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BUSINESS MODELS OF FOREIGN SUBSIDIARY UNITS OF INTERNATIONAL COMPANIES – THEORETICAL CONSIDERATIONS

MODELE BIZNESU ZAGRANICZNYCH JEDNOSTEK MIĘDZYNARODOWYCH PRZEDSIĘBIORSTW – ROZWAŻANIA TEORETYCZNE

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Summary: On the basis of the study of literature the article discusses the types of roles played by foreign units of international companies and synthetically presents the problem of business models focusing on the perspective of the internationalization of business operations. That provided the basis for the identification of the main areas requiring scientific research into the business models of foreign units of international companies. The gaps are presented in the form of the following research questions: what are the elements of the business models of foreign units of international companies; do the same elements constitute the business models of international companies and their foreign units; what types of business models of foreign entities exist; what internal factors determine the choice of business models of foreign units of international companies; is there a correlation between the country of origin of an international company and types of business models of its foreign units? Defining these questions helped designate the trajectory of research which is necessary to enrich the scientific research into the problems of business models of foreign units of international companies.

Keywords: business model, internationalisation, international company, foreign unit of international company.

Streszczenie: W artykule omówiono typy ról odgrywanych przez zagraniczne jednostki międzynarodowych przedsiębiorstw oraz przedstawiono problematykę modeli biznesu z perspektywy umiędzynarodowienia działalności. Stało się to podstawą zidentyfikowania głównych obszarów wymagających naukowego poznania w tej problematyce. Luki te

przedstawiono w postaci pytań badawczych: jakie są elementy konstytuujące modele biznesu zagranicznych jednostek, czy te same elementy konstytuują modele biznesu międzynarodowych przedsiębiorstw i ich zagranicznych jednostek, jakie występują typy modeli biznesu zagranicznych jednostek, jakie czynniki determinują wybór ich modeli biznesu, czy występuje zależność między krajem pochodzenia przedsiębiorstwa a typami modeli biznesu jego zagranicznych jednostek. Ich sformułowanie posłużyło do wyznaczenia trajektorii badań, których przeprowadzenie jest konieczne do wzbogacenia naukowego poznania problematyki modeli biznesu zagranicznych jednostek międzynarodowych przedsiębiorstw.

Słowa kluczowe: model biznesu, internacjonalizacja, międzynarodowe przedsiębiorstwo, zagraniczna jednostka międzynarodowego przedsiębiorstwa.

1. Introduction

The progress of globalisation has had an effect of elevating internationalisation as one of the most important factors to affect company operations on the market. Internationalisation processes are of particular significance for those business entities intending to build their development strategies through foreign expansion or which are already operating across their national boundaries. In line with the requirements of a modern economy, company development is closely related to the adopted business model, since the proper definition of current operating objectives has a direct impact on future outcomes and prospects [Bossidy, Charan 2010, p. 91]. While the problem of adopting a suitable business model applies equally to all companies regardless of their structure, it seems that some specific conditions may arise with respect to foreign affiliates of large international companies due to their strong dependence on foreign owners [Gołębiowski et al. 2008, p. 61]. For this reason, it may be worthwhile to provide more insight into the specifics of the business models adopted and utilised by foreign subsidiaries of international companies within the scope of their internationalised operation. While business models and their operational associations have been widely discussed in professional literature, it seems that the recognition of their correlations within the narrow aspect of company internationalisation is less than adequate – both in the theoretical and empirical dimension of the concept at hand.

In this context, the main purpose of this study is to identify the most important research areas to be targeted for a better recognition of business model problems associated with internationalisation, or – more specifically – as applied to foreign subsidiaries of international companies. The realisation of the above objective will be based on critical literature studies. The adopted definition of the objective will also be reflected in the structure of this publication. Thus, the first section will present a general typology of the roles and functions ‘imposed’ on subsidiaries by their foreign proprietors. The second section will offer a synthetic overview of the business model concept, with emphasis placed on the narrow perspective of company internationalisation. Based on the findings obtained in the previous stages of research,

the final section will be devoted to the formulation of research questions to be addressed in subsequent studies, as a fundament for initiating a research trajectory to improve the scientific recognition and understanding of the specificity of business models adopted by foreign subsidiaries of large international companies.

2. Typology of roles assigned to foreign subsidiaries of international companies

While impact of the so-called foreign direct investment (FDI) upon national economies is well-represented in research, both in the micro and macroeconomic dimension (*cf.* [Czaja 2004, pp. 9-22; Gorynia et al. 2006, pp. 187-201; Hybel 2007, pp. 23-33; Bolonek, Firszt 2007, pp. 81-102; Janasz 2011, pp. 35-49; Starzyńska 2012]), the narrow aspect of the practical operation of subsidiaries controlled by foreign international entities still lacks proper comprehensive evaluation from a managerial standpoint, irrespective of the numerous studies on the subject of foreign subsidiaries made in various other contexts. These studies typically address such issues as the extent of subsidiary control held by foreign entities, their strategic significance for international corporations, the diffusion of knowledge among the members of the subsidiary networks and their mother company, the nature of internal integration between members of capital groups, the autonomy of decisions, and the problem of resource distribution within the dispersed structures of international corporate entities [Manolopoulos 2008, pp. 23-57; Gibb, Szałucka 2012, pp. 49-80]. A wealth of valuable research has been published on the subject at hand since the time when M.E. Porter made his famous observation that ‘we know a lot more on how to become an international company than we do on how to manage one’ [Porter 1986, p. 17].

It may seem that professional literature on the subject of foreign subsidiaries is relatively rich, but it must be noted that individual researchers place their emphasis on various criteria, factors of impact, or variables. In effect, it may be fairly difficult to arrive at an integrated model of foreign subsidiary operation. This represents an apparent gap in research, since the ‘behaviour’ of foreign subsidiaries cannot possibly be studied and analysed in a comprehensive manner based on selected facets of the whole spectrum of their operation. Thus, with respect to international companies operating on the Polish market, the available studies seem to target narrow areas of their operation, such as the organisational structure [Lichtarski 2005, pp. 123-135], expatriates [Przytuła 2014], their impact on innovation [Wiśniewska 2011, pp. 59-69], and financial policies adopted by foreign proprietors in selected functional areas of their subsidiaries’ operation [Broszkiewicz 2008, pp. 26-29].

Business location seems to be one of the most important factors of interest in analyses of the business models adopted by foreign subsidiaries of international enterprises. For this reason, any attempt at producing a comprehensive image of business models used by foreign subsidiaries should take into account the wealth of

studies on those relations between dominant and subsidiary entities which are specific for the so-called emerging economies – with Poland being a good representative of this group (*cf.* [Kaufmann, Roessing 2005, pp. 235-253; Garg, Delios 2007, pp. 278-295; Wang et al. 2014, pp. 111-130; Kawai, Strange 2014, pp. 504-515; Meyer, Su 2015, pp. 149-158]). In this particular context, however, one must face an important problem, namely is it viable to assume that relations between the dominant entity and its foreign subsidiaries will follow a similar pattern, regardless of the actual location of the subsidiary under examination? While it goes without saying that international corporations adopt certain policies and operational principles in their relations with foreign subsidiaries [Roth, Nigh 1992, pp. 277-300], but the roles attached to filial units and their perceived internal sense of autonomy in decision-making processes may differ wildly [Pisoni et al. 2013, pp. 352-358].

However, for the purpose of improving the holistic approach to the study of subsidiary operational specificity, it may be beneficial to emphasise the need for recognising some of the premises employed by mother companies in the task of assigning roles for their foreign subsidiary units. Companies operating across their national boundaries naturally employ certain strategic orientations or general frameworks of their strategic operation – those orientations have their effect on role assignments. Professional literature typically adopts classification into four basic types of strategic orientation [Rymarczyk 2004, pp. 82-83]. Let us start with an ethnocentric strategy – this concept is construed around the use of competitive advantage obtained on domestic markets as the basis for an advantage on foreign markets. This type of strategy is effected through export to selected areas that bear close similarities to the local market, or through filial operations supported by the transfer of specific competences and resources (though mainly in the sphere of marketing). This type of strategy is characteristic for companies on relatively low levels of internationalisation. The concept of ethnocentric strategy can be regarded as equivalent to the more widely used concept of ‘international strategy’.

Another possible variant is the polycentric strategy, with competitive advantage built around the supply of products or services adjusted to the specific requirements of the target market. In this approach, the operation of foreign filial units is based on the autonomous use of key competences, abilities and resources passed down from the mother company. Each filial unit typically covers the whole spectrum of basic operations. This particular approach is also referred to as a multi-local or multi-national strategy (*cf.* [Zorska 1998; Yip 1996]). The third possible variant is the global strategy, in which the world at large (individual regions) is approached as a single market. Companies representing the global strategic approach supply their products or services in a unified form without any adjustments. This strategic approach is stimulated by the need to minimise the cost of production through the scale effect. The last of the possible strategic orientations is the transnational (or dual) strategy. This particular approach represents an attempt at combining the beneficial effects of scale and those offered by the adjustment of products to local

requirements. Companies adopting the transnational strategy typically delegate large portions of their decision-making powers to local subsidiary units operating on specific markets, while retaining some of the crucial activities at central level [Zorska 1998, p. 160].

The above outline of the possible strategic orientations observed in international companies is gradually gaining recognition and support in professional literature (*cf.* [Lin 2014, pp. 928-937]). It does, however, raise certain doubts, since it fails to yield a good representation of the fundamental differences between companies that use the same strategic orientation to a widely different effect. Naturally, this reservation also applies to the reverse scenario, when two fundamentally similar companies use widely divergent strategies [Devinney et al. 2000, pp. 674-695].

The above general framework of the strategic orientations of international companies will largely define or determine the assignment of roles among their foreign subsidiary units. The typologies of such roles, as already mentioned, can be formed around various criteria, and are usually classified into one of three general groups, namely those based on the criteria of subsidiary location and the scope of integration with the mother company and other filial units, those based on the aspects of knowledge transfer within such networks, and those that place key emphasis on the product-market-value triad [Wang et al. 2009, pp. 579-580]:

The first group of typologies is best exemplified by one of the earliest and oft-cited concepts, by Ch.A. Bartlett and S. Ghoshal [1986, pp. 87-94]. The authors formulated their topology based on the criterion of the degree of strategic significance attached to the target market (location) and that of the range of competences passed down to the foreign subsidiary units (integration). For companies based on foreign capital, the strategic significance of the host market – in this approach – represents its placement in the overall strategy of operational effectiveness, i.e. in the entire spectrum of the internationalised operation of the company. The more pronounced the market potential and its ‘maturity’ (e.g. technological progress), the more distinct significance is attached to it in the overall strategy. In this approach, the competences of local units are only analysed in association with their specific competitive advantage in technology, marketing, productivity, or “any other area” [Bartlett, Ghoshal 1986, p. 90]. In other words, this approach makes no distinction between competences transferred down from the mother company or sister companies and those that have been generated autonomously by the unit itself. The only aspect to be taken into consideration is whether those competences are unique enough (across the entire company) to serve as examples of best practices for other members of the structure or as a source of competitive advantage for the entire group. To some extent, this aspect also determines the status of such a unit and the degree of autonomy attached to it.

An archetypical example of the second group of typologies is the concept by A.K. Gupta and V. Govindarajan [1991, pp. 768-792], formulated on the basis of knowledge diffusion within organisations (this includes both knowledge sharing

and knowledge dissemination) [Stańczyk-Hugiet 2007, p. 13]. A.K. Gupta and V. Govindarajan worked on the assumption that international corporations are networks of entities that engage in various transactions. The effects of these transactions come in the form of product, capital, and knowledge flows, while their direction is determined by the strategic decisions made at central level. The authors suggest that the third item on the list of such transfers, namely knowledge, is of key operational significance. They introduce the concept of intra-corporate knowledge transfer, with 'knowledge' representing both the competences and potential of individual members, and any market information of practical strategic significance for the group as a whole. Knowledge, in this approach, may apply both to input, transformation, and output processes. It must be noted, however, that the category of intra-corporate knowledge transfer does not comprise the transfer of routine knowledge between members of the network such as monthly reports of financial operations [Gupta, Govindarajan 1991, p. 773]. Knowledge transfer applies to all foreign subsidiaries and the mother company, as agents of the transfer process. However, the transfer is bi-directional, meaning that knowledge resources may both be absorbed from other units (inflow), or generated internally and transferred to other units (outflow).

The above typologies are nowadays subject to critical evaluations and modifications. The most commonly expressed reservation is that the present character of company internationalisation processes (in various practical aspects) appears as much simpler than two decades ago, mostly due to the benefits offered by the progress in information processing and communication technologies, and the practical elimination of institutional barriers. As a result, international companies – particularly the large global corporations – are strongly inclined to delocalise their value chains, often to the extreme, by delegating the individual stages of value creation to different units located in distant regions [Rugman et al. 2011, p. 255].

The third group of typologies comprises of solutions based on the assumptions presented by R. White and T. Poynter [1984, pp. 59-69]. Those authors segmented the foreign subsidiary units of international capital groupings into five categories, based on the combined impact of three factors: the product, the market, and the added value. Over the years this class of typologies has been subject to various modifications designed to improve their use for the purpose of analysing the market behaviours of subsidiary companies within the framework of this triad. One such modification is the concept postulated by A.G. Hogenbrik and H.L. van Kranenburg [2006, pp. 53-67]. The authors analysed the four possible roles served by foreign subsidiary units of international corporations, in two dimensions: market coverage (local vs. foreign) and the creation of added value (limited vs. broad). The structure of the typology is illustrated in Figure 1 below.

Local satellites are foreign subsidiary units engaging in one-time activities that produce added value in the hosting country. As such they are typically employed in their marketing or sales capacity, i.e. tasked with functions that offer added value for

Market scope	foreign	export platform	the regional or world mandated hub
	local	local satellite	truncated miniature replica
		limited	broad
Value-added scope			

Fig. 1. Classification of foreign subsidiary units

Source: [Hogenbrik, Kranenburg 2006, p. 56].

the entire grouping, making them easily replaceable by units located in other countries. ‘Miniature replicas’ represent units of broad added value, but operating within a narrow geographic location of the host region or country. Units of this type are typically involved in production and sales, with a low potential to produce innovation in any of those areas. “Export platforms” in this approach refer to subsidiary units tasked with the role of providing specialised components to be used by other subsidiary units as the basis for end products. Often their operation covers only one or two stages of the value creation chain. Lastly, the “regional or world mandated hubs” refer to foreign subsidiary units with top competences and a relatively high degree of autonomy. They are authorised by the mother company to introduce new products on local and/or foreign markets. Units of this type may even group competences unique for the entire capital group, which elevates their status as ‘key’ components of the entire corporate structure.

The above concept can be employed to identify the roles of subsidiary units within the systemic bounds of production, marketing or research and development of the entire structure of an international capital grouping. The most pronounced deficit of this particular approach lies in its failure to represent the impact of local determinants of the hosting country upon the unit under examination – and such an impact will surely be present in any configuration [Wang et al. 2009, p. 580].

However, as already noted, professional literature provides no single model capable of aggregating the sum of the factors that may affect the operation of foreign subsidiary units. A theoretical design of such an aggregated model, supported by a valid empirical verification, may provide an alternative typology that offers a much more accurate representation of the economic practice in the analysed area. Therefore it may be assumed that the use of specific types of subsidiary units and the assignment

of roles are being determined by central-level decisions on the configuration and coordination of value-adding activities. Figure 2 presents an attempt at aggregating the sum of the above aspects.

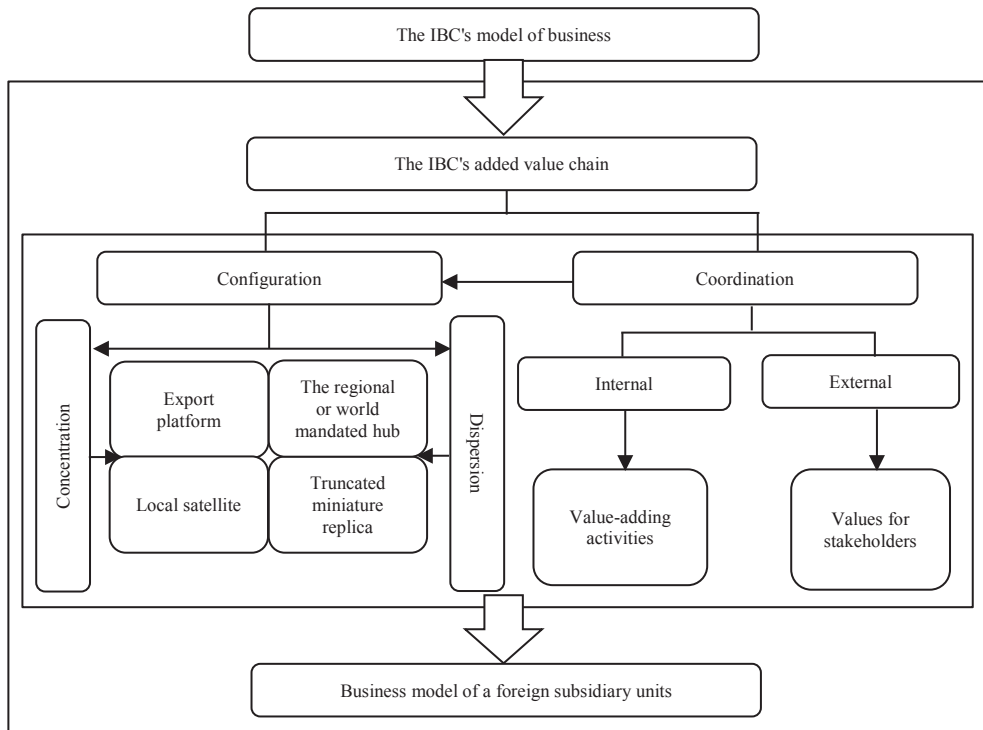


Fig. 2. Configuration and coordination of value-added activities, and the types of foreign subsidiary units

Source: own research.

For international business companies, configuration is related to the number of foreign units included in the value chain, and their geographic locations. Proper configuration of activities is the basis for securing the projected advantage on a local, international, or global scale. For each value-adding activity, the IBC can employ one of two possible configurations, namely concentration or dispersion. The concentration of activities represents the choice of limiting the number of foreign units, located in selected few countries. The decision to locate foreign units in such areas is typically made on the basis of the benefits offered, such as: resource availability, cost of labour, the present demand and its anticipated trends, and so on. Dispersion, on the other hand, is manifested through increased representation in many countries and geographic areas. Dispersion is an approach typically employed in response to detrimental factors at play, such as the steep cost of transportation or

the specificity of operation on certain local markets [Stonehouse et al. 2001, p. 44]. It must be noted that, on the one hand, the evaluation of the current levels of both concentration and dispersion is applied individually, and related to the size of the enterprise under study. Secondly, the concentration/dispersion levels may vary depending on the type of value-adding activities under examination. Thus, decisions related to the configuration of activities seem to determine the number of foreign units to be included in the value chain. On the other hand, due to their significance in the process of building local, international, or global advantage, they also strongly determine the IBC's decisions associated with the choice of foreign unit types, and the assignment of roles among them. Therefore the value chains of international business companies can be characterised as fairly compound. In order to ensure that all of the IBC's foreign units contribute in the provision of added value for the grouping, the mother company must take great care to provide them with a cohesive plan of operation. However, this task requires some sort of supervision or management of the complex configuration of entities. This is typically addressed through the delegation and coordination of the dispersed activities between various units. It should be noted, however, that the configuration of IBC activities is not only subject to internal but also to external coordination. Hence the choice of foreign subsidiary types and the assignment of roles is also determined by the need to satisfy the realisation of the benefits and values for external stakeholders.

In economic practice, business models represent points of reference for any key managerial decisions made by companies [Baden-Fuller, Morgan 2010, p. 156]. Thus, and in the context of our discussion, it may be assumed that the decisions made by international companies with respect to the selection of subsidiary types and assignment of roles to such units will be determined by the adopted model of business. On the other hand, in the light of the fact that the operation of a foreign subsidiary is being determined not only by internal factors, but also by the local specificities of their operating environment (foreign markets), it may be useful to pose the following question: *is there any correspondence between the individual business models of foreign subsidiaries and the business model adopted at the level of the whole grouping?*

3. Business models – internationalisation of activities as an area of scientific research

The business model, as an inseparable element of entrepreneurship, represents a major area of interest for both researchers and business practitioners. According to D.J. Teece [2010, p. 172] the nature of a business model is to provide methods for the creation of added value for customers by stimulating their willingness to pay and by converting the resulting receipts into company profit. However, as evidenced by a number of empirical studies, company managers are not always able to provide a

clear answer to the question of ‘how their company earns their revenue’ [Linder, Cantrell 2000, p. 31].

Unfortunately, similar ambiguities can also be observed in the theoretical approaches to the understanding and defining the ‘business model’ concept. This problem is well-represented in professional literature (*cf.*: [Zott et al. 2011, pp. 1019-1042]). The multitude of approaches towards the concept of business models has had the effect of improving both the quality and the quantity of professional studies in the area, but has done nothing to further the development of a proper normative framework and the predictive potential of the concept. The main reason for this apparent deficiency is the lack of thematic focus in the wealth of research produced by experts in the field [George, Bock 2011, p. 85]. In-depth analyses suggest that the concept of business models is approached in professional literature from three principal perspectives.

Thus, the first group of studies are those that focus on case studies, while abstracting from the universal aspects of the concept or the value offered by the specificity of various types of enterprises (*cf.*: [Chesbrough, Rosenbloom 2002, pp. 529-555; Kraemer et al. 2000, pp. 5-21]). Focusing on specific individual features may drastically limit the theoretical value of such studies, but it may also be perceived as a source of inspiration for the practical applications of the concept in organisations.

The second group of studies are those that place their emphasis on the definition of the ‘business model’ concept and/or the identification of its constituent elements. In this line of approach, definitions of ‘business models’ are typically construed on the basis of such related concepts as value creation, product offer and value offer, configuration, composition, portfolio, or pooling of resources (assets). Frequently they include references to not only value creation, but also value dissemination (provision) and capture; they also seem to share a similar view that a company ‘business model’ is a representation of its business logic. It is also not uncommon to come across isolated viewpoints suggesting that the ‘business model’ is a conceptual approach or that it applies to monetary flows, earnings, or the generation of revenues/profit [Falencikowski 2013, p. 35; Onetti et al. 2012, pp. 345-365]. Representatives of this particular school of thought seem to postulate concepts of a business model as benchmarks to be applied in business practice, without any consideration for the specificity of their immediate operating environment. However, it seems that local factors play an important role in determining the choice of viable business models and their elements in business practice. This observation applies to all companies, including international corporations and their foreign subsidiary units. In fact, their degree of internationalisation seems to elevate the significance of locality as a vital constituent of the adopted business model. Yet, as evidenced by the results of critical literature studies, the geographic location of companies (or locus) is taken into account only by a few researchers, namely: D. Mitchell and C. Coles [2004, pp. 39-49], and A. Onetti, A. Zucchella, M. Jones, P. McDougall-Covin [2012, pp. 345-365]. D. Mitchell and C. Coles postulate that the business model concept represents a

combination of answers to the following questions: who uses what, when, why, how much, and where in order to provide the end product or service to customers, end users, and other stakeholders [Mitchell, Coles 2004, p. 40]. On the other hand, A. Onetti, A. Zucchella, M. Jones, P. McDougall-Covin, define the business model concept as a method of operation that constitutes the sum of company activities expressed in the dimensions of business focus, locus, and modus. In this approach, 'focus' represents activities that produce added value, 'modus' describes activities that target the internal organisation and network structure, and 'locus' references the assignment of activities between various available business locations and/or the distribution of resources and value-adding activities [Onetti et al. 2012, p. 360].

With respect to Polish studies, the aspect of locus has been taken into account by T. Gołębiowski, T. Dudzik, M. Lewandowska and M. Witek-Hajduk. In these authors' opinion, the placement of activities in the chain of values should be regarded as one of the fundamental elements of a business model. More specifically, this element represents the sum of business activities (design, production, marketing, sales), the types of business relations (transaction, partnership) and the roles assumed in the chain of values (coordinating, passive) [Gołębiowski et al. 2008, pp. 62, 68-70]. However, as further suggested in the above study, the character of business relations between various links of the value chain may take different forms: not only transactional or based on partnership agreements, but also those involving exchange of information, technologies or capital. In this context, it may come as a surprise that they chose to exclude the last type of exchange from their postulated definition of business models, thus negating the role of capital-based relations as an important element to affect the choice of a business model [Gołębiowski et al. 2008, p. 70]. In other words, the authors chose to disregard the associations between business models adopted by international companies and their foreign subsidiary units, despite the fact that their empirical study had been devoted to the analyses of internal value chains and the positioning of units in relation to capital origin [Gołębiowski et al. 2008, pp. 145-153].

Some references to locus are also present in other studies, but the problem is tackled marginally and indirectly, particularly in definitions of business models based on value chain as the fundamental constituent. This line of approach can be found in H. Chesbrough and R. Rosenbloom, who believe that the business model is used, among other things, as the basis for defining the value chain structures [Chesbrough, Rosenbloom 2002]. According to K. Obłój, the business model is a combination of the company strategic concept and technologies employed for the practical realisation of the concept, interpreted here in terms of value chain configuration [Obłój 2002, pp. 97-100]. Value chain as a constituent of the business model is also employed by M. Rappa [2004], M. Muszyński [2006], D. Kindström [2010], A. Osterwalder, Y. Pigneur [2010]. However, the above approaches do not address the problem of business model selection from the specific perspective of internationalisation. Thus, in conclusion of this part of our discussion, the results of

literature studies seem to suggest an *apparent lack of proper recognition of the various components of business models, as applied in the business practice of foreign subsidiary units of international companies.*

The third perspective of research is the taxonomy of business models. Based on the range of operational methods employed by companies in business practice, researchers in this particular area are involved in the identification and classification of the various business models adopted on the market, either in terms of the universal solutions observed in business operation or in relation to the specific benefits offered to distinct types of entities (e.g. by size, sector, or region). Some notable attempts at business model classification and characterisation include studies by A. Slywotzky,

Table 1. Selected business model typologies

Types of business models	Authors
The profit model: from customer solutions, from product pyramid, multicomponent, switchboard, time-dependent, from multiplier, from superproduction, from specialisation, from the existing user base, from proprietary standard, from entrepreneurship, from brand, from local leadership, from transaction scale, from value chain position, cyclic, post-sales, from new product, from relative share in the market, from experience curve, from low operational cost	A. Slywotzky, D. Morrison, B. Adelman [1997]
Mega-model, value chain model, consumer model, chain concentration, product concentration, knowledge concentration, organisational model	A. Slywotzky, D. Morrison, T. Moser, K. Mundt, J. Quella [1999]
Models based on: pricing, amenities, experience, combined/extended products, chain, intermediaries, trust, innovation	J. Linder and S. Cantrell [2000]
Models of strategic financing, strategic response, strategic enterprise, strategic learning, strategic company, strategic innovation	F. Betz [2002]
Models of: creator, distributor, landlord, broker	T. Malone, P. Weill, R. Lai, V. D'Urso, G. Herman, T. Apel and S. Woerner [2006]
Models of companies: reluctant to create or adopt innovation, introducing ad hoc innovations, planning innovation, incorporating innovation, creating innovation, initiating the flow of innovation	H. Chesbrough [2006]
Models of: conductor, integrator, operator	K. Oblój [2002]
Traditionalist, market player, contractor, specialist, distributor, integrator	T. Gołębiowski, T. Dudzik, M. Lewandowska and M. Witek-Hajduk [2008]
Models of: domestic business, import-based business, export-based business, semi-global business	M. Rask [2014]

Source: own research based on [Slywotzky et al. 1997; Slywotzky et al. 1999; Linder, Cantrell 2000; Betz 2002; Malone et al. 2004; Chesbrough 2006; Oblój 2002; Gołębiowski et al. 2008; Rask 2014].

D. Morrison, B. Adelman [1997], A. Slywotzky, D. Morrison, T. Moser, K. Mundt, J. Quella [1999], J. Linder and S. Cantrell [2000], F. Betz [2002], T. Malone, P. Weill, R. Lai, V. D'Urso, G. Herman, T. Apel and S. Woerner [2006], H. Chesbrough [2006], M. Rask [2014]. With respect to domestic literature on the subject, the most widely recognised business model typology is that by K. Obłój [2002]. Another noteworthy example is the typology postulated by T. Gołębiowski, T. Dudzik, M. Lewandowska and M. Witek-Hajduk [2008]. Table 1 presents a synthetic overview of selected approaches to the classification of business models.

The typology of business models is rarely approached from the perspective of company internationalisation. There are attempts at identifying and describing types of business models adopted by international companies, e.g. in relation to size (*cf.* [Zarei et al. 2011, pp. 299-315]), by sector (*cf.* [Onetti et al. 2012, pp. 337-368] or by region (*cf.* [Micheletti, Hourquet 2014, pp. 8-15]). Based on critical literature studies, we were able to identify only one study to address this task [Rask 2014]. The study represented an attempt at integrating the available knowledge on business models applied in the context of internationalisation, and the results served as the basis for the formulation of the concept of 'internationalisation through business model innovations'¹. The typology postulated by M. Rask includes the following types of business models: domestic business, import-based business, export-based business, and semi-global business [Rask 2014, p. 151]. However, the study seems to address the problem solely from the perspective of international companies, while abstracting from the context of their foreign subsidiary units.

In view of the above observations, it seems viable to conclude that *the problem of a typological representation of business models adopted by the foreign subsidiary units of international corporations has not yet been addressed*. Hence there arises the need to define the business models in use by those entities to formulate a valid typology of such models, and to conduct in-depth studies of this aspect, and in relation to the types of subsidiaries and the roles assigned to them by international companies.

4. Identification of the main directions of research on business models adopted by foreign subsidiary units of international companies – an attempt

International companies define the principles of their subsidiary policies individually [Roth, Nigh 1992, pp. 277-300]. Assuming that a business model represents a general concept adopted in the formulation of the business operational logic [Nogalski 2009], it may be rational to believe that these policies are to some extent reflected in the choice of the business models assigned to such entities. Taking into account the view that a business model is also a representation of the core business logic of value

¹ As of October 2016.

creation [Linder, Cantrell 2000], it may be concluded that decisions on the location and types of foreign subsidiary units employed in value creation, as well as the roles assigned to them by international companies, are determined precisely by their choice of business model. Although professional literature provides arguments in favour of the view that foreign subsidiary units differ widely in terms of both the roles and the degree of autonomy (*cf.* [Pisoni et al. 2013, pp. 352-358]) and that international companies utilise a wide range of subsidiary unit types with a varied share in the generation of value for the entire company (*cf.* [Hogenbrik, Kranenburg, 2006, pp. 53-67]), and in the context of this study's conclusions on the correlations between the types of foreign subsidiary units and the configuration and coordination of value-adding activities (represented in professional literature as elements used in construction of business models (*cf.* [Chesbrough, Rosenbloom 2002])), it seems valid to conclude that the question of "*do business models of foreign subsidiary units bear correspondence to the business model adopted by the controlling entity?*" is yet to be addressed. Professional literature offers postulates for a business model typology of international companies [Rask 2014], but without determining whether the identified types can also be applied to their foreign subsidiary units. In view of the fact that the operation of international companies is determined not only by internal factors, but also by the local specificities of their subsidiary units (and local market environment, it may be reasonable to assume that business models of subsidiary units may somehow be different from those adopted at 'central' level. However, professional literature fails to provide an answer to the question of "*what are the differences between the business model of an international company and the models adopted by its foreign subsidiary units?*". Despite the fact that the wealth of available studies offers references to such elements of a business model as geographic location (or locus) [Mitchell, Coles 2004; Onetti et al. 2012] and the value chain structure (*cf.* [Chesbrough, Rosenbloom 2002]), no such constituent elements have been defined with reference to business models formulated in the context of internationalisation. This raises two important questions. Firstly, *what elements can be identified as constituting the business models of international companies and their foreign subsidiary units?* And secondly: *are the locus and the placement in the value chain structure the only two factors to differentiate the types of business models adopted by international companies, or is it valid to assume that the roles assigned to subsidiaries by mother companies can also be regarded as a differentiating factor in this context?*

In the light of the above, it may be useful to pursue the following research questions:

1. What are the elements that constitute the business models of the foreign subsidiary units of international companies?
2. Is it valid to assume that the same constituent elements are used in the formulation of business models for international companies and those assigned by them to their respective foreign subsidiary units?

3. What types of business models are employed by foreign subsidiary units?
4. What internal factors can be identified to determine the choice of a business model assigned to foreign subsidiary units of an international company, i.e.:
 - a) Is there a correlation between the degree of operating dispersion and concentration (value chain configuration) and the types of business models assigned to foreign subsidiary units?
 - b) Is there any correlation between the types of business models employed by international companies and those assigned to their respective foreign subsidiary units?
 - c) Is there any correlation between the roles assigned to foreign subsidiary units and the types of their respective business models?
 - d) Is there any correlation between the placement of foreign subsidiary units in the value chain structure and the types of business models assigned to them by the controlling entities?
5. Is there any correlation between the national origins of international companies and the types of business models assigned to their respective foreign subsidiaries?

The above questions constitute the principal trajectory of the postulated research. Firstly, in the epistemic dimension, it seems necessary to identify the elements that constitute the formulation of business models under conditions of internationalisation (the generative objective of research), and employ the findings as the basis for the construction of a research instrument to be used in the study of business models adopted by international companies and those assigned by them to their respective foreign subsidiary units (the methodological objective of research). The next step will involve the application of said instrument in empirical studies. The findings obtained in this stage of research will help identify the types of business models in use by foreign subsidiaries (the explorative objective of research) and serve as the basis for the formulation of a typology of the identified models (the application objective of research) and for the identification of the determinants that apply in the assignment of business models for foreign subsidiary units (the explanatory objective of research). The realisation of such a research program would help level the apparent gap in the scientific examination and evaluation of business models assigned to foreign subsidiary units of international business organisations.

5. Conclusions

Critical literature studies provide reasons to conclude that the problem of business models under conditions of internationalisation is relatively under-represented in research. Does this mean that this particular aspect of company operation is of no practical value? Based on this study, it seems that the opposite applies here: the problem at hand is too complex to be addressed from a narrow perspective, and needs to be studied in a wider context using a broad set of research tasks. Firstly, it requires critical literature studies of publications on two distinct and unrelated

research areas, namely the business models, and the internationalisation of company operation, both of which are only partly addressed by this study. It must be noted that the deliberations presented herein are only a preliminary draft for further research to be conducted before we can tackle the problem of business model assignments under the conditions of internationalisation in a satisfactory manner. However, even such a preliminary set of observations provides grounds for the identification of major research gaps in the understanding of business models assigned to foreign subsidiary units of international companies. These gaps can only be narrowed by broad empirical studies on large samples of companies operating as foreign subsidiary units of international business organisations. From the Polish perspective, such a sample would require ample representation of local subsidiaries held by all the major FDI suppliers, most importantly those involving German, Dutch, and French capital [Kłysik-Uryszek 2012, p. 191]. Only cross-sectional studies on a representative sample of respondent entities would offer a good generalisation of results and yield an adequate basis for conclusions on the following: what elements constitute business models of foreign subsidiary units of international business organisations; to what extent can those models be regarded as equivalent with the business model adopted by the controlling entity; what types of business models can be identified among foreign subsidiary units; which internal factors can be identified as determinants in the selection of business models for foreign subsidiaries; and is there any correlation between the controlling entity's country of origin and the types of business models assigned by the entity to its foreign subsidiary units. Answers to the above questions will not expend the wealth of research on the subject at hand – on the contrary, they will provide stimuli for further scientific exploration. Future studies may focus on the examination of the identified models' effectiveness across the whole set of business model types in use by international companies, across the types of value chain configurations, in relation to their placement in the value chain, in relation to the roles assigned to them by the controlling entity, and in relation to the controller's country of origin. This would offer the potential for the formulation of valid recommendations to be employed by international entities to help them streamline and improve the business models for their subsidiary units. In conclusion, based on this study's deliberations, it seems that the problem of business models assigned to foreign subsidiaries of international business organisations is a promising area for scientific exploration.

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