

Entry strategies of Polish enterprises into the Vietnamese market under the conditions of the European Union-Vietnam Free Trade Agreement (EVFTA)

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SUMMARY

The rapidly progressing internationalization of enterprises has been an outstanding feature of the world economy for many decades. Although there have been recently a lot of discussions about de-internationalization and de-globalization in the context of the US-China trade war, the COVID-19 pandemic, the Russian war against Ukraine, and so forth, the internationalization of enterprises remains a very intensive process. This process is reflected in a huge number of research papers, in which scholars try to (1) identify, describe, and explain the changes taking place (the descriptive-explanatory stream of research) and (2) formulate normative recommendations for managers and economic politicians (the normative stream).

Internationalization has been reflected in the literature through various frameworks and theories that have been changing over time. The early theories of internationalization were introduced in the 1960s and 1970s, beginning with the pioneering works of C. P. Kindleberger and S. Hymer (*monopolistic advantage theory*). Another approach that also played an important role in the development of the literature on internationalization is the *product cycle theory of international trade and investment* presented by R. Vernon in 1966, referring to the *technology gap theory* of M. Posner. Over the following years, many theories have emerged and explained the internationalization of enterprises from different approaches, the most prominent of which are: F. T. Knickerbocker (*oligopolistic reaction theory*), P. J. Buckley and M. Casson (*internalization theory*, referring inward transactions), O. E. Williamson (*transaction cost theory*), and J. H. Dunning (*eclectic theory of international production* with several further modifications). An important role in the development of research on internationalization was also played by the *theories of stage internationalization*, including the *Uppsala model of internationalization*, the *innovation-related internationalization models*, and

the *Finnish model*. Since the late 1980s, research on the internationalization of enterprises has also been significantly influenced by the *network-based theory* and the *concepts of international entrepreneurship*, including (1) the *concept of international new venture (INV)*, *born global*, or *accelerated/rapid internationalization* and (2) *alternative models of international entrepreneurship*. Along with the intensive expansion of enterprises into emerging markets over the past two decades, several theoretical frameworks have recently emerged and been put forward to explain the behaviors of enterprises in the international markets, in which the two most used approaches are the *resource-based view (RBV)* and *institution-based view (institutional theory)*.

These theories address several weighty areas of research, including, inter alia, the motives for internationalization, location selection for the enterprise's foreign operation, the decision-making process of internationalization, and selection of the forms of internationalization (i.e., exports, foreign direct investments, and other forms of international expansion). Among these issues, the selection of the forms of internationalization (international market entry strategies) is the topic that has attracted the most attention of scholars for decades. Especially, the two contemporary approaches (i.e., the resource-based view and the institutional theory) have been most frequently applied in recent years to explain the choices of international market entry strategies of enterprises in the context of emerging markets.

The internationalization of Polish enterprises into foreign markets, including their selection of international market entry strategies is also the subject of interest of Polish scholars. The growth of interest in internationalization was related to the political and economic transformations in Poland, Poland's accession to the European Union, and in recent years – the intensive expansion of Polish enterprises into international markets. A number of empirical studies were conducted on the internationalization of Polish enterprises, including the importance of international expansion as a strategic goal, reasons behind internationalization, international market entry strategies and their directions of changes, and competitive advantages of Polish enterprises.

In recent years, there was a remarkable event, i.e., the entry into force of the EU-Vietnam Free Trade Agreement (EVFTA) on 1st August 2020. The purpose of the agreement EVFTA is to liberalize and facilitate trade and investment between the EU and Vietnam. The agreement is expected to lead to stronger economic relations with the EU's second largest trading partner in the Association of Southeast Asian Nations (ASEAN), after Singapore. Poland as a member state of the EU is also directly affected by this agreement. Nevertheless, so far there are no empirical studies on the expansion of Polish enterprises into the Vietnamese market, especially

under the conditions of the agreement EVFTA. Thus, it seems reasonable to empirically verify the entry strategies of Polish enterprises entering the Vietnamese market and their directions of changes a few years after the entry into force of the agreement EVFTA.

Furthermore, in the extant literature on internationalization, entry strategies have been frequently conceptualized along a continuum from the export/import, through various forms of contractual and equity-based cooperation with local partners in the host country, to wholly-owned subsidiaries. However, along with the increasing interest of enterprises in emerging and developing markets, which are often characterized by instability, uncertainty, and high risk, "traditional" entry strategies may become less efficient. In recent years, a new phenomenon of the so-called "international business incubator" (IBI) – an organization located in an international market that aims to facilitate enterprises' entry into the market by providing a means to bring risk and uncertainty within acceptable boundaries – has emerged and been described in the literature as a new entry strategy. It is found to be essential for firms interested in emerging markets, especially for small and medium-sized enterprises, as it can serve as a catalyst to venturing abroad that may otherwise be seen as being too risky and costly. However, the IBI is notably under-researched. There are only a few publications written on this phenomenon. As a developing and emerging country with the presence of international business incubators, Vietnam provides a pertinent research context to conduct further studies on the IBI.

The main objective of the dissertation is to determine the existing entry strategies used by Polish enterprises when entering the Vietnamese market and the directions of the changes in these strategies under the conditions of the EU-Vietnam Free Trade Agreement (EVFTA), as well as to identify and analyze the determinants of the entry strategies of the Polish enterprises and, based on that, to indicate an effective path to enter this market.

The main objective of the dissertation would be achieved through the implementation of the following specific objectives:

1. Systematization of concepts related to the internationalization of enterprises with an emphasis on contemporary approaches and review of internationalization theories and their classification.
2. Systematization of concepts related to the international market entry strategy as a part of the internationalization strategy of enterprises and classification and characterization of individual strategies, in particular emphasizing the essence and innovation of the International Business Incubation as a new entry strategy.

3. Identification and analysis of the motives for the expansion of Polish enterprises into the Vietnamese market.
4. Identification and analysis of the major determinants of the entry strategies of Polish enterprises into the Vietnamese market, namely the enterprises' resources as well as the main features (both conducive and inhibitory factors) of the Vietnamese business environment that influence its attractiveness and risk of business activities in this market.
5. Determining the impact of the Agreement EVFTA on the change in attractiveness of the Vietnamese market and the risk of operating in this market.
6. Clarification of the key resources that Polish entrepreneurs should have at their disposal to enter and compete effectively in the Vietnamese market.
7. Identification and analysis of the strategies of the Polish companies entering the Vietnamese market and the directions of the changes in these strategies under the conditions of the EU-Vietnam Free Trade Agreement (EVFTA).
8. Examining the awareness of Polish entrepreneurs of the International Business Incubation and their needs when using it as a new entry strategy.
9. Providing Polish entrepreneurs with practical recommendations regarding the critical success factors in expanding into the Vietnamese market.

The issues raised in the dissertation outline the space of two new important research problems. First, although there have been many studies on the internationalization of Polish enterprises in the literature, so far there has not been any research on the expansion of Polish enterprises into the Vietnamese market, particularly under the conditions of the agreement EVFTA. Second, both foreign and Polish literature on the internationalization has long focused on the analysis of the "traditional" entry strategies, while very few publications consider the new phenomenon of international business incubation. Thus, the dissertation would be the first work in both foreign and Polish literature on internationalization to study the impact of the agreement EVFTA on businesses from the European Union (specifically from Poland) expanding into the Vietnamese market. It would also be one of the very few first works in the world to study the phenomenon of IBI as a new form of expansion into foreign markets.

The main and the specific objectives of the dissertation correspond with its structure, which consists of five chapters.

The first chapter clarifies the essence of the internationalization of enterprises by presenting definitions of this term from different approaches and their classification, as well as the motives for internationalization based on the literature studies. The following theories and

models of enterprise internationalization are classified and reviewed: (1) *technology gap theory of trade and product life-cycle theory*, (2) *foreign direct investment theories*, including the *monopoly stream of research*, the *efficiency stream of research*, and the *eclectic paradigm (OLI framework)*, (3) *theories of stage internationalization*, including the *Uppsala model*, the *innovation-related internationalization models*, and the *Finnish model*, (4) *network theory of internationalization*, (5) the *concepts of international entrepreneurship*, including the *concepts of early internationalization* and the *alternative models of international entrepreneurship*, (6) the *resource-based view*, and (7) the *institutional theory*.

The second chapter presents the concept of the international market entry strategy as a part of the internationalization strategy. Then a classification and characteristics of individual international market entry strategies are presented, highlighting the main features of the international business incubation as the new entry strategy. A framework for entering the international market adopted in the dissertation, as a result of literature studies, is also presented. The next part of this chapter focuses on the analysis of the factors influencing the international market entry strategies and the process of their selection. This chapter ends with a review of existing empirical studies gathering the expansion of Polish enterprises into international markets.

In the third chapter, after introducing the objectives and subjects of the dissertation, as well as the posed research questions, the research methods used in the dissertation were presented: critical literature review (used in Chapters I and II), desk research – secondary data analysis (utilized in Chapter IV and Sub-chapter 5.2), survey research in the form of a Computer Assisted Web Interview – CAWI (its results were presented in Sub-chapter 5.1), and in-depth interview with the use of a semi-structured questionnaire (its results were presented in the form of case studies in Sub-chapter 5.2). Characteristics of the surveyed enterprises and the interviewed ones are also presented.

The fourth chapter is a presentation of the characteristics of the Vietnamese market. The first part of this chapter was an overview of Vietnam and its economy, highlighting Vietnam's success story after implementing economic reforms, foreign investment, labor force, monetary policy, its resilience during the COVID-19 pandemic, as well as the impact of the USA-China trade war and the Russia – Ukraine war on Vietnam's economy. The next part of the chapter focuses on presenting Vietnam's free trade agreement network and clarifying the characteristics of the EU-Vietnam Free Trade Agreement (EVFTA). The fourth chapter ends with an analysis of Polish-Vietnamese economic cooperation.

The fifth chapter is devoted to presenting the results of empirical studies gathered from the survey research and in-depth interviews. In this chapter, the motives for the expansion of Polish enterprises into the Vietnamese market, the main features of the Vietnamese business environment that influence its attractiveness and the risk of operating in this market, and the resources as internal determinants of the expansion of Polish enterprises into the Vietnamese market are presented, respectively. The entry strategies of the surveyed Polish enterprises into the Vietnamese market and their directions of changes under the conditions of the EVFTA are then presented and analyzed. The case studies described in the penultimate section of this chapter deepens the aforementioned results. Accordingly, five interviewed Polish enterprises are selected from different sectors with different size and duration of operations in the Vietnamese market, namely: Adamed Pharma S.A., BHH Mikromed Sp. z o.o., CORPO Sp. z o.o. Sp. K., Transfer Multisort Elektronik sp. z o.o., and Polviet Travel Ltd. Conclusions of the quantitative and qualitative research in the form of answers to the posed research questions are presented. Based on that, several managerial and policy recommendations are proposed.

The dissertation ends with a summary of the detailed analysis, presenting the main conclusions, practical and theoretical implications, including prospects for future research.