

Piotr Trąpczyński: Foreign Direct Investment Strategies and Performance in the Internationalization of Polish Companies, Warsaw, Difin 2015

Studies on outward foreign direct investment (FDI) activity and homegrown multinational enterprises (MNEs) from Central and Eastern Europe (CEE) in the first transition decade rarely included Poland. I remember the data challenges due to response rate and omissions and all the difficulties with comparative analysis related to outward FDI we met within the first European research projects on outward FDI from former transition economies at the end of nineties. Rosati and Wilinski (2003) broke new ground when documenting Polish involvement in outward FDI and add it to Estonian, Hungarian, Czech and Slovenian experience (see Svetličić and Rojec, 2003). Several overviews on outward FDI and case studies of Russian MNE, Slovenian, Hungarian; Estonian, and only few of Polish MNEs that can be found till the 2004 reveal that the process of outward internationalization was not happening at the same pace in different CEE countries. Large and growing domestic market, relatively lower openness and continuously attractive investment opportunities at home stimulated domestic orientation of Polish firms. During the transition toward a market economy, for many years Poland's outward FDI was small, much behind other transition economies, and limited to trade-supporting activities in key export markets (Zimny, 2011). Poland's share in region wide FDI outflows (for all CEECs) is significantly lower than its share in regional GDP or even its share in total FDI inflows to the region.

Two and a half decades after a transition started Poland shines as the fastest growing economy and perhaps the only still emerging market in CEE region. A rising number of recent works describe the boost of inward and outward FDI, development of multinational enterprises and their role for national welfare and competitiveness. Indeed, the recent growth and competitiveness of Poland cannot be understood without looking at FDI and the strategies of MNEs. Poland's share in global FDI outflows remains negligible, however consistent increase in outward FDI has compensated relatively later and slower start and place Poland today among key investors from CEE region.

Aware of the options of divestment and withdrawals from international markets, most likely also due to the Polish (and other CEE countries') experience with outward FDI after the global economic crises from 2008 to 2010, Trąpczyński primarily explores the links between FDI strategies and enterprise performance. The study devotes attention to the performance outcomes of foreign affiliates as well as their contribution to the entire firm performance in the context of emerging markets on the sample of Polish companies.

The structure of the book reminds of scholarly PhD thesis; introduction is followed by extensive firm-level theoretical overview including definitions and concepts. Thought the author counts the quality of business environment and

institutional framework as important determinant of FDI performance, he avoids macro level theoretical frameworks and rather focuses on the firm-level frameworks and the characteristics and types of multinational firms. Second chapter offers a selection of concepts, widely used for explaining growth and development of MNEs, such as Uppsala model, Finnish model, Product life cycle, Monopolistic advantage theory, Internalization theory, Location theories and Eclectic paradigm. Practical implications of these models are expected as the Polish MNEs are seen as “infant MNEs” in their early stage of development. Third chapter next gives the reader a broad overview of existing classifications, used for explaining MNEs strategies, entry modes and stages and discuss potential links between FDI strategy and the MNEs competitiveness and performance. Trąpczyński advocates that heterogeneity in internationalization results in heterogeneity in performance. With a higher advancement of cross-border operations, the capabilities of MNEs to shape their competitive performance, strategy and performance are expected to increase. MNE performance should be regarded as a product of competitive potential, leveraged by means of international competitive strategy.

Chapter four reviews extant research on multinationals from emerging markets and moreover multinationals from Poland. The author summarizes the existing studies and surveys on Polish outward FDI and enriches the volume with his own original firm-level research contribution.

General overview on geographical and sectoral structure of Polish outward FDI revealed high concentration in (more and less developed countries of) Europe. Interestingly, as noted later in survey results, the old Europe is perceived as the closest, but with regard to competition the most challenging market for Polish MNEs. North America occupies significant place, while Asia remains very limited. Services industries in general invest abroad more than twice as much as manufacturing industries. Changes in geographical and sectoral structure over the last decade are relatively small, in spite of the significant increase in FDI outflows, backed also by increasingly developed - but according to the firms not (yet) much appreciated - institutional policy support for outward internationalization.

The author's empirical study is based on survey data of 100 Polish outward investors, covering both parent firms and their largest foreign affiliates and next, complemented by qualitative data from in-depth interviews with 6 Polish outward direct investors presented as case studies. Variety of findings contributes to the existing knowledge about the development of Polish MNEs, and their CEE peers. Due to the limited scope of international operations (majority of Polish MNEs is not present on more than 3 foreign markets) and concentration on proximate markets the author evaluates that Polish firms are still infant MNEs. However, while most Polish MNEs firms have expanded gradually by preceding equity entry modes with exports to target markets, numerous firms also interna-

tionalize by leapfrogging the export stage and directly enter foreign market without any prior operations in target market. The study confirms the theoretical predictions and some previous findings that intangible assets are a relevant variable in the internationalisation of Polish MNEs, on both developing and developed markets, though their contribution to performance (of foreign affiliates and parent firms) may differ across markets. Experience with doing business in markets with similar institutional environment contributes positively to performance. Specific performance indicators, based on managerial perceptions and later grouped in dimensions, are measured for foreign affiliates and parent firms and reveal that foreign affiliate performance is contingent on the short versus long term orientation of the parent. The highest contribution of foreign affiliates to MNE performance is perceived in firm reputation. Affiliates contribution to MNE performance is further analysed through breakdowns by affiliate size, number of affiliates, affiliate activity, ownership structure within affiliate and parent share.

Fifth chapter sums up findings and implications for business and policy and concludes by several incentives and aspects for future research. As Poland also served as a place for an anti dumping tariff jumping, a source and a transit country for large cross-border flows of funds and transactions among units of foreign and Polish firms it would be interesting to include some discussion on the role of indirect investment and how indirect FDI contribute to performance. A survey sample namely includes a large (46%) share of foreign owned parent firms and results indicate difference in perceived FDI performance. Next, the fact that Poland is selected as an entry gate for the new Silk Road also opens a new set of questions for FDI performance research. No doubt the Polish MNEs continue to be an attractive area for research, not only due to the possibility to observe MNEs in its early stage of development but also due to its specific context and out of the box paths and strategies of international growth.

The book is a welcome reading for all those who plan to explore Polish MNEs in the future or are already exploring the characteristics and strategies and of emerging markets MNEs, those who are arguing on validity and use of existing theoretical frameworks for emerging and transition economies and MNEs as well as those who are looking for ideas how to improve the performance of outward investment abroad.

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