

Chapter 45

Outward Foreign Direct Investments: Experience of Polish Companies

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ABSTRACT

Dynamic changes that have taken place on Polish, European and global markets for the last two decades shifted significantly the conditions in which companies operate. Globalization, liberalization of capital flows, participation in the European Union not only increased competition on Polish market, but radically boosted the competitive potential of Polish firms. This, in turn resulted in growing interest in expanding the activity on international scale in the form of Outward Foreign Direct Investments (OFDI). Therefore, the aim of the chapter is to discuss the most important stimuli, which impact competitive potential of Polish companies and increase their interest in foreign activity. Moreover, theoretical background of company's internationalisation are presented, as well as the scale and structure of Polish OFDI and incentives provided by Polish institutions.

INTRODUCTION

Dynamic changes that have taken place in Poland during the last 25 years shifted significantly the conditions in which companies operate. Polish economy emerged from half a century of state control, industries were privatized, and reforms enabling market-based competition were introduced. Within a few years, Polish GDP began to rise significantly, operating conditions became more favourable for business, which resulted in the mushrooming of dynamically developing firms. Accession to the European Union (EU) in 2004 delineated a development path that enabled the country to catch up with the most advanced economies of Europe (Bogdan, Boniecki, Labaye, Marciniak, & Nowacki, 2015).

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Outward Foreign Direct Investments

Recent two decades are marked with a clearly increasing potential of Polish enterprises, which is reflected not only in their increased activity in the internal market but, primarily, abroad. More and more often international expansion takes a form of outward foreign direct investments (OFDI), which (due to political and legal restrictions) practically did not exist before 1990. The Europe Agreement signed in 1994 and establishing an association between the European Communities and their Member States and Poland gave more freedom in the movement of capital. However, real investment boom took place only in the last decade.

The main research task of the chapter is to investigate the scale, structure, and directions of Poland's OFDI. Moreover, the authors present conditions, which increased the competitive opportunities of Polish companies and their interest in OFDI. The chapter consists of four major parts. Theoretical concepts, which explain internationalisation models for companies, are reviewed in the Background. The second part outlines Polish transformation experiences since 1989 and the main directions of the political and economic changes during the last 25 years, which have influenced the development of entrepreneurship in Polish firms. The third one discusses the conditions that encouraged Polish firms to start their FDI activity as well as the main motives behind the process. The fourth part presents the picture of Polish OFDI, their scale, structure, sectorial patterns and directions in light of the current theories and existing research.

The study uses statistical data obtained from the Central Statistical Office of Poland (in Polish: Główny Urząd Statystyczny (GUS)). Although data available from the National Bank of Poland ((in Polish: Narodowy Bank Polski (NBP)) cover a longer research period, data from GUS enable a more detailed analysis of the phenomenon in question.

BACKGROUND

The process of internationalisation of enterprises is defined in various ways by scholars and academics. Mostly, the term "internationalisation" is connected with the expansion of enterprises to foreign markets, which is closely linked to progressing globalisation, including liberalisation of trade and capital flows and technological progress. It depends, inter alia, on the motivation or propensity of economic operators to go international and results from the engagement of their own resources or getting involved in various forms of cooperation with foreign partners. Thus, Wind, Douglas, and Perlmutter (1973) stress that internationalisation is a process where the specific conduct of enterprises is connected with subsequent stages in the evolution of international operations. Johanson and Vahlne (1977), Johanson and Mattson (1993), and Calof and Beamish (1995) understand internationalisation as a process of increasing international involvement and the adjustment of a company's operations to the specificity of the international environment.

Internationalisation is discussed from different angles, e.g., the theory of organisation, strategic management, international management, foreign trade, or regional development. Nowadays, definitions also take into account the relevance of R&D activities undertaken abroad. The approach is visible in Hollensen (2011, p. 41), who claims that one may speak of internationalisation when a company expands its production, sales, R&D, and other activities to foreign markets.

The literature most frequently highlights the evolutionary nature of internationalisation, although it is not always progressive or gradual (Jones & Coviello, 2005). The path of company internationalisation is firmly linked with the development of the industry in which the company operates (Andersson, 2004)

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