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POLISH FOREIGN DIRECT INVESTMENT (FDI)

The article attempts to present the background for research into Polish direct investment aimed at foreign markets, the so-called outward FDI[1]. The first part of the article provides arguments justifying the purposefulness of investigating Polish FDI and points to a *de facto* dissonance which occurs between the poor recognition of the issue and its growing economic importance. Next, the most important theories explaining the flow of capital in the form of FDI are discussed and the possibility of using them to analyze Polish investment is emphasized. Also, the results of selected empirical studies are presented.

The International Monetary Fund defines FDI as investment made in order to acquire participation in management in an enterprise operating in an economy other than that of the investor, with the foreign investor having the capacity to effectively participate in management. The lower limit marking the execution of direct investment is at the range of 10 -25% of the voting share. In other words, foreign direct investment includes, apart from the 100% ownership by a foreign investor, commonly occurring joint partnership (joint ventures), and long-term internal corporation loans given by the parent company to its branch in another country. Reinvested profits are also included in foreign direct investment. FDI can be also treated as a form of capital import. Generally, it can be defined as undertaking from scratch independent economic activity abroad (greenfield) or taking over management in an already existing enterprise via Merger & Acquisitions[2]. The internationally available publications are dominated by research into investment from highly developed countries which is being directed to less affluent economies. FDI originated in Poland is recognized as such to a very small extent. This so far very poor investigation of Polish FDI is certainly connected with the small scale of the phenomenon at the moment. However, the situation can soon change.

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[1] The literature search query was conducted within the project of the Ministry for Science and Higher Education, "Poles in Germany. Social, political, economic and legal aspects".

[2] A. Budnikowski, *Międzynarodowe stosunki gospodarcze [International business relations]*, Warsaw 1996, p. 144.

Taking up the issue is a result of the present state of knowledge about Polish entrepreneurship abroad, including the EU countries. After initial reconnaissance it can be concluded that research concerning this issue is not significantly developed. Yet, recognizing Polish entrepreneurship in the EU is of tremendous cognitive importance in the context of the predicted increase of FDI from Poland in the near future, as well as because of the growing expectations of potential investors to receive assistance in this matter from the Polish state[3].

According to the concept of the Investment Development Path (IDP)[4] every country at a certain stage of evolution changes from being a receiver of the capital into being a provider of the capital; it sends out more capital than it receives. Thus, it can be expected that together with the advancing modernization of the economy and the expanding scope of participation in the global network it is also ahead of Poland[5]. As the study carried out by the Institute for Market, Consumption and Business Cycles Research showed the accession to the EU had a (psychologically) positive influence on the FDI initiative as, on the one hand, it raised the level of self-confidence and optimism among Polish entrepreneurs and, on the other hand, it increased the trust among the foreign partners[6]. The study at the same time confirmed that the FDI by Polish companies is still at the initial stage of development.

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[3] W. Karpińska-Mizielińska, T. Smuga, *Determinanty bezpośrednich inwestycji polskich przedsiębiorstw na rynkach zagranicznych* [*Determinants of direct investment by Polish enterprises in foreign markets*], "Gospodarka Narodowa" No. 9/ 2007 p. 31-51.

[4] J. Dunning, R. Narula, *Foreign direct investment and governments: Catalyst for economic restructuring*, London, New York, Routledge 1996, p. 1-9.

[5] The graphic representation of the investment development path is a continuous line marking the net investment position of a country, the so-called NOI (Net Outward Investment). In terms of arithmetics it is the difference between the gross outward investment and the gross inward investment. The first stage of the investment development path is characterized by the negative gradient of the NOI curve which additionally assumes negative values. The location benefits of such economy (apart from natural resources) prove insufficient to attract foreign investors. At the second stage the NOI curve still assumes negative values which shows the dominance of inward investment over outward investment from a given country, and the gradient of the curve initially negative (although less than in the first stage) is starting to change into positive. A country needs to have some desirable characteristics which ensure the inflow of investors. The third stage of the investment development path is characterized by the positive gradient of the NOI curve which initially assumes negative values to reach positive values next. The location benefits of an economy at this stage such as a large absorbent market, well developed infrastructure and innovative potential enable the external effects advantage, which taking into account the increase of payments and production factors attracts mainly technologically advanced investment. The fourth stage of investment development path is characterized by a positive value of NOI and its clearly positive gradient. An economy at this stage of development outward investment dominate over inward investment and this tendency is growing which means that the country is a provider of net investment. The last fifth stage according to Narula and Dunning is open and unlimited with the NOI curve having both positive and negative values (reflecting the dominance of inward investment or outward investment for a particular economy) and a positive or negative gradient. Eventually the curve fluctuates around the line of balance (NOI=0), and the investment position of a country oscillates around zero.

[6] W. Karpińska-Mizielińska, T. Smuga, op.cit., p. 48.

Taking up the issue of Polish FDI also reflects the objectives of the foreign and economic policy of the Republic of Poland which are expressed, for example in the strategy of internationalization. The Ministry of Economy sees the instruments supporting the internationalization of Polish enterprises as an integral part of the Operational Program for Innovative Economy and the Regional Operational Programs for the years 2007-2013. "Increasing the presence of Polish enterprises in the international market" is one of the priorities of the economic policy of the government in line with the "assumptions for the strategy of promoting Polish economy" prepared by the Ministry of Economy. The Ministry stipulated that through "the strategy of internationalizing Polish economy"[7] it wants to promote the economy, that is Polish business abroad, and not "Poland" as a brand name. The strategy is focused on activities which are supposed to result in the growth of trade and investment, including Polish investment abroad. For the time being however, there are around 60 institutions and offices with an annual budget of 100 million PLN which deal with promoting the Polish economy is a manner which is not well coordinated or very effective[8].

In international publications concerning outward FDI attention has focused on analyzing the consequences of the capital outflow for the whole country economy. Special attention is paid to the job market, the impact on employment and productivity[9]. These aspects together with the predicted increase of Polish foreign investment should be the subject matter of further research. At the present stage however, it seems crucial to precisely identify the investment process itself, including the profile of the enterprises which become investors.

Recent studies concerning the internationalization of an enterprise seem to represent a compromising attitude and resort to eclectics in making use of various available theories depending on a widely understood context in which the process of the internationalization of a company takes place[10]. The foreign investment being the highest form of the process is so specific and idiosyncratic depending on the investor's country of origin, business environment, situation in a particular branch and the technological factors that it seems futile to search for a universal theory which would embrace all the elements, and which would be applicable in all cases[11].

[7] *Promotion goes to economy*, "Rzeczpospolita" 23.02.2010.

[8] To compare the Japanese Foreign Trade Organization JETRO has a yearly budget within the range of 1.2 billion PLN, in Great Britain the annual expenditure on promotion reaches 200 million pounds. "Rzeczpospolita" 23.02.2010.

[9] P. Debaerea, H. Leeb, J. Leec, *It matters where you go: Outward foreign direct investment and multinational employment growth at home*, "Journal of Development Economics", Vol. 91, Issue 2, March 2010, s. 301-309; S. Federico, G. A. Minerva, *Outward FDI and Local Employment Growth in Italy*, Economic working papers 613, Bank of Italy, Economic Research Department, 2007.

[10] M. Gorynia, B. Jankowska, *Teorie internacjonalizacji [Theories of internationalization]*, "Gospodarka Narodowa" 10/2007, p. 41.

[11] „Outward FDI is so strongly teleological, firm-, country-, sector-, and environment specific that one can hardly expect to develop an all embracing general explanation applicable in all cases".

It is assumed that the first stage of internationalizing a company is participation in foreign trade. The macroeconomic concepts described by M. Gorynia and R. Owczarzak explain the flow of exports and imports between countries. They include, among others, the concept of absolute advantage by A. Smith[12], the concept of comparative advantage by D. Ricardo[13], or for that matter the theorem by Heckscher-Ohlin-Samulson[14]. The link between the pure theory of foreign trade and the theory of international production is provided by the (mezoeconomic) concept of a product's life cycle by Vernon[15]. The concepts of international entrepreneurship are also in-between constructs between the above mentioned theories, and the FDI theories of a microeconomic character. The most popular one, the Uppsala model analyzes the sequences of the internalization of a company and *de facto* is a combination of earlier paradigms. It incorporates both, simple internationalization through trade as well as the complex ventures of direct investment[16]. As far as the in-between concepts are concerned the theoretical output is incredibly rich and it would be difficult to enumerate even a part of the various concepts. However, it is worth mentioning that they include both, very general paradigms, as for example the Investment Development Path (IDP)[17] which assumes that countries (economies) undergo a five-stage evolution in which the consecutive stages are marked by the country's inclination to exports or imports of investment, and according to which at a certain stage of development the country becomes the provider of the capital. On the other hand, there are also very detailed models which take into account the characteristics of the present globalized economies and which emphasize the new tools, e.g., the Internet[18].

1. Most likely the modest volume of FDI from Poland viewed against the background of international flow of capital should be related to the smaller scale of transnational corporations (TNC) originated in Poland, which are treated as vehicles

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M. Svetličič, *Theoretical context of outward foreign direct investment from transition economies*, in: M. Svetličič, M. Rojec, *Facilitating transition by internationalization, Outward direct investment from Central European Economies in Transition*, Ashgate 2003, p.15.

[12] A. Smith, *An inquiry into the nature and causes of the wealth of nations*, Warsaw, 1954.

[13] D. Ricardo, *Principles of political economy and taxation*, Amherst, New York, 1996.

[14] B. Ohlin, *Interregional and international trade*, Cambridge MA, 1933.

[15] R. Vernon, *International Investment and International Trade in the Product Cycle*, "Quarterly Journal of Economics" Cambridge 1966.

[16] J. Johanson, F. Wiedersheim-Paul, The internationalization of the firm – Four Swedish cases, http://www.iei.liu.se/program/ekprog/civilek_internt/ar_3/723g17/pwom_2008_filarkiv/1.104707/FourSwedishCases.pdf, date of access: 12.03.2011 and analysis by N. Kossut, F. Kaczmarek, *Internationalisation process of the firm Scania's case in Poland, Master Thesis - International Master's Programme in Business Administration - Strategy & Culture*, 2003/01, Avdelning, Institution Division, Department Ekonomiska Institutionen, Linköping, 20.01.2003.

[17] J. Dunning, R. Narula, op.cit., p. 1-9.

[18] S. Mathew, *Internationalization, The Internet influence on international market growth in the firm's outward internationalization process*, Queensland University of Technology, 2009, p. 193. The study showed a positive impact of the Internet and its tools including, Internet fora, discussion groups, e-business on the level of firm's internationalization, its international mindset, business relations, management and access to information.

for the distribution of capital. For this reason in order to study Polish FDI it seems justified to make reference not only to the classical FDI theories but also to the theories of international entrepreneurship. These two trends seem the most relevant to analyze Polish direct investment and Polish entrepreneurship in the EU.

Yet, it should be pointed out that the international publications concerning international entrepreneurship are in fact dominated by the perspective of well developed countries. As a result the object of analysis involves strategies and investment made by companies which come from countries with advanced technologies and which are addressed at less developed markets. At the other extreme, there is a handful of theories[19] (in comparison to the above mentioned ones) which refer to the so-called ethnic economy, which in fact analyze opposite situations, that is initiatives taken by companies originating from less developed countries and directed at more affluent economies[20]. Judged against the above mentioned theoretical background the functioning of Polish companies in the EU market (especially in the "15" old EU countries) looks rather atypical. The investment of Polish entities in the EU does not fit in within the classical models of capital flow from a well developed country to a poorly developed one, but on the other hand, they are certainly not exotic enough[21] to be analyzed in the context of an ethnic economy[22].

International Entrepreneurship (IE) defined as a "process of creative discovery and exploitation of opportunities which are located outside the domestic market of a company where it operates in pursuit of gaining a competitive advantage" does not exist as a separate and independent area of study[23]. In consequence the IE issues are to a limited degree taken up by researchers interested in the internationalization of enterprises and international management. B.M. Oviatt and P.P. McDougall regarded as pioneers of IE define this concept as a combination of proactive, innovative behaviour which accepts risk-taking, which transcends countries' borders and which is directed at creating value in organizations[24]. In other words, international

[19] Although in 2006 a report by UNCTAD was published under the title, „Direct foreign investment from developing economies undergoing transformation: implications for development", it in fact concerned investment made by the BRIC countries (Brasil, Russia, India and China) in the raw material, energy sector.

[20] I. Ekeledo, *Internationalization of firms from emerging economies: entry mode strategies and research propositions*, "International Journal of Business Strategy" January 2008.

[21] More about the similarities and numerous differences between FDI made by Corporation from the CEE countries and those from the „third world countries" such as the tempo of globalization changes, the number of small and medium companies, the role of ICT, low importance of ethnic ties, or a more defensive character, cf. M. Svetličič, *Slovenia Transition Economies' Multinationals - Are They Different From Third World Multinationals?* in: Chakraborty, Chandana (ed.), Proceedings of the 8th International conference on Global Business and Economic Development, January 7-10, 2004, Guadalajara, Mexico 2004.

[22] „You cannot be serious talking about outflows of capital when transition economies so badly need an inflow of FDI" –a comment made in 1996 quoted in: M. Svetličič, M. Rojec, op.cit, p. xxviii.

[23] T. Kraśnicka (ed.), *Przedsiębiorczość międzynarodowa Aspekty teoretyczne i praktyczne [International entrepreneurship. Theoretical and practical aspects]*, Katowice 2008.

[24] P.P. McDougall, B.M. Oviatt, *Some fundamental issues in international entrepreneurship*, "Entrepreneurship Theory and Practice" July 2003, p. 5.

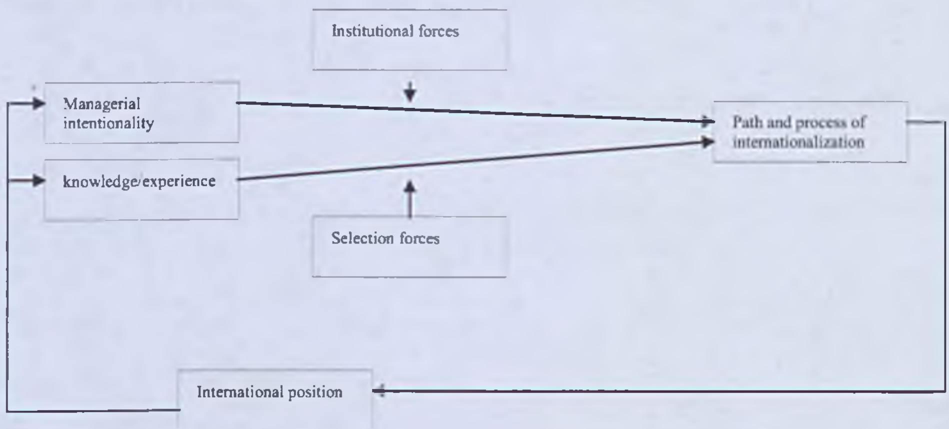
entrepreneurship is a process of discovery, enactment, evaluation and exploitation of opportunities beyond national borders in order to create new goods and services[25].

According to S.A. Zahr and G. George, IE is a process of creative discovery and exploitation of opportunities perceived outside the internal (domestic) market of a given company which strives to achieve a competitive advantage[26]. As it was observed by T. Kraśnicka IE is a separate but still not solidified research domain in the process of crystallization. Consequently, it has not yet won full acceptance from researchers dealing with both entrepreneurship and internationalization at the crossroads of which it is emerging[27].

T. Hutzschenreuter, T. Pedersen and H. Volberda propose a co-evolutionary model of internationalization in which the process of internationalization is a result of the conjugated interaction between managerial intentions, learning in the sense of gaining experience and other institutional factors and forces of selection[28]. The model suggests that processes of internationalization should take into account conscious, clearly defined aims, ambitions of the managerial staff, individually made decisions as factors determining the manner and the nature of making an investment. Thus, internationalization should not be treated only (mainly) in the sense of a reaction to the changes taking place within the so-called path dependence.

Graph 1

Model of internationalization according to T. Hutzschenreuter, T. Pedersen and H. Volberda



Source: after T. Hutzschenreuter, T. Pedersen and H. Volberda, The *role of path dependency and managerial intentionality: a perspective on international business research*, "Journal of International Business Studies", 2007, 38, p. 1057.

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[25] T. Kraśnicka (ed.), op.cit.

[26] S.A. Zahra, G. George, *International Entrepreneurship: The current status of the field and future research agenda* in: *Strategic Entrepreneurship Creating a new mindset*, M.A. Hitt (eds.), Oxford 2002, p. 259.

[27] T. Kraśnicka (ed.), op.cit, p. 19.

[28] T. Hutzschenreuter, T. Pedersen, H. Volberda, *The role of path dependency and managerial intentionality: a perspective on international business research*, "Journal of International Business Studies" 2007, 38, 1055-1068.

The so-called Uppsala model (of stages in internationalization) was a milestone in research into the process of internationalization of an enterprise. It was put forward by researchers from the Scandinavian School of Management, J. Johanson and F. Wiedersheim-Paul[29]. This approach assumes a sequence of steps which are taken mainly by small and medium size companies with an aversion to risk-taking in the process of expansion into foreign markets. The basic stages include: 1) lack of regular export activity, 2) exporting via the mediation of agents, 3) setting up a branch sale department, 4) starting own production abroad. In the Uppsala model foreign expansion is not *ex ante* the aim of the company but an effect of gradual decisions concerning close neighbouring markets[30]. The model became an inspiration for many developments and modifications referring to the idea of the sequential nature of the internationalization process. The criticism of the model refers to the fact that it is too general and deterministic as it does not specify the borderlines between various stages of the process, assumes unidirectionality, and as a matter of fact it cannot be applied to services and does not account for the possibility of skipping some stages, the so-called leapfrogging[31]. This kind of criticism became a springboard for building a model of unconventional internationalization[32]. This approach formulates a more general view that international companies, especially large corporations, frequently skip some stages from the Uppsala model, and they additionally show a tendency to enter distant markets in the early stages of expansion. Another proposal of simultaneous internalization, which according to M. Gorynia is a variety of unconventional internationalization, assumes that the convergence of economies and the Californization of needs favour simultaneous expansion into many markets and leapfrogging some stages in the sequential model[33]. A qualitatively new approach to the internationalization process is offered by the network approach in which a company is perceived as an element of a system of many actors mutually influencing one another, as a part of a network, which in turn is treated sometimes as a third possible form of coordination of an economy apart from hierarchy and market[34]. The network approach incorporates various trends such as resource dependence theory[35], or the new

[29] J. Johanson, F. Wiedersheim-Paul, (1975), op.cit., p. 305-322.

[30] The significance of the foreign expansion path of an enterprise is the knowledge and gained experience.

[31] M. Gorynia, B. Jankowska, op.cit., p. 29-30.

[32] L.S. Welch, R. Loustarinen, *Internationalization, Evolution of a concept*, "Journal of General Management" 14 (2), 1988, in: M. Gorynia, B. Jankowska, op.cit., p. 32.

[33] S. Bridgewater, *The internationalization process and type of firms*, in: *International Business. Theories, policies and practices*, M. Tayeb (ed.), Pearson Education Harlow 2000 in: M. Gorynia, B. Jankowska, op.cit., p. 33.

[34] D. Knoke, J.H. Kukliński, *Network analysis, basic concepts in markets, hierarchies and networks. The coordination of social life*. G. Thompson, J. Frances, R. Levacic, J. Mitchell, SAGE Publications, London, in: M. Gorynia, B. Jankowska, op.cit., p. 33.

[35] J. Pfeffer, G. Salancik, *The external control of organizations*, Harper and Row, New York, 1978.

institutional economy with the transaction cost theory[36] and it assumes that entering a new market requires establishing a network of relations in the market.

On the other hand in the REM model, internationalization is dependent on the following three factors: R – reason factor which defines the reason why a company makes a decision about internationalization, E – environment factor, determining where the company wants to implement internationalization, and the M - mode factor describing the manner of the internationalization of a company. These three factors influence one another and complement one another and are therefore treated not as independent variables but as dependent variables[37].

Foreign investment can be also viewed from the perspective of the so-called ethnic economy that is the part of an economy which is connected with the presence of immigrants. Research carried out by the German Institute of Urban Affairs in 2005 suggested that to fully describe this sector of economy a combination of three concepts should be used: the niche model (*das Nischenmodell*), the cultural model (*das Kulturmodell*) and the reaction model (*das Reaktionsmodell*)[38]. The niche model refers to the first generation of immigrants and defines activities taken by them mainly in order to fulfill their own specific needs, and it does not compete with the rest of the German economy (*Ergänzungsökonomie*). The cultural model perceives the emergence of an ethnic economy as a result of such factors as tradition, roots, community from which the immigrants come from and their economic order. The reaction model treats ethnic economy as a reaction to the existing circumstances; the only way to get past the hurdles. This particular model seems to be the most appropriate to describe the activities of Polish entrepreneurs in Germany. However, it seems that the application of the ethnic economy concept as the framework for analyzing Polish FDI in the EU countries is not justified because of the scale and nature of Polish immigration. The fundamental distinguishing characteristics of an ethnic economy including strong family ties, trust and mutual support for the compatriots, frequent unwillingness of the local community, operating in a sector where there is need for intensive labour outlay and low capital expenditure, where the major organizational form is a small company or a micro-company, and especially the assumption that the social networks within the group and ethnic resources are indispensable for the functioning of the ethnic economy[39], as well as the acceptance of the sequence of employment

36 O.E. Williamson, *Markets and Hierarchies, analysis and antitrust implications: A study in the economics of international organization*, New York 1975.

37 N. Daszkiewicz, *Internacjonalizacja małych i średnich przedsiębiorstw we współczesnej gospodarce [Internationalization of small and medium companies in contemporary economy]*, Gdańsk 2005.

38 H. Floeting, B. Reimann, U.K. Schuleri-Hartje, *Expertise Ethnische Ökonomie: Integrationsfaktor und Integrationsmaßstab*, Berlin 2004, http://middleeastmessenger.christina-schlegl.de/wp-content/uploads/ethnischeokonomie.pdf, date of access: 20.11.2010.

39 Cf. Idea of homophily - *birds of a feather flock together* – there is a very clear tendency among immigrants operating in Germany to form business groups, joint entrepreneurship despite the fact that such strong homogeneity of a group in terms of nationality does not correlate with good results of the company (homophily paradox). N. Fertala, *Determinants of successful immigrant entrepreneurship in*

from hired labour to self-employment[40], all these features do not seem to provide the best ramification to discuss Polish entrepreneurship in the EU.

In the literature devoted to the topic the theory of international production is also known as the OLI (ownership-localization-internalization)[41] paradigm because of the presented set of conditions. It is used as the theoretical basis for analyzing the international expansion of TNC, or the FDI flow. J.H. Dunning distinguished three types of conditions which have to be met at the same time for FDI to occur: 1. The company must have some ownership advantage which would give it an advantage over the competitors in another country. 2. The transfer of the advantage possessed by the company abroad within its own organization is more profitable than its sale or lease to a foreign company, that is there are benefits from internalizing its activity (in the sense of reducing the cost by carrying out transactions within the company). 3. There must be a localization advantage which makes the company place their production in a particular country. Thus, according to the eclectic model by Dunning, Foreign Direct Investment is a function of three variables which decide about the investment: characteristic features of a given company, benefits from internalizing its economic activity and localization benefits. A certain modification of this model was proposed by M. Peng who suggested that Dunning's OLI paradigm should be extended by the so-called option for learning advantage that is benefits coming from learning[42]. The term "option for organizational learning and innovation" should be understood as an opportunity (which is created by investing abroad) to acquire knowledge in the country of location and carry out innovative activity. M. Peng argues that apart from the readiness to overcome imperfections of the market and making use of the possessed advantage FDI should be treated as an opportunity for learning, innovation and growth. Another improvement of the OLI model is also suggested by S. Guisinger[43]. The OLMA paradigm replaces internationalization with the mode of entering a market (M - Mode of entry) and taking into account the adjustment of a company to the international environment (A – Adjustment) which allows for a holistic perception of the internationalization of companies.

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the Federal Republic of Germany, Dissertation: Universität Tübingen, 04 Wirtschaftswissenschaftliche Fakultät, 2005, p 204-205.

[40] O. Wahlbeck, *Work in kebab economy: A study of the ethnic economy of Turkish immigrants in Finland*, "Ethnicities" 2007, 7, 543, p. 558.

[41] J. H. Dunning, *The Determinants of International Production*, "Oxford Economics Papers" No 3, 1973.

[42] M. Peng, *Foreign direct investment in the innovation-driven stage: Toward a learning option perspective* in: M. Green, R. McNaughton, *The location of foreign direct investment. Geographic and business approach*, Avebury Ashgate Publishing 1995, p. 29-42.

[43] S. Guisinger, *From OLI to OLMA incorporating higher levels of environmental and structural complexity into the eclectic paradigm*, "International Journal of the Economics of Business" vol. 8, no 2, 2001.

The transaction cost theory[44] provides conceptual ramification for the choice of the form of foreign expansion made by a company. The choice is subordinate to the minimization of the production and transaction cost. The latter include the cost of obtaining all kinds of information necessary for the functioning in the market environment, the cost of conducting negotiations with partners and the cost of complying with contracts. The existence of a positive transaction cost results from market inefficiency as a way of regulating a transaction. The available literature on the modes of entering a foreign market is incredibly rich[45]. The following methods are distinguished: the *greenfield* type of investment, that is from scratch, is taken by companies which want to finance a completely new economic entity in the country of destination by building all the necessary facilities; acquisitions which involve purchasing an existing company in the country of destination by a foreign investor which is done by acquiring the controlling block of shares from the former owner; mergers which occur when two or more companies merge together, and joint-ventures which take place when the resources of two companies are joined and a new entity is therefore created with both companies sharing the ownership of the new entity and the profits brought by the company. Also the *brownfield* investment can be distinguished which is a specific kind of acquisition, when the investor initially purchases an already existing company and transforms it into an almost completely new entity.

INVESTMENT FROM THE COUNTRIES OF SYSTEMIC TRANSFORMATION IN CENTRAL AND EASTERN EUROPE

The theoretical discourse concerning the Outward Foreign Direct Investment (OFDI) from the countries of Central and Eastern Europe (CEE) indicates certain departures from the main trend (that is from classical FDI theories for highly developed countries) but these deviations are not significant enough to question the use of these theories to analyze the realities of transformational economies[46]. Any occurring divergences should be first of all ascribed to the delay with which companies from these countries enter the process of globalization, the tempo of globalization and other aspects of the reality in which they function[47]. The research into FDI from the countries of systemic transformation shows that the primary stimulus for the companies from that region to go for internationalization consisted of external pull factors rather than the possessed advantage or resources acting as factors pushing them out

[44] M. Gorynia (ed.), *Strategie firm polskich wobec ekspansji inwestorów zagranicznych [Strategies of Polish companies towards expansion of foreign investors]*, Poznań 2005, p. 28

[45] M. Gorynia (ed.), op.cit., p. 50.

[46] M. Svetličič, *Theoretical context of outward foreign direct investment from transition economies*, in: M. Svetličič, M. Rojec, *Facilitating transition by internationalization, Outward direct investment from Central European economies in transition*, Ashgate 2003, p.15 and M. Svetličič, *Slovenia Transition*, op.cit.

[47] M. Svetličič, *Theoretical context*, op.cit., p.15.

of the country (push factors)[48]. The situation will be changing parallel to the development of these economies. It is already so in the case of investment made in more mature, more affluent markets. Companies should possess certain resources which make them competitive and attractive enough to invest in a more developed market. The resources model[49] or the evolutionary model[50] seems to be highly applicable here. The concept of searching for resources abroad is contradictory to both[51]. On the other hand the unconventional theory of imbalance which assumes that enterprises do not have certain assets but they want to acquire them in the process of foreign investment (and regain balance) is a combination of both above approaches[52]. What is significant, as the name itself suggests the unconventional theory of FDI imbalance, contrary to the pure resources searching theory, puts an emphasis on some kind of imbalance between the assets which the company possesses and those it is short of. Consequently, it takes into account both the strong and the weak points of the company looking at it holistically, through a set of elements which constantly affect one another. It analyzes relations between the elements without limiting the perception of the company only to the prism of its advantages or its weaknesses but it treats FDI as an attempt to regain balance by acquiring the missing resources.

The specificity of FDI from the CEE countries is brought to attention in analyses by E. Rugraff[53]. The investment originating in the Czech Republic and Hungary is most often made by foreign investors already operating in those countries (the so-called indirect investment made by entities with the participation of foreign capital). In the case of Slovenia their national entities which aspire to the rank of transnational corporations decide to enter foreign markets. The investment from Poland is, on the other hand a result of activities undertaken by large enterprises, as a rule with state capital which represent strategic sectors such as the extraction or infrastructure sector. The specificity of FDI from the CEE countries stems from the fact that there is a small number of TNCs investing in the neighbouring countries which is responsible for the majority of the outward capital in the form of FDI.

[48] M. Svetličič, *Conclusions, Policy Suggestions and Future Perspective*, in: M. Svetličič, M. Rojec, op.cit, p. 244.

[49] E.T. Penrose, *The theory of the growth of the firm*, Oxford 1959.

[50] B. Kogut, U. Zander, *Knowledge of the firms and the evolutionary theory of multinational corporations*, "Journal of International Business Studies" 4th Quarter, 1993, p. 625-646; C.K. Prahald, G. Hamer, *The core competence of the corporation*, HBR, May-June,1990; J.A. Cantwell, *Technological innovation and multinational corporations*, Oxford 1989, J.A. Cantwell, *Transnational corporations and innovatory activities UN Library on Transnational Corporations*, London, New York, 1994.

[51] A. Fosfuri, M. Motta, *Multinationals without advantages*, "Scandinavian Journal of Economics" vol. 101 (4), 1999, p. 617-630.

[52] H.C. Moon, T.W. Roehl, *Unconventional foreign direct investment and the imbalance theory*, "International Business Review" Vol. 10, 2001, p.151-161.

[53] E. Rugraff, *Strengths and weaknesses of the outward FDI paths of the Central European countries*, "Post-Communist Economies" Vol. 22, Issue 1 March 2010, p. 1-17.

As far as the outward FDI is concerned, K. Kalotay includes Poland in the group of "Seven Dwarfs" together with Estonia, Croatia, Hungary, Czech Republic, Slovakia and Slovenia, and their FDI is confronted with investment from the Russian Federation[54]. This group of countries is, among others, characterized by the limited role of the state as a catalyst of changes creating favourable conditions for FDI made by regional companies. Such investment is generally concentrated only in the region, in the neighbouring countries and mostly motivated by the small size of the domestic market, which in fact makes the scale advantage impossible to achieve. Additionally, such FDI has a horizontal character, that is it is motivated by the aim of gaining access to foreign markets.

Generally, the specificity of FDI from the CEE countries results from the relatively significant role played by foreign investors and from substantial involvement of the service sector (banking, commerce). This differentiates the FDI flow from those carried out by companies from highly developed countries, as a rule located in the industrial sector to start with[55]. The FDI from the CEE countries is also strongly influenced by all the globalization processes including accession to the EU[56].

On the other hand, the analyses by M. Gorynia, J. Nowak and R. Wolniak point out the idiosyncrasy of the investment development path (IDP) for particular countries and the impact of the external effects for the shaping of the net outward investment (NOI) position for the CEE countries[57]. As it seems the financial-economic crisis of 2008-2009[58] speeded up the moment of transition to the consecutive stages of NOI for these countries. In this context it is worth mentioning that the opposite effect on the investment position of some countries was made by a seemingly positive impulse, namely accession to the EU (Portugal and Austria)[59]. This situation in connection with the increased inflow of new investment had a disturbing effect on the relations between inward and outward FDI, and by the same token it delayed the transition of these economies to the successive stages of IDP. In other words, despite the fact that countries generally follow the path of IDP (especially small and medium-size ones, because in the case of large countries like, for example the

[54] K. Kalotay, The future of Russian outward foreign direct investment and the eclectic paradigm: What changes after the crisis of 2008–2009? http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1702829, p. 14.

[55] K. Kalotay, *Outward FDI from Central and Eastern European Countries*, "Economics of Planning" Vol. 37, No 2, p. 141-172, DOI: 10.1007/s10644-004-7506-z , p. 148, 151.

[56] M. Svetličič, op.cit., 2004.

[57] M. Gorynia, J. Nowak, R. Wolniak, *Foreign direct investment of Central and Eastern European countries, and the investment development path revisited*, "Eastern Journal of European Studies" Vol. 1, Issue 2, December 2010, p. 34.

[58] More about the possible impact of the crisis on FDI but mainly outflowing from Russia see K. Kalotay, *The future…*

[59] M. Gorynia, J. Nowak, R. Wolniak, op.cit., p.27.

Russian Federation the outward FDI can be explained by other factors, e.g., the oligarchic system, wealth concentration, or the willingness to shift capital) its precise course remains different for individual countries[60].

The low level of outward FDI from the CEE countries is caused by the disadvantaged status of "late investors" and the systemic transformation cost. Also, the shaping of the net position on the Investment Development Path (IDP) in these countries was affected by the EU enlargement in 2004, which gave a stimulus not only for the expansion of domestic companies but also for additional inward FDI[61].

Sometimes in the literature devoted to FDI a term 'middle income countries' is used[62]. It describes economies located (in a figurative sense and sometimes in a geographically literal sense like in the case of Poland) between the highly developed, affluent and technologically advanced countries, and poorly developed countries with a cheap workforce. The necessity to treat companies from such countries in a different way stems from the fact that they do not possess a specific advantage, a well known brand or unique technology, and from relying on low production costs. Companies from such countries cannot compete, e.g. in terms of technology with firms from highly developed countries and in terms of costs with companies from poorly developed countries. Therefore designing further research into Polish FDI aimed at exploring and classifying them should take into account many from the above paradigms. In terms of theory, such research is in a way an attempt to answer a question to what extent these theories are useful when analyzing a relatively atypical phenomenon (investment from a less developed to a more developed country) but not entirely exotic (because of the various similarities between the EU countries and Poland), a kind of "atypical classic example".

POLISH FOREIGN INVESTMENT

There is not a lot of research concerning Polish foreign investment[63]. It includes: annual reports of the National Bank of Poland (NBP), the UNCTAD World Investment Reports, information from the Trade and Investment Promotion Department, as well as from the Economic Departments which function next to Polish diplomatic services abroad, and additionally from: press articles and the report of the Analyses and Forecasting Department of the Polish Ministry of Economy, e.g., "Polish direct investment 2006/2007" published in March 2008, or the still rare scientific analyses[64].

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[60] K. Kalotay, *Outward FDI ...*, p. 152-153.

[61] Ibidem, p.140.

[62] A. Klimek, The Determinants of Outward Foreign Direct Investment: the Case of Poland Very preliminary (draft), July 2009, http://etsg.org/ETSG2009/papers/klimek.pdf , p. 3.

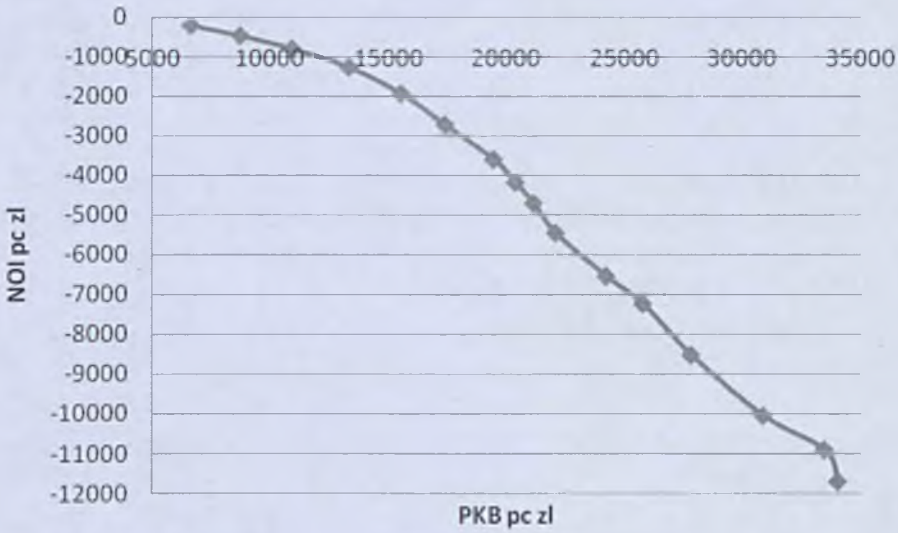
[63] E. Radomska, Head of Economics Department and a lecturer in the Institute of Economics and Management at Polish Open University (POU), http://www.pou.pl/ , date of access: 10.11.2010.

[64] D. Rosati, W. Wiliński, *Outward Foreign Investments from Poland*, in: M. Svetličič, M. Rojec, op.cit., p. 175-204; 244.

What is the position of Polish foreign investment? The Analyses and Forecasting Department in the Ministry of Economy of the Republic of Poland conducted a comparative analysis on the basis of the UNCTAD data for Poland, the Czech Republic and Hungary for the period from 1997 to 2007. With reference to the NOI index per capita, that is the net value of outward investment which constitutes the difference between the outward FDI and the inward FDI, these countries (including Poland) can be classified between the third and fourth stage of development. On the other hand, according to M. Gorynia, J. Nowak and R. Wolniak and the research they quote[65], Poland is at the final phase of the second stage and at the beginning of the third stage[66]. This classification is also confirmed by the data from the NBP concerning the international position of Polish investment in the years 1994-2009.

Graph 2

The investment position of Poland measured with NOI per capita



Source: prepared by the author on the basis of the "NBP international investment position of Poland, 1994-2009 – annual data (USD, EUR & PLN)".

[65] F. Boudier-Bensebaa, *FDI-Assisted Development in the Light of the Investment Development Path Paradigm: Evidence from Central and Eastern European Countries*, "Transnational Corporations" 2008, Vol. 17, No 1, p. 37-67, C. Kottardi, F. Filippaios, M. Papanastassiou, *The Investment Development Path and the Product Cycle – An Integrated Approach: Empirical Evidence from the New EU Member States of CEE*, "University of Reading Economics and Management Discussion Papers" 2004 No 003, Reading: University of Reading. after M. Gorynia, J. Nowak, R. Wolniak, op.cit., p. 23-25.

[66] M. Gorynia, J. Nowak, R. Wolniak, op.cit., p. 26.

UNCTAD, which is the major source of information about the condition and flow of direct foreign investment in the world, has for years published indices concerning real and potential FDI. They include the so-called FDI Performance Index of real FDI and the FDI Potential Index concerning potential FDI[67]. The index of real foreign direct investment is calculated as a relation between the participation of a country in the international FDI and its share in the world GDP. The index value higher than 1 shows that the country receives or sends out more FDI than it is expected judging by its economic position. The FDI Potential Index includes a wide range of factors which affect attractiveness such as, the value of GDP, expenditure on Research and Development, the ratio of students in the general population, etc. According to the available data (lack of information about the index value) with respect to the real inward FDI (2005-2007) Poland was ranked 60 in the analyzed group of 141 countries, and with respect to the potential FDI index it was ranked 43. With respect to outward FDI it was ranked 38.

Another index of participation in the international flow of capital used by UNCTAD is the number of transnational corporations from a particular country. According to UNCTAD 2000 the list of top 25 non-financial TNCs based in CEE included only one company from Poland, KGHM Polska Miedź ranked 22. The Network Spread Index also remains quite low, and it correlates to the number of countries in which the company is present with the number of countries potentially open to inward FDI (for Poland it is 1.82)[68]. Other calculations, the so-called outward FDI performance index (OFDIPI) point to the country's potential concerning outward FDI, and indirectly to the possibility of the transition to further stages of NOI as it is assumed in J.H. Dunning's model[69]. The value smaller than one means a weaker participation in supplying capital (the correlation between the GDP of the country and the world GDP) in the form of FDI (the correlation between the country's outward FDI and the world outward FDI) than it would be expected judging by the participation of the country in the world economy. For Poland in the years 1990-2008 the index assumed values within the range of 0.02-0.536. Beginning with 2005 when it reached a maximum level, it has been dropping and it reached 0.222 in 2008[70].

According to UNCTAD figures Polish direct foreign investment worth 3,120 million Euro in 2007 constituted 0.35% of the world capital flow in foreign investment. This ranked Poland at 44. However, in terms of cumulative value it was ranked 43 (about 19,500 million Euro). In the ranking of the EU countries Poland holds 16th position as far as the cumulative value of Polish capital invested

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[67] *World Investment Report: Transnational Corporations and the Infrastructure Challenge*, UNCTAD, Geneva 2008.

[68] K. Kalotay, *Outward ....* , p.158-159.

[69] M. Gorynia, J. Nowak, R. Wolniak, op.cit. p. 32.

[70] Ibidem, p. 30.

abroad is concerned[71]. In 2005 the value of Polish foreign investment constituted as little as 33% of inward FDI, in 2006 this correlation was improved and reached 46.9%[72].

For many years the Polish FDI was on the verge of a measurement error. In 2004 it reached a decent value of 624 million Euro[73]. According to experts, companies had to reach the maturity level for foreign investment. To start with small companies merged with small companies and medium-size ones with medium-size ones. Then large companies emerged on a national scale and they started to think about becoming a large company on a regional scale. This kind of strategy became very clear after accession to the EU.

According to some opinions the small participation of Polish investment in outward investment from the region of Central and Eastern Europe is in particular clearly visible when we correlate it with other indices such as the participation of Polish GDP in the GDP of the region, or the share of inward foreign investment coming to Poland against the backdrop of inward investment coming to the entire region[74]. This is most likely determined by the size of the country. Namely, the substantial size of the internal market did not provide a stimulus for expanding business activity outside its area. Other barriers are most likely connected also with the low level of national reserves ("hunger for capital") and high attractiveness for the inflow of foreign capital, which meant that Poland was a receiver of FDI rather than a supplier. Such a situation seems to reflect the predictions of the model of developmental stages by Ozawa[75] and can be explained by the theory of conditionings[76].

In 2009 the world value of FDI dropped by 40% in comparison with 2008 and it amounted to ca. 1 billion dollars. The drop was mainly caused by a drastic decrease of mergers and acquisitions (M&A) by 2/3 and a drop in greenfield projects

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[71] L. Pałys (ed.), *Polskie inwestycje zagranicą [Polish foreign investment]*, Instytut Badań Rynku, Konsumpcji i Konkurencji, Studia i Materiały 87, Warszawa 2009, p. 10.

[72] J. Wyszkowska-Kuna, *Foreign Direct Investment in the Service Sector - Flowing from Poland and into Poland - in Light of Poland's Accession to the European Union*, "Comparative Economic Research" Vol. 11, No 4/2008, University of Łódź, p. 41.

[73] *Polskie firmy zaczynają ekspansję zagraniczną [Polish companies start expansion abroad]*, "Gazeta" 11.10.2006.

[74] D. Rosati, W. Wiliński, op.cit., p. 200.

[75] The paradigm assumes that the growth of an economy in the process of evolution is based on different factors in consecutive stages, starting with raw materials and traditional production factors, through a stage directed by investment, the stage of innovation until the stage when the development depends on the level of affluence. T. Ozawa, *Foreign Direct Investment and Economic Development*, "Transnational Corporations" 1992, Vol. 1, p. 27-54.

[76] The model assumes that the internationalization of a company depends on domestic determinants including economic policy and the structure of industry. It can be assumed that lack of public incentives and absorbent internal market did not stimulate investment made by Polish companies in foreign markets. P.R. Lawrence, J.W. Losh, *Organization and Environment*, Harvard Graduate School of Business, Cambridge Massachusetts, 1967; P.W. Turnbull, *A challenge to the stages theory of the internationalization process*, in: P.J. Rosson, S.D. Reed (eds.) *Managing export entry and expansion*, New York 1987, p. 21-40.

by 23%[77]. The world economic crisis discouraged Polish companies from investing abroad[78]. At the same time, however, experts are emphatic that this is the best moment to start a business in foreign markets[79]. According to a report by Grant Thornton International (GTI) out of 36 countries which were investigated the ambition to acquire another company is in Poland incomparable to any other country[80]. It seems that the crisis is encouraging Polish companies into aggressive expansion. As many as 2/3 of the researched companies are planning to take over another company in the next three years. Although in the majority of cases this involves companies in Poland, 48% of the respondents also take into account foreign markets. The primary aim is to find new markets (60% of declarations), gain access to new technologies and attractive brands (53% of responses), or to expand the scale of the conducted activity (19%). According to the report by KPMG and PAIIZ from April 2010 the foreign expansion of Polish firms is growing[81]. Since 1994 Polish companies have invested 76 billion PLN in foreign markets. Almost 40% of the income of Polish producers comes from abroad. Over 90% of the largest Polish companies are present in foreign markets. In the last five years the value of the FDI of Polish companies has risen more than six times. The breakthrough moment was in 2004 when Poland joined the European Union. Before that date the average annual value of Polish FDI was ca. 86.7 million Euro, after 2004 it was over 3 billion Euro. Research done by KPMG and PAIIZ shows that as many as 88% of all the companies present in foreign markets export their products, 55% cooperate with foreign partners, and 23% have their branches abroad. Export is usually the first stage of expansion. Only 18% of company owners decide to invest in their own production branches. According to the studies by KPMG and PAIIZ the preferred region for expansion is Western Europe (88%), then Central Europe and the Balkans (71%) and Eastern Europe (61%). The highest percentage of business entities operate in the German market (75%) followed by the Czech and Ukrainian market. As experts from KPMG and PAIIZ underline, reforms in the Polish economy started 20 years ago, but the expansion of Polish companies abroad started only 5-6 years ago. According to the NBP data cumulative Polish foreign investment in the years 1994-2009 reached as much as 26.1 billion dollars that is about 77 billion PLN. According to the recent NBP report Polish foreign investment in 2009 reached the level of ca. 3.8 billion Euro (with the value of inward FDI equal to 7.5 billion Euro)[82].

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[77] *Auslandsinvestitionen erholen sich wieder*, "Wirtschaftswoche" 20.01.2010.

[78] Cf. *Słabnie ekspansja polskich firm [Expansion of Polish firms on the decrease]*, "Rzeczpospolita" 15.02.2010.

[79] *Zagranica kusi wyprzedażami [Tempting with sales abroad]*, "Puls Biznesu" 14.01.2010.

[80] *Duży apetyt firm znad Wisły [Big appetite of Polish companies]*, PAP, 2010-02-26.

[81] From press coverage: "Rzeczpospolita", "Dziennik Forsal", "Gazeta Wyborcza" 01.04.2010. KPMG Consulting Agency and Polish Agency for Information and Foreign Investment randomly chose and analyzed 112 out of a thousand companies with the majority of Polish capital.

[82] National Bank of Poland, Department of Statistics, *Polish foreign direct investment in 2009*, Statistical Supplement, Warsaw, September 2010.

When analyzing Polish FDI it seems purposeful to quote the results of the research carried out in 2006 by the Institute for Market, Consumption and Business Cycles Research (in Polish abbreviated as IBRKiK) from Warsaw commissioned by a commercial insurance company, Korporacja Ubezpieczeń Kredytów Eksportowych and carried out on a group of investors and potential investors[83]. It is also in order to refer to the possibly first in Poland comprehensive analysis of outward FDI outgoing from Poland which was carried out by a research team from the Nicolaus Copernicus University in Toruń in 2007[84]. In the first case, the study included 40 firms (10 investors and 30 potential investors) with the majority of Polish capital from the top of the ranking list (e.g., the 500 largest companies in Poland)[85]. The majority of firms were large companies, that is employing over 249 people. The study confirmed a positive correlation known from earlier analyses between such elements as: the size of the company, its financial situation, or exporting experiences and participating in FDI. The factors deciding about making FDI included: prospective market, earlier exports to a given country, or low cost. To a lesser extent the decisive factors included personal contacts, or the possibility of cooperation with foreign entities. Such an important role attached to the factors referring to the past (exporting experience) and to the future (market prospects) implies that Polish entrepreneurs make an impression of being as if "suspended" between what was and what will be. The real factors in the real time of "here and now" (*hic et nunc*) seem to matter less. The decision to make FDI is also influenced by the assessment of investment barriers. In the analysis carried out by IBRKiK over 50% of respondents pointed to insufficient financial resources and lack of knowledge about conditions in the given market. Substantial competition was listed by 1/3, while 1/4 of the respondents mentioned the lack of an insurance system offered by Polish insurance companies, and 1/5 pointed to bureaucracy and an unstable political situation. In the future the company owners are mostly afraid of a change in the legal regulations, and they fear unfair competition from other companies the least. A clear tendency to start with investing in markets located in close vicinity, and a later expansion into further markets confirms earlier observations made by foreign studies[86]. Future investors expect to increase the scale of their activity as a result of making FDI, whereas they attach not much importance to the possibility of improving their work efficiency and increasing innovation. The majority of the potential investors in the study expected help form Polish state institutions[87]. It was to be demonstrated first

[83] W. Karpińska-Mizielińska, T. Smuga, op.cit., p. 31.

[84] W. Karaszewski, (ed.), *Bezpośrednie inwestycje zagraniczne polskich przedsiębiorców [Foreign direct investment by Polish entrepreneurs]*, Toruń 2008.

[85] Research showed that companies with domestic capital lower than 100%, mainly companies with participation of foreign capital which were created as a result of earlier FDI (indirect investor) show a higher tendency to undergo internationalization. M. Svetličič, *Conclusions*... op.cit., p. 201.

[86] W. Karpińska-Mizielińska, T. Smuga, op.cit., p. 41.

[87] Already a few years ago attention was drawn to the need for quick and concrete actions taken within the economic policy. Due to the tempo of globalization processes and the extent of economic

of all by "creating a favourable climate for investment by maintaining good political relations", by "public help, that is direct financial support", as well as by supplying information about the investment conditions in a given country". The most frequent form of investment was establishing a branch (40%), building a branch (30%), less frequently it involved a decision about buying shares (20%) or joint ventures with a foreign partner (10%)[88]. As it was pointed out by the IBRKiK experts a significant dispersion of the respondents' opinions suggests that decisions about investment were of a very individual nature. The investors considered insufficient support from the Polish economic policy (50%) and insufficient own financial resources (40%) as the most important barriers encountered during the investment process. However, none of the respondents included a lack of incentives (facilitation) on the part of the receiving country, or large competition as a barrier for such investment. It appears that the expectations of investors and potential investors are directed at state authorities and institutions, whereas there are no demands or even expectations towards the receiving country; "a decisive importance was attached to barriers coming from Polish economic policy and then from the company's capacity (lack of capital and the know-how), while less importance was attached to the conditions present in the market of the receiving country". According to the Institute for Internal Market and Consumption, the process of the internationalization of Polish enterprises is at the very initial stage of development[89].

The analyses carried out by the Nicolaus Copernicus University involved 102 companies which made investment abroad. The largest group of companies under study (64%) included enterprises which made the greenfield type of investment. Only 17% pointed to acquisition as a way of entering a foreign market. Another dominant group of entities (63%) included companies which operated by a subordinate branch or company, and only 22% participated in joint ventures[90]. The major direction of foreign expansion in the form of FDI includes the EU countries (60% of the investment). Out of this 60% is involved in the 15 old EU countries and 40% in the 12 new EU member states[91]. The main reasons behind FDI included market and cost factors, the scale benefit. The responses of the companies show some inconsistency. On the one hand, for one third of the respondents making an investment decision was aimed at reducing the risk in the domestic market by diversification, on the other hand however, one third of the respondents admitted that they did not estimate the risk of the project because of the lack of need and competences.

transformation, and after years of neglect, entrepreneurs from transformational countries do not have time for gradual restoration of potential and development of competition advantage therefore support from the state is very much in order. M. Svetličič, *Conclusions*, op.cit.

[88] W. Karpińska-Mizielińska, T. Smuga, op.cit., p. 43.

[89] E. Maleszyk, *Internacjonalizacja polskich przedsiębiorstw handlowych [Internationalization of Polish trade companies]*, "Gospodarka Narodowa" 9/ 2007, p. 96.

[90] Results showed that this form of investment corresponds with low level of met expectations. Karaszewski, (ed.), op.cit., p. 342.

[91] Ibidem, p. 23.

The hypothesis concerning the positive influence of allocating capital abroad on the competitiveness of Polish investors was positively verified. The companies themselves competed mainly thanks to the high quality of provided services and goods. The "Polish origin of the capital" proved to have a positive influence on the image of the company and it positively affected its development in the foreign market (confirmation of the hypothesis that a significant impact on the development of companies with Polish capital abroad is made by transferable resources within the "investment packages" from parent companies)[92]. The study, "Success factors for Polish enterprises in the European Union markets" published by the Warsaw School of Economics demonstrated that successful companies as a rule make use of the cost advantage in comparison with western entities, as well as of their relations with the buyers, advantage of time, reputation and quality[93]. The results also show that the so-called key competences including developed technologies and skills are a source of competition advantage for 30% of Polish companies operating in the EU markets. These competences are of a systemic nature of certain clusters combining possessed resources, relations with the outside environment (outstanding skills), competences (technologies and the know-how) and capacities (e.g., learning, management)[94]. All of these allow for long-lasting advantages due to the possibility of achieving a certain sequence of short-lasting advantages[95], which suggests that they are flexible and adaptable to the changing and dynamic market conditions.

The central bank (NBP) predicts that in 2011 the inward FDI will increase to ca. 12.7 billion Euro, whereas the Polish outward FDI will reach ca. 2.1 billion Euro in comparison with 2.5 billion for 2010[96]. According to the analyses presented by the consulting services, Akademia Rozwoju Systemów Sieciowych the number of foreign shops under the signboards of Polish brands will increase. The annual tempo of changes might reach15-20%[97]. The major incentive towards expansion in the form of franchising includes mainly success achieved in the country. At present over 40 national franchising networks have been developing abroad.

According to the report published by the end of March 2011 by the Institute for Market, Consumption and Business Cycles Research and by the New York Columbia University, Polish foreign investment has been only slightly affected by the crisis[98]. There was a drop from the level of 5.5 billion dollars in 2007 to about 4.5 billion in 2008 and an increase to the level of over 5 billion dollars in 2009. The consequences of the crisis for the world economy mostly affected the metal and motoring indus-

[92] Ibidem, p. 348.

[93] Z. Pierścionek, S. Jurek-Stępień, *Czynniki sukcesu polskich przedsiębiorstw na rynkach Unii Europejskiej [Success factors for Polish enterprises in the European Union markets]*, Warsaw 2006.

[94] Ibidem, p.10.

[95] Ibidem, p. 18.

[96] NBP : FDI in 2011 will amount to 12.7 billion Euro, "Forsal" 26.11.2010 .

[97] *Polish brands conquer Europe*, after "DGP" and "Rzeczpospolita" 15.11.2010.

[98] *Orlen the largest foreign investor*, "Rzeczpospolita" 31.03.2011.

tries, whereas the chemical and petrochemical industries noted a kind of boom, and the highest growth was felt by the producers of food, drinks and companies providing business services. The ranking of Polish firms with the largest assets abroad is led by the fuel extraction companies, PKN Orlen and PGNiG[99].

CONCLUSIONS

Due to the small scale of direct investment made by Polish enterprises abroad this issue has not been a subject of special attention in the economic literature[100]. However, together with the developing participation of Poland in the globalization processes it should be expected that the volume of such investment will increase. Nevertheless, the opinions that Poland in the near future will become an exporter of the net capital in the form of FDI seem premature. This conclusion stems from the fact that: the interest of foreign investors in locating their capital in Poland remains high, the level of competitiveness of the majority of Polish companies is still low, the incentives to make FDI are insufficient (both in the target countries of the investment as well as on the part of the Polish government, e.g., via the guarantees and insurance of credits allocated for such investment). Three stages can be distinguished in the policy supporting FDI among the national business entities[101]. The first stage includes activities connected with the liberalization of capital flow; the second stage involves passive promotion concerning making agreements about avoiding double taxation and signing agreements concerning the mutual protection of investments. When it comes to the third stage involving active promotion which includes grants, subsidies, support for foreign expansion and the functioning of a promotion agency, it seems that Poland has barely entered this stage.

According to predictions Polish companies have increased their tendency to make direct investment mainly in well developed countries[102]. In 2006 European countries received 97.2% of all Polish foreign investment. It is difficult to regard Polish entrepreneurship in the EU countries, especially in the countries of the "old" EU, as unique or peculiar. At the same time however, it does not fit in with the classical paradigm of investment flowing from a "better developed" to a "less developed" country. On the one hand, there is relatively a lot of similarity between the economies of EU members. On the other hand the specificity of the situation stems from the fact that the capital comes from a country where it is a rarer factor which stands

[99] The ranking included 19 companies which in 2009 possessed assets abroad worth over 10 billion dollars and their income from foreign sale amounted to 17 billion dollars. They had altogether 275 foreign branches in 50 countries where they employed nearly 14,000 people. As many as 18 of these companies have their shares quoted on the Warsaw Stock Exchange, and two companies are also quoted on a Stock Exchange abroad.

[100] W. Karpińska-Mizielińska, T. Smuga, op.cit., p. 31-52; W. Karaszewski, (ed.), op.cit, p. 9.

[101] K. Kalotay, *Outward*, op.cit. , p.166.

[102] W. Karaszewski, (ed.), op.cit., p. 340.

in opposition to the traditional conception of capital flow. As far as Polish direct investment is concerned there is a need for further research. The research should, among others, serve the purpose of identifying, describing and classifying the behaviour and strategies of Polish enterprises in the EU by making references to the existing theoretical paradigms which were discussed in the present article[103]. Also it should establish certain regularities occurring in this scope, and in its further part it should formulate some recommendations addressed to the actors engaged in the process: politicians, local decision-makers and the investors themselves.

[103] Cf. the proposal pointing to the need to work within the framework of International Business (IB) to develop classification and typology. R. Aggarwal, J. Berrill, E. Hutson, C. Kearney, *What is a multinational corporation? Classifying the degree of firm-level multinationality*, "International Business Review", "In Press", Corrected Proof, available online 17 December 2010, date of access: 02.03.2011.