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Large and Small Firms Perspectives

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Chapter 4

INTERNATIONALISATION OF THE POLISH ECONOMY – A MACRO- AND MICRO-ECONOMIC APPROACH

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INTRODUCTION

For the last eighteen years (since 1990), the Polish economy has been undergoing systemic transformation. As part of the country's transformation process, Poland has sought to integrate itself with the world economy, striving to increase its share of world trade and foreign direct investment. Through its closer integration with the world economy, the country has hoped to accelerate growth and to narrow the income gap separating it from the European Union (EU), to which Poland was admitted in 2004 (1 Mai).

Being a relatively closed economy prior to 1990, Poland had missed out on the benefits of internationalisation and globalisation. After the transition was initiated, the country has faced a challenge of how to take advantage of globalisation to accelerate reforms and growth. It has liberalised prices and market regimes, privatised most of the state-owned enterprises, re-directed its trade from the former COMECON trading bloc towards the EU, and opened up most of the sectors to foreign investment (Gorynia, Nowak, Wolniak 2002).

The aim of this article is to identify the most important trends that have taken place in the internationalisation of the Polish economy in what is called the transformation period, to evaluate these trends, and to outline further changes in this area. At the same time the article is in a certain sense the continuation of the research conducted in 2002 (Gorynia 2002; Gorynia, Wolniak 2002) and tries to compare the projections and perspectives for the internationalisation process of Polish firms in the context of Poland's accession as full member of the European Union as formulated five years ago, with the real process of the internationalisation of Polish firms during last five years.

The article first presents and analyses macroeconomic data concerning foreign companies' expansion in Poland and Polish companies' expansion abroad. Next, the author attempts to offer a microeconomic exemplification and interpretation of macroeconomic trends observed, and concludes the article with some prognostications.

DEFINITIONAL AND METHODOLOGICAL ASSUMPTIONS

An analysis of national economy internationalisation can be conducted using two approaches. The first one takes as its starting point comprehensive data about exports, imports, incoming and outgoing foreign direct investment, etc., and then uses a microeconomic illustration of trends observed in the whole economy. The other approach uses the opposite logic – first we conduct individual observation at the company level, then the data is aggregated. The result is a comprehensive picture of a national economy. The work of statistical offices is based on the latter approach. Without it, it would be impossible to obtain general data. In this sense, the latter approach constitutes a starting point of this work. Generally, however, the former approach is adopted – using macroeconomic data, the author attempts to make their microeconomic interpretation.

Further discussion requires us to accept several introductory assumptions which should clarify the argument and prevent unnecessary confusion. The assumptions are as follows:

- We assume that by internationalisation of the economy we mean any forms and instances of co-operation between the national economy and its international environment, irrespective of the direction of the co-operation (Ball, McCulloch, 1990, p. 8–22; Griffin, Pustay, 1996, p. 8–26; Rugman, Hodgetts, 2000, p. 7–11). This is a broad understanding of the term. In this sense, internationalisation is not just, for instance, Poland's exports and outgoing foreign direct investment (active internationalisation), but also imports and foreign direct investment coming into Poland (passive internationalisation).
- Internationalisation of activity is one of the three traditional directions in corporate strategic development (Garrette, Dussauge 1996, p. 81). The other two are vertical integration of activity and diversification of activity (Daniels, Radebaugh, 1989, p. 6). By internationalisation we often mean any kind of the company's economic activity undertaken abroad (Rymarczyk 1996, p. 17; Ghauri, 2000, p. 129–153; Bridgewater, 2000, p. 181–197). This understanding of internationalisation can be identified with the concept of the company's international expansion. Sometimes, however, internationalisation is understood more generally – it includes both active and passive forms of co-operation with foreign partners, with the distinction being made between active internationalisation and passive internationalisation, respectively (Fonfara, Gorynia, Najlepszy, Schroeder 2000, p. 16). In the present article, the concept of company internationalisation will refer to both

active internationalisation (or companies' international expansion) and passive internationalisation.

- Internationalisation of the company's activity understood as the company's international expansion can take place in three ways. Forms of companies' international expansion can usually be divided into three groups: export, co-operation, independent activity in foreign markets (Fonfara, Gorynia, Najlepszy, Schroeder 2000, p. 50; J.J.Wild, K.L.Wild, Han, 2000, p. 442–467; Cross, 2000, p. 154–180).

Also in the case of passive internationalisation, a domestic company can perform very different roles, depending on what form of co-operation with a foreign company we are dealing with.

RESEARCH QUESTIONS

The way of reasoning adopted in this article means two groups of questions should be formulated: one, concerning macroeconomic observations; and the other, directed to sectoral markets and companies (microeconomic level).

Firstly, it is the author's intention to address the following questions at the macroeconomic level:

- what major macro-changes have taken place in the field of internationalisation of the Polish economy?
- what is Poland's "internationalisation position" in comparison with the environment as a result of these changes?

A simplified analysis of the problem mentioned will be carried out for the whole period of 1990-2004. This analysis is based on the data presented in the Statistical Yearbook of the Republic of Poland (Central Statistical Office).

Secondly, the part of the article which is devoted to microeconomic issues is restricted to what is called active internationalisation, i.e. Polish companies' foreign expansion. The following are two groups of research questions concerning the probable and desirable course of Polish companies' internationalisation process connected with Poland's entry into the European Union[1] in 2004. EU accession has been the most important event in Poland's economic history since 1990. Therefore, the time span of the discussion carried out at the microeconomic level is restricted to the period of Poland's integration with the EU. Next, research questions are confronted with real internationalisation processes taking place among Polish firms. The research questions are as follows:

Research questions – group 1: Will Poland's accession to the European Union create for Polish companies unprecedented opportunities for expansion into the huge EU market? Is the European Union first of all a chance for Polish companies?

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[1]The research questions, formulated in 2001 in Gorynia (2002), concern active internationalisation.

On the other hand, EU membership involves a full opening of the Polish market to EU competitors. What are the main threats to Polish firms connected with this? The major effect of EU accession will be a further liberalisation of economic relations with this organisation, and consequently the blurring of boundaries between domestic (Polish) and European sectoral markets. Can we expect the following consequences for competition in sectoral markets, whose participants are Polish companies: competition between existing companies will become more fierce, the threat of new entries will increase, the threat from substitutes will grow, a weak bargaining position of Polish companies as suppliers and customers for EU companies, which tend to be larger and often globalise their activities at a greater pace?

Research questions – group 2: Is the degree of internationalisation of the Polish economy and Polish companies expected to grow considerably?. Will this growth be spread in time, moderate and strongly diversified in terms of sectors (industries)?

Since the majority of Polish companies are characterised by a low degree of internationalisation and by very limited experiences of internationalisation, it seems that active internationalisation of Polish companies will have a tendency to proceed according to what is called the Uppsala model. Can we expect that, first, internationalisation will be based on exports; later, having gained knowledge and international experience, companies will resort to more advanced forms of internationalisation?

The analysis in the second part of this paper is based on secondary data and other research projects presented in the literature.

The questions formulated above determine the structure of the subsequent part of this paper. Before they are evaluated, it seems justified to diagnose briefly the degree of internationalisation of Polish companies from a macroeconomic perspective.

INTERNATIONALISATION OF THE POLISH ECONOMY – A MACROECONOMIC PERSPECTIVE

Active Internationalisation

Bearing in mind that the Polish economy's co-operation with the international environment is not just Poland's exports and outgoing foreign direct investments, we consciously restrict our focus to these two forms. Owing to lack of space, we are not going to discuss changes in the merchandise and geographical structure of Poland's exports or outgoing investments, although these are very important aspects of internationalisation of the Polish economy. We will restrict ourselves to stating that the scope and the degree of internationalisation in both these areas were highly diverse.

Table 1 Poland's gross domestic product and exports in the years 1990–2004 (current prices)

	GDP		Exports			
Years	in US$m[a]	per capita in US$[a]	in US$m	per capita in US$	share in the world as %	share of exports in GDP
1990	58976	1547	14322	376	0.4	24.3
1991	72924	1998	14903	390	0.4	20.4
1992	84326	2198	13187	344	0.4	15.6
1993	85853	2232	14143	368	0.4	16.5
1994	117978	3057	17240	447	0.4	14.6
1995	126348	3086	22895	593	0.5	18.1
1996	134550	3484	24440	633	0.5	18.2
1997	143066	3702	25751	666	0.5	18.0
1998	157274	4068	28229	730	0.6	17.9
1999	155151	4014	27407	709	0.5	17.7
2000	171300	4110	31651	820	0.5	18.5
2001	183000	4737	36092	934	0.6	19.7
2002	189000	4944	41010	1073	0.7	21.7
2003	209600	5486	53577	1403	0.8	25.6
2004	252400	6610	73781	1932	0.9	29.2

[a]According to the official exchange rate
Source: Statistical Yearbook of the Republic of Poland (2000, 2001, 2002, 2003, 2004 and 2005).

Table 1 shows the values of Poland's GDP and export in the years 1990–2004.

The data presented in yearbooks of the Central Statistical Office (GUS) suggest that in current prices the ratio of the world export value in 2004 to the world export value in 1990 was 248%. The ratio between the 2004 export value per capita in US dollars and the 1990 export value per capita was 205%.

On the basis of statistical data, we can arrive at the following conclusions concerning Poland:

- the ratios of the 2004 values (in current prices) of GDP and exports to the 1990 values were 428% and 515%, respectively. The export value growth was 1.2 times greater than the GDP growth. There were, therefore, substantial disproportions in the change dynamics of the data under analysis,
- in the same period, the ratios of the values (in current prices) of GDP and exports per capita were 427% and 514%, respectively. The disproportion of the pace at which these values changed was thus almost the same as in the case of total values of GDP and exports.

If we compare data for Poland with those for the whole world, we can reach the following conclusions:

- the index of world export dynamics in current prices in the years 1990–2004 was 248%; for Poland's exports, the figure was 515% – from the viewpoint of export value growth, the Polish economy integrated with the international environment relatively quickly,

- the Polish economy's share in world exports in the years 1990–2004 increased from 0.4% to 0.9%,
- the export value per capita in 2004 was USD1332 in the world and USD1932 in Poland. The change dynamics of this indicator in the years 1990–2004 was 205% for the world and 514% for Poland.

Table 2 shows data concerning Poland's and the world's outgoing foreign direct investments. The size of the present article makes it impossible to discuss the sectoral and geographical structure of Poland's outgoing investments. The data in Table 2 show that in the years 1990–2004 the share of the accumulated value of investments leaving Poland in the accumulated value of the world's outgoing investments increased from 0.005% to 0.027%. Although the share grew over fivefold, it is still very small, for example in comparison with the share of Polish exports in world exports.

The data concerning both exports and Poland's outgoing FDI are evidence of a major turning point in the active internationalisation of the Polish economy in the years 1990–2004. However, it would be difficult to see the indicators achieved as a clear success. If we examine indicators of Polish economy internationalisation and those of neighbouring countries which in communist times were in a similar situation, such a comparison is not favourable to Poland.

Table 2 Outflow of FDI from Poland and worldwide in the years 1990–2004 (in US$m)

Years	Outflow of investments from Poland	Accumulated value of Poland's outgoing investments	Outflow of investments worldwide	Accumulated value of outgoing investments worldwide
1990	16	95	238641	1785264
1991	–7	88	200197	2111217
1992	13	101	202905	2082433
1993	18	198	244788	2275166
1994	29	461	288508	2601505
1995	42	539	358177	2942248
1996	53	735	397707	3272033
1997	45	678	484896	3663183
1998	316	1165	693095	4302142
1999	31	1024	1104937	5156903
2000	17	1018	1239149	6148284
2001	–90	1156	743465	6564217
2002	230	1457	652181	7288417
2003	196	1855	616923	8731240
2004	806	2661	730257	9732233

Source: World Investment Report, UNCTAD for the respective years.

Passive Internationalisation

As with active internationalisation, we will restrict ourselves here to imports and foreign direct investments coming into Poland. Table 3 shows the value of GDP and Poland's imports in the years 1990–2004.

GUS statistical yearbooks for respective years show that, in current prices, the ratio of the world import value in 2004 to the world import value in 1990 was 247%. The ratio of the per capita value of imports in US dollars in 2004 to the per capita value of imports in 1990 was 205%.

On the basis of statistical data we can arrive at the following conclusions concerning Poland:

- the ratios of the GDP and import values (in current prices) in 2004 to the 1990 values were 428% and 925%, respectively. The import value growth was 2.2 times as high as the GDP growth. There were, therefore, considerable disproportions in change dynamics of the values analysed.
- in the same period, the ratios of the GDP and import values (in current prices) per person were 427% and 924%, respectively. The scale of disproportions in change dynamics of these values was similar to that found in the case of total GDP and import values.

A comparison of data for Poland and for the world leads to the following observations:

Table 3 Poland's gross domestic product and imports in the years 1990–2004 (current prices)

	GDP		Imports		
Years	in US$m[a]	per capita US$[a]	in US$m	per capita in US$	share in the world as %
1990	58976	1547	9528	250	0.3
1991	72924	1998	15522	406	0.4
1992	84326	2198	15913	415	0.4
1993	85853	2232	18834	490	0.5
1994	117978	3057	21569	559	0.5
1995	126348	3086	29050	753	0.6
1996	134550	3484	37137	962	0.7
1997	143066	3702	42308	1094	0.7
1998	157274	4068	47054	1217	0.9
1999	155151	4014	45911	1188	0.8
2000	171300	4110	48940	1266	0.8
2001	183000	4737	50275	1301	0.8
2002	189000	4944	55113	1442	0.8
2003	209600	5486	68004	1780	0.9
2004	252400	6610	88156	2309	1.0

[a]According to the official exchange rate.

Source: Statistical Yearbook of the Republic of Poland for respective years.

- the dynamics index of world imports in current prices in the years 1990–2004 was 247%, and that of imports to Poland was 925% – from the viewpoint of import value growth, the Polish economy integrated with the international environment very quickly,
- the share of the Polish economy in world imports in the years 1990–2004 grew from 0.3% to 1.0%, respectively,
- the per capita value of imports in 2004 worldwide was US$1374, and in Poland US$2309. Change dynamics of this index in the years 1990–2004 were 204% in the world and 924% in Poland.

Table 4 shows values of foreign direct investments coming to Poland, and worldwide.

An analysis of the data presented in Table 4 leads to the conclusion that worldwide the incoming FDI value growth rate index in the years 1990–2004 was about twenty times lower (345%) than the same index for Poland (6920%). Making such considerable progress in the dynamics of FDI inflows into Poland was possible thanks to very low initial values at the beginning of the 1990s. Poland's share in the world's accumulated FDI inflows was 0.006% in 1990, and 0.69% in 2004. The share increased 115 times, although it is still smaller than Poland's share in world imports.

The data presented above point to the general conclusion that in the years 1990–2004, i.e. in the period of Poland's economic transformation, we saw the country's integration into the world economic system in the areas of international trade and foreign direct investments, an integration which was quicker than the

Table 4 FDI influx into Poland and worldwide in the years 1990–2004 (US$m)

Years	Investments coming to Poland	Accumulated value of investments coming to Poland	Investment inflows worldwide	Accumulated value of investment inflows worldwide
1990	89	109	207878	1768589
1991	291	425	161213	1932812
1992	678	1370	169238	1991353
1993	1715	2621	227694	2168499
1994	1875	3789	259469	2423363
1995	3659	7843	341086	2763117
1996	4498	11463	392922	3075946
1997	4908	14587	487878	3512819
1998	6365	22479	701124	4135678
1999	7270	26074	1092052	4914765
2000	9343	34227	1396539	5786029
2001	5714	41247	825925	6197711
2002	4131	48320	716128	6703607
2003	4123	55268	632599	7987077
2004	6159	61427	648146	8902153

Source: World Investment Report, UNCTAD for respective years.

world average. Our next step will be to examine how the synthetically described and analysed macroeconomic trends translated into microeconomic strategies of business entities.

RESEARCH QUESTIONS – GROUP 1: IMPLICATIONS OF EU MEMBERSHIP FOR COMPETITION IN SECTORAL MARKETS

This author intends to construct forecasts about the impact of Poland's EU membership on competition in sectoral markets, and then confront the forecasts with reality.

Deduction – forecasts

Every company participates in a sectoral market. In the case of a closed or relatively closed economy, the starting point is a national (domestic) sectoral market. According to Porter's well-known Five Forces Model, in a sectoral market there are competitive forces: rivalry among existing companies, threat of new entrants, threat of substitutes, bargaining power of suppliers and bargaining power of buyers (Porter 1992). If an economy is open, we see internationalisation and globalisation of company activity. This is expressed by the Yip model, which holds that the globalisation potential of a sector (industry) is defined by five groups of factors: market factors, cost factors, government factors, competition factors and additional factors (Yip 1996, 2004). To determine the implications of EU membership for the performance of sectoral markets, we may begin by considering the influence of the Yip model variables on the relationships presented in the Porter model. The following consequences of the overlap between the Yip and the Porter models should be mentioned:

- the fact that companies from new EU member countries join the single internal market results in increased competition – the expansion of areas where business is conducted and the concomitant blurring of borders between domestic sectoral markets lead to an increase in competition between existing industry members – defending one's position against competitors and expanding geographically in new directions,
- one of the effects of increased competition will be a higher professional level of doing business – on the one hand, the imperative of professional management will eliminate irrational and unpredictable behaviour, but on the other, it will increase the risk that the company's mistakes will be discovered and exploited by real and potential competitors, whose number – as has been said – is bound to grow,
- there is a growing threat from new entrants, because the area new entrants can come from is expanding; at the same time, entry barriers are getting relatively lower – postulates of the contestable markets concept can thus be fulfilled to a larger extent,

- increasing internationalisation of an industry could raise potential or actual pressure from substitutes, because the area they could come from is expanding,
- internationalisation (and even more so globalisation) of a given company's client increases its bargaining power in relation to competitors within a given industry, whereas internationalisation (globalisation) of a competitor reduces its clients' bargaining power,
- internationalisation (and even more so globalisation) of a given company's supplier increases its bargaining power in relation to competitors within a given industry, whereas internationalisation (globalisation) of a competitor reduces its suppliers' bargaining power.

It should be strongly emphasised that the above consequences apply to an equal degree to Polish companies' presence in particular national markets making up the European single internal market and to EU companies' operation in the Polish market.

To sum up, the main consequence of EU membership for competition in industries where Polish companies are present will be increased competition, which means the appearance of new chances accompanied by threats unseen before.

Increased competition within industries, a consequence of the abolition of existing trade barriers, should have an impact on the basic economic characteristics of these industries. We can deduce a number of implications for the strategy of companies, including Polish ones. It is necessary

- to reduce costs through economies of scale (emphasis on increasing the production scale), learning and better management (changes in management),
- to start (continue) company restructuring,
- to focus on innovation and technological progress.

The distribution of these consequences across particular industries will vary, depending – among other things – on the lifecycle stage an industry is in, the growth rate of an industry, as well as its initial structure.

Empirical reality

Many empirical arguments prove that in the period immediately preceding and following Poland's accession to the EU there was a significant increase in competitiveness in the Polish market:

- foreign companies conducting export expansion into the Polish market increased their interest in the market: we saw a growth in the number of exporters to Poland, geographical regions exports come from, and industries (product ranges) exported to Poland; this resulted from an improved reliability of Poland as a trade partner after its EU accession and from the Polish economy's good current position and good development prospects,
- the competition increase was caused also by foreign companies' investments in Poland – some of their output produced in Poland is usually sold in the

host country's market (Bartosik-Purgat, Gorynia (ed.), Jankowska, Owczarzak, 2005),

- many Polish firms were thoroughly restructured – technological modernisation, dehiring/staff reductions, technological upgrading, changes in management technology, changes in marketing activity technology; all of these helped companies operating in the market to raise their average level of professionalism,
- many Polish companies which had existed before experienced a period of quite a dynamic development, new Polish companies were set up, companies' level of profitability improved, which created new sources of finance for investments.

A threat from new entrants is a factor which potentially increases competition. This is connected with existing companies' impressions about such a possibility and with the factor being considered in strategic decision making. It is similar with a threat from substitutes – in an open economy its level increases because substitutes can come from practically all over the world. The growing importance of these factors is proved by research results – the opinion that in the domestic market foreign competitors' pressure is/will be felt increasingly strongly is shared by the majority of representatives of the 77 companies examined (Bartosik-Purgat, Gorynia (ed.), Jankowska, Owczarzak, 2005, p. 169). Similarly, the same study cites the opinion that the protection of domestic businesses against foreign competition has decreased/will decrease (Bartosik-Purgat, Gorynia (ed.), Jankowska, Owczarzak, 2005, p. 169).

What is important is suppliers' and customers' great bargaining power – developing co-operation with suppliers and customers from overseas markets, who are often very large companies making purchases for global use, is undoubtedly a factor increasing competitive pressure (focus on cost cuts, meeting high quality standards, meeting delivery times, etc.)

The factors presented here ultimately lead to an increased internationalisation pressure – domestic market saturation and high competitiveness in the Polish market are among basic factors behind managers' attention being turned to expansion into foreign markets.

RESEARCH QUESTIONS - GROUP 2: POLISH COMPANY INTERNATIONALISATION MODEL

In the first stage, this author will outline a deductively derived, anticipated model of Polish company internationalisation. The model will then be compared with actual processes of Polish company internationalisation.

Deduction – forecasts

Another important question concerns the way Polish firms make an expansion into EU markets. Among concepts of company internationalisation, the most popular one is what is called the Uppsala model, developed by researchers from Uppsala University (Johanson, Wiedersheim-Paul 1975, Johanson, Vahlne 1977; Shenkar, Luo, 2004, p. 66–68). A starting point of the model is the observation that in the case of many Swedish firms, but also firms from other countries, especially those existing in small domestic markets, a typical behaviour of a company developing business activity in foreign markets is characterised by stages of involvement in servicing those markets. The researchers mentioned above found that the behaviour of companies expanding into foreign markets is characterised by three facts:

- expansion is preceded by a success in the domestic market and is a consequence of a number of decisions made in the company (it is believed, therefore, that the Uppsala model adopts the perspective of the behavioural company theory (Ghauri 2000, p. 142)),
- expansion usually starts in markets situated nearby; only then does it cover more distant markets – there is a concept of mental or cultural gap between markets, understood as a group of factors hindering a bilateral flow of information (from company to market and from market to company); this gap involves linguistic, cultural, political and educational factors, the level of economic development, etc.
- when entering foreign markets, companies most often start with export activity; only after some time do they decide on activities requiring greater involvement.

The most important thesis advanced by the Uppsala model is that an internationalisation process is sequential, phasic, evolutionary or gradual, and that it consists of stages – this set of attributes suggests some justified, purposeful, at least partially predetermined course of things, a process developing in time. The limitations or determinants of this process are: lack of knowledge of foreign markets, lack of resources needed for expansion, risk involved in entering a foreign market, a psychological gap between the home market and the target market, usually correlated to geographical distance, transport costs, tariff and non-tariff barriers.

Within the Uppsala model, we distinguish four stages of internationalisation (Johanson, Wiedersheim-Paul 1975): irregular export activity – occasional export, export through independent intermediaries (agents), establishment of a sales subsidiary (branch), establishment of a manufacturing subsidiary (branch).

Although the Uppsala model contains many oversimplifications, which in the past were often used as a ground for criticism, it seems that many of its observations are confirmed by Polish companies' internationalisation behaviour. The basic detailed hypotheses that can be put forward here are as follows:

- as a rule, Polish companies which only start to internationalise their activities will begin their expansion with exports,
- newly-started exports will be targeted at geographically closest markets,
- the export-involvement stage will be relatively long,

- with some delay, other – reputedly more advanced – forms of international expansion will be chosen.

The above hypotheses are consistent with Polish companies' behaviour in the area of expansion into the EU market in the period preceding EU accession. Being more specific the following elements of this behaviour should be stressed:

- most Polish firms were only in the initial stages of their internationalization process, i.e. in the various forms of exporting. This is evident in the fact that there are but a few Polish owned companies that can be classified as multinational in the sense of having invested in foreign production in many foreign markets,
- existing and new export activity was directed mainly towards neighbouring markets,
- success in exporting has left a conviction that this strategy should be continued and it is seen as a long term engagement for most Polish firms,
- in many industries and/or for many small firms successful exporting has been perceived as a very difficult stage to reach. For numerous Polish products meeting accepted international quality standards was a problem and even if it managed to be eventually solved there still lingered the negative country of origin or country of manufacture effect, which in order to be eliminated, required massive advertising or other forms of promotion. In this sphere government funding of campaigns promoting Polish products was grossly inadequate or only in its infancy stage,
- other more advanced forms of internationalization were considered very rarely and thus the probability of their adoption was likely to increase only in a long term perspective. This brings the risk that after such a long period of time the subsequent stages might not be implemented simply because Polish firms will be ousted from the market by stronger foreign competitors who have been quicker in moving into foreign production. The relative absence of outward FDI by Polish firms was less due to insufficient perception of how foreign competitors have been entering and operating on the Polish market and much more to the consequences of insufficient material, financial and intangible assets.

Further evidence of the feasibility of Polish firms moving ahead in their internationalisation beyond exporting on the EU market is presented by a survey conducted in the year 2000 on a group of 68 firms (Gorynia (ed.), 2002, p. 135). One of the questions concerned the possibility of expansion into the EU market in a form other than exporting (through joint-ventures, FDI, license agreements, franchises and strategic alliances). The results (see Table 5) indicate that the preferred form of internationalisation remained exporting. The more advanced forms have drawn little interest from the respondents.

The authors of the Uppsala model referred to the sequence of its stages as "establishment chain" (Johanson, Wiedersheim-Paul 1975). However, it should

Table 5 Polish firm attitudes towards entering the EU market (number of firms responding)

Firm attitudes	Joint venture in the EU	FDI	Licensing	Franchising	Strategic alliance in the EU
1. We did not consider this matter	43	52	53	55	30
2. We did give this issue some consideration	14	3	5	3	24
3. We are in the course of making a decision	3	2	1	0	2
4. We have made a decision to enter	0	0	0	1	2
5. We are currently expanding in the EU	1	0	0	0	6
Total number of firms	61	57	59	59	64

Source: Own survey data.

be emphasised that they do not attribute a purely deterministic character to it, realising that going through all the stages does not always take place in the recommended order. Internationalisation can proceed differently than suggested in the following situations:

- if companies have enormous (especially financial) resources and the consequences of a possible failure were relatively small,
- if given market conditions are stable and knowledge about them can be acquired in other ways than through experience,
- if the company already has considerable experience in a market very similar to the one it intends to enter,
- the small size of a market can be an argument for leaving out the stage of building an own manufacturing operation in it.

It seems that in the case of Polish companies making international expansion the first three situations will not be very frequent (at least in the short run). In the long run, the likelihood of less conventional kinds of behaviour taking place will increase. In the literature, one can find the more general view that companies expanding internationally, especially large international corporations, often omit, or skip, some of the stages of internationalisation included in the Uppsala model (which is referred to as leapfrogging) (Welch, Luostarinnen 1988). At the same time, they are prone to enter psychologically distant markets in increasingly early stages of expansion. This last feature of contemporary companies' internationalisation behaviour is very well illustrated by Norbström's research results, which show that Swedish companies more often set up their first sales branches in the American, British or German market than they do in other Scandinavian countries (Hollensen 1998, p. 42). Companies making first steps in internationalisation do so in accordance with the sequential model. With time, as they gain more and more international experience, they opt to omit some stages and move straight to forms of international presence characterised by intense involvement and a high level of control. Such behaviour results in a considerable acceleration of internationalisation. However, the company's treatment of other expansion markets should not be seen as being in complete contradiction with the sequential model. An entry into those subsequent markets should be considered in the context of the company's earlier internationalisation experiences. From this perspective, an entry into a subsequent market is not a leap into the unknown (Welch, Luostarinen 1988).

Instances of unconventional behaviour will naturally take place, although it does not seem that such strategies will be dominant.

Empirical reality

From today's perspective, five years after being formulated, the above predictions (or at least some of them) concerning the pace and method of Polish companies' expansion into foreign markets after Poland's EU accession seem too conservative, cautious and defensive. In other words, experience shows that the author underestimated Polish companies' vitality, development potential, strategic courage and competitive potential, considered from the viewpoint of the possibility of developing business activity in various forms of co-operation with foreign markets. This statement is justified by the following arguments:

- a very dynamic growth of the Polish economy's "export base" – a large proportion of companies previously not involved in exports have undertaken the activity,
- some "export exits" were courageous and spectacular, going far beyond the "Uppsala school" convention,
- some "new exporters" did not seem to be troubled by lack of wider export experience,
- some companies opted for foreign direct investment, a form of presence in foreign markets which is more advanced than exporting,
- one can also see forms of expansion other than exporting or foreign direct investment, e.g. franchise agreements.

Examples of export behaviour substantially different from the conventional-school tradition include companies such as (Piński, Trębski, 2006):

- Fakro – manufacturer of roof windows; the world's second biggest producer, with a 17% share in the global market,
- Talens Polska – manufacturer of painting accessories; 97% of its output is exported,
- Lubiana, Chodzież and Ćmielów – a group of companies owned by Marian Kwiecień, together the largest porcelain manufacturer in Europe, 80% of output is exported,

- Defalin Group, Bezalin, Terplast – manufacturers of string, 25–50% share of exports in total sales,
- DGS – the world's third largest manufacturer of aluminium tops for alcohol bottles, 5% share in the world market.

What the cases above have in common is the ability to find and exploit a niche in the international market, a product differentiation strategy and competitive prices of products. The companies are distinctive in their large share of exports in total sales and extremely high export growth rates.

Polish companies' export and investment expansion is very spectacular, especially in the German market (Barzdo, 2006). Undertaking an own business activity is a popular form of expansion there. In 2006, the number of "Polish companies" (with Polish majority shareholdings) entered in the German companies registry exceeded nine thousand. According to the Polish-German Chamber of Commerce and Industry, the number of Polish firms present in Germany reaches twenty thousand. Most often, the first stage of expansion is to establish a sales branch. Polish companies also make foreign direct investments in Germany. The largest Polish investors in that market are PKN Orlen, Unimil, Comarch, Boryszew, Selena and Smyk.

Another example of successful exports is the bus manufacturing industry. It should be noted that this success applies to both companies with foreign capital (Volvo, MAN, Scania) and companies with Polish capital (Solaris Bus & Coach) (Kublik, 2006; Solska, 2006). In the years 2001-2006, Poland's export of buses increased fivefold.

Companies selling IT services and products are a very promising sector of exports. The total number of companies within this industry is estimated at several thousand, but only two hundred of them are exporters (Zwierzchowski, 2006). Some of them have overseas offices or subsidiaries, e.g. ComArch has subsidiaries in nine countries. In future, companies of this sector are expected to expand internationally quickly.

Examples of more advanced foreign expansion strategies can be found in the furniture manufacturing industry. Forte, one of the biggest furniture manufacturers in Poland, registered two new companies – in France and in Spain (Cabaj, 2006). Forte owns nine foreign companies – some of them are manufacturers, others are trading companies. Similar strategies of entering foreign markets are pursued by other players in the furniture industry: Grupa Nowy Styl and Mikomax.

Other interesting instances of Polish companies' expansion are takeovers of companies abroad. For example, in 2005 Sanplast, a company from Strzelno, won a tender to acquire the bankrupt company Hoesch GmbH (bathroom equipment manufacturer), whereas Boryszew SA bought Kuag – another bankrupt company from Germany, producer of polyester pellets and chemical yarn. In 2004, Maspex took over Walmark, the biggest Czech juice producer, and Olympus, vice-leader of Hungary's juice market.

We could also give numerous examples of entering foreign markets in the form of foreign direct investments. This form of expansion to the east has been chosen by companies like Atlas, Śnieżka, Toruńskie Zakłady Materiałów Opatrunkowych, Inter Groclin Auto, PZU, Hop, Plast-Box (Kornaszewski, 2005).

Some Polish firms choose a less conventional form of internationalisation – a franchise contract. Such a method of expansion in the beauty parlour industry has been chosen by Dr Irena Eris, a cosmetic company. Dr Irena Eris Cosmetic Institutes have been set up as franchises in the Columbian and Russian markets.

It is also worthwhile to mention the results of a survey conducted by KPMG in 2005 (KPMG, 2005). The survey examined 65 of the biggest manufacturing and service companies with Polish majority shareholdings. An overwhelming majority (over 90%) of the companies surveyed perceive internationalisation as an element of their business strategy. Three quarters of the respondents intend to increase their international presence in future. In 54% of the companies examined, exporting is a dominant form of international expansion. On average, one out of ten companies uses such foreign expansion methods as creating strategic alliances or establishing sales branches. Mergers and acquisitions generate interest of one out of fifteen companies examined.

CONCLUSION

It seems that Poland's tendency – identified in the first part of this article – to intensively integrate into the world economic system (both through exports and imports, which are growing at an above-average pace, and through a rapid development of foreign direct investments flowing into and out of Poland) should last for another few years. There are signs that the "liberalisation effect" connected with the introduction of the market economy in Poland and the integration effect brought about by Poland's EU accession have not been exploited fully. This is what can be inferred after comparing indices of Polish economy internationalisation with indices for countries of a similar size and at a higher level of development (e.g. Spain).

The internationalisation prospects for Polish companies presented earlier and connected with Poland's EU accession were, as it seemed at the time, highly probable. It appeared, however, that actual economic processes exceeded the author's expectations. Polish firms tended to behave more dynamically and bravely than anticipated. It seems, therefore, that forecasts for the future should take into account a correction resulting from this circumstance. If external determinants (world economy, EU economy) stay at a similarly favourable level as before, and if no extremely imprudent decisions are made in Poland's economic policy, Polish companies' expansion strategies will probably become more courageous, unconventional and popular. In other words, it is likely that the number of companies which develop by expanding abroad will grow quickly, and that increasingly often forms of this expansion will go beyond export activity.

What can be especially expected is that the number of Polish companies interested in foreign direct investments will increase. Such expectations are not only justified from the macroeconomic point of view[2]; they also result from company representatives' declarations recorded in various studies.

One may ask a question: What economic policy is necessary in order to stimulate larger participation of Polish companies in international business activities? A very short answer to this question could be based on Dunning`s suggestions concerning the role of economic policy in an open economy (Dunning ed., 1999). With regard to the policy of supporting the economy's competitiveness, it seems that the conception promoted by Dunning and co-authors is a modern and progressive one which can be applied also in Poland. Its innovativeness lies in a distribution of emphasis that is different from that of other approaches. The conception draws heavily on the achievements of new institutional economics, neoinstitutional economics, Schumpeterian economics, evolutionary economics and resource (especially knowledge) based economics. The conception approaches the issue of competitiveness holistically (systemic competitiveness), but it also takes into account and develops the aspect of competitiveness – neglected in other approaches – connected with the level of transaction costs, which should be reduced thanks to properly working institutions (institutional competitiveness). Global capitalism, in which also Poland increasingly participates, requires focusing on human capital, knowledge and creativity. An extremely important role in it is played by the services sector and infrastructure (Dołęgowski, 2000). In these conditions, the basic directions of promoting the state's international competitiveness should be (Dunning ed., 1999):

- to ensure an adequate quantity and quality of resources (resource creator and improver) – high quality of human capital (e.g. education), high propensity to innovate, efficient financial market, etc,
- to promote transaction cost reduction – good legal system (contract execution), adequate infrastructure, eliminating information asymmetry, risk reduction (insurance systems), preventing discrimination against businesses from a given country, concluding international economic agreements, etc,
- to create an investment-friendly climate and to exert influence on the economic ethos.

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[2]This is indicated by the Dunning conception referred to as the Investment Development Path (IDP). Forecasts made on the basis of the IDP conception suggest that Poland is in such a stage of economic development that there should appear a tendency to change the relationship between investments flowing into Poland and investment flowing out of Poland in favour of the latter (Gorynia, Nowak, Wolniak, 2005).

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