

*Edited by*

IRENA K. HEJDUK

WIESŁAW M. GRUDZEWSKI

# The World Economy:

## Contemporary Challenges



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**Difin**

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# The World Economy: Contemporary Challenges



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## Poland's Participation in Globalisation *via* Outward Foreign Direct Investment – Results and Perspectives

**Abstract:** The aim of this paper is to analyse one of the most important aspects of the Polish economy's participation in the processes of globalisation, namely, Polish outward foreign direct investment. The author discusses the general dynamics of Polish outward foreign direct investment as well as changes in the sectoral and geographical structure of Poland's outward FDI. The author tries also to formulate the most important tendencies and presents his opinion on the development of Polish outward FDI in the future. Next step is to examine how the synthetically described and analysed macroeconomic trends translated into microeconomic strategies of business entities, i.e., Polish firms investing abroad. The period of analysis covers the years 1990–2009.

### 1. Introduction

A significant feature of Polish transformation is the systematic opening of the economy to foreign direct investment. From the beginning of the transition process, which started in 1990, foreign direct investment has played a pivotal role in the transformation of post-communist economies of Central and Eastern Europe. This is especially true for Poland, which has experienced a phenomenal growth in inward FDI, becoming the largest recipient of this investment in the region. Inward FDI can be considered, without doubt, a salient factor contributing to Poland's transition to a market-led system and, at the same time, leading to a wider and deeper involvement in the ever more complex process of globalisation. Outward FDI from Poland started later and became an important economic phenomenon in the late 1990s.

### 2. The Place of Foreign Direct Investment in Company Internationalisation – a Microeconomic Perspective

A company can conduct foreign expansion in various forms. Possible methods of entering foreign markets can be divided into three classes: export, cooperation relationships with a foreign partner, and independent business activity.

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Export is the most traditional form of a company's foreign expansion. Capital links with foreign partners are relatively long-term business relationships. They can take several forms: non-capital cooperation, capital cooperation and strategic alliances (strategic coalitions).

Non-capital cooperation in international business can take the form of licensing contracts, franchising agreements, management contracts, turnkey investment project contracts and subcontracting.

International capital cooperation involves creating a new capital entity whose capital is owned by partners from at least two countries (international joint ventures).

An increasingly frequent form of business cooperation on an international scale is establishing strategic alliances.

In international business, independent business activity involves making foreign direct investment with a 100% ownership of a company based abroad.

To put it simply, the FDIs that are analysed in this paper fit in with the above classification by referring to two of the foreign expansion forms identified above, namely international joint ventures and independent business activity with a 100% ownership of an entity based abroad.

The extensive subject literature on companies' foreign expansion, including FDI, is very rich. Within it, we can distinguish two basic groups of theories<sup>1</sup>:

- microeconomic theories – ownership advantage theory, location theory, internalisation theory, eclectic theory of international production, product life-cycle theory, oligopolistic reaction theory and other microeconomic theories;
- internationalisation theories – conventional internationalisation models (Upp-sala model, innovation-based models), unconventional internationalisation models (Finnish model, network approach) and the born global phenomenon.

It should be pointed out that FDI also draws the interest of numerous macroeconomic theories, such as the flying geese paradigm of catch-up growth, the Investment Development Path, investment position development and other macroeconomic theories<sup>2</sup>.

The above observations are intended to emphasise that FDI is investigated by economists representing many trends of research, and that there are numerous, sometimes incompatible or even contradictory, theoretical explanations of the issue. These circumstances are a main cause of our highly imperfect positive knowledge of FDI, lying at the bottom of our relatively limited forecasting capabilities. Under such conditions, it is difficult and risky to formulate recommendations for companies with regard to foreign expansion through FDI.

<sup>1</sup> See Blanke-Ławniczak 2010.

<sup>2</sup> *Ibid.*

### 3. The Main Trends in FDI Development Worldwide and in Poland – the Significance of the Crisis

Table 1 presents data concerning the outflow of foreign direct investment from Poland and worldwide. The data suggests that in 1990–2008 the accumulated value of Poland's outward FDI as a share of the accumulated value of the world's outward investment increased from 0.005% to 0.139%. Although the share increased 28 times, it is still extremely low, for instance in comparison with the share of Polish exports in world exports. In 2009 the share was 0.138%, which means that it practically remained at the 2008 level. From this perspective, the world economic crisis did not adversely affect Poland's overall position. An analysis of Table 1 leads to the conclusion that the rate of growth of the value of outward foreign direct investment worldwide in the years 1990–2008 (798%) was about 73 times lower than it was for Poland (58420%). On the other hand, if we take into account the rate of growth of the value of outward foreign direct investment worldwide in the years 1990–2009, it was 456% – about 125 times lower than the same indicator for Poland (57040%). The rate of growth of the accumulated value of outward investment in the years 2008–1990 was 777% and 23747% for the world and for Poland, respectively. For Poland, the rate of growth was nearly 31 times as high as that for the world. The same rate for the years 1990–2009 was 27590% and 910% for the world and for Poland, respectively. For Poland, therefore, the indicator was nearly 30 times as high as for the world.

**Table 1.** FDI outflow from Poland and worldwide in the years 1990–2009 (in US\$ m)

| Years | Investment outflows from Poland | Outward FDI Poland Stock | Outward FDI World Flow | Outward FDI World Stock |
|-------|---------------------------------|--------------------------|------------------------|-------------------------|
| 1990  | 5                               | 95                       | 241474                 | 2086818                 |
| 1991  | -7                              | 88                       | 198036                 | 2342354                 |
| 1992  | 13                              | 101                      | 202716                 | 2382994                 |
| 1993  | 18                              | 198                      | 242573                 | 2777384                 |
| 1994  | 29                              | 461                      | 286889                 | 3103388                 |
| 1995  | 42                              | 539                      | 362585                 | 3606556                 |
| 1996  | 53                              | 735                      | 396457                 | 4089866                 |
| 1997  | 45                              | 678                      | 476083                 | 4709384                 |
| 1998  | 316                             | 1165                     | 682285                 | 5587758                 |
| 1999  | 31                              | 1024                     | 1076822                | 6761225                 |
| 2000  | 16                              | 1018                     | 1232888                | 7967460                 |

|      |      |       |         |          |
|------|------|-------|---------|----------|
| 2001 | -90  | 1157  | 753077  | 7684655  |
| 2002 | 230  | 1456  | 537095  | 7764291  |
| 2003 | 300  | 2144  | 565732  | 9866859  |
| 2004 | 915  | 3351  | 920253  | 11639506 |
| 2005 | 3399 | 6277  | 893093  | 12416839 |
| 2006 | 8875 | 14317 | 1410574 | 15661006 |
| 2007 | 4748 | 21201 | 2267547 | 19313981 |
| 2008 | 3582 | 22560 | 1928799 | 16206795 |
| 2009 | 2852 | 26211 | 1100993 | 18982118 |

Source: UNCTAD Foreign Direct Investment database  
<http://stats.unctad.org/FDI/TableView/tableView.aspx?ReportId=4031>

The world's highest annual value of investment outflow was reported in 2007 (US\$2267547 million). The level could hardly be regarded as normal, resulting from a years-long trend. The escalation of FDI outflows in the years 2006 and 2007 was exceptional and very spectacular – annual increases of up to 50% on the previous year can hardly be seen as a trend that could be maintained in the long, or even medium, term. After the enormous growth dynamics of the 2006–2007 period, the years 2008 and 2009 saw large decline dynamics: in 2008 the value of outward FDI worldwide was 85% of the 2007 figure, and in 2009 it was just 49% of the 2007 figure. If we compare only the years 2009 and 2008, it turns out that in 2009 the FDI value decreased by as much as 45% in relation to the year 2008.

As far as the value of investment outflows from Poland is concerned, the record year was 2006 (US\$8864 million). The results achieved in 2007, 2008 and 2009 were 61%, 33% and 32%, respectively, of the result gained in 2006. From a purely numerical point of view, there was a very considerable slump then. However, it does not seem justifiable to associate this decline exclusively or primarily with the world economic crisis. In the history of FDI outflows from Poland, 2006 was a record year and an exceptional one. For this reason, it can hardly be treated as a good point of reference for the other years. In 2007, the last pre-crisis year, the value of Poland's outward FDI was US\$5405 million. In the following year the value decreased to US\$2921 million; in other words, it was 54% of the previous year's figure. In this case, it could be said that the economic crisis weakened Polish companies' willingness to engage in FDI. In 2009 the value of Poland's FDI outflows was US\$2852 million and remained at a level similar to that of 2008 (it was 98% of the previous year's value). These figures demonstrate that, as far as the whole Polish economy is concerned, the year 2009 did not see a very strong adverse effect of the economic crisis on the level of Polish companies' foreign investment activity.

At the level of macroeconomic data, the impact of the world economic crisis on the level of outward FDI in the world and in Poland was different in terms of its scale and distribution in time. Worldwide, the largest decline took place in 2009 in relation to the year 2008. On the other hand, in Poland, after a deep slump in 2007 in relation to 2006 (which can hardly be associated with the crisis), the falling trend continued in 2008 and 2009, although 2008 saw a significant decline in comparison with the year 2007, whereas in 2009 the FDI value stabilised at the previous year's level.

#### **4. Sectoral and Geographical Structure of Foreign Direct Investment Outflows from Poland**

In the sectoral structure of Poland's investment outflows (see Tables 2 and 3), the most significant role is played (as of 2009) by real estate and business activities (34.7%), manufacturing (28.6%, of which chemical, rubber and plastic products account for 15.2%, and refined petroleum and other treatments 13.6%), financial intermediation (13.3%), and trade and repairs (12.6%).

As for the main directions of Polish investors' expansion, US\$25.4 billion of the total of US\$27 billion of Polish investment abroad was invested in Europe, including around US\$17 billion in countries of the European Union (EU-25) (National Bank of Poland, 1997–2010). Countries with the highest level of investment were Luxembourg (US\$5.6 bn), Switzerland (US\$4.8 bn), Lithuania (US\$3 bn), the Netherlands (US\$2.2 bn), the UK (US\$1.3 bn), Norway (US\$1.1 bn), Ukraine (US\$0.9 bn), Russia (US\$0.9 bn) and the Czech Republic (US\$0.8 bn). We should note Polish companies' low level of investment in non-European countries: the United States (US\$0.4 bn), India (US\$0.1 bn) and Singapore (US\$0.1 bn). According to official statistics, there are only token Polish investments in China (US\$34 m). It is possible, however, that Polish companies' actual engagement in China is greater, since it can be expected that some of the investment made officially in Luxembourg, Switzerland and the Netherlands has been directed via these countries to other parts of the world.

#### **5. A Microeconomic Picture of Polish FDI Outflows – Poland's Largest Exporters of Capital<sup>3</sup>**

Since 1992, the National Bank of Poland has kept a register of Polish foreign investors. The number of investors in the 1992–2007 period is presented in Table 4. It should be noted that 2001 saw the introduction of a minimum-value threshold for investments entered in the register, which is €10,000. This is why the

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<sup>3</sup> This part of the paper contains data provided by Blanke-Ławniczak (2010).

**Table 2.** Industry Structure of Accumulated FDI Outflows from Poland, 1996–2009, in mln USD at Current Prices

|   | 1996        | 1997        | 1998         | 1999         | 2000         | 2001         | 2002         | 2003         | 2004          | 2005          | 2006           | 2007           | 2008           | 2009           |
|---|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Agriculture and fishing                         |             |             |              | -4,9         | -4,9         | -4,7         | -4,7         | -5,3         | -6,4          | -8,0          | -10,0          | -10,1          | -10,0          | -10,0          |
| Mining and quarrying                            |             |             | 16,0         | 18,7         | 20,0         | 26,7         | 9,1          | 10,7         | 2,0           | 15,7          | 60,3           | 22,3           | 81,8           | 202,4          |
| Manufacturing, of which:                        | 7,0         | 16,0        | 86,0         | 82,5         | 94,0         | 58,1         | 61,1         | 298,9        | 496,9         | 1414,5        | 4321,3         | 5215,6         | 5667,0         | 7750,0         |
| <i>Food products</i>                            | <i>3,0</i>  | <i>4,0</i>  | <i>4,0</i>   | <i>4,4</i>   | <i>4,6</i>   | <i>5,9</i>   | <i>7,9</i>   | <i>10,4</i>  | <i>66,0</i>   | <i>206,1</i>  | <i>226,3</i>   | <i>264,6</i>   | <i>431,1</i>   | <i>1728,4</i>  |
| <i>Textiles and wearing apparel</i>             |             |             |              | 0,2          | 0,2          | 1,4          | -0,1         | 17,5         | 36,5          | 52,7          | 75,6           | 103,3          | 139,2          | 156,9          |
| <i>Wood, publishing and printing</i>            |             |             |              | 0,6          | 1,9          | 7,6          | 13,9         | -61,7        | -50,8         | 37,0          | 45,8           | 50,6           | 177,0          | 163,8          |
| <i>Refined petroleum &amp; other treatments</i> |             |             |              |              |              |              |              | 131,5        | 186,0         | 589,7         | 3005,2         | 3471,1         | 3467,4         | 3694,3         |
| <i>Chemical, rubber and plastic products</i>    |             |             |              |              | 7,1          | 6,4          | 3,6          | -8,8         | -4,3          | 39,5          | 208,7          | 314,2          | 266,2          | 426,5          |
| <i>Metal and mechanical products</i>            | 4,0         | 10,0        | 15,0         | 13,8         | 17,8         | 22,4         | 22,2         | 64,2         | 85,7          | 153,2         | 250,0          | 308,5          | 543,0          | 638,6          |
| <i>Office machinery and computers</i>           |             |             |              |              |              |              |              |              | 0,9           | 0,9           | 1,0            | 1,4            | 4,5            | 1,7            |
| <i>Radio, TV, communication equipments</i>      |             |             |              |              | -1,0         | -1,0         | -1,0         | 64,2         | 64,1          | 101,7         | 53,1           | 55,8           | 44,1           | 113,9          |
| <i>Motor vehicles and transport equipment</i>   |             | 1,0         | 65,0         | 61,5         | 62,7         | 8,8          | 6,8          | 32,8         | 95,5          | 149,5         | 186,8          | 216,0          | 419,5          | 563,9          |
| Electricity, gas and water                      |             |             | -6,0         | -15,3        | -15,3        | -13,1        | -11,7        | -9,8         | -9,2          | -9,3          | -8,0           | 411,4          | 537,5          | 819,8          |
| Construction                                    | 2,0         | 7,0         | 4,0          | -0,9         | 2,1          | 2,2          | -7,5         | -16,5        | -16,2         | 179,3         | 250,2          | 324,1          | 102,9          | 114,8          |
| Trade and repairs                               | 15,0        | 22,0        | 6,0          | 1,0          | 7,4          | -16,8        | -33,8        | -10,5        | 226,4         | 496,3         | 1486,1         | 2168,7         | 3510,7         | 3413,0         |
| Hotels and restaurants                          |             | -3,0        | -3,0         | -2,1         | -1,9         | -2,0         | -2,0         | -2,0         | -1,7          | -2,3          | -2,6           | -0,9           | 4,3            | 2,1            |
| Transports, communication                       | 2,0         | -1,0        | 7,0          | 16,1         | 27,9         | 36,4         | 39,8         | -19,5        | -17,7         | -28,3         | -1,0           | 17,1           | 9,6            | -5,5           |
| Financial intermediation                        | 7,0         | 12,0        | 15,0         | 72,3         | 44,9         | -60,4        | 9,7          | 8,8          | 394,9         | 2079,1        | 2860,0         | 3066,7         | 3327,6         | 3565,6         |
| Real estate & business activities               |             | 1,0         | 15,0         | 2,5          | 13,2         | 25,9         | 32,2         | 122,8        | 188,1         | 476,1         | 3920,2         | 6239,3         | 6939,8         | 9400,3         |
| Remaining, unclassified                         | 20,0        | 44,0        | 274,0        | 275,1        | 273,6        | 318,7        | 508,8        | 523,7        | 559,4         | 602,0         | 1227,4         | 1398,0         | 1691,7         | 1821,6         |
| <b>TOTAL</b>                                    | <b>53,0</b> | <b>98,0</b> | <b>414,0</b> | <b>445,0</b> | <b>461,0</b> | <b>371,0</b> | <b>601,0</b> | <b>901,3</b> | <b>1816,5</b> | <b>5215,1</b> | <b>14103,9</b> | <b>18852,2</b> | <b>21862,9</b> | <b>27074,1</b> |

Note: Minus (-) sign signifies disinvestment/withdrawal of capital to Poland.

Source: National Bank of Poland, 1997–2010.

**Table 3.** Industry Structure of Accumulated Percentage Shares of FDI Outflows from Poland, 1996–2009

|   | 1996         | 1997         | 1998         | 1999         | 2000         | 2001         | 2002         | 2003         | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Agriculture and fishing                         |              |              |              | -1,1         | -1,1         | -1,3         | -0,8         | -0,6         | -0,4         | -0,2         | -0,1         | -0,1         | 0,0          | 0,0          |
| Mining and quarrying                            |              |              | 3,9          | 4,2          | 4,3          | 7,2          | 1,5          | 1,2          | 0,1          | 0,3          | 0,4          | 0,1          | 0,4          | 0,7          |
| Manufacturing, of which:                        | 13,2         | 16,3         | 20,8         | 18,5         | 20,4         | 15,7         | 10,2         | 33,2         | 27,4         | 27,1         | 30,6         | 27,7         | 25,9         | 28,6         |
| <i>Food products</i>                            | 5,7          | 4,1          | 1,0          | 1,0          | 1,0          | 1,6          | 1,3          | 1,2          | 3,6          | 4,0          | 1,6          | 1,4          | 2,0          | 6,4          |
| <i>Textiles and wearing apparel</i>             |              |              |              | 0,0          | 0,0          | 0,4          | 0,0          | 1,9          | 2,0          | 1,0          | 0,5          | 0,5          | 0,6          | 0,6          |
| <i>Wood, publishing and printing</i>            |              |              |              | 0,1          | 0,4          | 2,0          | 2,3          | -6,8         | -2,8         | 0,7          | 0,3          | 0,3          | 0,8          | 0,6          |
| <i>Refined petroleum &amp; other treatments</i> |              |              |              |              |              |              |              | 14,6         | 10,2         | 11,3         | 21,3         | 18,4         | 15,9         | 13,6         |
| <i>Chemical, rubber and plastic products</i>    |              |              |              |              | 1,5          | 1,7          | 0,6          | -1,0         | -0,2         | 0,8          | 1,5          | 1,7          | 1,2          | 1,6          |
| <i>Metal and mechanical products</i>            | 7,5          | 10,2         | 3,6          | 3,1          | 3,9          | 6,0          | 3,7          | 7,1          | 4,7          | 2,9          | 1,8          | 1,6          | 2,5          | 2,4          |
| <i>Office machinery and computers</i>           |              |              |              |              |              |              |              |              | 0,0          | 0,0          | 0,0          | 0,0          | 0,0          | 0,0          |
| <i>Radio, TV, communication equipments</i>      |              |              |              |              | -0,2         | -0,3         | -0,2         | 7,1          | 3,5          | 2,0          | 0,4          | 0,3          | 0,2          | 0,4          |
| <i>Motor vehicles and transport equipment</i>   |              | 1,0          | 15,7         | 13,8         | 13,6         | 2,4          | 1,1          | 3,6          | 5,3          | 2,9          | 1,3          | 1,1          | 1,9          | 2,1          |
| Electricity, gas and water                      |              |              | -1,4         | -3,4         | -3,3         | -3,5         | -1,9         | -1,1         | -0,5         | -0,2         | -0,1         | 2,2          | 2,5          | 3,0          |
| Construction                                    | 3,8          | 7,1          | 1,0          | -0,2         | 0,5          | 0,6          | -1,2         | -1,8         | -0,9         | 3,4          | 1,8          | 1,7          | 0,5          | 0,4          |
| Trade and repairs                               | 28,3         | 22,4         | 1,4          | 0,2          | 1,6          | -4,5         | -5,6         | -1,2         | 12,5         | 9,5          | 10,5         | 11,5         | 16,1         | 12,6         |
| Hotels and restaurants                          |              | -3,1         | -0,7         | -0,5         | -0,4         | -0,5         | -0,3         | -0,2         | -0,1         | 0,0          | 0,0          | 0,0          | 0,0          | 0,0          |
| Transports, communication                       | 3,8          | -1,0         | 1,7          | 3,6          | 6,1          | 9,8          | 6,6          | -2,2         | -1,0         | -0,5         | 0,0          | 0,1          | 0,0          | 0,0          |
| Financial intermediation                        | 13,2         | 12,2         | 3,6          | 16,2         | 9,7          | -16,3        | 1,6          | 1,0          | 21,7         | 39,9         | 20,3         | 16,3         | 15,2         | 13,2         |
| Real estate & business activities               |              | 1,0          | 3,6          | 0,6          | 2,9          | 7,0          | 5,4          | 13,6         | 10,4         | 9,1          | 27,8         | 33,1         | 31,7         | 34,7         |
| Remaining, unclassified                         | 37,7         | 44,9         | 66,2         | 61,8         | 59,3         | 85,9         | 84,7         | 58,1         | 30,8         | 11,5         | 8,7          | 7,4          | 7,7          | 6,7          |
| <b>TOTAL</b>                                    | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> | <b>100,0</b> |

Note: Minus (-) sign signifies disinvestment/withdrawal of capital to Poland. Percentage shares may not add up to 100 because of rounding.

Source: Authors' calculations based on National Bank of Poland, 1997–2010.

data presented in the table is of limited comparative value – we can compare data within the 1992–2000 period and the 2001–2007 period. Within the latter period, we can notice a clearly growing trend in the number of Polish direct investors. This regularity corresponds with the increased value of Polish FDI discussed earlier.

**Table 4.** Number of Polish direct investors

| Year  | Number of Polish direct investors |
|-------|-----------------------------------|
| 1992  | 335                               |
| 1993  | 740                               |
| 1994  | 838                               |
| 1995  | 1041                              |
| 1996  | 782                               |
| 1997  | 802                               |
| 1998  | 1237                              |
| 1999  | 1141                              |
| 2000  | 1068                              |
| 2001* | 506                               |
| 2002  | 567                               |
| 2003  | 554                               |
| 2004  | 597                               |
| 2005  | 691                               |
| 2006  | 730                               |
| 2007  | 938                               |
| 2008  | 1022                              |
| 2009  | 988                               |

Source: National Bank of Poland, in Blanke-Ławniczak (2010).

\* Since 2001, with the threshold considered.

Individual data on Polish foreign investors are collected by the National Bank of Poland, but they are not made publicly accessible. Therefore, it is impossible to compile a list Poland's largest foreign investors in terms of the size of foreign assets owned. Blanke-Ławniczak (2010) created a list of the largest Polish companies, in terms of total assets<sup>4</sup>, which invested abroad and had a foreign investment in 2005. The companies listed are among Poland's 2,000 largest firms featuring on a ranking list published by the *Rzeczpospolita* daily (Table 5).

<sup>4</sup> On the basis of available data it is not possible to rank companies in terms of the size of total assets.

**Table 5.** Poland's largest foreign direct investors

| No. | Company name                                 | FDI location   |
|-----|--|--|
| 1   | PKN Orlen SA GK, Płock                       | Lithuania, Czech Republic, Germany   |
| 2   | KGHM Polska Miedź SA GK, Lublin              | Congo  |
| 3   | Grupa Lotos SA GK, Gdańsk                    | Norway, Lithuania  |
| 4   | Budimex SA GK, Warszawa                      | Germany  |
| 5   | Stalexport Katowice SA GK, Katowice          | Czech Republic, Slovakia, Hungary, Slovenia, Russia, Croatia, Bosnia and Herzegovina |
| 6   | Grupa Can-Pack SA, Kraków                    | Ukraine, Romania, UK, India, Egypt, United Arab Emirates, Slovakia, France           |
| 7   | Amica SA GK, Wronki                          | Denmark, Germany, Russia   |
| 8   | Black Red White SA GK, Biłgoraj              | Ukraine, Belarus, Slovakia, Greece, Russia   |
| 9   | Boryszew SA GK, Sochaczew                    | Ukraine  |
| 10  | Winkowski sp. z o.o., Piła                   | Sweden, Germany, Austria   |
| 11  | Opoczno SA, Opoczno                          | Lithuania, Ukraine, Russia   |
| 12  | Sygnity SA GK, Warszawa                      | Russia   |
| 13  | Kofola-Hoop SA GK, Warszawa                  | Russia, Czech Republic, Slovakia   |
| 14  | Nowy Styl sp. z.o.o., Krosno                 | Ukraine, Mexico, Austria, Hungary, Germany, Russia, South Africa, UK                 |
| 16  | Fabryka Kotłów Rafako SA GK, Racibórz        | Serbia   |
| 17  | Inter Groclin Auto SA GK, Wolsztyn Karpicko  | Ukraine  |
| 18  | Pfleiderer Grajewo SA GK, Grajewo            | Russia   |
| 19  | ComArch SA GK, Kraków                        | Germany, Switzerland, Austria, France, Czech Republic                                |
| 20  | Zelmer                                       | Hungary, Ukraine, Russia, Czech Republic, Slovakia                                   |
| 21  | LPP SA GK, Gdańsk                            | China  |
| 22  | Indykpol SA GK, Olsztyn                      | Germany, Russia  |
| 23  | Fabryka Mebli Forte SA GK, Ostrów Mazowiecki | Russia, Ukraine  |
| 24  | Paged SA GK, Warszawa                        | UK, USA  |
| 25  | Solaris Bus&Coach sp.z.o.o., Owińska         | Germany  |
| 26  | PKM Duda SA GK, Warszawa (Jutrosin)          | Ukraine, Germany   |
| 27  | Stomil Sanok SA GK, Sanok                    | Russia, Belarus, Ukraine   |
| 28  | Ambra SA, Warszawa                           | Czech Republic, Slovakia, Romania  |
| 29  | Porta KMI SA GK, Bolszewo                    | Romania  |
| 30  | Broker FM SA GK, Warszawa                    | Lithuania  |
| 31  | Adriana SA GK, Kijewo Królewskie             | Belarus, Estonia   |



|    |                                    |   |
|----|------------------------------------|---|
| 32 | Kamis Przyprawy SA, Wólka Kosowska | Russia, Ukraine, Czech Republic, Slovakia, Romania  |
| 33 | Jutrzenka Holding SA, Opatówek     | Romania, Ukraine  |
| 34 | Asseco Poland SA GK, Rzeszów       | Slovakia, Czech Republic, Germany, Spain  |
| 35 | Artman SA, Kraków                  | Russia, Lithuania, Ukraine, Romania, Estonia, Czech Republic, Hungary   |
| 36 | Decora SA GK, Środa Wlkp.          | Lithuania, Russia, Ukraine, Germany, Hungary, Bulgaria  |
| 37 | Global Cosmed FK SA, Radom         | Ukraine, Germany, UK, USA   |
| 38 | Śnieżka SA GK, Lubzina             | Ukraine   |
| 39 | Barlinek SA, Barlinek              | Ukraine   |
| 40 | Bioton SA GK, Warszawa             | Russia, Singapore, Kazakhstan, Ukraine, Switzerland, Italy  |
| 41 | Koelner SA GK, Wrocław             | UK, Romania, Bulgaria, Lithuania, Ukraine, Ireland, France, Kazakhstan, Czech Republic, Hungary, South Africa |

Source: Blanke-Ławniczak (2010).

Three facts should be emphasised:

- the table above is the only available ranking list of Poland's foreign investors;
- the method used to create the list is not perfect but, because of limited access to data, preparing a list that would be methodologically better was not possible;
- the list was compiled using the end-of-2007 data – it seems that the 2008–2009 list would not have looked very different because of Polish companies' relatively inhibited investment activity abroad. Some investments made in those years, however, certainly deserve to have been included in the list (e.g. Petrolinvest's investment, discussed below).

## 6. Exemplification and Illustration of FDI Outflows from Poland – Consequences of the Crisis for Polish Companies' Internationalisation Strategy

As for the microeconomic picture of the impact the world economic crisis had on Polish companies' international expansion, it should be emphasized that the picture is very diverse, with some positive and negative elements. Furthermore, the picture is undergoing a fairly rapid evolution in time. It is also worth underlining that the situation varies depending on the industry and the geographical direction of expansion.

Błaszak (2009) observes that, in 2008, the number of takeovers by Polish firms decreased, but there was an increase in the average value of the transactions

conducted. Such a picture in large part results from the activity of Petrolinvest, which acquired shareholdings in oil and gas drilling companies in Kazakhstan for €400 million. The author highlights a simultaneous influence of two opposing factors. On the one hand, the valuations of many companies in Central and Eastern Europe are attractive enough for Polish companies to take them over, but on the other, an uncertain macroeconomic situation and economies' weak foundations discourage entering into such transactions.

Woźniak (2009a) points to the greatest deterioration in Polish investors' position in countries of Central and Eastern Europe, which saw considerable decreases in demand for Polish investors' products, for example Polish furniture and building materials. Consequently, in early January 2009, Cersanit announced suspending its investments in Russia and Romania. The author emphasises a mood of pessimism in early 2009 among Polish companies expanding into those countries.

In a text under the symptomatic title "Companies are returning from the East", Woźniak (2009b) enumerates and describes examples of negative consequences of the crisis for Polish companies' internationalisation activities. For instance Barlinek, a world leader in wooden-floor manufacturing, was considering suspending the construction of a PLN600 million factory in Russia. The company had similar doubts about extending a factory in Romania, where Barlinek bought the Diana Forest plant in early 2008. Woźniak also observes that many Polish companies focused on expansion in countries particularly strongly hit by the economic crisis (Hungary, Ukraine, Romania and others). As a result, companies limited their scheduled investments or reduced production in existing plants: the Nowy Styl company laid off some staff in its Kharkov chair plant, reducing its output by 30%; Inter Groclin Auto, a car-upholstery manufacturer, stopped the construction of its second Ukrainian plant, already underway, near Ivano-Frankivsk.

Krzemiński (2009) points out that the crisis has provided many Polish firms with an opportunity to improve their international position. He cites examples of companies bravely entering foreign markets:

- PKO BP, intending to recapitalise Kredobank (its Ukrainian subsidiary) and other foreign acquisitions;
- PZU, intending to acquire the insurance arm of AIG in Central and Eastern Europe;
- Maspex, a juice market leader in Poland, the Czech Republic, Slovakia and Lithuania taking over several foreign companies in 2008;
- Asseco, planning to spend €200 million to acquire companies abroad.

Drewnowska and Woźniak (2010) stress how diverse is the picture of Polish direct investment abroad, citing both positive and negative examples. The Mokate company is a success in the Czech market, having acquired two tea-

manufacturing companies and an instant-food manufacturer. Atlas, a leading producer of construction chemicals took advantage of the crisis to make several purchases. It bought the Typhoon company in the Belorussian market and took over Atlas Baltic, a Latvian distributor. However, because of the downturn, Grajewo, a chipboard producer, refrained from building a board plant in Russia. Owing to the crisis, the Maspex group abandoned the idea of acquiring a Ukrainian juice producer.

A study conducted by KPMG, a consultancy, and the Polish Information and Foreign Investment Agency (on 112 firms, randomly selected from the 1,000 biggest companies with predominantly Polish capital) found that about 90% of the companies investigated pursue an internationalisation strategy: 88% export goods, 23% have sales offices, and 18% have their own manufacturing plants abroad (Baj 2010). Polish companies abroad have carried out a total of 223 greenfield projects and created about 43,000 jobs.

Woźniak (2010) notes that although the statement presented in the article title “Polish companies invest too little in the West” is fully justified, he cites several examples of Polish companies’ foreign expansion in this direction. Among other things, the author mentions Asseco Poland’s US\$145 million acquisition of a controlling stake in Formula Systems, an Israeli group. Another example of expansion in the IT industry is Comarch, with its German investments (the 2008 acquisition of a majority stake in SoftM for €22 million). Other notable examples are Polish investments in Italy: Bioton’s acquisition of shareholdings in Pharmatex Italia and Fisipharma, Italian pharmaceutical companies, for a total of €17 million; Impexmetal with its 100% stake in the Italian company FLT&Metals.

## 7. Conclusion – Several Observations on the Role of FDI in Polish Companies’ Internationalisation Strategies in the Future

The discussion above leads to the conclusion that, despite the world economic crisis, it seems that there are no grounds for rejecting hypotheses put forward in 2009 about Polish companies’ internationalisation prospects (Gorynia 2009). The hypotheses concerned a probable and desirable course of Polish companies’ future internationalisation processes, and were related to the course (completion) of the transformation process and Poland’s accession to the European Union (EU). The hypotheses were as follows:

- *Hypothesis 1*: In the future, the pro-internationalisation influence of Poland’s EU membership will continue.
- *Hypothesis 2*: The process of economy and company internationalisation will intensify.
- *Hypothesis 3*: Another “internationalisation impulse” will result from Poland’s joining the eurozone.

- *Hypothesis 4*: The significance of FDI outflow in Polish companies' internationalisation strategies is expected to increase constantly and systematically.

In the short run, what promotes Polish companies' expansion abroad, also in the form of FDI, is a lower rate of economic growth in many important economies of the world, resulting in problems with the liquidity of many market participants, which is accompanied by a decrease in the value of many assets. Therefore, companies in a good financial position can "go shopping abroad" because of an attractive valuation of firms that could be acquired. If this circumstance can be treated as an opportunity for Polish companies, then, unfortunately, its impact is reduced by the fact that this is also known by rapidly-developing firms and funds from countries less affected by the world economic crisis. These entities are actively, or even aggressively, operating in the acquisition markets of economies hit particularly hard by the crisis.

At this point it could be stated that, in the long run, if the world economic crisis is overcome and the world economy returns to its normal growth trajectory, the Polish economy will show, on an even greater scale, the tendencies described in Dunning's conception of Investment Development Path (Dunning 1981; Dunning 1986; Dunning, Narula 2002). The conception clearly implies that there will be an increase in both investment inflows to Poland and investment outflows from Poland, although the dynamics of the latter will tend to be greater.

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