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GLOBAL BUSINESS: THE CHALLENGES AND RESPONSIBILITIES IN A WORLD OF SHIFTING ALLIANCES

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Fostering Competitiveness of Polish Firms: Some Musings on Economic Policy and Spatial Expansion

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In this conceptual paper, the authors deliberate on external and internal determinates of Polish firms' international competitiveness. Within the external determinants, three economic policy models are first reviewed and their appropriateness for fostering competitiveness of Polish firms is appraised. The UE dimension is then analyzed as the most immediate external force shaping Poland's economic policy relating to competitiveness. This is followed by an analysis of the effects of globalization on economic policies in general and competitiveness-fostering policies in particular. The analysis of the internal determinants is focused on Polish firms' outward expansion (internationalization) as a venue for acquiring international competitiveness. In the concluding section, the authors make policy recommendations and advocate Polish firms' expansion path, from a regional, EU-focused to a polycentric expansion outside the EU.

External Determinants of Long Term Company Competitiveness

The essential component of a country's economic policy is its uniform, traditional macroeconomic policy embracing fiscal, monetary, price, income and employment policies. In contrast, policies on science/technology, innovation, structural adjustment, restructuring and environment are often viewed as modern macroeconomic policies. Then there are also sectoral policies, such as industrial, agricultural, transport and trade policies (Karpinski, 1992). Theoretical arguments (Hirst & Zeitlin eds., 1989; Timlinson, 1989), but above all, economic policy in practice, suggest the advisability of supplementing traditional economic policy instruments with other tools, whose common declared purpose is essentially to increase the competitiveness of a given economy.

Economic Policy Models

In the context of analyzing and enhancing country and company competitiveness, three general models of economic policy can be identified:

- The enclave model with policies aimed only at increasing the competitiveness of exporting firms.
- The ethnocentric model with policies aimed at increasing the competitiveness of domestically- owned firms in all sectors of the economy.
- The integral model with policies aimed at increasing the competitiveness of the country's economy as a whole.

There are many arguments suggesting that the enclave model alone should not be used. Within the enclave model, measures stimulating exports are treated as a relatively autonomous segment of economic policy. In the ethnocentric model the principal aim of economic policy is to stimulate and upgrade the competitiveness of domestic firms since foreign entrants do not need state support to boost their competitiveness as they already have a competitive advantage when entering the foreign market. The integral model emphasizes increasing the competitiveness of the whole economy, not just the export sector. For Poland of today, the basic strategic problem lies in developing production of goods and services competitive in both domestic and foreign markets (Płowiec, 1997).

In making policy recommendations for Poland these models suggest that, firstly, economic policy should support the development of company competitiveness *per se*. Secondly, economic policy should structure this support as a two stage process. In the first stage, support should be offered according to the guidelines of the integral model, i.e. there should be no distinction between instruments supporting exporter competitiveness in foreign markets and producer competitiveness in the open domestic market. This criterion is consistent with the notion of a liberal and institutional industrial policy designed to promote broadly understood development and entrepreneurship (Gorynia, 1995). This policy uses mainly instruments that are universal in character and uniform (non-discriminating) in all their aspects but go beyond the focus of traditional macroeconomic policy. The whole economy, all sectors and branches, are in principle treated alike.

The effects of economic policy measures in stage one should result in the unimpeded inflow of foreign investment and in the creation of a sound domestic base of firms competing on the national market irrespective of their

national provenance. Thereafter, the focus of economic policy should move to support competitiveness of Polish firms entering and expanding their operations in foreign markets. This would mean drawing more from the ethnocentric model. Still on the domestic market the aim of economic policy measures should be to create conditions conducive to consolidation and then accelerated growth of small and medium sized domestic firms into bigger entities. More support is needed for mergers and acquisitions as well as business alliances. Fiscal instruments and relaxation of antimonopoly legislation are also necessary in this context (Gorynia & Wolniak, 2001b).

The second stage calls for measures in the form of direct and indirect financial support, that would stimulate Polish owned firms to innovate and develop their core competencies which embedded in new products and technologies would provide them with firm specific ownership advantages on foreign markets. Foreign expansion should also be supported by an educational campaign showing the rationale and benefits of exporting and moving beyond the export stage into more sophisticated forms like foreign production. Financial assistance in this area would also be advisable (Gorynia & Wolniak, ibid.).

Economic Policy: the European Union Dimension

European Union (EU) membership implies adjustment of Polish economic policy to EU standards. EU policy covers comprehensively such areas as trade, competition, agriculture, energy, research and technological development, environmental protection, consumer protection, transport, regional development, social policy as well as policy towards small and medium-sized enterprises. In virtually each of these areas the policy measures used affect the competitiveness of EU economies. It should be emphasised that the "pro-competitiveness level" of EU regulations varies across sectors. Therefore, one cannot talk of a uniform pattern of supporting competitiveness in all sectors within the EU. An example of a sector where competitiveness considerations have a less important role to play is agriculture.

Promoting competition forms one of the features of EU policy of supporting competitiveness in non-farming sectors. A synthetic expression of this idea is found in the European Union Treaty, which reformed the founding treaties of the Communities. Action taken to achieve this goal should be in accordance with the system of open markets and should take into account (Wysokińska & Witkowska, 1999):

- accelerating adaptation to changes in the industrial sector,
- creating conditions for development of small and medium sized firms,
- creating a climate conducive to company co-operation,
- encouraging better use of industrial potential in innovation, research and technological policies.

An important factor shaping EU policy of supporting competitiveness was also the "Communiqué on Industrial Competitiveness Policy for the European Union", presented by the European Commission to the EU Council in September 1994. The document focused on four issues (Wysokińska & Witkowska, 1999):

- promotion of intangible investments, i.e. investments in research and development, intellectual property, education and training,
- development of industrial co-operation (first of all, identifying and removing barriers to co-operation within the Union and with its foreign partners),
- protection of fair competition, both internal and external (in particular reducing the role of the state and concentrating on horizontal support at the expense of sectoral support),
- change in the role of public authorities (simplifying legislation and administrative procedures, especially for small and medium-sized enterprises, properly using structural funds to support the development of competitive sectors in a regional context).

This outline of the basic principles of the EU approach to economic policy support for competitiveness leads to two observations:

- these principles tend to be consistent with the liberal and institutional concept of industrial policy mentioned earlier,
- the said principles are only guidelines; they give national institutions considerable freedom in determining the details of each national economic policy.

It should be noted, however, that the European Union's official views and reports are not always shared by researchers. One critical review of EU industrial policy, published by a group of academics from EU countries, points out and draws attention to the following issues (Cowling, ed. 1999):

- in the 1980s, economic policy in Europe was dominated by privatization and deregulation; there was no discussion on a positive economic policy,
- in the 1990s, discussion on that issue was resumed with the publication of *Competitiveness White Papers*,
- also in the 1990s, a new economic policy of competitiveness involved reorientation – abandoning sectoral privileges owing to the difficulty in picking winners for horizontal industrial policies,
- analysis of policies actually implemented reveals that departing from the sectoral focus is still not complete and the declared horizontal policies show sectoral orientation,

- in practice, the implementation of horizontal policies has to contain sectoral elements; thus sectoral instruments become mixed with horizontal ones,
- there is a visible trend towards the growing significance of ad hoc interventions targeted at individual companies,
- despite declarations of departure from the policy of picking winners, many sectors in EU countries remain under a surprisingly strong influence of "national champions".

However, the authors of this critical appraisal do not advocate the need to return to the policy of bureaucrats who pick winners using new, improved methods. Their suggestions seem to be going in a somewhat surprising direction. In their opinion, the fact that the state refrains from sector-oriented intervention (because it is not competent enough to do so otherwise) is also a kind of intervention. This creates a vacuum which is being filled up by multinational corporations (MNCs). In such a scenario, support for industries is not allocated according to national economic priorities (as in the case of sectoral policies), but at the level of MNC management, according to corporate goals and priorities.

What should also be mentioned at this point is the Lisbon Strategy, a program to effect transition to a knowledge economy and to increase the competitiveness of the European Union by 2010 in the goods and services market (Rodrigues, 2004). The purpose of the Lisbon Strategy, adopted in 2000, was to make the European economy more competitive, especially in relation to the United States. The strategy involves restructuring the socio-economic system with a view to achieve higher competitiveness. It is aimed especially at building a "knowledge economy" based on:

- the development of information society, research and innovation, and the opportunity of each individual to acquire appropriate qualifications and skills,
- the implementation of the principles of sustainable development and environmental protection, including the preservation of human resources, use of renewable energy sources and prevention of unfavorable climate change caused by global warming,
- the liberalization and integration of network industry markets (such as electric power, telecommunications and postal services, transport and petroleum) as well as financial services markets,
- the development of entrepreneurship based on deregulation, elimination of administrative and bureaucratic barriers, better access to capital and technologies, creation of uniform competition rules for companies operating on the domestic market,
- higher employment, a changed social model and the ability to meet the challenge connected with an ageing population (increased professional activity, increased flexibility of the labor market, better education, modernized social security system, reduced poverty and coping with what is known as social exclusion) (Wysokińska & Witkowska, 2004).

What implications arise for Poland from the Lisbon Strategy? The said strategy reduces the role of the state, or the "public hand", to three kinds of activity:

- providing support with public (domestic and EU) funds, i.e. the expense approach,
- liberalizing EU markets via regulatory changes,
- implementing internal reforms in member countries via institutional and regulatory changes (Szomburg, 2004, p. 45).

One has to agree with Szomburg (ibid.) that the priorities should be to focus on the system or the economy's institutional and regulatory framework, and to complete structural reforms. As applied to Poland, the role of the state should not evolve towards fully imitating solutions adopted in other EU-member countries, although compliance with binding EU regulations and directives is of course necessary. In accordance with the EU regulations, instruments supporting competitiveness should be horizontal, not vertical. These instruments, while essential in fostering the competitiveness of Polish firms internationally, should not provide grounds for protests from Poland's UE partners (as some suggested forms of public aid for companies inevitably would) but rather gain their support and encourage them to invest and do business in Poland.

Economic Policy and Globalization

Poland is simultaneously participating in two important economic processes: integrating with the European Union and joining the world economic system through increased participation in international trade and foreign direct investment (FDI) flows. While EU-membership generates free trade between Poland and other members of the EU and thus exposes Polish firms to almost unrestricted competition in a large regional market in the short run, Poland's membership in such organizations as WTO, UNCTAD and OECD, inevitably exposes Polish firms to a much broader, global competition in the long run. The latter is the result of a continuing process of reducing/eliminating import tariffs and non-tariff barriers among members of the WTO and liberalizing FDI regimes within the framework of UNCTAD and other international organizations. The question that arises in this context is how should the economic policy of individual countries in general, and Poland in particular, react to the forces of globalization while fostering the competitiveness of their companies?

According to Dunning (1999 and 2003), owing to the continuous globalization processes, the role of the state in the economy should be totally redefined. This applies to four aspects of that role:

- distinguishing between the state's systemic and operational role in the economy,
- factors unique to a given country and influencing the state's role in the economy,
- the ways governments respond to globalization,
- governments' appropriate territorial jurisdiction.

Dunning advances the idea that globalization brings about far-reaching changes in the systemic role of the state. This is connected with the necessity to create laws and regulations with an international locus (e.g. intellectual property law), to ensure that the institutional norms and regulatory systems of a given country do not place its companies and citizens in a worse situation than those from other countries (such as regulations concerning environmental protection, competition policy or tax systems), to lift international trade barriers including discriminatory procurement policies and technical standards. Dunning believes that the state's systemic role has to undergo constant "creative destruction".

With regard to the state's operational role, equally or even more relevant is the said "creative destruction" idea. While systemic functions constitute an inherent role of the state, its direct involvement in the functioning of an economic system (the operational function) should depend on a comparative analysis of the cost of this approach and the costs of alternative institutional solutions. The situation in this field is evolving continuously: there are cases, for example, where state interventionism is justified by extremely high transaction costs of pure market regulation. This is what happens when dealing with idiosyncratic (specific) investments or when some private capital goods acquire attributes of public goods and generate enormous fixed costs. Examples include infrastructure projects with major external effects which lead to significant divergence of private and social benefits. According to Dunning and co-authors, there is no single, best recipe for how particular governments should respond to globalization. This depends on numerous, specific determinants, including institutional and economic infrastructure but also the social and cultural underpinnings of particular countries.

One of the basic indicators of a country's stance on the globalization issue is its government policy towards foreign direct investment. Dunning and co-authors put forward a very important and somewhat controversial view on this issue: because of globalization, action taken by national administrations should not depend on who owns the firms under their jurisdiction. Therefore, government policies towards foreign direct investment should not focus on attracting or accepting the "proper" investments. Policies towards investment should leave aside the issue of ownership of companies, which operate within the jurisdiction of particular governments.

With regard to the policy of supporting country competitiveness, it seems that the ideas advocated by Dunning and co-authors can also be applied in Poland. These authors approach the issue of competitiveness holistically (promoting systemic competitiveness) but they also take into account and develop the aspect of competitiveness – neglected in other approaches – associated with the level of transaction costs, which should be reduced in a framework of properly functioning institutions (institutional competitiveness) [1]. Global capitalism, in which also Poland increasingly participates, requires focusing on human capital, knowledge and creativity. Under these conditions, the basic directions of promoting country international competitiveness should be:

- to ensure an adequate quantity and quality of resources (resource creation and upgrading) such as high quality of human capital (via education), high propensity to innovate and efficient financial markets,
- to promote transaction cost reduction – by improving the legal system (contract execution), adequate infrastructure, eliminating information asymmetry, risk reduction (insurance systems), preventing discrimination of firms from a given country, [2]
- to create an investment-friendly climate.

While considering the impact of globalization on particular country economic policies, we should also note the approach suggested by Lipsey (1999). Lipsey appreciates the great role of globalization in changing today's world economy, but at the same time observes that globalization is only an element of a larger process, which he sees as a set of structural adjustments that take place in the world economy and are an effect of the information and communication technology revolution. According to Lipsey, technological change is the main, long-term cause of globalization.

Another important aspect of the relationship between globalization processes and economic policy is the awareness of the ethical and moral determinants of globalization, which – as one might expect – should also be reflected in the implemented economic policy. This is a very broad issue, which does not arouse much interest yet. Nevertheless, the issue should be mentioned in order to emphasize its significance. Dunning (2003) has put forward a very interesting view on the matter:

"....if global capitalism – arguably the most efficient wealth creating system currently known to man – is to be both economically viable and socially acceptable, then each of its four constituent institutions (*viz.* markets, governments, supra-national agencies, and civil society) must be not only entrepreneurial and technically competent, but buttressed and challenged by a strong and appropriate moral ecology".

Internal Determinants of Company Competitiveness

Outward expansion undertaken by firms at some point in their development and growth path is influenced, as has been pointed out in the preceding sections, by economic policy in conjunction with and in the context of three dimensions of the spatial environment in which the said firms operate, i.e. the national one, the regional one (as exemplified here by the market of the European Union) and the global (world) economy. Certain policy measures/elements are common to all three dimensions, certain are country or region specific and still others apply to the globalization phenomenon as such.

But there are also internal, company specific factors of competitiveness which determine the degree, timing and methods of company involvement in the internationalization process which in itself is at the same time a record and a measure of international company competitiveness. These internal components are of course intertwined with external, economic policy instruments. The scope and scale of interfacing between them determines also the effectiveness of competitiveness of firms operating on foreign markets. The following sections of this study attempt to make an initial exploration of the effects of the said external and internal determinants of competitiveness on the spatial aspects of foreign expansion of Polish firms.

Company Expansion Strategies

Pursued strategies of entering and then expanding on foreign markets constitute the principal internal factor influencing and reflecting firm competitiveness. If for clarity one classifies Polish firms into small, medium sized and large, using annual sales as the principal criterion, there is a discernible difference between the first and the remaining two in the strategies of outward expansion. Companies operating on a small/local scale and concentrating on the domestic market rarely decide to venture abroad. If they do so, it is in principle via exporting, indirectly or directly, into the neighboring country markets. Most of them export materials and/or components acting as suppliers or sub-suppliers for large foreign contractors. There is practically no exporting of finished products since those small firms do not have any substantial competitive advantage which they could profitably exploit abroad. Agriculture is the exception, where firms, frequently not far from the border, indulge in exporting, usually food products such as honey, processed mushrooms, fruits and potatoes. Most of the subcontracting and supply exporting is geographically concentrated in the West European markets, especially in Germany, since Polish firms offer lower labor costs with quality of workmanship comparable or superior to that found in more developed countries.

The medium sized and large Polish firms also concentrate their foreign expansion on exports using however to a much larger extent direct rather than indirect exporting. Moreover they have a predominant share in final goods instead of supplies of parts and components since they are able to generate firm specific advantages in product quality relative to price and in product innovation. Both those attributes allow them to enter markets of Western Europe as well as the less developed ones, such as Ukraine, Belarus, Russia and the Balkans, where their competitive advantage is usually much more visible and effective in terms of sales and market shares. But in the last three years a significant and positive evolution has been observed in that group. So far the dominance of exporting has raised much criticism (M.Gorynia & R.Wolniak, 2001a) as being a short sighted strategy insufficient to retain long term sales volume and market share. The advocated necessity to move forward on the path of internationalization seems to have finally made its way to the management boards of medium and large Polish firms, which have begun to venture into more advanced forms of foreign presence. Those still focused on serving the domestic Polish market have been allocating foreign production via contract manufacturing, for example in China, in the apparel industry (well known brands like Reserved and Tatuum). We have a case here of delocalization of production substituting previous imports from independent Chinese manufacturers. This also signals the emergence in Poland of buyer-driven commodity chains based on externalization of production and internationalization of production that is contractually founded. [3]. The limitation in the spatial locus of such internationalization stems from the fact that output is destined primarily for the domestic Polish market. The true challenge and much bigger opportunity of course lies in undertaking FDI in China with the purpose of serving the immense local market. In this dimension the presence of Polish investors is practically non existent. Those that have invested there for local distribution find themselves beset with problems such as disregard for intellectual property rights.

Other Polish firms have been investing in the neighboring countries like the Czech Republic (in the coffee and petroleum industries, for example) and the Ukraine (in banking) via acquisitions to start foreign production or offer services to the local markets. In Germany, Orlen, the largest Polish petroleum firm, has acquired from a British MNC (BP) a network of gasoline stations. Some, like a large copper mining and processing firm (KGHM) have ventured as far as Africa (the Congo) to invest in copper extraction. Although the outward FDI flows are still considerably smaller than FDI inflows to Poland [4], the observed trends indicate a significant

change in perception of the means to sustain competitive advantage abroad.

Company Resources

Small Polish firms have always been beset by the lack of sufficient financial, material and human resources required to expand abroad beyond exporting. The existence of only a few venture capital firms and difficulty in obtaining long term investment credits from the banking sector because of weak collateral and lack of state support (the exception being the establishment of an export credit insurance facility) petrified the difficulties facing those wanting to expand into foreign markets.

Medium sized and large Polish companies, over the past 15 years of the transformation process to a market-led system, have by organic growth (accumulating and investing profits) managed to generate internally the resources necessary to achieve and sustain competitive advantage through FDI. Also, because of their size and power, they were able to secure investment credit from the Polish financial market or from international financial markets. Moreover, in the past three years there has been an increase in domestic mergers and takeovers creating a better foundation for foreign expansion.

What is still lacking in any noticeable scale however is the formation of business alliances among Polish firms in all three size categories. The idea of cooperating in business, especially in acquiring more competitive power when moving into a foreign environment seems to be still alien to Polish managers. The "individual" perspective in entrepreneurship in Poland is still prevalent among managers especially in small and mid sized firms and so far has been effective in preventing thinking about inter-firm cooperation. According to this approach, management and owners are spurred to generate profits and firm growth on a strictly "do it yourself" basis without considering synergies and other benefits of "horizontal" cooperation with competitors. Loose cooperation in non-equity contractual forms is accepted practically only in "vertical" linkages with suppliers and direct or indirect customers. Formation of strategic alliances with equity participation is extremely rare. Paradoxically, Polish firms are more willing to succumb to takeover offers from foreign investors than try to create an effective countervailing force by joining forces together by mergers or business alliance formation.

A change in this somewhat strange attitude has been observed in the retail trade sector, where attempts have been made to at least curtail the dominance of big, international French (Carrefour, Auchan, Geant), German (Ahold, Lidl,) and British (Tesco) owned retail chains. These attempts have resulted in the creation and substantial growth of regionally focused, Polish owned retail stores (for example, Lewiatan, Top Market and Piotr i Paweł) operating under one logo/franchise and having access to common supply logistics.

The necessity to acquire more economic power to be able to compete with big MNCs on the domestic Polish market and on foreign markets is becoming clearly evident among the largest Polish firms. One way to achieve this has been (as in the case of Orlen, the largest firm in the petroleum sector) to embark on a planned series of domestic and foreign takeovers (like the Czech Unipetrol) inside the sector as well as to engage in merger negotiations with major players in other East European countries (for instance, with MOL, the largest domestic petroleum firm in Hungary). This has sparked opposition that Poland would end up with one national operator in the petroleum sector with no effective domestic competition, which would inevitably lead, according to the advocates of this line of thinking, to undesirable monopolistic practices. The flaw in this nominally valid reasoning lies in the fact that it is short term focused: in a medium and longer time frame this sole national operator will inevitably have to face international competition from big US, French or British oil MNCs with a set of competitive attributes difficult to match for a company several times smaller in terms of revenues and assets.

A pertinent and recurring issue in this context relates to the question whether economic policy measures should be designed to support only Polish owned firms or all firms registered and operating out of Poland. This second option would include of course all Polish subsidiaries of MNCs. The advocates of the integral model would argue to make no differentiation as to the nationality of ownership and such solution would thus be perceived as more egalitarian and fair. However there is one quite apprehensive factor which a priori cannot be excluded in the practical application of this concept, i.e. Polish subsidiaries of MNCs would receive additional benefits/support from the state adding already to their usually superior position on the domestic market and providing additional advantages to expand abroad besides the standard backing which these subsidiaries receive anyway internally from their parent companies or other subsidiaries in their respective multinational networks. In other words, this would lead to the creation for Polish owned firms an unequal and unfavorable point of departure in fostering external expansion, thus misplacing the intended focus of economic policy in the sphere of supporting outward expansion.

Economic Policy Prescriptions and Spatial Expansion

The spatial expansion of Polish firms is and should continue to be subjected to imperatives derived from the country's geopolitical position. The closest, regional

imperative assumes that Poland being a member of the EU should execute all measures and fulfill all obligations on the supranational and national levels designed to sustain and enhance the EU integration process. Thus in this narrow dimension, the spatial focus of Polish firms is seen as being circumscribed by the market of the EU. Appropriately, the majority of Poland's foreign trade is also conducted within the EU.

Nevertheless, there is then the second imperative, "the second ring" encompassing Poland and pointing to a much wider locus of spatial dislocation of Polish firms. That imperative embraces all the attributes and processes which constitute globalization. The potential for expansion in this framework is believed to be far greater than within the first imperative. The global dimension must not be viewed, however, as being a substitute to the regional EU focus but rather as a complementary relationship. The two principal vectors of expansion within this global environment outside Poland itself and subsequently outside the EU are foreign trade and FDI. In other words, those are the principal vectors that define the framework of internationalization and the venue for acquiring international competitiveness.

Yet economic policy, especially in a long term perspective, cannot be geared solely to promote the abstract space of the global market. As the Polish economy becomes ever more interdependent and assimilated through those vectors of globalization, the spatial focus of Polish firms needs to become more polycentric, identifying specific regions of further expansion. Moving into the global market requires, first of all, concentration on the other two (besides the EU) centers of the triadic world economy, i.e. the USA and in a fuller context NAFTA, and South East Asia but with a focus less on Japan and South Korea and more on China. In this spatial dimension Polish firms will only be replicating the path taken long before them by MNCs from industrialized countries. It is a path full of pitfalls, requiring a creative use of company specific resources and instruments as well as external, home country competitiveness stimulating policies and measures.

Outside the Triad Polish firms should be encouraged to expand into regions where they have had substantial "historical" presence or where they have already made initial inroads. The first such region in the former category appears to be immediately outside Poland's eastern border and is composed of the markets of Russia, Ukraine and Belarus. The relatively small physical distance to these markets generates additional synergies due to the small psychic distance and past expertise in doing business there as well. In the latter category the most promising region seems to be that of the Middle East, including countries such as Egypt, Libya, Lebanon, Kuwait and Iraq. In most of them Polish firms were present in the previous socio-economic system (engaged mainly in completing large, infrastructure projects) but with its change they disappeared and now are trying to re-enter with new product categories (such as processed food products and manufactured goods) and move into new sectors (such as petroleum and utilities). South America, especially Brazil, Argentina and Mexico, form a region still relatively neglected by Polish firms where a supporting factor facilitating Polish exports and FDI might be the ethnic Polish minority active in these countries.

The expected long term effects of Poland's economic policy should be to create, by generating company competitiveness, a solid base allowing Polish firms to invest and expand in all the regions identified above, both developed and developing. One basic operational prerequisite of such a base is the necessity to implement a series of intensive, government funded, public relations type promotion programs, designed in essence to create a positive country of origin effect in local consumer perceptions of Polish products and companies. Experience with such programs and other countries shows that some time must pass before their desirable effects become visible. The expectations in this respect of those responsible for designing and implementing Polish economic policy and those responsible for managing Polish firms might clash with reality. Both groups should strive to make this outcome a positive surprise for them and contribute to the success of Polish firms on the global market.

Notes

[1] The relationship between entrepreneurship and the institutional structure of markets is extensively discussed by Noga (2001).

[2] Transaction costs can also be reduced thanks to social capital, which is responsible for generating social confidence. See Matysiak (1999).

[3] For an extensive discussion of buyer-driven commodity chains in the garment industry see R.Strange and J.Newton (2003).

[4] FDI inflows to Poland from April 2004 to March 2005 totaled 4 396 mln EUR while outward FDI amounted to only 645 mln EUR (Rzeczpospolita, June 1, 2005)

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