Przegląd Europejski, ISSN: 1641-2478
vol. 2023, no. 3

DOI: https://doi.org/10.31338/1641-2478pe.3.23.7

Polish subsidiaries in Germany – post-transition country firms' legitimation strategies[1]

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[1] The article is a part of a research project financed by research grant from the National Science Center granted on the basis of decision no. DEC2020/39/G/HS4/01086

Abstract
Legitimacy in foreign markets, a concept rooted in institutional theory, has traditionally been examined for firms originating from advanced economies. However, it becomes more complex for firms from emerging and post-transition economies. Polish firms began establishing foreign subsidiaries after the accession to the EU, primarily in European markets. In this context, Germany was a key destination for Polish foreign direct investment (FDI). However, scholarly literature about foreign subsidiaries established or acquired by Polish firms is limited. This article presents the analysis of the legitimation strategies employed by post-transition country firms in advanced economies, using Polish subsidiaries in Germany as empirical cases. The empirical context is chosen due to its economic significance and the close linkages between Poland and Germany. With a conceptual framework, the authors synthesise legitimation strategies discussed in scholarly literature and highlight some unique challenges for post-transition economy's firms. The article presents the outcomes from a qualitative study, extending the framework and offering some fresh perspectives in the field of international business legitimacy.
Keywords: legitimacy, international business, emerging markets, post-transition economies, foreign subsidiaries, Polish FDI, Germany.

Polskie filie w Niemczech – strategie budowania wiarygodności firm z krajów post-transformacyjnych

Streszczenie
Wiarygodność na zagranicznych rynkach, jako pojęcie zakorzenione w teorii instytucjonalnej, tradycyjnie była badana dla firm pochodzących z zaawansowanych gospodarek. Jednakże staje się bardziej złożona dla firm z rynków wschodzących i post-transformacyjnych. Polskie firmy rozpoczęły zakładanie zagranicznych filii po przystąpieniu do UE, głównie na rynkach europejskich. W tym kontekście Niemcy wyłaniają się jako kluczowy cel polskich bezpośrednich inwestycji zagranicznych (BIZ). Mimo to, literatura naukowa dotycząca zagranicznych filii zakładanych lub nabywanych przez polskie firmy pozostaje ograniczona.
Niniejszy artykuł przedstawia analizę strategii budowania wiarygodności stosowanych przez firmy krajów post-transformacyjnych na bardziej zaawansowanych rynkach, wykorzystując polskie filie w Niemczech jako studium przypadku. Kontekst empiryczny został wybrany ze względu na jego znaczenie ekonomiczne i bliskie powiązania między Polską a Niemcami. Poprzez schemat koncepcyjny, autorzy podsumowują strategie legitymizacji omawiane w literaturze przedmiotu, podkreślając unikalne wyzwania stojące przed firmami z gospodarki post-transformacyjnej. Artykuł zawiera wnioski z badania jakościowego, rozszerzając ramowy schemat koncepcyjny i oferując nowe perspektywy w dziedzinie legitymacji w biznesie międzynarodowym.
Słowa kluczowe: budowanie wiarygodności, biznes międzynarodowy, rynki wschodzące, gospodarki post-transformacyjne, filie zagraniczne, polskie inwestycje bezpośrednie za granicą, Niemcy

The challenge of attaining legitimacy in foreign markets has been explored by scholars – particularly those working with institutional theory as a theoretical foundation (e.g. Kostova, Zaheer 1999; Xu, Shenkar 2002; Xu et al. 2004). Factors increasing legitimacy in a foreign market such as strategy adaptation (Petersen, Pedersen 2002) have often been studied in the context of advanced economies, while the challenge increases notably for firms from emerging markets and (post-)transition economies (Bian, Emons 2017; Burgoon, Raess 2014; Schüller, Schüler-Zhou 2013). For these novice firms, the establishment of subsidiaries in more advanced economies may not be immediately obvious. While upmarket investment may be a unique learning opportunity, there is also evidence that foreign expansion into demanding markets may not be successful without some solid managerial capabilities (Hennart 2012).

Polish firms started establishing their foreign subsidiaries only after Poland joined the EU, and the main foreign market for them is still European (Wach 2012). Nevertheless, the size of Polish FDI is still modest when we compare with the global flows. It can be explained by still relatively small population of Polish multinational enterprises (MNEs). At the end of 2020, 1,880 entities based in Poland reported involvement in 4,030 entities abroad in the form of shares, branches or other forms (Central Statistical Office 2022). Most foreign entities were based in Germany, the Czech Republic, Ukraine and Russia. In 2020, the largest number of employees was reported in foreign units based in Germany (27.3 thousand), Russia (20.0 thousand), the Czech Republic (19.4 thousand) and Romania (17.9 thousand). Taking into account the location of the surveyed foreign units, higher net revenues from sales of products, goods and materials in 2020 were achieved by foreign units based in Germany (PLN 36.7 billion) and the Czech Republic (PLN 25.1 billion). Thus, the German market is the key destination for Polish MNEs investing abroad.

Meanwhile, studies on foreign subsidiaries of Polish firms still constitute a rather less explored area (Wąsowska, Obłój 2013; Wiliński 2013; Ciesielska et al. 2016; Gołębiowski et al. 2021, Gorynia et al. 2015; Éltető et al. 2015; Götz 2011 Götz, Jankowska 2016; Zimny 2013). There are studies focused on motives and drivers of Polish firms investing abroad (for example: Obłój, Wąsowska 2012; Radło, Ciesielska 2016) or consequences and implications that kind of investment may provide for firms and Poland as their home country (Barłożewski 2017; Nowiński 2015; Trąpczyński 2016; Trąpczyński, Banalieva 2016).

Therefore, the aim of this article is to analyse legitimation strategies by post-transition country firms in more advanced countries, based on the empirical context of Polish subsidiaries in Germany. The choice of the empirical context is related to the size of the two economies, as well as their close economic linkages, whereby the expansion of Polish firms to Germany has received less attention than the other side of the relationship, although Germany is a major location for Polish exports and FDI (Götz, Trąpczyński 2016). This article creates conceptual foundations for understanding the ways of building legitimacy in a foreign market by enterprises from a less developed market, as well as provides the first empirical premises based on qualitative research. Then these findings will be used in the quantitative part of the Polish-German research project, taking into account both perspectives: headquarters and subsidiaries.

In a first step, this article will present a conceptual framework, which integrates extant knowledge on legitimation strategies, particularly in the context of emerging market firms and (post-)transition economies, going beyond legitimacy literature *sensu stricto* and incorporating also other streams which may be important for legitimation in foreign markets. Secondly, insights from a mixed-method study will be presented in this article to extend the literature-based framework and provide new insights which may inspire future research.

Conceptual framework

Legitimisation refers to how organisations secure their position by adhering to the rules of the institutional environment (Kwak et al. 2019; Steinhauser, da Rocha 2023). Following the literature review, we have developed a conceptual framework, which is visualised in *Figure 1*. Firstly, we identified strategies devoted to legitimacy *sensu stricto* (first-order legitimation strategies), which portray the key strategies to secure legitimacy when entering a new host market. Luo and Tung (2018) emphasised acquisitions as the main strategy for emerging market firms to gain legitimacy. These first–order strategies can mitigate a number of challenges encountered by emerging market firms in new host countries. For example, challenges attributed to the amalgamation, expansion, and realignment of the firm's capabilities (Kotabe, Kothari 2016), as well as allowing employees from the acquired local firm to be seamlessly integrated into the acquiring organisation (Luo, Tung 2018). Furthermore, international business (IB) research has long identified such tactics as using joint ventures as an entry mode to legitimate own position in a new market (Bai et al. 2019). Additionally, the company's positioning plays important role in connection with its network ties and relationships in the new host country (Ahlstrom et al. 2008; Gebert-Persson, Kaptalan-Nagy 2009).

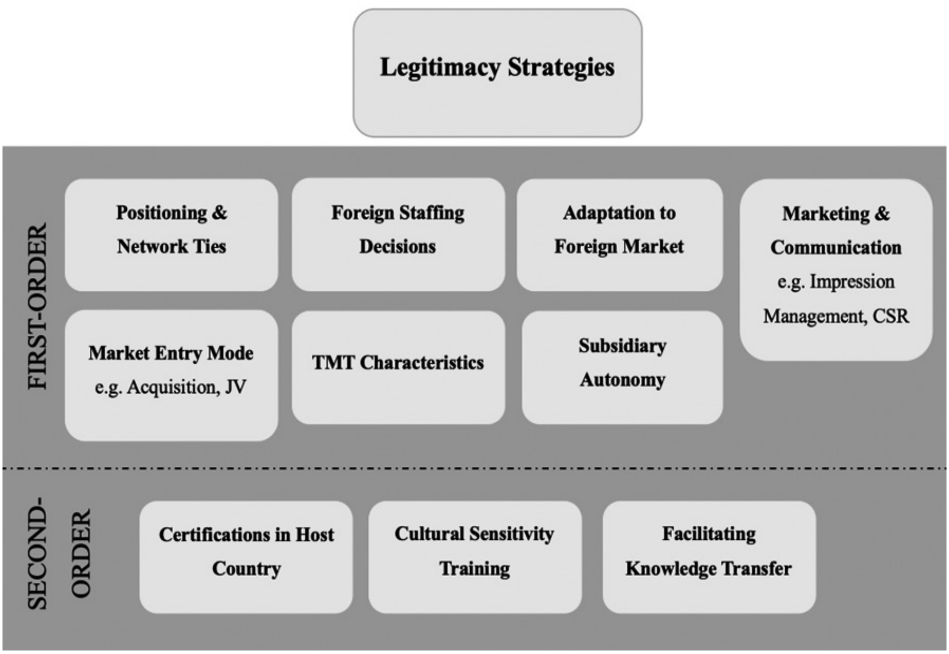
Another stream within the discussion of first-order legitimation strategies pertains to foreign staffing decisions (Ando 2011; Belderbos, Heijltjes 2005; Delios, Bjorkman 2000), access to (local) networks of managers (Jean et al. 2011), or the cultural adaptiveness/willingness of manager (Pinkerton, John 2008; Davis et al. 2000). Other scholars describe top management team's (TMT) characteristics, drawing attention to international mindset of managers (Beechler, Javidan 2007) or the diversity of TMT (Singh, Point 2009). Moreover, literature on subsidiary autonomy also raises the issue of the governance of foreign subsidiaries, drawing attention to the role of advisory boards or local boards (Carpenter et al. 2001; Daily et al. 2000), as well as the adaptation to local business behaviour (Davis et al. 2000; Kostova, Zaheer 1999; Yiu, Makino 2002). Other examples related to legitimacy building can be found in the area of marketing and communication, particularly with regard to impression management in annual reports (Linsley, Kajuter 2008; Wang 2014; O'Donovan 2002), signal restructuring (Wang et al. 2014), or recently also Corporate Social Responsibility (CSR) communication (Seele, Gatti 2017; Bai et al. 2019) have been thematised.

Not least, research on the localisation or adaptation of foreign market operations has often adopted an institutional perspective in order to justify strategic adjustments with the intention to enhance legitimacy. This research has raised the relevance of such aspects as local sourcing (Walker, McCarthy 2010), and foreign marketing adaptation (e.g. Chen et al. 2016).

Finally, we argue that the concept of legitimation strategies in foreign markets needs to be extended, because some activities may contribute to legitimacy-building, without being referenced as such (second order legitimation strategies). The scholarly literature on this matter includes research on certifications in areas such as corporate social responsibility (Husted et al. 2016), or cultural sensitivity training (Kaihlanen et al. 2019). The significance of knowledge transfer becomes evident when addressing the challenges related to liability of foreignness. This is particularly crucial when making staff decisions and fostering transparency, knowledge sharing, and communication between the headquarters and its subsidiaries. While these factors are interconnected, they have not yet developed a direct and discernible influence on specific legitimacy strategies (Calhoun, Dunn-Jensen 2014).

The summary of the identified legitimacy strategies of the first and second orders can be found in *Figure 1*. As evident from the scholarly literature review, there is a notable disparity in the depth of discussion surrounding second-order legitimacy strategies. It proves considerably challenging to pinpoint strategies that are not directly tied to legitimacy, but have a substantial influence on its cultivation throughout the internationalisation process. This fact underscores the multifaceted nature of establishing credibility for outsider company in a new host environment.

Figure 1: Identification of legitimacy strategies.



Source: authors' own elaboration.

Materials and methods

In this study we combined the systematic literature review with qualitative empirical research. The literature review was conducted according to the SALSA[2] framework (Grant, Booth 2009). This framework indicates four stages in the literature review process. At the first searching stage we collected a large pool of publications, drawing on predefined search keywords: legitimacy, institutional distance, subsidiary staffing, TMT diversity, network embeddedness, host-country knowledge transfer, subsidiary performance, upmarket investments/FDI in advanced economies by emerging market firms, etc. In the second phase we assessed some previously selected articles to extract irrelevant and to focus on important publications. The third and fourth stages were focused on analysing and synthesising these chosen materials, on drawing conclusions and summarising the main findings (Grant, Booth 2009). Thanks to the results of the literature review we were able to prepare the questions for semi-structured in-depth interviews both with headquarters and subsidiaries (using non-random sampling procedure, with purposeful selection). We have created a database that comprises detailed information about Polish market entries to Germany that helps to identify successful market entry patterns, which is not only of vital academic interest, but can likely serve as a benchmark for managers and policy-makers.

In order to gain the in-depth understanding of the legitimation strategies of Polish firms possessing subsidiaries in Germany, some longitudinal case study analyses were scheduled for 2023–2025, the first stage of research being reported in this article. For the purpose of the article, information from three companies is presented, based on in-depth interviews with executives responsible for German operations. The companies were selected based on theoretical sampling criteria, differentiating such characteristics as size, sector or experience with the German market.

Therefore, in the empirical part of this research we applied the case study research method and conducted semi-structured in-depth interviews in three companies. Case studies often clarify hidden and non-obvious phenomena (Cappelli, Sherer 1991) and allow us to study them in their natural circumstances, enabling us to formulate new practically and empirically valid insights (Miles, Huberman 1994). The exploitation of that method allowed us to identify links between results of previous literature studies and new empirical insights (Andriopoulos, Slater 2013). We used a multiple case study approach, which was exploratory in nature since we tried to identify key legitimation-building strategies and better understand the phenomenon under this study (Siggelkow 2007).

The novelty of the research design relies on the integration of the perspectives of both headquarters and subsidiaries, because informants from both sides were interviewed. Such dyadic research approach was possible thanks to the combination of the German and Polish research teams. Additionally, these case studies shed light on the legitimation strategies indicated in the conceptual framework – whether and how they are exploited

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2 Search, Appraisal, Synthesis and Analysis.

by real firms and how the peculiarity of the company (in terms of e.g. its size, industrial background, organisational culture and external embeddedness) may reshape the same approach to legitimisation building efforts.

Results and discussion

Company A

Company A is a Polish manufacturer of kitchen appliances, with many foreign subsidiaries (both established and acquired) and exports to over 50 markets. Its first gas/coal cooker was produced in 1957. Nowadays the appliances, produced by *Company A,* are very well known in the European markets. Around a half of the company's production is currently exported. In the basket of foreign markets the most popular is the German market, then Great Britain and Scandinavia. Exporting strategy is accompanied by acquisitions. The privatisation of *Company A* in 1994 facilitated very much its more ambitious way of international expansion. The firm was actively engaged in acquisitions in the early 2000s and spread its foreign subsidiaries across many European markets. Nowadays *Company A's* subsidiaries are established in Denmark, Germany, England, Spain, France, Russia, Ukraine, China and Romania. The firm's products are also sold in Asian and Middle East markets.

Germany was the firm's first export market. Its first products appeared in Germany in the 1960s. Later, the company expanded more intensively into the German market during the1990s, initially sourcing components and materials for the factory in Poland, and subsequently selling products to German distributors, wholesalers, and retail chains. Applying German components in the Polish products has had a positive impact on the perception of *Company A's* products in Germany. Maybe at first not intentionally in that way *Company A* started to build its legitimacy in the German market. Later this company realised the positive impact of that approach on the perception of its products and further of the entire company. German components were recognised as reliable, high-quality elements of the firm's products and the German market being the first foreign market for *Company A* provided great opportunities to learn and collect experiences.

Company A respects the peculiarities of foreign markets and the German one among others. And that is another approach to legitimacy building. Since the customers in Germany have high quality expectations and are very loyal to their German brands, the above-mentioned sourcing of components from Germany helps to cope with that challenge plus very strong pressure on the innovativeness and quality of products and services provided to German customers. To enhance its legitimacy in Germany, *Company A* cooperates with professional research institutions that issue appropriate certificates. The embeddedness in the network of those institutions contributes to positive perception of *Company A* in the German market.

Another aspect, obviously crucial for legitimacy purposes was the level of the autonomy of the subsidiary. *Company A* granted significant operational autonomy to its subsidiary in Germany. It resulted in its great agility, especially visible in logistics.

The adjustment to the clients' expectations is also reflected in the choice of products, which are not popular elsewhere. Thus, in Germany the firm combines innovativeness with more conservative, old-fashioned products still appreciated by German customers.

Although the management of the German subsidiary was initially entrusted to a Polish manager, it was subsequently handed over to Germans, which had a positive effect on the company's perception in this market. However, it is at the same time important that the top management of the group has a European mindset (not Polish or German). The CEO of the entire group gained significant experience while working in the German market even before the transition period, which had a strong impact on the decisions regarding this market. Moreover, the whole staff is still trained in cultural differences to be sensitive to the specific characteristics of their host markets.

Taking into account the *Company A*, the dynamics of knowledge transfer play a vital role in the success of cross-border operations. This aspect gains further clarity through the insights shared by *Company A* subsidiary, highlighting the importance of swift response to market challenges through effective communication between the subsidiary and headquarters. This emphasis on experiential knowledge exchange becomes even more meaningful when examined in the context of Baskici's study (see: Baskici 2019). This study underlines the relevance of knowledge transfer mechanisms in achieving adaptability and problem-solving prowess in international subsidiaries. The subsidiary's ability to swiftly react and counteract market issues hinges on the proficiency of knowledge transfer channels, establishing a dynamic interplay between subsidiary and HQ that is instrumental in fostering market agility and sustained growth.

It should be also taken into consideration that the pricing of *Company A* products becomes an essential aspect, intricately linked with their niche focus, ensuring they capture the market effectively. This holistic approach, blending a strategic niche focus with appropriate pricing strategies, guarantees them competitive advantage on the already saturated German market. This niche focus not only helps defining the *Company A's* brand identity, but also enables them to implement pricing strategies that resonate with their target audience. Research by Lado et al. (2004) underlines the significance of pricing in entering the market successfully.

Company B

Company B is a service company from Poznań (Poland), which has developed a premium booking platform for hotels & resorts. The award-winning platform is more than just the highest converting booking engine on the market – it is a powerful marketing automation tool, advanced channel manager, and website builder all in one. It is easy to use across multiple properties and any team will love the intuitive interface, no matter their experience level. The story of the company began in the summer of 2008, when the Chairman of *Company B*, encountered a genuine problem when trying to go on holiday to seaside resort. The resorts simply didn't have the technology to allow him to book online last minute and demanded that he had to call, e-mail or visit personally the reception desk. He founded the company on the spot and, 15 years later, the company now has a team of over 200 employees across the world in 44 countries and has helped more than 3500 hotels and resorts supercharge their direct bookings and stand out online with style.

Company B's expansion in Germany began in 2012, and the German subsidiary was established in Munster. Initially, the company started with one German representative with Polish origin, who had lived more than 30 years in Germany and focused on finding potential partners for business from hotels and resorts in Germany. The owners decided to present the company as "international" rather than "Polish", because they had a bad experience in 2010 and 2011 with one potential deal in Germany during very important international fairs ITB. Everything was discussed and prepared for implementation, however when the German partners discovered that the company was from Poland, they decided to terminate this deal and decided to develop the business with American partner.

The strategy of the "international" company was very successful at the beginning, however, the company faced some important problems taking into account the communication aspect (language barrier), as well as technology development and advancement in hotels and resorts in Germany (in fact the lack of development and advancement). The reality was that many resorts did not use any advanced technologies, moreover, many representatives did not have any interest in better sales or in having more new customers. This situation was very strange, taking into account the situation in other markets, where *Company B* has its subsidiaries. The language barrier was important in the negotiation phase of several deals, because the owners of *Company B* speak only English and not German. Even though they have had representatives of German origin employed in the German subsidiary, sometimes the owners of hotels and resorts in Germany would like to discuss the business development with the representatives of the board of the company. Another interesting phenomenon was the low development of marketing tools used in hotels and resorts (websites, social media profiles, etc.) and the very cheap price of competitive services. It was quite specific in comparison to more advanced markets or even emerging markets – like Poland.

The same situation was observed regarding different methods of payment, which are very important in the booking process. This situation caused *Company B* to develop a completely new marketing strategy in Germany, different from that used in other markets. The level of adaptation was really high.

Another important problem in successful business development was a low level of automation (which is a core business of the platform developed by the company). Many hotels and resorts in Germany are managed by families – from generation to generation. Because of that, they do not employ professional managers and do not want to invest in new technological solutions, as this can cause the situation that someone from the family can lose the job. This fact causes another challenge to convince the owners to use the platforms and to present potential profits from using them. It should be also taken into account that *Company B* had about 30–40 different competitors in the German market.

Despite the challenges, the first years of activity of the company were successful, however, it was possible only to attract small partners, not the big ones. The subsidiary did not have real autonomy, it was treated as a part of *Company B* International (Headquarter). In order to gain market share *Company B* (.de) became a member of industry associations of hotels, SPAs, resorts, etc., and received several awards. Since it was not possible to attract bigger partners (hotels and resorts), the company decided to exit the German market after 10 years of activity. The owners did not want to invest more money in finding new partners and decided to move all the activities from Germany to the subsidiary in the United Kingdom. The owners claimed that the German market is very interesting and attractive, but on the other hand – very specific and challenging (especially in the tourism and hotel industry), taking into account legitimacy building and gaining the market share.

Company C

Company C is a Polish manufacturer of public transport vehicles (buses, trolleybuses and streetcars). The company is exporting buses to 34 countries: Europe, Africa, Asia; more than 700 cities. The most remote sales market is the Department of Réunion in the Indian Ocean. Production facilities are located in Wielkopolska Region including: final assembly of buses and trolleybuses, welding plant for bus and trolleybus skeletons and streetcars, final assembly and additional distribution centre and warehouse, aimed at streamlining the order fulfilment process and raising the level of pre-sales customer service. The company's largest orders are for city bus operator E.THE.L Athens (Greece), Cotral Lazio (Italy), BVG Berlin (Germany), RTA Dubai, SWRT Wallonia (Belgium), MZA Warsaw (Poland), ATM Milan (Italy), EMT (Spain), Unibuss Oslo (Norway). *Company C* was the world's first manufacturer, which introduced a mass-produced hybrid bus to the European market.

The specificity of the bus market lies in its financing through public funds and involvement of urban transport companies and private entities as contractors. Consequently, effective management requires maintaining two distinct marketing departments to cater to these different stakeholder groups. Favourable conditions for trade development with Western Europe were facilitated by Poland's accession to the European Union and the fact that the initial owners of the company had resided in Germany for a decade, possessed German citizenship and had a profound understanding of the language, culture, and business mentality of their Western neighbours.

Company C was founded in 1994 by the later Chairmen, who had previously worked for the German company – the manufacturer of buses. A milestone in the company's history was its successful bid in 2004 for the supply of 260 buses to Berlin. At the turn of 1999 and 2000, the company's subsidiary in Germany was established, enabling international transactions. *Company C* directed its products from Poland to the German market, though financial documentation was issued by the German branch. The victory in the Berlin tender also had a positive impact on the company's public relations, leading to increased interest in *Company C* buses among transport companies in other German cities. Currently, the company's products not only compete in terms of quality but also in terms of the credibility of the country of origin, which, in comparison to Asian markets, makes Poland as more reliable choice.

In the German market, *Company C* faces significant competition from key players, including *Mercedes* (holding approximately 50% of the market share), MAN (maintaining a market share within the range of 20–30%), and *Company C* in Germany with approximately 10% of the market share. In comparison, in its home market of Poland, *Company C* has achieved dominance with a market share ranging from 50% to 60%. The highest market share in Germany for *Company C* was during the introduction of new technologies, particularly the introduction of electric buses. However, the competitive landscape has shifted with the development of new regulations and technological solutions within the European Union.

As of 2023, *Company C* has subsidiaries in 16 different markets, with *Company C* subsidiary in Germany serving as the largest subsidiary, responsible for distribution and service. In other markets, the company resorts to outsourcing. Local managers are responsible for export market operations and enjoy an autonomy in managing their business activities, though they are evaluated based on centrally coordinated information systems. The acquisition of *Company C* by *CAF Group* has not adversely affected the autonomy of its subsidiaries. Adapting *Company C's* products to foreign markets involves customising the product to meet the specific requirements of each contractor. Consequently, vehicles may differ, for instance, in interior equipment or propulsion systems, depending on the buyer's preferences. The flexibility of production enables the establishment of new and the maintenance of long-standing trade relationships, which are founded on direct, personal contact with the customer.

Building legitimacy in the German market included several key elements. At *Company C* in Germany, the management team consists of local employees, who are Germans. The components of the vehicles are German products, indicating high quality in the market (e.g., the drivetrain system from ZF). The company actively collaborates with universities and public sector, conducting research and development activities in partnership with them. Furthermore, *Company C* maintains a presence in industry journals such as *Omnibus*, where the company's achievements are showcased.

Company C participates in international trade fairs and exhibitions, presenting new vehicles and automotive technologies, and often receives awards for its innovative products. Given the German culture, the company is not hesitant to compete with key players in the market by participating in independent comparative tests.

The subsidiary in Germany is not just one of the largest companies in *Company C's* portfolio, as mentioned during interviews with company's employees, the first contact to Berlin proved to be a gateway to Europe. With its operations in the German market, the company began to develop not only in Europe, but in later years, around the world as a competitive player in the mass transportation industry.

Conclusions

The aim of this exploratory article was to review extant literature on legitimacy building in international markets and identify different streams which shed light on this phenomenon. Subsequently, we reported some preliminary case study evidence from Polish firms possessing subsidiaries in Germany. Therefore, our contribution is twofold. By integrating different literature streams we contribute to the conceptualisation of legitimation strategies in foreign markets by reaching out beyond legitimacy-focused research. In doing so, we contribute not only to literature on emerging market firms and their strategies in foreign markets, but legitimation research in general. Additionally we exemplify how the general, broadly accepted and implemented legitimacy strategies may be translated to the peculiarity of a particular company. Doing that, we manifest that firms while trying to be recognised as legitimate businesses in foreign markets may take advantage from a broad spectrum of approaches within one particular legitimacy strategy. The explored case studies of Companies A, B and C highlight how particular factors – related to the firms and their environment – may contribute to the diversity of conceptually identified legitimacy strategies. Thus, the foreign market entry strategy may serve as the legitimacy-building strategy, but in real-life cases that strategy may differ depending on the size of the firm, its industrial background, time of market entry or even networks and relationships the entering firm poses.

Secondly, by providing novel empirical insights from our mixed-method study, we illustrate the pre-identified legitimation strategies with examples from a post-transition firms' expansion into institutionally and economically more developed context, but we also draw attention to other forms of legitimation, which deserve future research.

The critical, in-depth literature studies allowed us to develop a framework presenting the key legitimacy building strategies of firms. The conducted qualitative research with the use of the case study method provides insights on how those literature-based approaches work and if they are really visible among firms from post-transition countries. It turned out that the legitimacy strategies that emerge from the literature are reflected in the reality of the studied firms.

In this study, the authors tried to connect the results of the academic literature review with the reality of three post-transition country firms expanding on the German market. It is visible that the results of the previous research in the field of legitimacy-building strategies resonate with the reality of the studied firms. Establishing the right position in the network in a host market works as a legitimacy-building strategy for the studied firms.

The companies investing abroad try to get embedded in the host-market network, however, the type of cooperating partners and strength of links may be different across partners. Investing firms adjust the set of cooperating partners to their own priorities – whether it is innovativeness, quality or rather cost efficiency. Thus, it can be concluded that being embedded in the network in the host market helps, but the type of partners may differ. Acquisition strategies help the firm to establish itself in the market relatively quickly and easily. Efforts to build ties in host markets go in line often with efforts to adapt to foreign markets, since the ties become knowledge transfer channels and of cultural differences.

The more embedded a firm is in the host-market network, the smoother the communication with entities in that market, which contributes to the CSR efforts. And the more familiar a company is with the host market, the more prone to lose the level of control over the foreign subsidiary. Knowing the institutional and cultural differences, a firm is open to staffing the top management positions with managers originating from the host market. It is visible among the studied companies. That staffing approach further contributes to the subsidiary's autonomy, which positively translates to host-market sensitivity and practically results often in the adaptation of the firm's products and services to the host markets. However, there are cases when investing companies knowing very little about the host market decide to staff the top management positions with host market managers to avoid the threats emerging from the knowledge gap in cultural differences.

Three studied cases illustrate the significance of Germany as the host market for Polish firms. As stated in the introduction, according to the secondary statistical data, the role of Germany as the host market for Polish firms investing abroad is not to be overestimated. Thus, the legitimacy-building strategies of Polish companies establishing their subsidiaries in Germany create micro-economic foundations for further development and flourishment of Polish-German business relations. Since Poland and Germany are neighbouring countries, the position of Polish firms in the German market, their perception and reputation are very important. The geopolitical turbulence justifies even more the efforts of Polish companies to establish their legitimacy in Germany.

On the one hand, we contributed by conceptualising the literature stream of legitimisation strategies in foreign markets, simultaneously expanding literature on firms from emerging markets and general studies on legitimacy. On the other hand, we provided new empirical insights through the integration of research methods, simultaneously confirming that legitimisation strategies from the literature reflect in the reality of firms during expansion into the German market, where establishing the right position in the market network emerges as a key strategy. Taking into account future research avenues based on current findings, it will be advisable to investigate the impact of geopolitical changes on the legitimisation strategies of Polish firms in the German market. Additionally, it is also worth to analyse how legitimisation strategies vary among firms in different industries and identifying industry-specific characteristics influencing these strategies. From the perspective of long-term consequences, it will be good to explore the implementation of specific legitimisation strategies, both in terms of business success and their impact on inter-firm relationships. An interesting research avenue could be focused on assessing how the legitimisation strategies of Polish firms in Germany contribute to the microeconomic foundations for the development of business relations between Poland and Germany.

It should also be emphasised that the study presented in this article has some limitations. Firstly, this empirical research is based only on 3 case studies, and the obtained results should not be generalised to the entire population. It is certainly worth conducting more advanced quantitative research, which will allow, on a larger sample, to verify the legitimacy-building strategies undertaken by Polish subsidiaries in Germany at a more detailed level of analysis. Additionally, this study concerns Polish subsidiaries on the German market, and this context is, on the one hand, very attractive in terms of research values, but on the other hand – it may provide limited certainty. It would certainly be worth extending the analysis to additional countries, which could constitute the basis for further comparative research verifying the strategies of legitimacy-building by companies from emerging markets in more advanced markets.

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Received: 03.10.2023. Accepted: 17.11.2023.