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THE INTERNATIONALIZATION OF POLISH FIRMS AND POLAND'S ACCESSION TO THE EUROPEAN UNION

— EXTENDED ABSTRACT—

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Key words: *internationalization of the firm, integration, internationalization strategy, firm size, specialization-diversification dilemma*

The aim of this paper is to delineate the possible projections and perspectives for the internationalization process of Polish firms in the context of Poland's accession as full member of the European Union.

The state and pace of the internationalization process of Polish firms on the one hand and the looming perspective of Poland's entry into the integrated internal market of the European Union (EU) on the other, allows for the formulation of certain hypotheses concerning the interaction of those two factors.

Hypothesis 1. The full integration of Poland with the EU will most certainly create for Polish firms new and unprecedented opportunities of expansion on the internal EU mega market. This seems to be the single, most important positive outcome and challenge for those companies. But at the same time one cannot ignore the negative aspects of such challenge inherent in this outstanding chance and opportunity. Full membership in the EU also signifies the opening up of the still in many cases constrained or protected domestic sector markets in Poland to foreign competitors. And this in turn unfortunately creates a serious threat to the competitive positions and market share of most Polish firms. The following projections can be made from the interfacing of such opportunities and threats:

- In the process of assimilating Polish (domestic) industry markets with those of the EU through various liberalization measures, competition between existing companies will likely intensify. This dimension applies to existing

Polish and foreign firms that have so far been present on the Polish market and will be now trying to gain sales volume and increase market share.

- There will be a substantial increase of new entrants into the "Polish" segment of the EU market, most of them with a competitive potential and advantages that will be impossible or difficult to be matched by existing Polish firms.
- Substitute products will pose an increased competitive threat.
- Those Polish firms that have become suppliers or subcontractors to industrial customers from the EU will gradually find their competitive strengths diminishing especially in the face of continued globalization the EU buyers. Also much bigger and stronger international suppliers will increase their presence on the Polish market taking over market shares in the supply business from their much smaller and weaker Polish counterparts.

Hypothesis 2. Internationalization of the Polish economy and of Polish firms will continue at an accelerated pace although the speed of the former will be considerably greater than that of the latter. The rate of growth of those two processes will also differ according to the nature, size and technological change in different industries and sectors. It must be stressed that the initial degree of internationalization of most Polish firms is absolutely and relatively low vis a vis their EU competitors. The same sad observation applies to the level of knowledge and expertise in internationalization demonstrated by the management of Polish firms. This implies that internationalization will be based for prolonged periods on its most simple and basic forms, i.e. on indirect and direct exporting. Once management absorbs the necessary knowledge and acquires expertise, often by "trial and error", will other more advanced forms of the internationalization process be considered. An accelerating factor in this respect might be the pressure of competitors who have chosen to proceed with more sophisticated forms of foreign expansion (such as undertaking foreign production).

Hypothesis 3. Poland's entry into the EU is likely to raise the average size of Polish firms. If such a tendency does occur it should have a significant influence on their internationalization process and strategies. Usually the size of a firm is positively correlated with the degree of internationalization of its activities. Moreover larger enterprises demonstrate a greater propensity to use more advanced forms of internationalization. However those projections are made assuming that the external stimulus of joining the EU market will generate a reaction to the qualitative and quantitative leap in competitive pressure exerted on existing Polish firms through their intense restructuring, consolidation and concentration (using mergers, takeovers and formation of

strategic alliances). The alternative, probable scenario is that of Polish firms being pushed out into insignificant market niches where their small to medium size will be appropriate to the necessary scale of operations. The size of the Polish firms will be much smaller than that of their EU (foreign) counterparts and this will correspond to Polish competitors' marginal share of the market.

Hypothesis 4. As an extension of hypothesis 3. the strategic response of Polish firms is projected to lead to more focus on their core competencies and skills. This in turn signifies that they will be less inclined to diversify.

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