of view of the three organizations in this research, influence the operations of Build AB in Poland?

Theory

Internationalization

There are different approaches regarding the question of how to internationalize. Andersen (1993) and Hill (2012) discuss that this should be done based on factors such as the risk a company is willing to take, investment, commitment to the market and opportunities that the company can make use of depending on the choice of strategy. There could moreover be a categorization of the motives that organizations search for on foreign markets which are: market seeking, resource seeking, efficiency seeking and strategic motives (Andersen, 1993; Cantwell, 2009; Franco ET. Al. 2008). When the motives that were of importance for a specific company expires, a rational consequence is that organizations tend to look for opportunities in other locations. Alber and Standing (2000) describe this as a phenomenon of social dumping which means that there is a risk that companies search for regions where it is most attractive for the time being and later, when the attractiveness has decreased, they move to other locations that are seen as more attractive to them. Therefore the commitment to a specific market and strategy for internationalizing differs depending on the specific needs of an organization (Hill, 2012).

One of many theories in this field is the one by Johanson and Vahlne (1977), namely the *Uppsala model*. They assume that an expanding firm can overcome the fear and of a new market by first acquiring knowledge about a market and then internationalizing (Ibid). Moreover, they emphasize that focus should first be on the domestic market and when this one is saturated, move on to foreign markets. Johanson and Vahlne (1977) concluded that firms internationalize carefully and prefer to take low risks. The model is divided into a state and change mode. In order to go to a change mode with increase commitment to a market, the company first needs to ensure that they have the knowledge about the specific market. This means that they start with entry modes which include low risks and later, when they have acquired more knowledge about the market and the grade of uncertainty has decreased, decide to make a greater commitment towards the foreign market (Ibid). This could be exemplified with that firms firstly export to other countries and later on continue with equity based entry modes such as opening up wholly owned subsidiaries. The Uppsala model also includes that organizations tend to internationalize to markets where the psychic distance is low. Psychic distance refers to aspects such as similar business behavior, customer taste and preferences as well as societal and organizational culture (Johanson & Vahle, 1977; O'Grady & Lane, 1996). This means that the internationalization of companies often is done to countries with similar culture (Ibid).

The general phenomenon is that most internationalization theories do not include the factor of insecurity when moving to a foreign market and are assuming that companies are rational when taking decisions. It is however not always the case since companies operate in a constantly changing environment where institutions and the organizational field put pressure on organizations in their continuous work to obtain legitimacy by other firms (DiMaggio & Powell, 1983). Rosenzweig and Nohria (1994) elaborate further on this topic but in the case of international operations. They state that organizations are made by two different kinds of forces that put pressure on them, namely the pressure for internal consistency and isomorphic pressure from the local environment (Rosenzweig & Nohria, 1994). The degree of pressure from the local environment will increase with a greater commitment to that specific market. Rosenzweig and Nohria (1994) enlighten that the pressure from the local government regulations, trade associations and consumers are the ones that has the largest influence on that companies in a given environment become more similar. But it is important to keep in mind that organizations need to handle bounded rationality and just because an organization decides to e.g. work in line with how others have done before does not lead to that their operations will be more efficient. It will however increase the legitimacy and reduce the insecurity of working outside of the domestic environment (DiMaggio & Powell, 1983; Rosenzweig & Nohria, 1994). Hilmersson and Jansson (2012) state that the degree of uncertainty for internationalization is a combination of institutional distance and knowledge specificity. They state that the lower the institutional distance and higher the knowledge specificity, the lower the uncertainty (Ibid). Moreover, they say that uncertainty of foreign markets has become a more common topic nowadays due to the fast shifts in the market environment and customer preferences and that experiential knowledge, which is included in the knowledge specificity, has become more important than ever in order to reduce the gap between the knowledge that a firm possesses about a foreign market and the knowledge that is required in order to become successful (Ibid). Experiential knowledge is thus realistic and often leads to decisions that are more accurate to the conditions on the foreign market (Ibid). The uncertainty is further weaker when the psychic distance between countries is low (Hilmersson & Jansson, 2012). Also, when non-equity entry modes are used, the degree of uncertainty is lower as well as when firms enter different kind of partnership for realizing their foreign operations (Ibid). Poulakidas (2013) also bring up the theme of knowledge as key for the reduction of uncertainty but in the case of SME: s. She says that the risk perception decreases with the amount of new knowledge that is acquired but that there has to be an integration of the new knowledge that the firm acquires with the prior knowledge. Poulakidas (2013) also discusses that the acquired knowledge has to be relevant for the specific entry mode of the internationalization and that the fact that perceived uncertainty is decreasing with more knowledge does not have to mean that the risk that the company takes when internationalizing is necessarily lower (Ibid). This does however not explain the homogeneity and increased amount of firms in foreign markets. Firms do not always internationalize since it is the most rational choice (DiMaggio & Powell, 1983). There could therefore be other explanations to this phenomenon.

Isomorphism

Isomorphism is a concept known in the field of management and more specifically in institutional theory (DiMaggio & Powell, 1983; Rosenzweig & Nohria, 1994). Hawley (1968) describes isomorphism as the phenomenon that one single unit has to adapt to the rest of the population due to the fact that it needs to face the same issues and environmental dilemmas in order to operate properly. Aldrich (1979) extended this view on isomorphism by arguing that organizations must face many factors to be able to become successful and run efficiently but the main factor are the organizations around them since they are constantly dependent of one another. This because one of many important factors for organizations is to gain legitimacy and political power. Legitimacy refers to gaining acceptance by institutions and other organizations which eases the survival of an organization (DiMaggio & Powell, 1983; Aldrich, 1979). DiMaggio and Powell (1983) therefore introduce three different types of isomorphisms which describe why companies become more similar and adjust to one another as well as to the societal norms, values and standards. These three concepts are: *Coercive, normative and mimetic isomorphism* and each one of these describe different approaches to this phenomenon.

Coercive isomorphism refers to the pressure from other organizations which can be formal or informal (DiMaggio & Powell, 1983). This kind of pressure is sometimes mandatory by law which is a result of bureaucratic procedures by the government or state or by pressure from other organizations in order to fit in within the societal and cultural frame which has been created by expectations from other organizations (Ibid). DiMaggio and Powell (1983) further state that large organizations often are more influential than others and therefore have the power to create norms that are later made into regulations by the government or made into norms that other organizations follow (Asghar, 2015). The second type of isomorphism is called *normative*. This one refers to the homogeneity of organizations as a result of the collective work and adjustment of one e.g. occupation or group of people in order to together decide and adapt to methods of how they should work and conditions that they have defined (DiMaggio & Powell, 1983). It can further be described as the process of homogeneity of organizations based on common values, norms and defined conditions of work (Ibid). These norms and values are not mandatory to follow by law, but in order to gain acceptance and legitimacy from other organizations which is often a crucial factor to become successful, it is considered right to adapt to the conditions that others follow (Ibid). The third type of isomorphism according to DiMaggio and Powell's (1983) theory is called *mimetic isomorphism*. This kind of isomorphism refers to doing as other organizations have done before and imitate their organizational behavior with hope that the structure and behavior that the role model organization uses, is suitable and beneficial and adequate for the own organization (DiMaggio & Powell, 1983). Mimetic isomorphism is seen as one way to increase the legitimacy of the organization with the argument that others have done it in the same way before and it has been successful in those cases which means that this could work just as good again. It is often the case that organizations use this kind of mimetic technique when they feel unsecure about the future challenges that the company will have to face or when they simply don't know how to tackle different problems and organizational dilemmas (Ibid).

DiMaggio and Powell (1983) conclude that organizations become homogeneous because of different pressures. These pressures are either mandatory for everyone to follow or normative. Another factor that could be seen as a force that makes organizations homogeneous is the uncertainty and fear that organizations and thus make the decision to do as others that once have been successful in order to increase the legitimacy (Ibid). The field of institutional theory is however perceived as too deterministic (Garud et. al, 2007). They argue that institutions face pressure from the organizational surrounding but that it is possible to break free from these pressures and contribute to the transformation of institutions (Ibid).

Institutional entrepreneurship

Institutional entrepreneurship refers to breaking free from the pattern of isomorphism that is created by institutions in the surrounding environment (Garud et. al, 2007). By that, organizations can rediscover their agency as a force with which they have the possibility to influence existing institutions (Garud et. al, 2007). Institutions can be described as the norms, laws and shared values in a given environment that organizations have to adapt to since they explain how to act and what is correct and not (DiMaggio & Powell, 1983; Garud et. al, 2007). As opposed to the arguments of DiMaggio and Powell (1983), organizations have the possibility to change institutions and make them more suitable for themselves (Garud et. al, 2007). DiMaggio (1988) later described that it is by breaking the traditional institutional patterns that new institutions emerge. Meyer and Rowan (1977) argue that there seems to be formal structures in the society which, at first, seem impossible to change or influence but that this in fact is false and that organizations can use their agency for changing institutions. Institutional entrepreneurship can moreover be described as:

Activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones

Maguire, Hardy and Lawrence, 2004: 657

Institutional entrepreneurship is more likely to occur when new kind of technologies are introduced or when there is a will to change due to e.g. an eagerness to obtain higher economic growth, dissatisfaction with the way an institution is organized or how this institution influences the operations of organizations. It is often in these kinds of situations that institutional entrepreneurship takes place and by the ones who are attentive and ready to act when an opportunity for changing or inventing a new institution arises (Kirzner, 1997; Shane & Venkataraman, 2000). For institutional entrepreneurship to occur, thinking outside of the standardized pattern is required as well as having a vision and interest in how e.g. the transformed institution could benefit oneself (Ibid). For this to happen, a clear investigation of the actual business environment and existing institutions is required. For this case, it is the investigation of the Polish business environment for the international operations of *Build AB*.

Setting

The construction company, which in this research is called *Build AB*, was founded by two Swedes about 20 years ago in the city of Gothenburg, Sweden. The company started their operations on a local area since Gothenburg and the smaller cities around the second largest city of Sweden were the first locations where they started to operate. *Build AB* is currently working with projects within the construction industry such as apartments, local malls and administrative buildings. They have rapidly grown in terms of market shares but are still smaller than some of their competitors. However, the company has the ambition to grow and become the leader in Sweden in this sector within the next couple of years and later try to become one of the largest firms in Europe in 2035. The process of growth and establishing themselves in new locations was first done in Stockholm which has been a success so far and now has set the direction for foreign markets, starting in Poland. Therefore, it is of interest to study the internationalization process and how the business environment influences this particular company since it is their first foreign market to which they internationalize. Additionally, one organization that facilitates internationalization processes for Swedish firms and a consultancy company that is part of the internationalization process of *Build AB* are part of this research. These are in this study called *Ease* and *Consultancy firm*.

Poland has today a well-developed infrastructure, low level of corruption as well as educated and competent work force that demands lower wages than doing the same work in many other EU countries (Business Sweden, 2013; OECD, 2014). It is also stated that the high bureaucracy in public institutions is an issue in Poland as well as the low transparency (Ibid). Hofstede (1983) discusses that cultural differences are of importance when working outside of the domestic market. Differences in culture are seen as one of the issues that companies have to handle and adapt to when internationalizing (Ibid). He therefore invented four different kinds of indicators describing the national culture of a country where *Power distance*, *uncertainty avoidance* and *masculinity* are of importance in this case (Hofstede, 1983; The Hofstede centre, 2017). Hierarchy in organizations is a typical characteristic of the dimension of *Power distance*. If reports, results and bottom lines are important, the *masculinity* factor is higher while if behavior, feelings and social aspects are more prioritized, the masculinity level is lower. *Uncertainty avoidance* describes the will to either take risk or play safe when doing business and in life in general. These three dimensions indicate that hierarchical structures, formality, lack of trust and not taking risks as well as concrete and fast decisions are characteristics of Poles. Swedes on the other hand are less formal, have more faith in others and emphasis the more human factors in life such as HR (The Hofstede centre, 2017). McSweeney (2002) however explained that a population within a country cannot be homogeneous and that there are subcultures in each country. It was argued that this research is outdated since the world has become more open for other cultures (Ibid). Jones (2007) argues against Hofstede, but also concludes that there is no better study in the field of mapping culture yet and that it at least gives us a hint.

Business Sweden (2013) and KPMG (2009) describe that doing business in Poland is relatively easy and Swedish companies are perceived as reliable business partners. In the report of Business Sweden (2013), Swedish businessmen explained that the legal system is trusted and that the corruption is relatively low (Business Sweden, 2013; OECD, 2014). However, the bureaucracy is high and transparency is low in organizations. Moreover, there are 14 special economic zones spread in different parts of the country. The goal with the creation of these zones is to create new jobs, attract foreign capital as well as improve the economic development in these zones (KPMG, 2009; EY, 2013). The regions around the capital offer lower discounts whereas more rural regions offer higher discounts. Preferential tax allowances for R&D centers and purchase of new technologies are also included as incentives in order to attract firms to invest in the economic zones of Poland (Ibid). The income tax exemptions are measured as a percentage of eligible costs of firms where large organizations can benefit from up to 50% of tax exemptions whereas small can have up to 70% (Ibid). All of these zones are under the legislation regulated by the council of ministers. In order to establish a firm in one of these economic zones, a greenfield investment of at least 100 000 Euro needs to be done and fulfilling all requirements regarding the creation of new jobs for locals and investing a certain amount of money within a given time period which differs depending on the size of the firm (Ibid) Out of these 14 economic zones, there are six that differ since they offer special benefits and exemptions for firms in different kind of branches. For example, the two zones in the North focus on production of goods that could be transported by sea and facilitate logistics and transportation. These zones will operate till the end of 2020 (Ibid).

Methods

The academic approach of the research

A qualitative research approach is chosen in order to get an understanding and insights in the dilemma of this specific study. A qualitative approach emphasizes the subjective aspects of life which can differ depending on the life of the interviewee (Hennink, Hutter & Bailey, 2011; Bryman & Bell, 2015; Silverman, 2013). Since everyone has their own interpretation and meaning of things, it is of interest to understand the experiences of the interviewees from their own perspective (Czarniawska & Sevón, 1996; Hennink, Hutter & Bailey, 2011). This is however not easy since the personal understanding as well as the context differs and it is important to try not to have any assumptions in regards of that (Ibid). Qualitative research differs from quantitative since more complexity is revealed, which could be things that the researcher did not even consider while quantitative studies only provide the researcher with answers to the, on forehand, written questions. On the other hand, quantitative research facilitates the conduction of interviews but the answers are often more predictable compared to qualitative studies which often have a limited amount of interviewees (Myers, 2009; Dawson, 2007; Silverman, 2013). A qualitative approach is used in this specific research since it is a case study and the intention is to reveal the true meaning behind the process of internationalization to Poland. The target is thus to not try to look for answers that could be

interpreted as predictable but rather to dig deeper beneath the surface to expose the true sense of this internationalization process. An inductive approach is used which is unique in the aspect of first studying a certain field that is of limited scope and later using the gathered information for more general purposes and comparing it to already existing theories in order to be able to get new insights in the specific field of study (Silverman, 2013). These already existing theories that are used will work as lenses through which the researcher understands the research and perceive different kind of empirical findings (Ibid).

A case study method is used for this research. A case study is used because it is unique in the sense that it enables the researcher to narrow more in the research and go deeper into the chosen field of study compared to other methods (Bryman and Bell, 2015; Flyvbjerg, 2006). This in order to provide the researcher with information that is realistic and that can be used for further analysis and for answering the research questions (Flyvbjerg, 2006). Somekh and Lewin (2005) state that since case studies are narrowed to a limited amount of interviews which are contextualized, they cannot contribute to other kind of studies. Flyvbjerg (2006) and Yin (1994) contradicts this by arguing that case studies make it possible to answer more subjective and contextualized questions that a generalized study method would not be able to do which makes the narrowness essential. Case studies enable the researcher to become an expert in a certain field of study compared to other methods that only scratches on the surface and therefore do not contribute to any further in dept understanding of the phenomenon (Flyvbjerg, 2006). Flyvbjerg (2006) is further sure that information gathered from case studies is of high importance for the development of science and argues that general theories and models can be made based on this narrowed information.

Data collection

Empirical data collection: In depth interviews

For the collection of empirical material of the study, in depth interviews are conducted. Interviews classify as primary data and the content of the interviews is designed for this specific study but also has the potential of being used for more general purposes (Ghauri&Grønhaug 2002; Flyvbjerg, 2006). Since the theme of internationalization might be seen as intimate information for the organization, the researcher of this study tries to build trust in order for the interviewees to share valuable information. Mauthner et al. (2002) agree with the fact that respect, understanding and trust is an efficient way to acquire helpful information. The interviews in this research are semi-structured. A semi- structured interview has a structure with questions that are written on forehand but there is also room for the researcher to adjust if it would be relevant for the specific interview (Hennink, Hutter and Bailey, 2011). It can be seen as a dialogue between two people but what makes a semi-structured interview unique is that the researcher asks questions and does not share any experiences while the interviewee do the reversed (Ibid). That means that the interviewee shares information that will be part of the findings and later analyzed. The questions are mainly open ended in order to create a more solid information basis where the interviewee has the possibility to share more of his/ her experiences than simply answering by e.g. yes and no answers. Open ended questions enable the researcher to ask follow up questions to collect

more information that could contribute to new insights and ways of studying and analyzing the specific topic (Crang and Cook, 2007). However, there are also shorter questions as well as yes/no questions and these are used as questions for confirming that the researcher's interpretation of the interviewees' answers is correct. Moreover, yes/no questions increase the legitimacy of the interview and are easy questions to ask in the beginning or end of an interview which will make the interviewee feel comfortable during the interview (Spradley, 1979; Crang & Cook, 2007).

Analyzing the empirical data

Grounded theory is a technique used in this study and it enables the researcher to develop new theories but also to explain specific kinds of phenomenon of study (Glaser & Strauss, 2012; Martin and Turner, 1986). Working according to this technique is time consuming but brings more profound insights since the researcher transcribes and codes the gathered information (Ibid). Coding refers to systematically analyzing the potential meaning of each word and sentence of the transcribed interviews (Ibid). It is of high importance to write memos in order to easier remember the thoughts that have come up during the coding. When these things are completed, a selective coding takes place as well as trying to find similarities and patterns that can later become different themes for the analysis. These themes aid the process of categorizing the information and to structure the analysis but also to identify fundamental answers to the research questions (Ibid).

Sampling

The specific company that is studied in this research has recently started their internationalization process in Poland and is called *Build AB* in this study. The second firm is a consulting company that is currently helping *Build AB* with administrative tasks and creating networks with local stakeholders in Poland. The third organization is a Swedish authority and facilitates business operations for Swedish companies in Poland. In this study, they are called *Ease*. In total, 20 interviews are conducted with representatives from these three organizations. Eight interviews are conducted with *Build AB*, Six with the consultancy firm and six interviews with *Ease*. There is an equal quantity of male and female interviewees in order to be able to discover eventual differences in the answers as well as for increasing the legitimacy of the study. The sampling is done in accordance with the theory of convenience sampling. Convenience sampling is a technique where the researcher knows or has been in touch with the people that are interviewed (Bryman & Bell, 2015; Silverman, 2013). The researcher got to know the interviewees by first writing e-mails to them and asking them whether they would like to participate. This technique is a non-probability one and can according to Quinlan (2011) not be representative for an entire population but on the other hand contributes to deeper insights. However, Flyvbjerg (2006) states that case studies can be used more generally which makes convenience sampling a suitable method for this research.

The interviews were conducted during the spring semester of 2017 and the researcher traveled to Gothenburg, Sweden as well as Warsaw and Szczecin, Poland in order to conduct the interviews. All potential interviewees got a request of either being part of the interview or not

either by asking them in person or through social media. The interviews were conducted face-to-face with the interviewee. This kind of interview is common in the field of management (Adams et. Al, 2007). Face-to-face interviews is a suitable method of conducting an interview since it not only provides the researcher with information that the interviewee shares but also unconscious reactions to questions and behaviors are revealed that could also be of importance. Compared to other ways of interviewing, a face-to-face interview, to some degree, has the ability of pushing the interviewee against the wall since he or she doesn't have much of time to prepare an answer. Therefore, often, honest answers are exposed with this kind of interview technique (Adams et. Al, 2007, Silverman, 2013). Moreover, face-to-face interviews are time consuming since it requires setting a date and actually meet compared to e.g. interviews through the internet. The length of one interview is on average 50 minutes. Besides the information gathering that is done during the interview by careful listening, observation and taking notes, the interviews are recorded to not miss any details that could be important and also to facilitate the process of summarizing and analyzing the interviews. The interviews are carried out in English in order to avoid processes of translation. Conducting the interviews in the same language as the report creates less room for own interpretation but there is a risk of losing nuances during the interview because it is always easier for the interviewee and researcher to express themselves in their native language.

Company	Number of interviews	Male	Female
Build AB	8	4	4
CEO/ Vice CEO	2	2	-
Project manager	2	1	1
employees	4	1	3
Ease	6	2	4
Head of the office	1	1	-
Manager	1	-	1
Consultant	4	1	3
Consultancy firm	6	4	2
Administrator	1	1	-
Architects	5	3	2
Totalt	20	10	10

Trustworthiness of the study

Trustworthiness of a study can be measured by the use of the terms Validity and reliability (Bryman & Bell, 2015; Silverman, 2013). They refer to the accuracy of the study which indicates whether the empirical findings that are collected actually represent the reality (Ibid). Therefore the researcher has to, as far as possible, be sure that the sources in the study are reliable in order to make a legitimate study. These two terms differ and therefore explain two different aspects of trustworthiness. Validity refers to measuring if the chosen method for gathering data measures the data from an angle and perspective that is intended in accordance to the research questions of the study (Silverman, 2013; Bryman & Bell, 2015; Yin, 1994). Reliability on the other hand describes whether the result of other studies would give the same result if the same kind of research method would be done (Ibid). The reliability is further

connected to the fact if the findings can be confirmed in previous studies by other researchers (Ibid). If these two criteria are fulfilled, the legitimacy and trustworthiness increases which leads to a valid and reliable contribution to the research in a specific field of study. To further make the information as valid and reliable as possible, neutrality from the side of the author is required (Bryman & Bell, 2015; Silverman, 2013). Since the Author of the study already has some previous experience due to the fact that he has the same nationality as the country in this specific study, it is of even greater importance that the author takes two steps back and studies the phenomenon from an objective perspective.

Ethic statement

The consideration of ethics is of crucial importance in many aspects. As mentioned in the part about validity and reliability, the chosen research method has to be applicable on the phenomenon of study and be relevant for the research questions (Silverman, 2013; Bryman & Bell, 2015; Yin, 1994). If the study involves interviews, as this one does, each potential interviewee needs to be asked whether he or she wishes to be part of the research and only if the interviewee accepts the request, an interview may be conducted (The research ethics guidebook, 2016). If he or she abstains in the first place or decides to withdraw between the moment of asking for permission and the specific date of the potential interview, the researcher should accept that since the participation should always be voluntary (Ibid). Further, it is important to consider the privacy of the interviewees and ask for permission before publishing any data about them. In this study only the work place and work position as well as gender is revealed for the readers in order to keep the anonymity of the interviewees (The research ethics guidebook, 2016). Another important aspect that the researcher should keep in mind and consider is the consequences that publishing a report about a study could have. The study should always be made in a way that does not jeopardize or endanger neither the reputation nor the life of the interviewee. Publishing information that endangers the life or status of an interviewee may have negative consequences for the individual participant of the study (Ibid). Lastly, in order for a study to follow the ethical guidelines, it should be objective and independent but just as important is also the fact that the researcher has the responsibility of being able to proof the objectivity of a study in order for it to be legitimate (Ibid).

Empirical findings

The results of the study can be categorized into three different themes. This categorization is based on the results of the 20 interviewees of this study. These themes are: *The internationalization process of Build AB in Poland, Main motives and the influence of the business environment for the establishment in Poland* as well as *the influence of the economic zones on the market operations of Swedish firms*.

The categorization into these three themes is based on the empirical data gathering and the connection to the research questions of this study:

How has Build AB established themselves on the Polish market?

How does the Polish business environment, from the point of view of the three organizations in this research, influence the operations of Build AB in Poland?

The internationalization process of Build AB in Poland

The internationalization into Poland is something that has been in the strategy of *Build AB* since 2010 was the year when they bought land in Poland but could not be realized until January 2017 due to the bureaucratic procedures and difficulties with the local government in the acknowledging them as part of the SEZ of Pomerania. Three out of four of the regular employees that were interviewed are well informed and are at least partly involved in the establishment process in Poland. One of them has just slightly heard about it but the information about the step of going abroad has been spread through the organization. The CEO of the company describes that:

A large part of land was bought up in 2010, in the North- Western part of Poland. The area is called Golczewo and has, since this year been included and accepted as part of the special economic zone of Pomerania.

The project manager of *Build AB* describes that the land was bought up quite long time ago because they have the intention to start a factory in Golczewo but that the process of acquiring the right to become part of the economic zone was completed just a couple of months ago, specifically in January. The project manager says that:

The intention is to build a factory and Sweden industrial center. In the factory there will be a production of standardized components and parts that are later used for building apartments, mainly in Sweden but also in other locations when we have expanded our operations to other countries.

The CEO further states that they aim to build Sweden industrial center which means that other companies will be able to operate there too which will contribute to sharing knowledge and technology between different firms and industries. The vice CEO explained that it is not yet decided how the establishment of other firms in the industrial center of Build AB will look like but he is very excited about the possibility of creating a cluster where companies can grow and share knowledge with each other within the SEZ. The CEO and project manager moreover argue that this is one of their first steps in order to expand the business as part of their strategy to become one of the bigger market actors in Europe in 2035. The decision, according to both the CEO and project manager was therefore to make a greenfield investment and build the industrial center from the very foundations. They did not want to tell the exact sum of the investment since it is an ongoing project where the investment is constantly growing but it is made according to the rules and regulations of the special economic zone which, the CEO said, means that it is at least 100 000 euro. The project manager further explained that:

A greenfield investment is the only option because we want to benefit from tax exemptions and cut labor costs. According to regulations about the special economic zones, other kinds of entry modes are not possible if we want to gain these benefits.

But the special economic zone is not the only reason for why *Build AB* decided to go to Poland. The location of this industrial center, is according to the regular employees, the CEO and project manager, really good in terms of transportation since there is a possibility to ship the produced goods straight from this area to Sweden as for now but also to potential future markets in Europe. Standardized products that are used in many different projects and markets also enable the firm to make use of economies of scale and therefore lower the production costs per unit which could be seen as an advantage in their attempt to become one of the leaders in Europe, in this industry. The employees at *Build AB* have described these goods as heavy and that shipping therefore is a really good and affordable solution because it takes less than one day to transport these goods by sea to Sweden.

Apart from the SEZ, there are other reasons to the internationalization. The vice CEO stated that:

There are many attractive pull factors on the Polish market that can be useful for us but our primary goals are to first lower our production costs and later create Sweden industrial center where we would work as coordinators for other product oriented Swedish firms in this region and make our operations in Poland more service oriented.

By that, the project manager means that the industrial center and the location of it is only one of many reasons to why Poland was chosen but important ones. The plan is to invite other Swedish firms and help them with their establishment process because *Build AB* already has experienced it. Moreover, the logistics as well as the factory would already be prepared. One of the project managers argues that:

Build AB could offer a combination of services for other Swedish firms. They could rent a place in the center in Golczewo, have access to edifices and we could offer them consultancy services and help with the process of moving to Poland.

Besides the Sweden industrial center, the Vice CEO and the CEO of *Build AB* described that Poland has many characteristics that are positive for business. It is a growing market and, as the other project managers says:

The door to Eastern Europe because of similarities in the business culture. It is our first step towards the goal of becoming one of the leaders in this industry in Europe, all of Europe.

This means that by learning about how the Polish market works, it could later be the case that this knowledge could be used and applied on other markets in Eastern Europe because the project manager states that there are some similarities that these countries share. It is however important to bear in mind, as one of the project managers at *Build AB* says:

We can learn about other Eastern European countries by studying Poland but only to some degree because each country has their specific characteristics and a concept that works in Poland does not necessarily have to work in another location.

This means that *Build AB* categorize all of Eastern Europe as similar but that each country is still unique and a categorization of all countries in Eastern Europe is not possible to make which further means that some research about each market is required. In the case of Poland, the CEO discusses that the average level of education of people in Poland is rather high and that the level of English is still low but getting better which further implies that labor could be hired locally and cost could be cut, without risking to decrease the quality of the products and services of *Build AB*. Hiring locals, which is one of the requirements to belong to the special economic zones, will not only benefit the operations of *Build AB* but also develop the region of Golczewo because, as one of the employees that has visited the place said:

It is not one of the fastest blooming areas of Poland today but has the potential of becoming one if companies get the possibility to invest and the right conditions for business could be created. As I have heard, many Poles move with hope to find a better paid job and maybe the zones could convince more people to stay in Poland.

It looks differently in different parts of the country but hiring locals could increase the standard of living and eventually create new potential customers since they would become richer, as the project manager says. Another visible obstacle for the establishment process is the bureaucracy and time consuming formal processes. The CEO states that he got much help from the administrator at the interviewed consultancy firm who commented the collaboration with *Build AB*:

I perceive that it is hard to make things happen as a company in Poland without knowing the right people. The process of acknowledging *Build AB* as part of the special economic zone was quite long and perhaps could have been even longer if it would not have been for that I know one or two people that administrate the Pomeranian zone. I also advised them to follow the instructions to become part of the SEZ point by point and helped them to fill in the application because I have heard that the administrators of these zones are strict about it.

This illustrates that networks is the key to make the bureaucratic process and paper work done a little faster but that this is one major obstacle. According to the project manager, who traveled to Poland often during this seven-year long process, the consultancy firm is one helping factor since the whole process of applying to be part of the economic zone seemed much easier than it actually was. This could therefore, according to the CEO, be seen as a comparative advantage in the establishment of the industrial center since the bureaucratic process is already completed and other firms that would like to be part of *Build AB*'s industrial center would not have to go through the same process. It could be seen as a service that *Build AB* could benefit from either in monetary terms or by knowledge sharing because of the innovative approach and uniqueness of it. The CEO explained that, even though it was a complicated and seven-year long process, it is still worth it because it decreases the costs of the firm's operations in the long run and opens up a market for them in the future because of the size of the population in Poland. In the meanwhile, they learn as much about the Polish market as possible. As the plan is to stay in Poland permanently, both project managers say, the bureaucratic process had to be dealt with and is not a reason for why they would stay

away from this market. The CEO and vice CEO also say that even though there are many interesting factors that could be influential for the decision of the internationalization to Poland, being part of the special economic zone is the one that made them totally sure that Poland is the right and most logical choice for the company. The CEO of *Build AB* has stated that in order to get a deeper understanding about the challenges when internationalizing to Poland, he has contacted *Ease* through telephone for advice that could be useful for the process of establishment in Poland but has also said that:

Building the industrial center is a huge market commitment and investment. Contacting them was, from my point of view, one way to be sure that what we think that we know about the Polish market is correct and try to eliminate potential uncertainties that could otherwise perhaps have been problematic for us in the future.

This means that the contact that the CEO had with representatives from *Ease* has worked as advice since the telephone conversations confirmed that the already gathered information about the Polish market is correct. It was during the telephone contact with *Ease* also confirmed that the will of investing in Poland is seen among other Swedish firms such as *Skanska*, *Volvo*, *Scania* and *Dockstavarvet* which means that others also believe in this market. As for now, there has not been any face- to –face meeting between representatives from these two organizations nor any collaboration but just a couple of calls through telephone in order to decrease the insecurity in the process of internationalizing to Poland. It does not however mean that there will not be any work between *Ease* and *Build AB* in the future as their commitment to the Polish market will increase. The CEO further argues that:

Contacting *Ease* was helpful but I am still satisfied that we contacted the consulting firm for more help because they facilitated the bureaucratic process and gave us advices that *Ease* did not. It is understandable that opinions differ about the key aspects of coming to Poland. The consulting firm gave us more information about where to go to sign papers and were part of the process which is something that *Ease* did not offer.

It clearly shows that the things that are seen as important for one firm and from one point of view does not have to mean that others think the same or that this is the entire or objective truth. Contacting two actors made *Build AB* feel calmer about the internationalization. The main goal for *Build AB* is to be one of the most important actors on the European market in 2035 and in order to fulfill that goal, more investments in Poland and other locations in Europe are planned as, the vice CEO argues that this will increase the reputation of the firm and make it visible for different kind of customers living in different markets.

Main motives and the influence of the business environment for the establishment in Poland

The establishment of Swedish companies has been something visible on the Polish market since the beginning of the 1990's. One of the consultants at *Ease* describe that there were Swedish companies before that, such as *Ericsson* but that the storm of investments in Poland

by Swedish firms really started off after the collapse of the Soviet Union. The manager at *Ease* stated that there are similarities between the Swedish and the Polish market but that expert knowledge is still required due to differences in laws, regulations and business culture. Their services are therefore helpful for firms that internationalize there, especially for opening up subsidiaries which require more formal bureaucratic work. The head, manager and all consultants at *Ease* describe that expert knowledge is required because Poland is a country where bureaucracy is comparatively high. This can be exemplified by the quote of the manager at *Ease*:

One thinks that the short distance between Sweden and Poland would automatically mean a short process of moving parts of the organization abroad. What people often forget is the lack of trust that Poles have towards foreigners and the thousands of papers that need to be signed wherever you go.

This explanation by the manager clearly states that bureaucracy is high compared to Sweden and that there often is a time-consuming process that has an influence on the time horizon when establishing a subsidiary there. It has however become easier now due to the European Union but it is still a huge difference between the nations. One explanation that is stated by the manager at *Ease* and confirmed by the head person at the same organization is that:

The lack of trust is part of the Polish cultural heritage from the era when Poland was ruled by the Soviet Union and that all the signed papers work as tools to avoid being tricked.

Therefore, networks and knowing the right people is the key to fasten things up. For that reason, the bureaucracy is still comparatively high. On the other hand, one of the consultants working at *Ease* has a slightly different opinion. He states:

In my opinion, the bureaucracy might be seen as high but it is not higher than in most other countries. Some degree of formality is needed and just because the bureaucracy is very low in Sweden, Poland's is perceived as high. Regarding the trust, I can agree that Poles usually do not trust others but it is something companies learn when they come to Poland and is quite easy to adjust to.

The quote from one of the consultants says something else than the one of the manager at *Ease*. It is a less strict and more optimistic view on the Polish business environment. The manager at *Ease* further explains that there are positive aspects about the usage of formal agreements. He explains:

When having a culture of formality in business, everything is documented and works as a confirmation of all operations that are done. Foreign organizations feel safer because there is always a documentation of everything.

Regardless of the differences in trust and bureaucracy between the countries, the head of *Ease* states that in most cases, Swedish firms usually either use contractors to whom they outsource part of their operations or set up their own greenfield investments. Often, he further discusses that more labor-intensive parts of the organization are moved because of lower expenditures

for labor. The argument of lowering labor costs as one of the motivators for internationalizing to Poland is confirmed by all the interviewees at *Ease* as well as the majority of the interviewees at the consulting company and *Build AB*. But, one of the consultants at *Ease* further discusses the attractive factor about that:

The labor in Poland is often highly educated which is considered as a positive aspect in addition to the lower wages. It is a bonus that foreign firms gain when hiring locals.

Apart from the high degree of educated people, the Polish population is relatively big in comparison to the ones of many other European countries which means that the number of potential customers is quite large especially since, as the Head of *Ease* says:

I can see that the customer behavior has changed a lot during the last couple years.

The average Pole is becoming richer and therefore has the possibility to purchase more and demand better products and services than earlier.

Two of the consultants at *Ease* agree that many Swedish companies choose to internationalize there because they see that there are new market possibilities. This view is confirmed by the administrator and one of the architects at the consulting as well as by the majority of the interviewed people at *Ease*. However, the administrator at the consultancy firm elaborates on the fact that even though the population is large and the purchasing power is increasing, the inequalities in terms of wages are still large.

The head of *Ease* and the manager agree that the inequalities in terms of the bloom of the economy looks differently in the many regions of Poland and is one of the reasons to why the special economic zones were created. This project is thought to operate until the end of 2020 in order to erase these inequalities since only locals can be hired and tax incomes for these areas of the country can be generated. In exchange, foreign companies have to create a commitment in the sense of establishing a greenfield investment in return and can thereafter benefit from tax exemptions and lower taxes for labor. The consultant at *Ease* also stated:

SEZ is one factor that has revolutionized the attractiveness of Poland. It is a win-win situation for both countries because there are more tax generations for Poland, lower expenditures for Swedish firms and knowledge sharing between both nations. I strongly recommend firms that have the intention to internationalize to Poland, to at least consider the benefits of the SEZ.

Two consultants at *Ease* also cleared out that the tax exemptions differ depending on the characteristics of the firm and that a company should pick the specific economic zone for their establishment with care. They further state that companies with the same characteristics tend to establish their subsidiaries in the same regions and when firms come to *Ease* for advice, all consultants said that they often encourage firms to start operating in the same zones as other companies that are similar to them due to knowledge sharing, logistics etc. However, one of the consultants pointed out that:

The SEZ cannot be the only reason for moving to Poland. The zones will close in 2020 and I always say that companies should be aware of that and have more plans about their outsourcing than just cutting costs.

Even though, many Swedish and other foreign firms establish their subsidiaries in Poland due to lower labor costs there is a trend that, as the administrator at the consultancy firm states and the head of *Ease* confirms:

Poland is moving from having been a low wage country in Europe into slowly becoming an intensive consumption market. This means that it is becoming more similar to many countries in Western Europe where work conditions are becoming better and Poles can afford to buy more and better products and services.

However, one factor in the business culture that is not becoming more similar between Sweden and Poland is the hierarchy in organizations. All consultants at *Ease* and the administrator at the consultancy firm agreed that, even though people have the right to express their opinion and view on things when operating on the Polish business market, the last word is always stated by the CEO and it is his or her decision or opinion that is always seen as the most respected and best one for the firm. The right to express the own opinion, is according to the head of *Ease*, mostly seen as theoretical since opinions that are seen as wrong ones could often lead to negative consequences. This because, as early stated in this chapter, there are many highly educated people in Poland and it is therefore easy to replace employees that does not think as the company wants them to think. One factor that could moreover be seen as a threat is the actual political situation in Poland. The leading party in the country is nationalistic, conservative and against EU partnerships. One of the interviewees at the consultancy firm and two consultants at *Ease* described that the ruling political party tries to make it harder for foreigners to come to Poland and has, to some degree, changed the political opinion about Poland due to the restrictive attitude towards foreigners. It is however important to keep in mind, the manager at *Ease* says that:

Poland is fully open for international business even though the current political situation illustrates a different picture.

The manager at *Ease* also describes that there are elections in a couple of years and that time will tell about the future of foreign investments and establishments of firms from abroad. Regardless of the actual political situation, there are many motives for why Swedish firms decide for Poland instead of other markets. One of them, as all of the interviewees at *Ease* and the CEO of *Build AB* said, for why Swedish firms tend to internationalize to Poland is because of the location of the country. The closeness to Sweden and other European countries is one factor that *Build AB* benefits from since it is just to ship the goods which takes around one day. The project manager at *Build AB* moreover argues that the investment in Poland will open up a door for further investments to Eastern Europe due to cultural similarities and gained market knowledge about the Eastern European markets.

The influence of the economic zones on the market operations of Swedish firms

The economic zones in Poland have been working since 1995 when the first zone was established in Mielec, a town in the South- Eastern part of Poland. Since then, many different economic zones have been opened which differ in terms of tax exemptions for both the enterprise as well as for local labor. The zone of Pomerania is the one where *Build AB* has decided to start their operation. This zone is unique since it is located close to the Baltic ocean and is primary created for companies in the manufacturing industry due to the possibility of shipping. The zone further has full established logistics and offers easy transportation by sea. The head of the office at *Ease* describes that there are no same rules for all economic zones but that this depends on the chosen location of the subsidiary of the company. He further states:

These economic zones will only be working till the end of 2020 where the chance for prolonging the benefits of the economic zone is still uncertain. Because of that, the future is unwise for the firms that has or intends to establish themselves there.

The interviewed manager at *Ease* discussed that there perhaps is a possibility to extend the time of some of these zones but that this would imply a risk that companies will move their subsidiaries from the closed zones to the ones that will continue to operate. This view is shared with two out of four consultants working at *Ease* since the other two decided not to give an answer on that question. There is another risk in today's Poland which one of the consultants at *Ease* called the political risk. As already written, the ruling political party is rather against the European Union and this could, the administrator at the consultancy firm says, lead to implementing laws and regulations that favor local Polish companies and affect foreign firms negatively. The administrator further stated that:

These special economic zones generate a lot of taxes and create work opportunities and, if the Polish government decides to execute regulations against foreign firms, it could lead to increased unemployment in Poland, a drawback of the development in the regions where the special economic zones are located as well as a loss of taxes.

The head of *Ease* is not necessarily sure that the ruling political party will do anything that could jeopardize the benefits of the economic zones and argue that:

The situation is unpredictable right now but that hopefully it will not be a problem and the future will look well for investments and foreign firms in Poland.

All of the interviewees in these three different organizations agreed that the special economic zones, is one of the primary influences on the decision for choosing Poland and not another country for their internationalization. Two of the interviewed consultants at *Ease* expressed that foreign companies have huge potential on the Polish market and that the special economic zone will work as a good foundation for their further commitment to the Polish market. The CEO at *Build AB* pointed out the exact thing. He said that:

The investment in Golczewo is just the first step to have the opportunity to learn about the Polish market, gain experience and lower our production costs. The plans for the future are much greater.

The fact that *Build AB* already had bought land in Golczewo in 2010, to some degree, limited their choice of location of the industrial center and the potential tax exemptions that the firm could benefit from. However, the vice CEO at *Build AB* described that:

We are one of many actors in the construction industry located in the Pomeranian zone which is an advantage because we can learn from other firms and therefore don't have to reinvent the wheel when working in this SEZ, at least for the plan about the production of goods.

The head of *Ease* is in line with the opinions of the two consultants that work at the same organization as well as the opinion from the vice CEO at *Build AB* and says that:

The zones work as clusters where knowledge sharing is much more likely to occur because companies with a similar kind of production tend to establish their operations in similar regions as others.

However, he also argues that this could have positive and negative outcomes. The positive one is that the level of technology increases which could be good for Poland as a nation and the companies that are part of this economic zone. The administrator at the consultancy firm gave an example of positive outcomes from the own firm. This consulting company is partly involved in architectural projects and he explained that:

There, nowadays, is a trend that Polish construction companies use more environmentally friendly methods when designing and constructing new buildings which is something that they have learned from foreign firms such as us and was not very common earlier.

This explains that technology sharing and learning from others could have positive outcomes. The head of *Ease* and one of the consultants at the same firm also explain that there could be outcomes that could have a negative influence for the established firms since new competitors could emerge and could eliminate today's market leaders in both the domestic and the international market. Therefore, the manager at *Ease* says that:

When I am offering my consulting services for firms, I put a lot of emphasis on the fact that firms need to be aware of the risk of that other companies in the SEZ could copy their business idea or try to attract employees from other firms to their own. It is because companies often operate in the zones with similar types of companies.

Regardless of the potential positive and negative outcomes of establishing a subsidiary in a SEZ, all the interviewees at *Ease* stated that they encourage Swedish companies that ask for advice to invest in the special economic zones. The administrator at the consultancy company described that they encouraged the representatives from *Build AB* when they came to them and asked for advice regarding the establishment process. One of the consultants at *Ease* said

that their advices to firms are based on what is best for them as well as for the Swedish economy but that these are, of course, only advices and companies have the ultimate role in the decision making process. The interviewed consultants at *Ease* also said that Swedish companies sometimes call them and compare their potential market entry and location in Poland with how others have done before them. The head of *Ease* also explained that customer oriented firms need to be located in the bigger cities, in other words, closer to the customers compared to production oriented organizations where lowering costs is more prioritized than the location. Therefore, the SEZ are more important in some industries than in others, the head of the office at *Ease* said.

Discussion

The findings are analyzed and discussed through the lenses of the chosen theories for this report; *The Uppsala model*, *isomorphism* and *institutional entrepreneurship* as well as by previous studies about the business climate. This, to come up with new insights and make a valuable contribution to the specific field of study where international business and management are combined.

Build AB's internationalization: moving beyond insecurity and breaking free from homogeneity

The empirical study reveals many discoveries regarding how *Build AB* has made the internationalization. Unlike of how it might seem, many of the interviewees have said that cutting labor costs is only one of many but not necessarily the primary reason for the internationalization. If that would be the case, *Build AB* could have had internationalized to another, even cheaper, country. Instead, the potential of the Polish market and seeing it as a door to other European countries as well as the location and the special economic zones are seen as the main reasons to why firms chose Poland for internationalization.

The Uppsala model describes that companies usually internationalize to foreign markets where the psychic distance between people is low and the commitment increases with increased knowledge about the specific foreign market. The internationalization process of *Build AB* goes against the Uppsala model since the natural choice for internationalization if this model would be accurate for this case would be an internationalization to one of the Nordic countries due to the cultural similarity and similar ways of operating on the market. Instead, the first foreign country where *Build AB* has chosen to internationalize is Poland. This specific case neither goes in line with the Uppsala model in the aspect of increased market commitment when acquiring more knowledge about a specific market. According to the interviews with the employees and management at *Build AB*, the intention of this internationalization is to gain knowledge about the Polish market by operating on it, which is a trial and error mode and exactly reversed of what the Uppsala model describes. *Build AB* therefore takes a quite risky step, which they defend with the argument that they have the goal of becoming one of the market leaders in Europe within the construction industry. Therefore, they cannot wait too long with the internationalization because they want to establish a strong

position on the Polish market. Another aspect that does not go in line with the Uppsala model is the scale of the project. According to the model, the chosen entry mode for internationalizing into a foreign market should be chosen with care and based on the characteristics of each specific firm. In the beginning, a less risky entry mode should therefore be chosen and the commitment should increase after operating in the foreign market for a longer time. *Build AB* has instead chosen to make a greenfield investment, which is the entry mode that requires the most investments, resources and commitment to the market. This implies that the company is putting itself in a risky position because of the limited knowledge about Poland and the Polish market. On the other hand, they already had bought a lot of land in Golczewo in 2010. The project manager made regular visits to Poland where he worked to make *Build AB* part of a special economic zone of Pomerania. This resulted in that the market knowledge, at least to some degree, increased due to the period of around seven years from buying the land to becoming accepted as part of the special economic zone which most certainly lowered the insecurity about the internationalization to Poland. Moreover, Poland and Sweden are both members of EU and follow the regulations and laws for all EU countries which means that the psychic distance is lower than it would be if an internationalization to some other country outside of EU would have been done. This is also a positive factor in the aspect of lowering the degree of insecurity since if there would be any kind of complications with authorities or other firms, *Build AB* could go to the European court. The reason to why a greenfield investment is done is because it is regulated and demanded in order to become part of the special economic zone. All companies that want to benefit from tax exemptions need to invest at least 100 000 euro in a greenfield investment as well as fulfilling a quota of a minimum amount of locally employed people. This since one of the intentions with the special economic zones is to increase the standard of living for people that live in these areas of the country.

Build AB is not the only Swedish company that has decided to invest in a special economic zone in Poland. In fact, the organization *Ease* has stated that this is a common phenomenon for Swedish companies that internationalize to Poland, especially in the production industry where a close relation with customers is not prioritized. The head of *Ease* has also described that they encourage Swedish firms to do that because of knowledge and technology sharing between firms, lower taxes and well working logistics within the zones. By this behavior of firms, isomorphism is revealed in different forms. The specific regulations that need to be fulfilled in order to become part of one of these zones could be interpreted as laws. This means that companies become more homogeneous since, in order to benefit from the zones and have a comparative advantage, they need to follow these regulations and consequently these organizations become homogeneous. This is of course not a law in the sense that it is prohibited not to follow these regulations but not benefiting from the tax exemptions, which work as incentives to attract foreigners, would most certainly lead to becoming more expensive than others since the advantages of tax exemptions could not have been gained. Instead, it is pressure from institutions in the local environment which can be related to coercive isomorphism which means that these regulations pressure organizations to become more homogeneous. Similarities are e.g. seen in the sum of the invested capital of firms, hiring locals and the choice of location and specific special economic zone depending on the

characteristics of the firm. Representatives from *Ease* stated that they often suggest firms to establish in the zones where other similar firms already operate in order to have an advantage in knowledge and technology sharing, which is also a pressure for homogeneity from an institution that operates for the good of Swedish organizations. One aspect about homogeneity and the strong pressure from institutions that many organizations do not consider is that these often think that the strategy that they have chosen is the most rational for the efficiency of the specific organization. Nevertheless, institutions have a strong influence on the behavior of organizations because they set the boundaries in which organizations operate. Organizations operate within these boundaries because e.g. it is mandatory such as in the case of laws in a given country. However, these boundaries can also be voluntary and work as incentives in order for organizations to obtain benefits such as in the case of the special economic zones or in order to lower the degree of insecurity as well as gain legitimacy and acceptance from other organizations and institutions. Even though some of these boundaries are voluntary, the pressure from institutions is high which has a huge influence on how organizations work and adjust to these pressures. This could be exemplified by the whole phenomenon of internationalization per se. It could be seen as a rational strategy since going to other countries could increase the efficiency and the profits for firms. On the other hand, from an institutional point of view it could be seen as a pressure from the society and other organizations because internationalization is something that all companies at least consider since this is a natural part of doing business nowadays.

Poland is, in the eyes of *Build AB*, seen as a potential market where they have the possibility to grow due to the location of the industrial center that they are building. Since the building components that will be produced are heavy and the intention is, at first, to build equipment in Poland and later use it in the production of e.g. apartments in Sweden, the closeness to the sea is of high importance. This since other kind of transportation methods such as airplane would not be suitable for them. The first part of their internationalization is in line with the direction of the special economic zone of Pomerania and other already established organizations within this zone and thus follows the pattern of mimetic isomorphism. This contributes to further homogeneity in this region due to the isomorphic pressures from the surrounding environment. The main intention is however not to only produce building components but also to develop Sweden industrial center into a service conglomerate. *Build AB* would then work as a consultancy firm and help other firms to establish themselves in Poland since they already have gone through the process of being part of the SEZ and have the knowledge that is required. Further, they have knowledge about the business environment in Poland. This kind of service oriented business concept of *Build AB* could perhaps even outcompete consultancy firms such as the one that is part of this research as well as *Ease* because their services would not be needed for the firms that collaborate with *Build AB*. *Build AB* is currently collaborating with them to lower the degree of insecurity and could learn and make use of that knowledge when helping other firms in the future. Another advantage that *Build AB* would offer and consultancy firms not, is the already established logistics center where transportation and the production halls are already set up.

Being an entrepreneur and introducing institutional influence

By this kind of vision about the business concept where *Build AB* would be service oriented, it could mean that they would become a role model for other companies operating in the SEZ and could lead to a change in the pattern of homogeneity in this region since establishing a service oriented project in a production oriented special economic zone is something innovative and entrepreneurial. It could therefore put pressure on the existing institution of the SEZ of Pomerania. This phenomenon is called Institutional entrepreneurship and refers to that, if an organization is able to break free from the pressure of the surrounding environment, it could change an institution and adjust it to the own needs. Other organizations might then start to do the same as *Build AB*, if the plan will turn out to be a success, in order to increase their legitimacy or because of uncertainty which could lead to a greater establishment of a new kind of organizations in this region and thus abandon the previous way of working which was seen as legitimate before. If the business idea of *Build AB* would gain enough influence and other organizations would start to copy their concept, it would be the start of the creation of a new kind of mimetic isomorphism and finally end up in a new form of homogeneity by breaking the regulations and norms of the previous institution. This would be an indication for the management of the special economic zone of Pomerania to consider a change in the strategy and concept of this particular institution to keep the inflow of investments into this zone.

It is important to bear in mind that this is still just an unrealized plan. *Build AB* has however already showed that they are entrepreneurs. This since they have already changed the institution of the SEZ of Pomerania when they got accepted to be part of it. It is a sign of institutional entrepreneurship because the area of the SEZ of Pomerania has changed. *Build AB* applied to be part of this zone and when they got accepted, the zone expanded since the land that *Build AB* bought in Golczewo, has not part of the zone before January this year. Another example of institutional entrepreneurship could be working with services in a production oriented zone. The difference is however that we already know that the land got accepted as part of this zone and can therefore concretely state that this is institutional entrepreneurship. In the case of the industrial center, it is still not completed and this service concept is a still an unrealized strategy. For that reason, it is not possible to state that this actually is entrepreneurial. The idea of this service concept is of course innovative and a sign of institutional entrepreneurship, but as for now it is nothing more than a plan. If this plan would become realized and others would accept and approve it, it would be seen as institutional entrepreneurship. Therefore, it is wiser to introduce a new theoretical concept that could be a valuable contribution to this field of study. It is called *institutional influence*. *Institutional influence* means that by acting within the given boundaries of the institution, as in the case of the SEZ, but still inventing a new idea within these restrictions, organizations can influence others to copy their concept which would be the start of a new direction of mimetic isomorphism. *Institutional influence* is thus worthless if others do not approve and follow the organization that tries to influence the surrounding environment. It is the approval by other organizations that turns *institutional influence* into *institutional entrepreneurship*. This since one can only be entrepreneurial if others agree that what one has done actually is innovative. It is in this case not possible to do since nothing is done yet. Institutional influence

is thus an earlier stage of institutional entrepreneurship in the process of changing or creating a new institution, if others approve the entrepreneurship in a specific idea or vision. If this happens, it will create pressure for a change of the already existing institution which could lead to changes that would make it more suitable for service oriented firms. There is however a dilemma. The special economic zone of Pomerania is today strictly oriented towards production and transportation. It could therefore become harder than thought to introduce the industrial center and services attached to it from a legal point of view if *Build AB* would still like to benefit from the tax exemptions. On the other hand, institutions are not unchangeable and there is always space for diversification within the given boundaries of the regulations of the special economic zone or a possibility to implement changes by being entrepreneurial. In case of not gaining enough influence on the institution and other organizations and therefore not being able to change the institution or create a new one, the industrial center will at least lead to a greater diversity of organizations in the zone. It would lower the degree of homogeneity in the zone but still fulfill the requirements to belong to the SEZ.

As for now, the service concept of Build AB is just a plan. They are building it and have clearly stated their plan and vision for this project which is a sign of *institutional influence*, but time will tell whether this vision will be followed by other organizations or not. If it will be seen as positive, *institutional influence* will turn into institutional entrepreneurship but it is still not possible to state that this service concept actually is institutional entrepreneurship since the industrial center has not started to operate yet.

The influence of culture and special economic zones on the business climate for Swedish organizations in Poland

An investigation of the business climate in a given country is something that needs to be studied in order to facilitate the internationalization process and lower the degree of insecurity for organizations. The Uppsala model discusses that firms first internationalize to countries where the psychic distance is low, in other words where there are cultural similarities. In the first part of the analysis it is stated that the Nordic countries would be the primary choice for Build AB and other Swedish firms. In the case of Sweden and Poland, the psychic distance is higher compared to e.g. other Nordic countries. The Hofstede centre (2017) describes differences in masculinity which could be seen in the decision-making processes where Swedish firms tend to discuss a topic and all participants have the right to express their opinion whereas in Poland the decision is usually made by the CEO or manager only. It also clearly shows that there are differences in hierarchy in Polish organizations which is less visible in Sweden. It is an obvious aspect in the dimension of power distance in Hofstede's (1983) study and in the score that has been published by the Hofstede centre (2017). When conducting the interviews, the bureaucratic processes is a often discussed topic by all three organizations which state that it is one of the more complicated parts in the internationalization process to Poland. It is seen in the case of *Build AB* and their seven year long time period to become part of the Special economic zone. The CEO and project manager argued that it was a good opportunity to learn about the Polish business climate in the meantime but the truth is that they both also stated that there were time consuming processes

with local governments and state organizations and that they were slow in the acceptance process. The administrator and representatives from the consultancy firm also stated that the fact that they already had networks and knew the right people in these state offices is one of the reasons to why *Build AB* started the collaboration with them at first place. The procedure of signing formal documents during the acceptance process is another subject that was brought up by the interviewees from *Build AB*. The Hofstede centre (2017) has published that uncertainty avoidance is high in Poland with the score of 93 out of 100 compared to Sweden's 29. This is a sign of that Poles don't trust people and each signed paper or document works as protection from frauds which could be interpreted as a cultural heritage from the era when Poland had strong ties to the Soviet Union. Another explanation could be that corruption is still considered more as a problem in Poland than in Sweden and, according to the interviewees at *Ease*, the corruption in Poland is not high but still more present than in Sweden. Therefore, having clear documentation could be seen as insurance for that e.g. a specific employee or manager is not part of any business agreement where corruption is involved.

Adapting to the targeted country is seen as pressure from the local environment which foreign organizations adapt to in order to learn about the Polish market and later having the possibility to operate there. The administrator at the consulting firm agrees but also explains that in order to improve what needs to be improved in Poland, foreign firms need to show Poles how to do certain things differently as a way of implementing changes. It could be the experiences that foreign firms bring to Poland when internationalizing which could be positive for the business environment in Poland. This possible phenomenon could be explained by normative isomorphism, which means that there could become homogeneity of a group of firms that collectively adjust to each other and change their norms in order to obtain a specific goal which leads to homogeneity. Moreover, the opinions of the interviewees somehow differ in attitude regarding the business environment in Poland. The consulting firm and most representatives from *Ease* put a lot of emphasis on that internationalizing to Poland is not as easy that one might think. Instead they discuss the complications about it which is exactly the reversed of what their business concept is about since the goal of *Ease* is to help firms to operate in Poland. This attitude could be on purpose since they want firms to think that by not buying the services from *Ease*, the Swedish company would put itself in an insecure position which could lead to failure. It is further only their view and perception of the Polish business environment which means that the information is contextualized and does not include all perspectives of it and could, theoretically, be completely different than the reality.

The SEZ is another characteristic of the Polish business environment. Similar kinds of companies establish themselves in the same zones in order to benefit from already existing logistics, knowledge sharing, infrastructure and many other factors that facilitate operating there. It could be seen through the lenses of normative and coercive isomorphism since companies in these zones tend to work similarly as other firms because they have to follow certain rules in order to benefit from tax exemptions but also due to the pressure from other organizations that operate in the same zone and local environment. It has also been stated by representatives from *Ease*, that sometimes firms as *Build AB*, have heard about the special

economic zones of Poland and would like to benefit from them but they feel unsure and therefore ask for advice in order to lower the degree of insecurity. For that reason, this phenomenon could be interpreted as mimetic isomorphism because the insecurity of firms is the reason to why they ask for advice and sometimes do as others. It further leads to that firms will become more similar to each other and often follow one or few actors that have been successful. It does however not mean that it is the best way of operating on that foreign market nor that this concept will work for all firms but it is one way of decreasing the insecurity and increasing the legitimacy of the internationalization.

The location of Poland and the SEZ is further one comparative advantage that the country has compared to other European countries especially the Pomeranian zone due to the closeness to the sea that facilitates transportation to many countries. The local labor force further not only offers knowledge about the local market but is also cheaper to hire compared to e.g. Swedish labor. For that reason, firms will most likely continue to operate in the SEZ until the end of 2020, which is when these special economic zones will expire. The risk that Alber and Standing's (2000) call social dumping is a potential scenario after 2020. It could be the case that some of these economic zones will prolong the agreements of tax exemptions but it is not decided yet. It could also be the case that these economic zones will continue to operate but on other conditions due to new needs and demands from, such as the industrial center of *Build AB*, that could thus put pressure on the special economic zone of Pomerania to change as institution.

Conclusion and future research

Conclusion

This study has described the internationalization process of *Build AB* to Poland as well as how the business environment influences the operations of this organization. Poland is a rather unexpected target since companies often internationalize to countries where the psychic distance is low and starts with low-risk entry modes. The Nordic countries would thus be the natural choice since the business environment there is similar to the one in Sweden but for *Build AB* it is a matter of being ready to adjust and learn about the business climate in Poland. However, the fact that there are differences in the business environment does not mean that it is not a reachable and potentially profitable market. Companies internationalize for both economic as well as institutional reasons and both of these aspects have been taken into account in this study.

The internationalization process of *Build AB* is categorized into two different steps. *Build AB* created a wholly owned subsidiary and more specifically made a greenfield investment as their entry mode since it is required to become part of the special economic zone. The first part of the internationalization is the production of building components which will be shipped to Sweden and used in the construction of buildings. In this stage *Build AB* is classified as a typical production oriented organization where they operate in the special economic zone of Pomerania. The special economic zones is one of the characteristics of the

business environment in Poland that has influenced the operations of *Build AB* in Poland since these offer tax exemptions and work as incentives in order to attract foreign investments. In return, foreign firms must fulfill certain requirements that intend to improve the economy of Poland. These requirements contribute to coercive isomorphism and pressure both Swedish and other foreign organizations that operate in the SEZ to become more homogeneous. However, when internationalizing, foreign companies not only adjust to the new market environment but also have some degree of influence on the other already established organizations in the country or zone which lead to the phenomenon of normative isomorphism since all organization bring in their experiences and values.

The second part of the internationalization process is the creation of Sweden industrial center where their operations will be service oriented. *Build AB* will work as a coordinator and help other firms to establish their businesses within the production oriented special economic zone of Pomerania. They will use their own experiences from the internationalization and help others to establish themselves in Poland. This means that consultancy firms would not be needed for the internationalization of companies since *Build AB* could not only provide them with the same services but also with logistics by their industrial center which is something that the consultancy firms cannot offer. Compared to the production oriented strategy, the later one does not go in line with the isomorphic pressure from institutions and other organizations that operate within this SEZ today. It breaks free from the homogeneity within the zone since being service oriented in a production oriented SEZ is something that could influence for a change of the existing institution in the future if other organizations approve this new business concept and starts to do the same which would be the creation of a new kind of mimetic isomorphism.

The plan regarding the service oriented concept in a production oriented zone as well as being accepted to be part of the special economic zone of Pomerania and thus changing the area of it in the first place after long bureaucratic procedures, are two examples of institutional entrepreneurship. However, since the industrial center is still not realized, only the vision can be seen as entrepreneurial and not the actual service operations because these have not even started yet. Therefore, *institutional influence* is introduced in order to explain this phenomenon. This study thus contributes to this field of study with the term *institutional influence*, which is a natural pre-stage of *institutional entrepreneurship* if this influence becomes not only accepted but also followed by others and thus make the *institutional entrepreneurship* entrepreneurial and innovative. It is the vision that, if approved by other organizations, will create pressure on an existing institution to change or become the start of a new one. However, if not approved and positively seen by others, the idea would not become more than a vision which would not even be seen as legitimate or entrepreneurial and thus not being able to become institutional entrepreneurship and potentially put pressure in order to change or create a new institution.

Limitations

As all studies, this research has a couple of limitations which could have had an impact on the result of the study. It was conducted in English but in some cases a translation had to be done

to either Polish or Swedish in order for the interviewee to better understand the question and thus being able to fully answer it. This could therefore have had an impact on the outcome due to misunderstandings in communications since English is not the mother tongue of none of the interviewees in this study. As for the interviewees, it cannot be completely sure that the answers collected from the interviewees are always their honest opinions. The topic of internationalization can be seen as sensitive since it does not sound well for the image of the firm if the interviewees would state that paying lower taxes compared to Sweden is their prime motive to why they have chosen Poland. An increased amount of interviews from many different business sectors could perhaps have been the solution to this since it would give a broader picture of the phenomenon and therefore also more stories about how Swedish companies internationalize to Poland and how the business environment has an influence on their operations there. A larger amount of interviewees and companies would also have increased the legitimacy of the study.

Future research

When the world is becoming globalized, traditional national boundaries are becoming less visible. Therefore, the importance of how organizations internationalize has become extremely important. There are today not many companies that do not, at least, have internationalization in mind as part of their business strategy. A lot of general studies have been made about the theme of internationalization but there are far less studies made on how Swedish companies move their organization or part of it to Poland, in particular studies where the impact of the economic zones of Poland is taken into consideration. One interesting future study could be to search if there are similar kinds of patterns in other countries that have economic zones and analyze if these are formed in the same or a similar way as well as try to understand the business behavior of other organizations when they internationalize to those countries. It would also be of interest to do a similar study that has been done in this case with *Build AB* but during a much longer time such as five or ten years. Something that could be observed is the behavior of organizations located in these economic zones when the economic zone period expires. Would these organizations stay and continue their business operations or would they move to other economic zones or more profitable business locations? This is something that cannot be studied in this case because of the time limitation. Least but not last, by further observing the future of *Build's* industrial center, an answer could be revealed whether this service oriented concept within the production oriented zone of Pomerania actually has an influence and potential to change the special economic zone as an institution or not.

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