FOREIGN DIRECT INVESTMENT BY POLISH COMPANIES
# TABLE OF CONTENTS

Preface ................................................. 7

Subject Matter and Research Methodology .................. 11

**Chapter 1. Foreign Direct Investment by Polish Companies – Scale and Structure** .................................. 21

1.1. Basic concepts ........................................ 21

1.2. Polish Foreign Direct Investment .................. 25

1.2.1. Polish Foreign Direct Investment compared to the world . 25

1.2.2. Polish FDI according to the National Bank of Poland .... 29

1.2.3. Companies registered in Poland with shares in foreign institutions – GUS Registry .................... 35

1.3. The Structure of Polish Foreign Direct Investment .... 37

1.3.1. The structure of Polish FDI and foreign entities by type of economic activity ......................... 37

1.3.2. The structure of Polish FDI and foreign entities by host country .............................................. 41

1.4. Chapter summary ....................................... 45

**Chapter 2. Investment Incentives and Disincentives among Polish Companies Abroad** .................. 47

2.1. Foreign Direct Investment incentives ................. 47

2.2. Foreign Direct Investment growth disincentives .... 56

2.3. Chapter summary ....................................... 60

**Chapter 3. Foreign Direct Investment Decision Making Risks** .................................................. 62

3.1. Foreign Direct Investment and the risk to investor activity ......................................................... 63

3.2. FDI specific risks (country risks) – an opportunity or a threat to the investing institution? ................ 68

3.3. Chapter summary ....................................... 73
Chapter 4. Methods of Evaluating FDI Effectiveness among Polish Companies

4.1. Methods of evaluating the effectiveness of investment – theoretical recommendations

4.2. Methods of evaluating the effectiveness of Polish Foreign Direct Investment – survey results

4.3. Chapter summary

Chapter 5. Foreign Direct Investment by Polish Companies and Their Competitiveness

5.1. Company competitiveness – an international dimension

5.2. Foreign Direct Investment impact on Polish companies’ competitiveness – survey results

5.2.1. Changes in the Polish companies’ competitiveness potential as a result of FDI

5.2.2. FDI impact on the components of Polish companies’ competitiveness potential

5.2.3. The significance of FDI in building Polish companies’ competitiveness potential

5.3. Chapter summary

Chapter 6. Intangible Resources and Their Transfer within an Organization vs. the Competitiveness of Polish Companies – Foreign Investors

6.1. Intangible assets in the concept of a value platform of an organization's intellectual capital

6.2. The use of intangible resources for the creation of competitive advantage in the FDI host countries

6.3. Resource transfer within a corporation and its significance for the competitiveness of Polish companies

6.4. Chapter summary

Final Conclusions

References

List of Figures and Tables
The following book presents research results of Polish companies’ investment activity abroad. The research was carried out under the second research project conducted within the same scope of interest by a research team at Nicolaus Copernicus University in Toruń, Poland (the first project was completed in 2008).

The past two decades, and the beginning of the current, have been a period in which capital, the most powerful player on the world’s economic stage to an extent incomparably greater than ever before, explored the world in search of the best investment. Foreign Direct Investment (FDI) has become a way of increasing capital efficiency and company growth. Except that today – in contrast to the previous period – it does not apply only to the capital belonging to the richest. The capital in developing countries is starting to “elbow its way” in the global economy. The beginning of the second decade was marked by a nearly 20% share of developing countries’ FDI outward stocks, compared to only 7% twenty years before that. Statistics also reported a significant increase in the value of Polish foreign direct investment, which was virtually negligible at the beginning of the last decade. Two years after Poland’s accession to the European Union, however, it turned out that in this area, too, things have begun to change. Since the completion of the first study, Polish FDI outward stocks have doubled.

Foreign expansion of companies in developing countries is an increasingly important factor in building their international
competitiveness and achieving success in the global market. Just as with transnational corporations in developed countries, it enables not only the reaping of greater benefits from the competitive advantages that have already been there, but also the building of new ones based on the use of tangible and intangible assets distributed around the world, including knowledge, skills and sources of information, not to mention the richness of cultural diversity.

It is fair to say that companies in developing countries have found their path and follow it ever more boldly.

Global research centres have so far devoted little time to studying foreign investment among companies from developing countries.

Increasing investment activity among companies in these countries constitutes a growing challenge to the research to be undertaken, which will result in a more comprehensive identification of determinants and consequences of this phenomenon. Studies currently being conducted are important not only for research purposes but also for their application in the real economy. Practical application of their results as well as the presentation of experience of the companies that have achieved success because of their capital expansion abroad may be important for the development of entrepreneurship in developing countries.

It is hoped that research results presented in this book will not only help better understand the subject of Polish FDI with its wide range of factors and consequences, but also, using a developing country as an example, verify the scientific hypotheses confirmed by studies involving companies in developed countries.

The six chapters in this book presenting the results of the research are preceded by a presentation of the subject matter and the research methodology, the results of which are described in the book. The first chapter is devoted to a discussion of changes in the value and structure of Polish FDI. Rating the scale of direct investment by Polish companies abroad required comparisons with global or country specific values. Their brief discussion starts the main part of this chapter. The second chapter contains a presentation of incentives and disincentives, identified
in the course of the research, affecting direct investment made by Polish companies abroad. The next chapter deals with the important issue of considering risk in making decisions about foreign direct investments by Polish investors. The fourth chapter refers to the global research on the uses of the methods of economic evaluation of investment effectiveness applied by direct investors. Results presented in this chapter contribute to filling the gap in the global research effort by demonstrating evaluation methods applied by companies in developing countries as illustrated by Polish companies. The fifth chapter is devoted to the presentation of the results of the research on Polish companies’ FDI impact on their competitiveness. Chapter six debates the important issue of intangible asset use in building competitiveness among Polish companies – foreign investors.

More detailed results of this study can be found in the book called Aktywność inwestycyjna polskich przedsiębiorstw za granicą. Czynniki i skutki, published by the Polskie Wydawnictwo Ekonomiczne in 2013. The book presents a new synthetic approach. Its publication aims to disseminate the results on a global scale.

In the course of conducting the research, the team has benefited from the support and assistance of many individuals and institutions. I want to thank them all. In particular, I wish to express my gratitude to Prime Minister Waldemar Pawlak for taking an interest in this research and for taking the initiative to disseminate its results among Polish entrepreneurs. I want to thank the ambassadors of the Republic of Poland and the directors at the Departments of Trade and Investment Promotion in Prague, the Czech Republic and in Kiev, Ukraine for giving the embassies their consent to participate in and support the implementation of the project including surveying companies in which Polish companies made direct investment in these countries. I am grateful to presidents of Polish companies – transnational corporations – and to the directors of their foreign companies for their kind support.

I want to express my gratitude to the President of the Polish Information and Foreign Investment Agency and all the employees
at the Agency who were involved in the dissemination of the results of this research. I want to thank the Department of Promotion and Bilateral Cooperation at the Ministry of Economy and its employees for taking an active part in presenting the results of our research to the business sector.

Włodzimierz Karaszewski
SUBJECT MATTER AND RESEARCH METHODOLOGY

The book presents the results of the research carried out under the research project No. N N112 322338 called *Aktywność inwestycyjna polskich przedsiębiorstw za granicą – czynniki i skutki*, conducted by the authors of each of the six following chapters as stipulated by an agreement with the Minister of Science and Higher Education No. 3223/B/H03/2010/38.

The following project objectives have been agreed:

– an analysis of the changes in the scale and structure of Polish foreign direct investment, with a particular emphasis on the impact of the global economic crisis on this phenomenon;

– demonstrating the importance of the allocation of capital in the form of foreign direct investment among other factors influencing Polish companies’ (foreign direct investors’) competitiveness;

– identifying the impact of foreign direct investment on the investor risk and on its basis attempting to formulate a model of the risk factors involved;

– identifying methods used by Polish companies when evaluating the effectiveness of foreign direct investment;

– evaluating the use of an organization’s intellectual capital in building the competitiveness of Polish companies – direct investors.

The direction of the research allowing achievement of the agreed goals was set by the following hypotheses:

– the global economic crisis has become a factor limiting the investment activity of Polish companies abroad, but to a lesser
extent when compared with the impact this phenomenon has had on the world and the region;
– through making companies more international, foreign direct investment is becoming an increasingly important factor affecting the competitiveness of Polish companies – direct investors;
– foreign direct investment is becoming one of the factors limiting corporate risk through the geographical diversification of their activity;
– when considering direct foreign investment, Polish companies are increasingly relying on the evaluation of their investment effectiveness by applying solutions recommended by the world of science;
– resources transferred from a parent organization, in particular its knowledge and skills, are important factors contributing to the competitiveness of Polish direct investors;
– the importance of the individual elements of competitiveness potential varies depending on the method of entry (greenfield, brownfield), the type of business activity (manufacturing, services), the host country (developed countries, developing countries).

To achieve our research objectives (the verification of the hypotheses), we have collected data on Polish companies’ foreign investment activity from both secondary sources:
– statistical studies of the Polish National Bank (NBP) and the Central Statistical Office (GUS),
– World Investment Report yearbooks issued by the United Nations Conference on Trade and Development (UNCTAD),
– reports by organizations studying foreign direct investment in the Czech Republic and Ukraine, as well as primary sources:
  – a survey conducted with the participation of Polish companies which have carried out overseas projects classified as foreign direct investment;
  – a survey carried out in companies with Polish capital operating abroad (direct investment companies);