FOREIGN DIRECT INVESTMENT IN AN ECONOMY IN TRANSITION: AN EXPLORATORY STUDY OF THE POLISH INVESTMENT CLIMATE

by

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ABSTRACT

Recent years have seen rapid increases in foreign direct investment worldwide. Previously flowing mostly to industrialized countries, foreign investment has been spreading to developing countries, and since 1989, also to countries in Central and Eastern Europe which were previously closed to foreign investors. This has intensified competition among nations for attracting foreign capital. In the mid-1990s, Poland emerged as the largest recipient of non-resource foreign investment in the region. This study investigates investment climate of Poland as seen by foreign investors. Their levels of satisfaction or dissatisfaction with their investment, and factors influencing their choice of Poland as an investment location. The results indicate that Poland is perceived more positively in several areas than might have been expected, but also that there is considerable room for improvement, particularly is such areas as production infrastructure and the legal environment for business.

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INTRODUCTION

As the globalization of the marketplace continues, companies that conduct business only within their national boundaries will find it difficult to survive. One way to cope with this problem is for companies to expand their operations beyond home country frontiers into other countries through foreign direct investment (FDI). FDI plays an important role as a tool in worldwide competition. The World Investment Report (1996) names FDI a "primary force" shaping globalization.

Along with the globalization of the marketplace, the world's economy has expanded in recent years. One of the factors influencing this trend is FDI. Currently, FDI is growing even faster than international trade, which has been the major mechanism connecting national economies (World Investment Report 1997). Even countries previously closed to foreign investors, for instance China, have recognized the economic benefits of foreign investment and have opened their borders to foreign capital. Competition to attract FDI involves not only developed countries, but also developing countries and countries in transition[1].

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[1] The World Development Report (1998/99) classifies countries into four general categories depending on 1997 GNP per capita values; (1) high-income economies with annual per capita incomes above $9,656 or more in 1996, (2) upper-middle-income economies with per capita incomes between $3,126-$9,656, (3) lower-middle-incomes economies with per capita incomes between $786-$3,126, and (4) low income economies with per capita incomes below $786. The low and middle income economies are also referred to as developing economies. The term "developed countries" refers to high income economies and the term "countries in transition" refers to post communist countries of Central and Eastern Europe.

Several factors may contribute to which countries are targeted as foreign investment destinations. Besides 'tangible' determinants which can be easily calculated and compared (e.g. size and growth of the country's market, level of protectionism, etc.) there are other factors which are also considered by potential investors but are not easy to measure. Among those factors the FDI literature list the image and stereotypes of the host country in the eyes of foreign investors, as well as managers' personal perceptions and preferences regarding the host country, as playing an important role in the investment decision making process (Stobaugh 1969, Papadopoulos 1993, Wee, Lim, and Tan 1993, Root 1994).

The majority of publications concerning FDI discusses the investments in developed countries (i.e. USA, Western Europe), while very little is said about the investment determinants in less developed countries or countries in transition. In addition, research into managers' perceptions, country stereotypes and their influence on investment decisions is not adequate. This study adds to the existing information by examining a country in transition that is new to foreign investment, from the standpoint of foreign investors' perceptions about that country and its investment climate. The selected country is Poland, a quite new participant in the rivalry to attract foreign investment, a country offering foreign investors many potential advantages but also with many potential threats. Poland, which started the transition process only a decade ago, is among the leading countries of the region, along with Hungary and the Czech Republic, in implementing reforms. The country is classified into the upper-middle-income group by the World Development Report 1998/99.

The dramatic changes that have occurred in Central and Eastern Europe (CEE[2]) have raised the interest of the world business community in pursuing emerging trade and market opportunities in that region. Among the new democracies in CEE, Poland, along with Hungary, the Czech Republic, and Slovenia, have become some of the most attractive sites for foreign investors beginning in 1989. Within CEE, these four countries have been attracting most of the FDI during the past decade (Sinn and Weichenrieder 1997).

This research attempts to determine factors influencing the position of Poland in the eyes of foreign investors. The work builds on previous studies conducted in the School of Business at Carleton University that focused on a country's attractiveness as a location of choice for direct investment. Papadopoulos, Jog and Heslop (1992) and D'Souza (1993) investigated the position and image of Canada as a place to invest. In the first part of the study D'Souza gathered information from senior expatriate and Canadian executives of 22 companies. The second part of the study conducted in 1992 collected the information from senior foreign executives of 30 companies. Building on these two studies Kalligatsi (1996) investigated the position and image of Greece in the eyes of investors. In this case the data was collected from senior foreign executives and Greek executives in Greece. In both studies the research instruments used were interviews and self-administrated questionnaires.

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[2] In this paper "CEE" is used to refer to the countries that were members of the former "Soviet bloc", specifically the former Soviet Union itself, and its successor states, the Baltic states of Latvia, Estonia, and Lithuania, Romania, Bulgaria, Hungary, the Czech Republic, Slovakia and Poland.

Poland became a popular topic in the business literature after 1989 due to the fast changes occurring in CEE, increased investments, and numerous success stories. However, there is no research which explores the advantages and disadvantages of investment in Poland. Also limited research is available concerning determinants of investment in Poland, the perceptions and stereotypes that foreign managers hold about Poland, and what could be done that would increase the flow of FDI into Poland. This study explores these areas by examining the experience and perceptions of investors currently operating in Poland. Investors' views are used to assess the investment climate in Poland, and, possibly, to suggest ways to improve the image of the country. Also, in the second part of the study, views and opinions of senior staff members of Canadian government agencies as well as Canadian businesses are assessed.

The next section reviews the available literature on foreign direct investment recent trends, and the benefits it brings to the companies investing and recipient countries. Then, theories of FDI are presented, to outline what is known about the determinants the investment decision, why investment is chosen instead of other forms of entering foreign markets and how the country is selected. Next, managerial perceptions with particular input on Product Country Image issues and their influence on investment decisions are discussed. In addition, a short explanation of changes that happened recently in CEE countries, with particular attention to changes and foreign investment flows in Poland, is provided. The methodology of this study is discussed in the next section. It is followed by the analysis section divided into three parts; (1) analysis of responses obtained from the questionnaire,

(2) analysis of the in-depth interviews, (3) comparison of the three studies. Finally, in the last section, limitations of this study are addressed, and summary and benefits of this research are provided.

LITERATURE REVIEW

The World Bank defines foreign direct investment as:

> "an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate). Foreign direct investment implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. Such investment involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates, both incorporated and unincorporated. Foreign direct investment may be undertaken by individuals as well as business entities" (World Development Report 1998/99 p. 219).

FDI occurs "when an investor, based in one country (the home country), acquires an asset in another country (the host country), *with the intent to manage that asset*" (WTO 1996). The management of the asset is what distinguishes direct investment from portfolio investments, such as stocks and other financial instruments. In 1983, the Organization for Economic Co-operation and Development (OECD) suggested that FDI takes place when there is a holding of 10 percent (or more) of the shares or voting stock. A holding below the 10 percent level refers to the portfolio investment. However, a legally required level that distinguishes the FDI from the portfolio investment varies by country; a 20 percent benchmark exists for the UK and France, 10 percent for the US and Japan, and 25 percent for Germany (WTO 1996).

1. General Trends in FDI

FDI is increasing and while once was reserved mainly for industrialized countries, it is now expanding to developing countries. Also, countries formerly closed to foreign investors, for instance China or countries in transition, are starting to receive inbound FDI.

World Investment Report (1996) suggests that more and more companies and countries are looking for FDI opportunities as evidenced by the fact that FDI flows doubled between 1980 and 1994 relative to world gross domestic product (GDP). Also, in 1996 FDI set a new record. Inflows increased by 10 percent to $ 349 billion[3], while outflows rose by 2 percent to $ 347 billion (World Investment Report 1997). Increases in FDI inflows exceeded the growth in both the nominal value of world GDP and international trade, which in 1996 expanded by 6.6 percent and 4.5 percent, respectively. The increase in FDI is believed to be the result of multinational enterprises' (MNEs) expansion of their operations abroad in response to economic growth and the continued liberalization of much of the world.

Adding to this trend is the interesting fact that the recipients of FDI, especially those with large foreign investment inflows, also have proportionally large outflows. So the FDI recipients, in essence, are also striving to target other countries for FDI (Table 1). The majority of FDI inflows and outflows come from the same group of developed countries: United States (the largest home and host country), UK, Germany, France, and Japan

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[3] All figures are in US dollars unless specified otherwise.

(World Investment Report 1997). The explanation for this is that factors which make a country attractive to FDI are linked to the conditions of competitive advantage which also encourage firms based in the home country to expand by investing abroad.

Table 1. FDI Inflows and Outflows, 1983-1995
(in billions of US dollars)

Year	Developed countries		Developing countries		Central and Eastern Europe		All countries	
	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows
1986-1991*	129.67	169.2	29.1	11.3	0.7	0.03	159.3	180.5
1992	120.3	179.9	51.1	20.7	4.4	0.10	175.8	200.8
1993	138.9	205.8	72.5	34.9	6.1	0.16	217.6	240.9
1994	141.5	241.5	95.6	42.5	5.9	0.27	242.9	284.3
1995	211.5	306.5	105.5	45.6	14.2	0.41	331.2	352.5
1996	195.4	283.5	129.8	49.2	12.3	0.99	337.6	333.6
1997**	233.1	359.2	148.9	61.1	18.4	3.3	400.5	423.7

Source: UNCTAD, FDI/TNC database in World Investment Report 1998, pp. 361-371
*yearly average
**estimates

During the period from 1986-1997, the world's FDI inflows steadily increased from $159.3 billions to $400.5 billion (Table 1). In the same period of time a similar steady increase of world's FDI outflows was taking place, and whereas in 1986 the value was $180.5 billion, by 1997 it reached $423.7 billion. Developed countries still account for more than one half of the world's investment inflows and outflows, with the investment outflows values being considerably higher than values of investment inflows. As for developing countries in the same period of time, the investment inflows increased in value from $29.1 billion to $148.9 billion, and investment outflows increased from $11.3 billion to $61.1 billion. However, in the case of developing countries the value for investment inflows is much higher than investment outflows. Finally, the CEE countries emerged as a recipient of $ 18.4 billion of inbound FDI in 1997, which is an improvement from almost null values in the late 1980s.

Despite the fact that values of FDI inflows and outflows in developed countries are on the increase, the importance of these countries seems to be decreasing (Table 2). Developing countries still account for more than a half of world's investment inflows and outflows, however, the proportion of FDI flows decreased from what it was in the late 1980s. As for investment inflows coming to developed countries the percentage of total world's inflows dropped from 81.3 percent in 1986 to 58.2 percent in 1997. The investment outflows decreased from 93.7 percent of total world investment outflows in 1986 to 84.8 percent in 1997. The decrease in investment flows accounted for by developed countries was offset by increases in world investment flows accounted for by developing countries. For developing countries investment inflows increased from 18.3 percent in 1986 to 37.2 percent in 1997, and investment outflows increased from 6.2 percent to 14.4 percent. Also, in the same period of time the investment inflows coming to CEE countries increased from 0.4 percent to 4.6 percent of total world FDI inflows. The FDI outflows coming from CEE countries although on the rise are still quite small.

Table 2. FDI Inflows and Outflows, 1983-1995
(percentage)

	Developed countries		Developing countries		Central and Eastern Europe		All countries	
Year	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows
1986-1991*	81.3	93.7	18.3	6.2	0.4	0.01	100	100
1992	68.4	89.6	29.0	10.3	2.5	0.04	100	100
1993	63.8	85.4	33.3	14.5	2.8	0.06	100	100
1994	58.2	84.9	39.4	15.0	2.4	0.10	100	100
1995	66.8	86.9	31.9	12.9	4.3	0.10	100	100
1996	57.9	85.1	38.5	14.8	3.7	0.20	100	100
1997**	58.2	84.8	37.2	14.4	4.6	0.80	100	100

Source: UNCTAD in World Investment Report 1998
*yearly average
**estimate

In conclusion, FDI is not only increasing, but also spreading globally. Once reserved for industrialized nations, FDI is now expanding to developing countries and the CEE, and, as the FDI inflows for a country increase, so do its outflows.

1.1. Recent changes in the environment for FDI

In recent decades, particularly since the mid-1980s, new changes took place in the environment for international transactions (World Investment Report 1996). First, there are considerable improvements in technology, particularly, progress occurred in information and communication technologies and now firms are able to manage geographically disperse operations and process and communicate massive amounts of information at reduced costs. Also, improvements of transportation allow for faster movement of people, goods and services at reduced cost.

Second, there is liberalization of policies that includes not only trade and investment but transfer of people, technology and capital. General Agreement on Tariffs and Trade (GATT) provides perhaps the most significant liberalization of trade restrictions. The Uruguay Round augments quotas, lowers tariffs, uses differentiated measures to encourage trade among countries from all regions of the world, and provides a mechanism to solve international disputes.

There are also other multilateral agreements that relate to specific sectors or issues of trade and investment. For example: General Agreement on Trade in Services (GATS) regulates foreign investment in the service sector; Agreement on Trade-related Investment Measures (TRIMs) deals with performance requirements in trade of goods, local content requirements, trade balancing requirements and export restrictions; intellectual property rights protection is addressed in Trade-related Aspects of Intellectual Property Rights (TRIPS Agreement).

In addition to multilateral agreements, there are also regional and bilateral agreements that regulate foreign investment. At the regional level, the main issues addressed are liberalization of FDI entry and establishment restrictions and elimination of discriminatory operational conditions. Among the major trading blocs are the European Union (EU), North American Free Trade Agreement (NAFTA) and the Association of South East Asian nations (ASEAN). In addition to having standardized policies among the member countries, some regional groups developed common regimes for investment with respect to third countries. For example, the EU established provisions for the free movement of capital, right of establishment and common competition rules in association agreement with CEE. Malhotra, Agrawal and Baalbaki (1998) argue that trading blocs have a positive influence on the world trade, they stimulate intra-regional trade as well as inter-regional trade, however, firms must take into account the degree of heterogeneity within the bloc.

At a bilateral level the FDI related concepts, principles and standards have been developed through bilateral investment treaties (BITs). The number of BITs has been expanding in recent years and by June 1996, 1160 treaties have been concluded that involve 158 countries (World Investment Report 1996). Originally BITs were signed only between developed and developing countries, however, more and more agreements are concluded between developed countries and economies in transition, between developing countries and between developing countries and economies in transition.

A final change in the environment for FDI is the fact that international production increased substantially over the recent decades. Significant numbers of firms established operations in multiple number of countries and the number of affiliates per multinational enterprise (MNE) increased from around four at the beginning of 1990s to almost seven by 1996. Also, according to World Investment Report (1996), there are 40,000 MNEs worldwide.

1.2. Potential benefits and costs of FDI

FDI brings both benefits and costs to all parties involved. Government policies are oriented towards maximizing benefits and minimizing costs to a host country. However, investing firms often have opposite interests. So, there is often conflict between host country and the investing firm, where maximization of benefits of one party may take place at the cost to the other. The following section will describe FDI benefits and costs in more detail.

1.3. Potential benefits and costs of FDI to host developing countries

For most FDI recipients, there are both benefits and costs to outsiders investing in their country. According to Farstad (1997), FDI is an important means of increased global integration through the creation of links between developing / emerging economies and industrial countries. Foreign investment brings benefits to the host country and positively influences its economic growth. However, Brewer (1993) argues that there is a conflict between MNEs and the interests of the host country. The MNE seeks the following three conditions: opportunities where the production costs are lowest; sales where the prices are highest; and repatriation of profits to the home country. The host country, on the other hand, seeks to maximize benefits to its economy, which requires, among others, further investment and/or the retention of MNE profits within the host economy.

Potential benefits depend in part on the nature of the FDI undertaken and the economic condition of the host country. Benefits may include the injection of needed capital, the introduction, transfer, or spillover of technology, the introduction of sophisticated management skills, increased productivity, increased host country employment, increased competition in the host country market, increased capital investment by suppliers and distributors, and increased foreign exchange earnings through MNE exports (Buckley 1992, Brewer 1993, Burt 1997, Farstad 1997).

Depending on the theory used as a base and the researcher(s) who posits a particular view, the potential costs of MNE investment may include one or more of the following: control or domination of the host country's sectors, which, in turn, may interfere with social and economic reforms; depletion of foreign exchange reserves through repatriation of profits; the introduction of environmentally destructive or hazardous technologies; and the introduction of restrictive business practices, defined by UNCTAD (1996) as " anti-competitive practices by enterprises, that aim at monopolizing markets, creating or abusing a dominant position of market power, or both". According to Burt (1997) the above elements negatively impacts the value of FDI to the host country.

1.4. Potential benefits of FDI to the investing firm

Since the principal objective of private enterprises is to advance their long-term profitability, the global competition forces companies to invest abroad in order to achieve this goal. Companies investing abroad may be seeking resources, markets, efficiency, and/or strategic assets or capability (Dunning 1993).

For the resource-seeking company, investment abroad may bring access to a resource at a lower real cost than could be obtained in the home country. Most, or all, of the output of the affiliates of the resource seekers is exported. The main destinations of these exports are predominantly developed industrialized countries.

Market seekers invest in a particular region or country to supply goods or services to markets in these or neighbouring countries. In most cases, this step will be a follow up to previous exportation.

Efficiency seekers investing abroad hope to gain from common control of geographically dispersed activities. The benefits are gained through economies of scale and scope and through risk diversification. The intention of the efficiency seeking MNE is to take advantage of different factor endowments, cultures, institutionalized arrangements, economic systems and policies, proximity to markets, and market structures (i.e., country specific environment, systems, policy configuration) by concentrating production in a limited number of locations to supply multiple markets.

Finally, the strategic asset seekers engage in FDI usually by acquiring assets of foreign corporations to promote their long-term strategic objectives (i.e. to sustain or advance their international competitiveness) (Dunning 1993).

1.5. Recent changes in factors influencing FDI

In this section changes that have occurred in an FDI environment over the past three decades will be discussed. Significant changes include worldwide liberalization of rules relating to foreign investment and shift in factor importance when considering the individual investing firm.

The most changes in the environment for FDI over the past 30 years relate to the reduction of technological and policy-related barriers to the movement of goods, services, capital, and professional and skilled workers and firms (World Investment Report 1997). Adding to this, technological developments are now allowing for the faster and cheaper transfer of goods, services, intangible assets, people and skills. Also, liberalization of rules and regulations relating to trade, investment and technology flows creates new possibilities for companies.

Dunning (1998a) analyzed the MNEs' activities over the decades beginning in the 1970s, and concluded that there has been a change in perception over the years as to what assets bring value from international activity. First, there is the growing importance of intangible assets, particularly intellectual capital, which companies have to harness and exploit from a variety of locations. Also, there is change in the role of location-bound assets, which complement firms' core competencies when a decision regarding the location of investment is made. The changing international environment increases the importance of the location of FDI and strongly affects the global competitiveness of the parent company;

"the structure and content of the location portfolio of firms becomes more critical to their global competitive positions" (Dunning 1998a, p.47).

1.6. Promoting countries for FDI

Due to all of the new FDI opportunities for host countries, a greater number of countries are now interested in attracting foreign investors. The challenge, then, is for a country to target the means of not only enticing investments from would-be investors, but also attracting FDI that will be the most beneficial to their country. Once pinpointing the means to promote FDI, a host country can use FDI to bolster the factors that serve as an enticement to outside companies.

According to Kumar (1994), structural characteristics of the country and government policy factors are expected to influence a country's attractiveness as a potential location for export oriented production. Structural characteristics that attract investment include low average wages, high quality of industrial infrastructure and associated services, industrial sophistication and capability, and closeness to the sources of raw material or natural resources (Loree and Guisinger 1995).

Government policies also have an impact on FDI. Brewer (1993) conducted a study of the impact of government policies on FDI. Some of his findings identified a wide range of government policies that affect FDI decisions via their effect on market imperfections. However, as Loree and Guisinger (1995) suggest it is not easy to increase inbound FDI simply by raising incentive levels. Increase in incentive levels in one country may trigger responses from other countries that are competitors for FDI, ending in a situation where all countries increase incentive levels, but no country increases its relative share of foreign investment. Thus, instead of incentive levels being a driving factor in attracting FDI, researchers suggest that governments need to focus upon improving the locational advantages of their nations. Governments have several tools available besides policies that can influence the macroeconomics position of their country with respect to their competitors.

International policies also have an effect on FDI inflows and outflows. Nearly all countries make efforts to attract foreign investment. At the same time, most, especially less developed countries, also impose limits on access and otherwise restrict the activities of foreign-controlled companies within their borders. More intense use of investment measures and other forms of protections are the results of the General Agreement on Tariffs and Trade (GATT), now WTO, reducing the importance of tariffs. The Uruguay Round was the first international WTO round to attempt negotiations on policies towards FDI, however no single comprehensive set of multilateral rules currently exists (Burt 1997).

2. Theories of Foreign Direct Investment.

The inflow or outflow of foreign investment depends on various factors in both the home and host country. Differences in attitudes towards foreign investment across countries, and differences among different industries and sectors in which foreign investors are engaged, make it impossible to give a set answer as to what determines FDI. Despite all of the literature on FDI there is no one well-developed and generally applicable theory of FDI encompassing all these factors. Even one of the most popular and comprehensive theories, the eclectic paradigm theory of international production (Dunning 1980; 1993), does not provide the required generalization and all other researchers provide explanations regarding one or more components of FDI theory but not all of them (Agarwal, Gubnitz, and Nunnenkamp 1991). This section will describe several theories on FDI determinants.

First, there are micro-theories of FDI which include the international product life cycle theory, international division of labour theory, and internalization of arbitrage and leverage opportunities theory. The micro theories explain the determinants of FDI from the firm's point of view. Next, the eclectic paradigm combines both micro and macro-objectives of FDI. Finally, the macroeconomic determinants of FDI are discussed, and they provide explanations from the country's perspective.

2.1. Micro-theories

International product life cycle theory (Vernon 1966) suggests that concern for cost competitiveness drives production abroad with a build up of competition as the product matures and becomes standardized. Maturity of the product forces the firm to produce near the final market. First, foreign production is moved to other industrialized countries to service host and third country markets, then eventually, the production is shifted to developing countries that may offer competitive locational advantages. These export-oriented investments take place in the maturing stages of the product cycle.

The theory of international division of labour (Kojima 1978) is based on the principle of comparative cost. According to this theory, FDI is used by industrialized countries (e.g., Japan) to create a manufacturing capacity in a host county in sectors where it is losing comparative advantage at home. These investments are export-oriented and are supposed to feed home country demand.

According to Kogut (1985), firms globalize production in order to internalize arbitrage and leverage opportunities. The production shift permits firms to respond to exchange rate movements, enables them to respond to financial restrictions imposed by government, and provides access to information on world markets. The global position of the firm minimizes its exposure to political risk and increases its bargaining power.

The micro theories suggest variations in the objectives for investment abroad. In the long run the main objective is still maximization of the profits, but in the short run other factors like risk diversification, market access, and stage of the product life cycle at home, may influence the decision.

2.2. Eclectic Paradigm

The Eclectic Paradigm theory offered by Dunning (1980; 1993) attempts to explain the cross-border activities of the MNEs. It provides a "conceptual framework for explaining not only the level, form and growth of MNE activity, but the way in which such activity is organized" (Dunning 1993, p. 85). Dunning explains that there are three factors required for the firm to invest abroad and these factors can be summed up as the 'why', 'how' and 'where' of an MNE activities.

First, the firm must possess some form of sustainable *ownership-specific advantage* (O-advantages) that allows it to compete with other firms in other markets regardless of the disadvantage of being foreign. These advantages should be able to compensate the foreign firm for disadvantages and costs arising from operating from abroad in a foreign environment where domestic firms may have cheaper access to required information, labour and capital markets, or benefit from preferential treatment of government. They address the "why" of MNE activity.

Second, the firm must view FDI as preferable over trade and licensing. These are called *internalization incentive advantages (I-advantages).* This can occur when internalized transactions that are possible through FDI become relatively more efficient than the transaction costs associated with trade and licensing. This draws on the market failure hypothesis and its main proposition is that external markets for transfer of intangible assets from sellers to buyers are inefficient in terms of transaction costs. Therefore, owners of these assets prefer to transfer them internationally only to their affiliates. I-advantages address the "how" of investment.

Third, certain foreign countries must present some form of *location advantages (L-advantages)* that make them more attractive sites for FDI than the possibility of domestic investment. These apply to the question of the "where" of production.

A firm will pursue investment in foreign countries in order to exploit OIL-specific advantages. The firm controls some of these advantages, e.g., property rights, management system, technology, inventory, etc. Other factors are independent of the firm's control, e.g., economic environment, investment policies adopted by the host country governments, etc. However, all of them strongly influence the firm's strategy (Katrakilidis, Tabakis and Varsakelis 1997).

2.3. Macro-economic theories

Macro-economic theories take into consideration potential host country factors that influence the investment decision undertaken by investing firm. Although researchers argue that firms will invest more in those countries which provide greater location-specific advantages (Erramilli, Agarwal, Kim 1997), there is no consensus as to which factors are relevant in every decision.

Among the indicators used in macro-theories of FDI are: the economic condition of the country in terms of the size of the market, GNP, GDP, or growth rate (Hasnat 1997, UNCTAD 1995), socio-political factors, business operating conditions, and export orientation (Jun and Singh 1996), political risk ratings (Nigh 1985) and exchange rate of the host country currency (UNCTAD 1995). According to UNCTAD (1995), size and growth of the host-nation market are powerful motivations explaining investment inflows. It also suggests that GNP and GDP growth rates are positively correlated to investment flows, and that the market size may be more important than government incentives in attracting FDI.

However, other sources, notably Agarwal, Gubnitz, and Nunnenkamp (1991) argue that market size may be entirely irrelevant, since many FDI projects have cost reduction as a strategic objective. Also, the market size theory alone does not explain why FDI is preferred to exporting or licensing as a strategic alternative.

In addition, Burt (1997) disputes that the leading determinant of FDI might be the host country's demand and general attitude towards FDI, which in turn influences the degree of restrictions imposed on foreign investors. Also, on the other hand, the firm's strategic objectives may influence the importance of macro-economic factors that are relevant in the investment decision making process.

In summary, the competition among countries, especially developing countries, to attract FDI has intensified in recent years. Also, governments are trying to increase benefits and decrease costs to their countries. However, the solution is not as simple as the introduction of policies that will attract foreign investors. This may happen at the expense of the host country's economy, and other countries can introduce similar policies which will again automatically equalize the level of countries' attractiveness. Furthermore, when looking at FDI theories, none of them explain fully which determinants are the most influential in selection of location for FDI. The concept of selecting the location for FDI seems to be influenced by many factors. Even taking into consideration all of the factors discussed thus far, there is no answer which determinants are the most influential in a firm's expansion abroad. Therefore, other influences, discussed in the following sections, also have to be taken into consideration.

3. International Market Selection

International Market Selection (IMS) deals mainly with the decisions regarding which geographical market to enter and when to enter (Andersen and Strandskov 1998). The subject has been given attention in the international business literature in the number of procedures developed for targeting and selecting the appropriate market or market mix (Papadopoulos and Denis 1988). The definition provided by Sheridan (1988, p.15) identifies IMS as:

> *"the decision making activities which are employed in the selection of one or more suitable foreign markets, from at least two potential ones. The salient elements of the decision are the criteria on which the decision is based, the sources from which the information is gathered, and the methods of analysis used."*

The IMS is a strategic decision due to its complexity, long term effects on the firm, and the size of the resources involved. Once the country is selected and the firm enters the new market, this decision may influence the future makeup of the firm. Usually, the process of entering a new market requires significant expenditures which may only be recovered with the passage of time when the firm operates in the new country (Sheridan 1988).

Papadopoulos and Denis (1988) stress that the amount of information and data redundancy that need to be analyzed, when selecting the foreign market to entry, makes the process very complex. Researchers propose that, in order to reduce decision making complexity and uncertainty managers require extensive and reliable market information. The quality of IMS decisions is influenced by the quality of information available, e.g., data accuracy, availability and cost of secondary data (Andersen and Strandskov 1998).

According to D'Souza (1993) determinants influencing the selection of the country may be divided into three categories: the home country related, host country related and product or firm related variables.

Home country related variables. These are factors that make the investment abroad more attractive than operating at home due to the home country current situation, and involve political unrest, labour problems, high taxes, and saturation of home markets. Bilateral agreements between countries also play an important role in decisions to invest abroad.

Host country related factors. These are the factors linked to the host country that make the investment in it more attractive than the possibility of investment at home or in another country. Among variables cited in the literature are the market size and growth rate, availability and cost of labour, positive investment climate, cost of capital, political stability, trade protectionism, economies of scale, availability of natural resources, and geographical and cultural proximity to the home country.

Firm or product related factors. Firm related variables include the firm's prior experience in operating in the host country and the orientation of the firm towards foreign markets. Product related variables influence the investment decision when internalized transactions, possible through FDI, become relatively more efficient than the transaction costs associated with trade and licensing. Important product related factors are transportation costs and the nature of product (essential vs. non-essential).

3.1. International Market Selection decision making process

The literature suggests that there are three main categories of approaches in the international market selection process; the intuitive approach, the qualitative approach, and the quantitative approach. Each category is based on the amount and the quality of information gathered to support the decision making process (Papadopoulos and Denis 1988).

Similarly, Sheridan (1988) divides the IMS decision making process into three categories; intuitive approach, unstructured information gathering approach and systematic methods. The intuitive approach is used when the decision to expand abroad is made in an intuitive and non-rational manner. The criteria that influence IMS are not clear, and there is a lack of intentional information seeking on the part of decision makers. Often this approach is utilized by a firm that is inexperienced in international operations and has only recently started exporting. The firm may be successful in the beginning, but with increased world competition, more structured processes are needed.

The unstructured information gathering approach uses some information. However, it does not follow any systematic process of information gathering. The IMS decision is supported by information provided by secondary data gathered by other organizations (international, government, and private body). Systematic methods utilize a highly structured and rational approach to IMS decision making process where decision makers seek information in a highly formalized fashion. It seems that the size of a company may determine the approach used in making an IMS decision. The smaller the firm, the less structured information is used and non-rational factors influence the final decision (Sheridan 1988, Bilkey 1978).

Despite all the literature describing the foreign investment determinants, there is no one single list of the criteria that managers should use in making the investment decision, and the list of factors perceived as important can range from 20 to 100 (Kalligatsi 1996).

In addition, it seems that managers do not follow any model or guide in the decision making process. Managers' stereotypes of the potential countries and personal preferences play an important role in the investment decision (Stobaugh 1969, Papadopoulos and Denis 1988, Sheridan 1988, Kalligatsi 1996). Also, the majority of studies are concerned with a specific country or region in the expansion process and there is no consensus as to which criteria to use, how to measure and weigh them, and how are they interrelated (Papadopoulos and Denis 1988, Russow and Okoroafo 1996).

In an early theory, Stobaugh in 1969 provided managers with a set of simple tools to guide them in the investment decision process since, according to the author, "most companies do not make use of a large-scale, rational screening process to identify foreign investment opportunities" (Stobaugh 1969, p.129). The author divides these tools into two categories. The first, country related tools include four variables; market size, investment climate, technological advancement or know-how and the geographical distance from major producing countries. Analysis of these variables allows managers to determine the "imitating lag" which is the difference "between commencement of commercial production in the world and the commencement of commercial production in a specified country" (Stobaugh 1969, p.130).

The second category consists of product related tools which include freight costs, economies of scale and demand for the product. Analysis of these two categories should allow for the ranking of countries and products. Then combining the results in a matrix should allow managers to screen the world for investment opportunities. Though considered practical at the time, over the years the investment decision making process has become much more complex.

Another method is provided by Russow and Okoroafo (1996). These researchers divide screening criteria into three groups: product-specific market size and growth, factors of production and cost availability, and level of economic development. Into the first group measures such as domestic production, imports, exports, percentage of shift-share of domestic production, shift-share of imports and shift-share of exports are allocated.

The second group includes gross fixed capital formation (percentage of GDP), or net fixed capital formation, money supply, total international reserves, population, unemployment wages, surface area and density. Finally, the third group combines GDP or NMP, GDP per capita or NMP per capita, and five variables expressed as a percentage of GDP (agriculture, manufacturing industries, construction, wholesale and retail trade and transportation and communication).

Yet another method for selecting a target market is offered by Papadopoulos and Jansen (1993). The researchers used a "temperature" approach to help in the expansion abroad of Canadian firms. Potential target countries were grouped into four clusters: Super Hot (in the case of Canada, the US is the single, most desirable expansion location), Hot, Moderate, and Cold. Seven environmental dimensions for grouping countries into clusters were used, namely: political stability, market opportunity, economic development and performance, cultural unity, legal barriers, physiographic barriers, and geocultural distance. Countries that measured high on the first four and low on the remaining three dimensions were grouped into the hot cluster, and vice-versa for cold countries.

3.2. Managerial perceptions

As mentioned, perceptions and stereotypes that managers hold about a country and its products do influence the investment decision making process. The literature on the behavioural theory of the firm provides wide support for the importance of managerial perceptions on the decision making process (Agrawal and Ramaswami 1992). As early as 1963, Cyert and March, and then Stobaugh (1969), suggested that the international investment decision is often based on non-rational factors. Since then, studies have shown that managerial perceptions and stereotyping of countries have a direct impact on the location of FDI (Papadopoulos and Denis 1988, Papadopoulos and Heslop 1993). Even managers' feelings of uncertainty or perceived difficulty in finding relevant information about foreign markets influence the process of selecting potential target markets (Papadopoulos and Jansen 1993). Also, since often the available data is not sufficiently rich and fitting, managers' interpretations of market behaviour within an industry involves filling in gaps. In these cases, the decisions are made based on experience (Andersen and Strandskov 1998). When describing the characteristics of decision makers, Kumar and Subramaniam (1997) suggest that knowledge of the available strategies, ability to successfully execute the strategy and motivation to quickly resolve a problem will influence the choice of the strategy adopted.

As for the investment decision process, measurable factors are used in the first stages of the procedure (D'Souza 1993). However, in the final round, when the selection is limited a small number of similar countries, it is past experience that will guide the managers. Also, positive attitude towards a country held by managers prior to the investment will drastically influence the investment decision. Buckley, Mirza and Sparkes (1987) suggest that though Japan was identified as an excellent market when using market size and growth criteria, investors' perceptions have had a major impact on mode of entry decisions.

To summarize, managerial perceptions do influence managerial decision making, and the way decisions are made may not be consistent due to differences in managers' past experiences, level of knowledge, individual biases, etc.

3.3. Sources of information in the investment decision process

Many sources of information are available to managers responsible for investment decisions. Dunning (1993) divides the information sources into two categories: primary sources and secondary sources. The primary sources are the companies themselves (or their affiliates) and the governments of the host and home country. The secondary sources include most international and regional economic agencies, industrial and commercial trade associations, and academic scholars.

Shaver, Mitchell and Yeung (1997) suggest that one way for a potential investor to gather information about the potential market is to use the primary source knowledge of foreign firms that already operate in the host market. This possibility arises because foreign firms operating in a host country generate information spillovers that have potential value for later foreign investment. Two types of knowledge are country specific-knowledge, which includes the know-how of business and operating conditions in the foreign nation, and industry-specific knowledge. Authors suggest that the foreign investment should take the form of a sequential process, and the firm first should obtain a foothold and then use it to learn about the new location, so it will have flexibility to undertake additional investment.

When evaluating the Canadian investment climate, D'Souza (1993) found that the main source of information for both acquisitions and new business investments were visits by the parent company's executives. In the case of acquisitions, Canadian consultants provided additional information. However, governmental provincial and federal agencies were not as frequently used. For greenfield investments, the additional information was acquired from the Canadian federal and provincial government, embassy personnel and Canadian consultants.

In making investment decisions, foreign investors operating in Greece used prior company's experience in the country, market studies, feasibility studies, and Greek consultants (Kalligatsi 1996). In addition, exchange of information among different companies in the same or different sectors, contacts with customers, and publicly available information were used.

4. Mode of Entry Strategies

Mode of Entry (MOE) is a follow up step (Root 1994) after selection of an international market to enter in the global expansion of a firm. This concept deals with managerial decisions as to the nature of the operations in a new market. According to Ekeledo and Sivakumar (1998) the MOE procedure can be roughly divided into two steps: (1) the firm has to decide on the location of the production facilities, and then on the desired level of involvement in, or control of, the foreign operations. Root (1994) provides a summary of entry modes (Table 3) classified depending on the level of involvement.

Table 3. Summary of Mode of Entry Strategies

Export entry modes	Contractual entry modes	Investment entry modes
Indirect Direct agent/distributor Direct branch/ subsidiary Other	Licensing Franchising Technical agreements Service contracts Management contracts Construction/turnkey contracts Contract manufacture Countertrade agreements Other	Sole venture: new establishment Sole venture: acquisition Joint venture: new establishment/ acquisition Other

Source: Root (1994, p. 26)

In the export entry mode the actual production takes place in a home country and is exported to the target country. Intermediaries in the home country are used in indirect exporting activities, while those located in the target country or the company's own representatives are used in direct exporting. Contractual entry modes involve long-term, nonequity association between the company in the home country and the entity in the target country. Contractual entry modes involve transfer of technology and skills, which distinguishes this from any type of export mode. Also, the lack of investment equity by the foreign company is what differentiates contractual from investment entry modes.

Anderson and Gatignon (1986) suggest that "control is the focus of the entry mode literature because it is the single most important determinant of both risk and return" (Anderson and Gatignon 1986, p. 3). There is a trade-off between level of control and increase of risk and return. High-control entry modes carry the possibility of higher returns but also higher risks. Conversely, low-control modes demand lower commitments but bring lower returns. Also, according to researchers, managers often decide upon the mode of entry without cost/benefit analysis, due to the complexity of the advantages and disadvantages that each option carries. In addition to the trade-off between risks and returns, a firm has to consider the availability of resources in terms of financial and managerial capabilities (Agrawal and Ramaswami 1992).

Although the MOE literature is quite abundant, there is no consensus as to how to classify determinants influencing the MOE decision. For example, Dunning (1980) and Agrawal and Ramaswami (1992) organize these factors into three categories: ownership advantages of a firm, location advantages of a market, and internalization advantages of integrating transactions. Kim and Hwang (1992) divide the relevant variables into different three categories, that include (1) environmental variables, (2) transaction specific variables, and, (3) global strategic variables (in the case of MNEs).

Nakata and Sivakumar (1997) studied the emerging market conditions and their impact on first mover advantages. There are many advantages that could possibly be capitalized on by pioneers in the emerging market. For example, economies in emerging markets are growing at a higher rate than in industrialized countries, and first movers are expected to increase sales even if they maintain their original shares due to overall growth of the market. Also, emerging markets are characterized by a dual economy, so, the initial product adaptation and marketing costs are expected to be low since products initially designed for developed markets can be introduced to affluent urban populations. Another characteristic is a growing middle class which leads to increase of sales (and economies of scale) for first movers. Further, low technological capabilities of emerging markets enhance pioneers' technological advantages and privatization opens previously closed markets or industries.

However, discussed in the study are many disadvantages for first movers, including: political instability; high inflation that increases operating costs and lowers demand; external debt that increases the threat of inflation and currency devaluation; poor infrastructure that increases operating costs; lack of distribution channels that increases distribution costs; limited or non-existent trade-mark and intellectual property protection laws that make pioneers vulnerable to piracy and loss of sales; and foreign investment restrictions that limit investment opportunities.

Since many emerging market conditions appear to enhance first mover advantages, while others mitigate them, a universal conclusion is not possible. The decision whether to enter the emerging market should be made taking under consideration many country and firm specific factors.

So, there is no one solution as to which strategy to choose when entering a foreign country. Companies often decide to leap into more advanced modes without going through the modes requiring less involvement. However, what influences this is not the same in each case. There are many variables that have to be considered in an MOE decision, and no one simple model that will combine all of them.

5. Product-Country Image

As the globalization of the market place continues, the relationship between Product-Country Image (PCI) and purchasing behaviour becomes more important (Nebenzahl, Jaffe and Lampert 1997, Papadopoulos and Heslop 1993). In the PCI concept the product means traditional goods and services. However, it is also relevant to countries that market themselves as attractive location for tourism and investment (Papadopoulos 1993). Research into PCI dates as early as mid 1960s. Nagashima (1970, p.68) defined PCI as;

> "The "made-in" image is the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history and traditions."

The concept of PCI, sometimes also referred to as the narrower concept of Country-of-Origin (COO), deals with the impact which generalizations and perceptions about a country have on a person's evaluations of the country's products and/or brands (Papadopoulos 1993, Lampert and Jaffe 1996). The PCI has been conceptualized in one of two ways: consumers' overall perceptions, (e.g. ability of a given country to make quality products) or as a set of generalized beliefs about specific products from a country on a set of attributes (Agarwal and Sikri 1996). According to Ahmed and d'Astous (1995), both household and organizational buying behaviour is influenced by the ability of a potential buyer to assess product cues, which may be intrinsic (taste, design, performance, etc.) or extrinsic (brand name, country of origin, etc.). Extensive research suggests that country images may have considerable impact on consumers' product evaluation (Agarwal and Sikri 1996, Haubl 1996, Papadopoulos, Heslop, and Beracs 1989).

Samiee (1994) provided a summary of the literature and concluded that three main determinants influence the COO concept. First, there has to be a presence of antecedent conditions that lead to development of COO stereotypes that in turn influence a purchase decision. Second, there are customer and market-level considerations. Among factors related to customers, researchers list product familiarity and experience, level of involvement in purchase decision, ethnocentrism and patriotic tendencies. Market considerations include: product type, brand image, the reputation of channel intermediaries and market demand. Also, there are environmental conditions of nations such as: presence and influence of global markets, levels of economic development, and political, social and cultural standing. The final, third set of determinants consists of managerial decisions that influence marketing program standardization, product image and positioning, and manufacturing site selection decisions. According to researchers, all three managerial decisions are made without taking COO effects under consideration.

Since perceptions about country of origin may be favourable or unfavourable, the firm must know how their products are perceived by buyers in order to develop appropriate marketing strategies. Often a firm's success in penetrating a foreign market depends on a potential buyers' perception of the country in which the product was made. For example, a Volkswagen produced in Brazil at substantially lower cost than in Germany may not have many overseas buyers, despite the lower price, due to the buyers' perception that it is inferior to the one made in Germany (Lampert and Jaffe 1996).

The study by Nebenzahl, Jaffe and Lampert (1997) concluded that the role country image plays in consumers' product evaluation changes in a predictable way. Initially, when the consumer has had no exposure to the products in a given product line, relative country image perceptions play a decisive role in determining brand or product perceptions. However, with the exposure to foreign country's brands the initial halo role of country image will gradually be replaced with the true attributes of the country's product. So, when consumers are not familiar with the country's products they may use country image as a halo from which to infer the quality of a brand from a given country. Similarly, Maheswaran (1994) concluded that, in the case of novice buyers, COO stereotypes were used as a frame of reference when interpreting information about attributes of a product, whereas experts used them only when information on attributes was ambiguous.

In a multi-product and multi-cue setting, Wall, Liefeld and Heslop (1991) assessed the effect that the COO labeling has on Canadian consumers' assessment of product quality, risk to purchase, perceived value and likelihood of purchasing. The results of the study suggest that in assessing product quality, COO information was more important than were price and brand information. Also, researchers found that factors like age, education, sex and perceptions to judge products are related to the studied dimensions.

There are also differences in PCI stereotyping among products made in countries at different levels of development. For example, Han (1990) suggests that country image may have a greater effect on consumers' attitudes toward products from a developed country than from a developing country, provided that consumers are more familiar with the former country's products. Also, Niss (1996) argues that domestic products in developed countries tend to be evaluated more favourably than products made in developing countries. Iyer and Kalita (1997) researched the impact of country-of-origin and country-of-manufacture cues on consumer perceptions of quality and value, and found that products manufactured in a developed country (in this case the US) were perceived to have higher quality than products manufactured in a newly industrialized country (NIC) such as South Korea or developing country (China). There were only marginal differences in perceptions of quality between products manufactured in South Korea and China.

Papadopoulos, Heslop and Beracs (1989) found that consumers' opinion about domestic products, although favourable, is not as strong as initially expected. Knowing the weaknesses of domestic products consumers prefer foreign goods, despite media campaigns that urge consumers to buy domestically made goods. Similar attitudes are found in countries of Eastern Europe, where Hungarian consumers perceive foreign products more favourably than domestic products, although their perception of national products is not necessarily unfavourable. Kim and Chung (1997) analyzed brand popularity and country image as key variables for the long-term success of brands or firms in the international environment. One of their findings was that foreign brands' direct investment has a positive effect on the market share of the foreign brand.

Numerous studies show that individual consumers and industrial buyers hold stereotypical images of countries and their products. Therefore, the PCI concept may be relevant in the purchasing behaviour of not only consumer buyers but industrial buyers as well. In a 1978 study assessing quality of industrial products, White and Cundiff found that industrial buyers' perception of quality of the products is based on the information about the country where these products were manufactured rather than on price. Also, Cattin, Jolibert and Lohnes (1982) found that there is a difference between US and French industrial buyers in the perception of products made in different countries. For example, Japanese products were less favourably perceived by the French respondents than those in the US. Similarly, products made in England were more favourably perceived by the French than by the American purchasing managers.

According to Samiee (1994), when compared to end-consumers, industrial buyers' purchase decisions tend to be more informed, they posses broader and more accurate information base about manufacturers, and they express higher product familiarity and experience. Then, when combining their decision making processes (which are usually policy-driven and rationalized) with a greater information base it can be expected to lead to greater country of manufacture (COM) sensitivity. So, industrial buyers are expected to use more COM, and use less COO cues than the individual consumers in their purchase decision.

In an Australian study of industrial buying behaviour, Dzever and Quester (1999) found support that country information directly influences quality perceptions regardless of the product type. Likewise, researchers supported previous founding that industrial buyers prefer products originating in developed countries over products originating in newly industrialized or industrializing countries.

In addition, as a result of globalization and the advent of hybrid products, which may be made or assembled in one country with components from many different ones, "country of origin" is used to refer to a variety of countries that may be associated with a product. For example, the study conducted by Ahmed, d'Astous and El Adraoui (1994) in the province of Quebec, shows that for industrial buyers of complex technology products country of design is more important in purchase decisions than country of assembly and brand name. Also, industrialized countries were rated much higher than NIC as countries of assembly and even higher as countries of design. The discrepancy occurs mainly in the product conceptualization, design, and engineering and to the lesser extent in sheer assembly and manufacturing processes. In the same study, individual buyers rated country of design and country of assembly about equally but rated country-of-origin below brand name.

As mentioned, countries that attempt to market themselves as a potential tourism or investment location can be viewed as products in the PCI concept. Papadopoulos (1993) suggests that the perceptions that investment decision makers hold about foreign investment locations have an "unexpectedly strong influence in foreign expansion decisions" (Papadopoulos 1993, p. 7). Since, as research suggests, the image of a country held by foreigners is so important, governments are trying to improve their country's image abroad. The efforts are becoming better organized and combine both the governmental agencies and private sector. For example France in recent years developed multiple programs (via government and para-government organizations) aimed at improving the country image (Graby 1993) and similar attempts are taking place in Italy (Morello 1993). Nevertheless, with the increase in global competition, other countries are also expected to engage in systematic organization of promotional efforts to improve country image.

Wee, Lim and Tan (1993) studied the influence that country image has on investment decisions, by treating countries as products and investors as buyers. They found that the image of a country can be measured, and found that investors do hold different perceptions about potential investment locations. The study covers a small country, Singapore, belonging to a strong regional grouping, and in this setting not only was the country image important, but the image of the region was important as well.

Papadopoulos (1993) and Wee, Lim and Tan (1993) suggest that the PCI concept and the improvement of the image and perceptions of a country are particularly important for the countries of former communist regime. With the fall of the Berlin Wall, there is a change in the way CEE countries are viewed by the rest of the world. It is also a great opportunity for the governments of these countries to work on ways to improve this image. This is a difficult task since the associations with a country are deeply-rooted and hard to change (Morello 1993) and the image from the communist era was quite negative.

Since PCI stereotypes influence the buying behaviour of both individuals and industrial buyers, managers should take them under consideration when deciding on location of manufacturing facilities in different parts of the world. In addition, the governments of countries desiring to attract foreign investors or to export manufactured products to developed countries should also evaluate the image held by managers about their country, since "it is likely to be easier to establish the desired image initially than to try to change a negative image once it has been established" (White and Cundiff 1978, p. 85).

6. Emergence of Investment Opportunities in Central Europe

After 1989, three favourite destinations for potential investors emerged among countries of Central Europe: Hungary, Poland and Czechoslovakia (Czech Republic since 1993). These were the first countries to abolish Communist rule and to adopt reforms of transition from centrally planned to market driven economies. All Central European countries see foreign investment as a main macroeconomics mechanism to ease the transition process (Szanyi 1998, Dmochowski 1995). Foreign investment is expected to boost domestic investment activity and contribute to economic growth. Other benefits include transfer of technology and managerial skills, the growth of output, balance of payments, and increased market competition.

All newly elected governments in Central Europe have implemented liberalized regulations regarding foreign investment. Constitutional provisions have been implemented regarding property rights, repatriation of profits, and special conditions for tax exemptions. Since then, foreign investors have enjoyed a very similar framework to the one they are familiar with in Western, industrialized countries (Dmochowski 1995). Also, considering past experience, all countries in Central Europe provide strong assurance to foreign investors that their investment will be free from any danger of expropriation.

Among these three main destinations for FDI in the region, the Czech Republic rates the lowest on the Economist Intelligence Unit (1997) risk assessment list, with Hungary rated twice as risky as the Czech Republic, and Poland as the most risky. However, the Czech Republic has not attracted the highest investment values in the region despite the fact that it is rated as the least risky country in which to invest. Until 1995, Hungary was attracting most FDI among the three countries (Table 4). Since 1995, Poland emerged as the largest recipient of FDI in the region. The estimates for 1997 identify the Russian Federation as a main destination of FDI among countries in transition. However, these investments are mostly in natural resources sectors.

Table 4. FDI Inflows into selected Central and Eastern European countries
(millions of dollars)

Host Country	1986-91	1992	1993	1994	1995	1996	1997*
Czech Republic**	99	1003	568	862	2559	1428	1301
Hungary	430	1471	2339	1146	4453	1982	2085
Poland	84	678	1715	1875	3659	4498	5000
Russian Federation	....	700	700	640	1976	2452	6241

Source: UNCTAD/TNC database in World Investment Report 1998, p.280
* estimates
** Values for Czechoslovakia until 1992

Another problem in the emerging economies is the fact that there are strong political pressures to prevent foreigners (in some instances a specific nationality; e.g., Germans buying in Poland) from buying domestic entities "on the cheap" (Dmochowski 1995, Damrau 1992, Sinn and Weichenrieder 1997). The new governments find it difficult to sell the state owned enterprises for much, because their value is low. However, to the workers, the same state owned enterprises are treasured (Damrau 1992). Also, there is a problem with employment reduction after privatization of state owned enterprises, which creates further opposition and distrust towards foreign investors.

Even those in favour of privatization see only a limited role for foreign investors. Foreign investors are expected to contribute all of the new capital, managerial expertise, and technological modernization, but not to demand control over newly obtained assets. So, most prominent investments in the region have included provisions for substantial local control over the enterprise (Damrau 1992). Management is characterized more by short-term income maximization than by serious interest in the enterprise's long-term economic viability.

The Czech Republic has so far been the most successful in privatizing its state sector (Damrau 1992). Not only did it, like Hungary and Poland, manage to privatize small enterprises, but it also restored property expropriated by the Communists (Poland is still in the process of doing so), and efficiently organized mass privatization. However, the process of privatization in Central Europe has been painfully slow and, according to Damrau (1992), the participation of the Western private capital has been less than predicted.

In addition, claims of former property owners or their descendants on companies, shops, and land being denationalized through the region create another difficulty that governments in Central Europe have to deal with. The new governments must balance the political pressure to repudiate previous confiscation with the speedy privatization process and assurances to investors that they have a secure claim on the property they purchase. This is especially true when many former owners of confiscated properties or their descendants reside abroad and could be a significant source of new investment.

The region provides access to the promising post-Soviet market, with its linguistic similarities (except Hungary), geographic ties, and four decades of experience dealing with Soviet partners. Also, there is geographical and cultural proximity to the European Union and other countries of the Eastern Bloc. However, according to the World Investment

Report (1998) CEE countries' share of FDI inflows is somehow lower than it could be expected judging from the region's importance when compared with the rest of the world. The region's share in world population is higher when compared to share in world GDP, imports and world FDI inflows (Table 5).

Table 5. Central and Eastern Europe: share in world inward FDI stock and flows, compared with shares in population, GDP and imports
(percentage)

Item	World population 1996	World GDP	World trade (imports) 1996	World inward FDI stock 1996	World FDI Inflows 1996	1997
Central and Eastern Europe's share	6.1	2.4	2.3	1.5	3.6	4.0

Source: UNCTAD/TNC database in World Investment Report 1998, p. 281.

Similarly, the ratio of FDI stock to GDP for CEE falls behind not only the world's average and the average for developed countries (which can be expected) but also behind the average for all developing regions. Naturally, the situation for all CEE countries is not the same, when countries are looked at separately. For instance, Hungary's ratio of FDI stock to GDP is three times the world average and twice the average for developing countries. For Albania, Czech Republic, Estonia, Latvia and Poland the same ratio is equal to or exceeds the world average.

World Investment Report (1998) provides the explanation for lower than expected investment flows into the region. It seems that the region is relatively new to investment and it has inherited legal and regulatory problems. In addition, the recession that followed the transition implementation prolonged the privatization process, and the lack of local experience in business facilitation further impede foreign investment flows.

According to Damrau (1992), the potential of Central Europe as a source of inexpensive but talented and well educated labour has diminished over the years, as the costs of establishing new operations (finding office space, hiring staff, securing legal and financial expertise, and installing telephone connections) in Prague, Warsaw, or Budapest are as high as in major West European cities and the process takes longer. In addition, the labour force of the region lacks appropriate technical and managerial skills. Workers are used to a system that never rewarded hard work or initiative and emphasized quantity over quality (Manakkalathil and Chelminski 1995). However, the average wages in Eastern European countries are only 15 percent or less of wages in the European Union countries (Czinkota, Gaisbauer and Springer 1997).

Also, the image of Central European products is not positive and is significantly lower than the image of products from Western countries (Papadopoulos, Heslop and Szamosi 1997). This may affect investment decisions of foreign companies, especially when their main motive for investment is to produce for export. The competition for FDI in the world is intense, and there is no reason to believe that Central Europe's location alone is enough to make it attractive to foreign investors.

Dunning (1998b) compares Eastern European countries to the industrialized developing countries and to the situation of West Germany and Japan after the Second World War. In the first model Eastern Europe is compared to the industrialized developing countries like Brazil, Mexico, Korea, Thailand, Taiwan and Singapore, countries that in the past have moved from attracting a little to attracting a lot of foreign investment. Both Eastern European countries and NICs lack organizational and institutional capacities that support economic growth. Eastern European countries' industrial performance and infrastructure is similar to middle income developing countries but inferior to the fastest growing NICs. However, when compared to the Third World, most Eastern European countries (except Albania) have the population that is better educated, with better medical care and accommodations. They consume more energy and have higher R&D expenditures as a percentage of GNP.

In the second model, Dunning compares Eastern Europe to the situation in West Germany and Japan after WWII. In this case, the situation of large Eastern European economies is comparable to the two countries whose economies were devastated by war and which, in order to recover, required technological, organizational and managerial capabilities. However, this model does not take into consideration the amount of 'institutional impediments' and the amount of change required in the government, politics and culture, that has to take place before economic transition.

7. Emergence of New Investment Opportunities in Poland

This section highlights key components of changes that took place in Poland since 1989 which are relevant to foreign investment. Before 1989, all countries of the Eastern Bloc were characterized by state-owned enterprises and planned economic structures designed to inhibit free market activity and private ownership. Changes were necessary to make Poland a candidate to be considered by potential foreign investors.

7.1. The Balcerowicz Plan

In 1989, Poland became the first former Warsaw Pact country in which the Communist Party was voted out of office and replaced by a coalition led by the opposition Solidarity movement. Together with political change, Poland was quick to adopt broad economic reforms, such as the Balcerowicz Plan, to support the transition process from a centrally planned to a market-driven, open economy.

The "shock therapy" implemented on January 1, 1990 by the Deputy Prime Minister and Finance Minister, Leszek Balcerowicz, introduced liberalizing controls on almost all prices, eliminating most subsidies, and abolishing administrative allocation of resources in favour of trade, free establishment of private business, liberalization of the system of international economic relations, and the introduction of internal currency convertibility, with a currency devaluation of 32 percent.

After a decline in economic performance at the beginning of the shock therapy implementation, Poland become the first former Eastern Bloc country to surpass its 1989 output levels (PAIZ 1996). The GDP increased by 3.8 percent in 1993, 5.2 percent in

1994 and 7 percent in 1995, making Poland one of the fastest growing economies in Europe.

7.2. Debt

During the restructuring process, Poland had to service its foreign debt (which reached over $ 40 billion in 1989), incurred mostly in the 1970s by the Communist government. The Polish government was successful in obtaining huge reductions of the debt (20 billion or 50 percent in 1991 and $6.5 billion in 1994) and in rescheduling of interest payments over a thirty-year period. However, these payments proved difficult especially in the beginning of the reform implementation period when the country's economic performance was deteriorating (PAIZ 1996). The efforts by the Polish government to reduce the debt and service interest payments are viewed as a positive sign of recovery (Balcerowicz 1995).

7.3. Privatization

The 1990 Privatization Law introduced a multi-track approach to privatization. Since then two basic privatization paths have been applied: capital privatization and privatization through liquidation (direct privatization). The choice of method used depends on the size of the enterprise in terms of annual turnover, projected financial and production indicators, interest expressed in a given enterprise by Polish and foreign investors, and the number of employees. By the end of 1995, 1,600 state owned enterprises had been privatized and 3,465 enterprises were in the process of privatization (EBRD 1996).

Currently, privatization is moving into a new phase where government will increasingly favour direct sales in strategic sectors. Greater foreign ownership will also be permitted. This is expected to bring fresh capital and management expertise, while encouraging intensive industry restructuring. The acquisition of advanced technology from abroad is expected to boost productivity. Corporate governance and property rights will strengthen, driving out incompetent management and providing more rights to shareholders (Dmochowski 1995).

7.4. Tariffs and import barriers

In January 1990, a new Customs Law came into force in Poland. This law defined and implemented the Harmonized Tariff System which reclassified products and ultimately formed the basis for new duty rates on imports. Import and export licensing was eliminated to cover a limited range of products (cigarettes, dairy products, natural gas, petroleum and spirits). Multilateral trade agreements were reached with EU, the European Free Trade Association (EFTA), and Central European Free Trade Agreement (CEFTA) in 1992-93. In July 1995, Poland become a member of the WTO and OECD (EBRD 1996).

The March 1, 1992 enactment of the trade provisions within Poland's association agreement with the EU lowered or eliminated tariffs on many EU products imported into

Poland, while tariffs on products from the rest of the world remained the same making them less competitive.

7.5. Trade

The economic changes of the 1990s brought about a sharp increase in the market share held by private import/export companies. The share of the total exports accounted by privately held companies rose from 4.9 percent in 1990 to 51.3 percent in 1994, while imports rose from 14.4 percent to 65.8 percent. The geographical pattern of Polish foreign trade changed dramatically from trade oriented to Comecon countries (the acronym to describe the Council for Mutual Economic Assistance), to those of Western Europe. In 1995, exports increased by about 35 percent, with investment volume up by about 10 percent compared to the previous year when imports also grew by 38.8 percent. The EU is Poland's most important trading partner, with a share of about 70 percent of total foreign trade in 1995. Germany, a member of EU, is the main trading partner with 38.5 percent of exports and 27 percent of imports. Trade with CEE and the countries of the former Soviet Union (FSU) has been developing rapidly, with exports up by 56.2 percent and imports up by 65.5 percent. Foreign trade with CEFTA countries has been growing rapidly as a result of liberalization of trade between members.

7.6. Foreign Direct Investment

The Polish government has made many legislative changes in order to establish a more financially stable environment, with more liberal approaches to private enterprise. The

Foreign Investment Act of 1991 and subsequent amendments opened the Polish economy to foreign investment and generally established a level playing field between foreign and domestic investors. The Act permits any level of foreign ownership up to 100 percent, although, there are a few restrictions mostly in "strategic sectors" that establish maximum foreign content. According to the US Department of Commerce (1998), foreign firms may face potential discrimination in public procurement contracts, where the law allows a 20 percent price advantage for domestic firms and establishes a requirement of 50 percent domestic materials and labour content minimum (a joint-venture between foreign and domestic firm qualifies as a "domestic" for procurement purposes).

Notwithstanding differences among political parties in Poland regarding the extent of foreign investors participation in the privatization process, there is a consensus that Poland should maintain a free market based economy and that it needs to attract foreign investment (Krajewska 1996). Currently, the two parties that formed a coalition after the most recent parliamentary elections in 1997 support privatization, welcome investment and intend to allow foreign companies to compete for controlling interests in strategic firms/industries that are still to be privatized (US Department of Commerce 1998).

Despite the fact that Poland was the first country to break from the communist rule, was successful in implementing market-oriented reforms and was first among countries of the region exceeded 1989 output levels in 1992, foreign capital entered Poland very slowly. Between 1990 and 1996, foreign investment inflows reached over $ 14 billion, with $ 5.2

billion in 1996 alone. The majority of the investments have been in privatization and greenfield projects (Sidor 1996).

As of December 1997, 585 companies from over 30 countries had invested in Poland more than $ 1 million. Among foreign firms and financial institutions the largest capital investment was made by Italy's FIAT, which by December 1997 invested over $1.141 million (PAIZ 1998). The US ranks first with regard to the volume of capital invested in Poland, though Germany ranks first in terms of the number of firms operating in Poland. The manufacturing sector remains the most popular sector with foreign investments. In 1997, over $4 billion were invested in that sector, of which $3.1 billion were invested in motor industry by FIAT, DAEWOO, GM and Isuzu. The food industry was second followed by financial services and retail trade. Foreign investors are predominantly interested in access to the Polish market and employing highly skilled, but relatively cheap labour (Jarosz 1996).

Until recently the Polish government was mostly interested in privatization projects as the main tool to improve its infrastructure. This activity provided the government with more control over foreign investment, but was a hindrance to the investing companies. Companies' preferences have moved to more greenfield activity giving them more control over their investments. In most cases, privatization was a lengthy process and required a shift in attitudes for the government ministries and agencies, and labour unions.

Trends indicate that privatization has probably reached its peak, and as the economy becomes more stimulated, there will be more fledgling domestic companies starting up. Poland still has a shortage of domestic institutional investors, but as more domestic start-up companies develop, they may add depth as well as firmer governance to the market. So far, the success of domestic companies starting up in Poland has been impressive. Private firms have seen growth from 16 percent of gross sales in 1989 to 45 percent in 1995. This trend may reduce some of the FDI activity especially in the smaller and medium size companies looking at market access. This may lead to more activity in joint ventures and mergers in the future (Economist Intelligence Unit 1997).

Up to now, most of the investment has been in enterprises selling mainly to the domestic market, but this is shifting, and these companies are increasing their sales abroad. Since the Polish economy needs export growth, this is a good sign for the future. Research has indicated that foreign companies investing in Poland are growth oriented. They undertake restructuring and invest in the development of production capabilities, also they are oriented to long term profits and do not bring polluting technology. They transfer or develop modern technology with a view to long term sustainable growth. The companies belong to the sector of the economy that is ready to face global competition and markets (Jarosz 1996). This fits well with the Polish government goal of future integration in to the EU.

Krajewska (1996) provides a summary of advantages and disadvantages of in investing in Poland. The most important factors of the Polish economy that improve Poland's position as a potential location choice for foreign investors are:

1) Economic growth prospects: Poland's GDP growth rate of 4 percent in 1993, 5.3 percent in 1994, gave it a leading position among European countries (according to World Investment Report (1998). The GDP growth rate was even higher in the following years; in 1995 it was 7 percent, in 1996, 6.1 percent, in 1997, 6.9 percent). The growth rate levels suggest that the process of economic changes initiated by shock therapy is successful despite political changes, when parties whose genesis dates back to the communist period, were coming back to power in the mid-1993. Reflecting good economic performance, Poland is called a 'European Tiger' in the international business literature (Paliwoda, Thomas, and Farfus 1998).
2) Size of Polish market: With its population of almost 40 million Poland was ranked among the 10 largest emerging markets in the world by the U.S. Department of State in 1994.
3) Location: The central location of Poland in Europe makes it a junction between West and East and North and South. Another aspect of geographical location is the possibility of accessing markets of the former Soviet Union.
4) Labour costs and labour supply: The mean monthly wage of $250 makes Poland an attractive site especially for labour intensive sectors. Also, qualifications, work quality, discipline and labour productivity of Polish workers are highly evaluated by foreign investors.

Numerous barriers to investment in Poland are also listed by Krajewska (1996) which include:

1) lack of stable foundations for activity of foreign investors (inefficiencies are noted in the areas of legal, financial and ownership laws),
2) poor telecommunication, transport and banking infrastructure,
3) the bureaucracy and unfavourable attitude of local government towards foreign investment,
4) the strong position of labour unions (including wage demands in privatized firms),
5) the shortage of information regarding the economy, consulting services and management personnel.

8. Summary of the Literature Review

The importance of FDI in the integration of the world's economy has been growing steadily in the recent decades. Currently more firms than ever are conducting operations in more than one country. Also, governments are recognizing the benefits that FDI brings to the host country economy and are engaging in competition to attract foreign investors. Previously FDI was reserved primarily for developed countries but currently developing countries and economies in transition are also competing for FDI. Despite the abundance of research on the determinants of foreign investment there is no one model that would incorporate all factors influencing the investment decision. Although many determinants influencing the investment decision are easy to calculate, there are also factors that have an invisible influence on the decision. Particularly, the image and stereotypes of the host country in the eyes of foreign investors and managers' personal perceptions regarding the potential location for FDI are proved to have influence on the investment decision.

For almost a decade CEE have attracted much of the attention with the transition efforts and opening borders to foreign investors. Among those countries, Poland has been attracting the largest investment in non resource based industries. However, according to some publications, the levels of investment coming to Poland (and other countries of the region) is lower than previously anticipated.

This study attempts to explore foreign managers' perceptions and opinions about Poland and its investment climate, the levels of satisfaction or dissatisfaction with that investment and factors influencing the choice of Poland as an investment location. Also, the study attempts to find out which areas could be changed to improve the investment situation and possibly to suggest ways to improve the image of the country.

RESEARCH OBJECTIVES

This research was undertaken to examine the managers' perceptions of the investment climate in Poland and factors used in deciding to invest in Poland. The objectives of this study are similar to those of previous studies conducted at Carleton University. D'Souza (1993) evaluated the investment climate of Canada and Kalligatsi (1996) investigated the investment climate of Greece. Specifically, the objectives are as follows:

1. To determine how satisfied/dissatisfied investors are after several years of experience with investment in Poland.
2. To assess the perceptions of foreign investors with respect to the economic, political, and social climate for investment in Poland.
3. To investigate the motives for investment in Poland.
4. To identify sources of information used in making the investment decision.
5. To identify corporate and individual factors that correlate with experiences and perceptions of foreign executives in Poland.
6. To compare the findings of this research with those of D'Souza and Kalligatsi.
7. To investigate in more depth perceptions of Poland as an investment location from the Canadian business and government perspective.

RESEARCH METHODOLOGY

The methodology of this study draws heavily from, but does not follow exactly, the design of the previous studies of Canada and Greece. D'Souza, using interviews and self-administrated questionnaires, gathered data from both expatriate and Canadian executives of foreign-owned companies operating in Canada. In that study, 22 companies were explored. Kalligatsi used interviews and self-administered questionnaires to collect information from foreign executives and Greek senior executives from 31 Greek companies with foreign ownership.

This study is divided into two parts. The first part is intended to address active investors' views of Poland. It was carried out using a mail survey addressed to foreign executives managing the Polish operations in Poland as representatives (agents) of the foreign investor. The second part is intended to enable a more in-depth examination of the issues using in-depth interviews with Canadian investors and potential investors in Poland (Canadian companies with investment in Poland or considering it as an investment location) and Canadian public officials who handle dealings with Poland and/or other countries of the region. Interviewing Canadian government officials allowed for assessment of the perceptions of people who are supposed to offer support and advice to Canadian investors planning to operate or already operating in Poland.

Research Design

This research was exploratory in nature, with an *ex post facto* design format, using a descriptive research survey.

Investor Survey

Population

In the first part of the study, the population consists of the most senior ranking foreign executives, working in Poland as representatives of foreign companies that invested in Poland, and who are not Polish citizens and would not work in Poland otherwise. The investments are in the form of acquisition or greenfield investments that have taken place since 1990 and are valued at a minimum of $1 million as of December 31, 1997. The monetary value of investments is consistent with those in the previous studies where only investments over $1 million were considered. Portfolio investments are excluded from the study.

Sampling frame

A list of the investors was obtained through the Polish Agency of Foreign Investment (PAIZ).

Sample size

The complete list contains 585 companies , however, 46 companies were omitted from the survey due to a lack of valid mailing addresses. Therefore, the sample included the most senior foreign expatriates representing 539 companies with foreign ownership.

Sample unit

The sample unit was the foreign company that invested in Poland over $1million.

Data collection

Data for this part of the study was collected using a mail survey method as it allows for reaching more dispersed respondents at a lower cost than, for example, using personal interviews. Also, business executives are easier to reach using a mail survey than any other method (Cooper and Emory 1995). It was expected that the response rate would be low by Western standards, around 10 percent (similar surveys in North America tend to have response rate in the 15 to 20 percent range), However, this is consistent with the response rate of surveys conducted in Poland by PAIZ.

The questionnaires were sent from within Poland, and responses were gathered using a Polish mailing address in order to lower the data collection costs, based on the following procedure:

a) First, an introduction letter explaining the importance of the study, requesting participation, and stressing the importance of each participant, was mailed to each company making up the population (Appendix I). To stress the value of the study, this letter was signed by the thesis supervisor.

b) Then, three days later the questionnaire with a cover letter was mailed (Appendix II), again stressing the importance of participation. The cover letter asked that the questionnaire be answered by the highest ranking foreign expatriate, preferably the one involved in the investment decision, working in Poland and representing the parent company. This letter was signed by the researcher herself.

c) After four weeks if there was no response, a follow-up letter was mailed along with a new questionnaire. Each questionnaire was numbered on the cover page, which allowed the researcher to remove the company from the mailing list as soon as the response was received.

Each mailing included Polish and English versions of each piece of correspondence, translated using the back-translation method (Polish version of all correspondence Appendix IV). Also, assurance of confidentiality of results was provided to respondents.

Questionnaire

The questionnaire was divided into eight main sections. The first section collected background information about the parent company, the Polish company and the respondent. This section used open ended and fill-in-the-box questions.

The second section asked for information sources used and their importance when making the investment decision. This section used a five point importance scale with additional alternatives such as "not used" and "don't know". Also, in this section open ended and fill-in-the-box questions were utilized to allow a better understanding of the potential influence of information sources.

Section three assessed objectives for the parent company to invest in Poland. Here different objectives were evaluated on a five point scale ranging from "not at all important" to "very important".

The next section dealt with the assessment of Poland's investment climate and included subsections assessing market, production and finance related factors as well as economic, legal, political and social factors and general views of Poland and Poles. Here respondents were asked to mark the space that most closely represents their opinion on a 5-point bipolar adjective scale. Additionally, respondents were asked to provide two factors that make Poland most and least attractive for foreign investment, and, in an open ended question what, in their opinion, Poland should do to improve its investment climate.

The fifth section used five point importance scale in assessing factors provided in the previous section and their influence on the investment decision process.

The respondents' opinion about the parent company experience with the investment in Poland was assessed in the next section. Using five point satisfaction scale the level of satisfaction of the parent company and respondents personally with the investment in Poland was evaluated. Also, a question regarding future plans about investment in Poland for the next five years was included.

The seventh section asked respondents to name Poland's closest potential competitor as a potential location for foreign investment, and to compare Poland's investment climate to that of this competitor. Various dimensions were assessed on a five point scale ranging from "worse than" to "better than" its competitor.

In the final section, the similarity of views between the respondent and the parent company was assessed on a five point scale from "not very similar" to "very similar". In addition, respondents were asked whether they were involved in the initial investment decision, and if yes, what was their role. The last question asked for the independence of the Polish company in decision making using a five point scale ranging from "highly dependent" to "highly independent".

In addition, the last page was left for respondents who were encouraged to use it for any additional comments. A brief explanation on each section and how to give responses to each question was provided under each section heading. Throughout the questionnaire great care was given to avoid ambiguity on the question structure or meaning. Great care was also given to the graphic design of the questionnaire in order to make completion easier for respondents and improve the response rate.

In-depth Interviews

The second part of the study involves current and potential Canadian investors and public officials responsible for Poland and/or CEE

The sampling frame consisted of the list of Canadian investors in Poland obtained through PAIZ, the list of Canadian businesspersons that accompanied Prime Minister Chretien during his trip to Poland in March 1999, and senior employees of the Canadian Foreign Affairs and International Trade Department and Industry Canada who have responsibility for CEE.

Personal interviews were conducted, as this method of data gathering allows for depth and detail of information. In cases where that personal interviews were difficult to schedule (due to the time allocation or geographical distance) a telephone interview was conducted. In all, 18 interviews were conducted with two-thirds (12) among business executives and one-third (6) among public officials. Majority of respondents for this part of the study were located in Ottawa. However, additional respondents were contacted in the Toronto area.

Data Analysis

A number of techniques are available for interpreting data in descriptive research. Tests employed in this study include: frequencies and means to profile the companies and their behaviour; measures of central tendency used to analyze objectives for investment information sources and managers' perceptions; tests of significance to detect differences between greenfield investment and acquisitions, and differences depending on the length of operations in Poland.

Qualitative techniques were used to assess results of in-depth-interviews. Where the responses were grouped and analyzed to assess the prevailing trend.

I. RESEARCH FINDINGS AND DISCUSSION - Questionnaire responses

In this chapter the results of the analysis using the responses to the questionnaire will be discussed. Out of 539 questionnaires sent 43 responses were received. Since one questionnaire was only around 50 percent answered it was dropped from the analysis. Also, out of 539 questionnaires sent, 61 were disqualified for various reasons. Of these, 48 questionnaires were returned as undeliverable due to the fact that the recipient had moved without leaving a current address with the post office; and 13 companies wrote or called to say they could not respond due to confidentiality issues or because they were 100 percent Polish owned (six), that theirs are portfolio investments (five), or that the executive representing the foreign company was not present in Poland at the moment and only comes to Poland occasionally (two).

Taking the above under consideration, the list of foreign investors in Poland is considerably lower (478), although the response rate still stays below 10 percent. This limits the generalizability of the study. However, Albaum and Peterson (1984) found that among published studies in the area of international marketing conducted between 1976 and 1982, almost 15.6 percent reported sample size of less then 30 firms. So, the lower number of participating companies in this study is generally in line with other similar ones that are exploratory in nature. In the final analysis 42 questionnaires were included (8.8 percent response rate).

1. Characteristics and Demographics

The first part of the questionnaire involved gathering of the general information regarding the parent company, the Polish company and some information about the respondents themselves. This section allows for better understanding of the sample that responded to the survey.

1.1 General profile of companies

Out of 42 companies whose responses are used in the analysis, 25 (or 59.5 percent) are new businesses and 17 (or 40.5 percent) acquired an existing business in Poland. The parent companies originated from 17 different countries, specifically Denmark (7), Germany (6), US (6), Finland (4), France (3), two each from Austria, Holland, Italy, Sweden, Switzerland, and one each from Australia, Belgium, Canada, England, Ireland, Korea. The majority of parent companies are from Western Europe, 78.6 percent, 16.7 percent from North America, and the remaining 4.8 percent, from Asia and Australia. This distribution closely follows the population of foreign investors in Poland as reported by PAIZ (1997a), where 74 percent of companies are from Western Europe, 19 percent from North America and the remaining 7 percent represent companies from Asia, Australia, Africa and International. The summary of the type of investment and region of origin is provided in Table 6.

The most popular form of control over the Polish investment reported by 54.8 percent (or 23) companies is full ownership of the Polish operations. Ten companies (or 23.8 percent) possess majority control, 12 percent (or 5 companies) formed a joint-venture (JV) with a Polish enterprise and 9.5 percent (or 4 companies) formed a JV with a foreign company.

Table 6. Number of Companies per Type of Investment and Region of Origin

	Region of origin			
Type of investment	**Western Europe**	**North America**	**Asia**	**Australia**
New Business	19	5	1	
Acquisition	14	2		1
Total (percent)	78.6	16.7	2.4	2.4
Total PAIZ (percent)	74	19	7.0	

The distribution of foreign investors depending on the year of the investment is provided in Table 7. One company reported investment in Poland as early as 1979, the same company reports a JV agreement prior to the investment into the Polish market. It could be speculated that this company used the year of the JV agreement as a year of the first investment.

Table 7. Year When the Parent Company First Invested in Poland

	Year of the first investment in Poland							
	1979	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
Number of companies	1	2	5	10	5	10	6	3

Table 8 presents the distribution of the form of ownership depending on the type of the investment and date when the first investment took place.

Table 8. Ownership Category by Type and Timing of Investment

	Fully owned	Majority owned	JV with local company	JV with foreign company	Total (number)
All investments	23	10	5	4	42
New Business	17	3	2	3	25
Acquisition	6	7	3	1	17
Investment before 1994	14	3	4	2	23
Investment in and after 1994	9	7	1	2	19

Out of 42 companies 23 did not report operations in Poland previous to the investment and 19 had some experience in dealing with the Polish market mostly in the form of imports via Polish agents or distributors (8 companies). Imports via company own channels and JV agreements were each represented by 3 companies and two companies reported some manufacturing activity prior to this investment.

Table 9 provides a profile of the parent and Polish companies with respect to the type of operations, whether it is a manufacturing, trade or service company. The majority of responding companies engage in the same type of activities in Poland as they do in other countries. Only in the case of eight companies is the variety of activities in Poland different from other countries. In the case of six companies, they have less activities in Poland than in other countries and only two companies are involved in more types of activities than in other countries. As provided in Table 9 manufacturing and manufacturing / trade are the most popular activities; more than 50 percent of companies operate in those two areas.

When compared to the reports of PAIZ (1997a), this is consistent with the activities represented by the population of foreign investcrs in Poland.

Table 9. Profile of Operations of Parent and Polish Company

Primary business	Number of parent companies	Number of Polish companies
Manufacturing	19	19
Manufacturing/Trade	9	9
Manufacturing/Trade/Service	4	1
Manufacturing/Service	2	4
Trade	1	2
Trade/Service	2	2
Service	5	5

Among 34 companies that provided information regarding the amount of sales for the most recent fiscal year from the Polish operations, ten had sales below S10 M, 11 had sales between S10-50M, eight had sales between S50-100M, and five had sales above S100M. Also, 19 companies reported exports from the Polish operations. However, for the exporting companies the average exports amount to only 8.1 percent of total sales.

Between the time when the foreign investments started entering Poland right after the implementation of the market reforms in 1989 and the time when the study took place at the end of 1998, almost a decade passed. It will be interesting to find out the differences in the perceptions about the foreign direct investment climate in Poland between pioneering companies that invested at the beginning of 1990s and companies that invested after a second wave of investors poured into Poland beginning in 1994. In the study, companies will be divided into two groups; those who invested before 1994, and those who invested in and after 1994. From this point on, they will be referred to as early and late investments, respectively. Among the respondents, 24 companies belong to the first group and 19 companies to the second. The crosstabulation of type of investment vs. the time the initial investment took place is provided in Table 10.

Table 10. Summary of Type of Investment Based on Timing of Investment

	Early Investments	Late Investments	Total
New Business	16	9	25
Acquisition	7	10	17
Total	23	19	42

To summarize, the country of origin of all parent companies that responded to the questionnaire closely follows the distribution of country of origin of the whole population of foreign investors in Poland. Most investors opted for full or majority of ownership, which allows for a better control of the Polish operations. The profile of foreign investors that responded to the questionnaire allows for more complex analysis of the responses based on the type of the investments (new business vs. acquisition) and the timing when the initial investment took place (early investments vs. late investments). The additional computations were performed using a Mann-Whitney test of significance to detect significant differences in the responses between those groups. Due to the non-normal distribution of data, a non-parametric test was used.

1.2. Respondents profile

Among the 42 respondents, a majority (34) have a university degree, 25 have a degree from Western European institutions, 5 from Eastern European institutions, and 3 from North American institutions. Only eight respondents indicated that they do not have post-secondary education (Table 11).

Table 11. Education of Respondents

	Western Europe	Eastern Europe	North America	Other	No degree
Number of responses	25	5	3	1	8

When asked whether they had had any connections with Poland before being transferred there by the parent company, only 11 respondents indicated having any. Among them six have Polish ancestry, three have had a previous business relationship with the country and two had previously traveled to Poland.

The population of executives of foreign owned companies that work in Poland on behalf of the foreign owner is quite multilingual with an ability to speak 13 different languages altogether, not including Polish. The average respondent is expected to speak at least three languages since the mean value of the languages spoken is 3.2. Further, more than 55 percent of executives spoke at least four different languages. One respondent indicated the knowledge of six different languages, 5 spoke five languages, and 17 spoke four languages. Four respondents spoke three languages, ten respondents spoke two languages, and only five respondents spoke one foreign language. As could be expected Polish is not the most frequently spoken language among executives, instead, English is with 39 respondents, followed by German with 24 respondents. Polish is spoken by only 18 respondents (less than 50 percent), and French by 12 respondents. Other languages that are spoken by foreign executives include; Italian, Russian, Swedish, Spanish, Finnish, Danish, Flemish, Portuguese, Hungarian and Norwegian. However, these languages are less popular and are spoken by at most 17 percent (or 7) of the respondents.

2. Information Sources

Part D of the questionnaire provided respondents with the list of 16 information sources commonly used in making the investment decision. The respondents were asked to indicate whether a source was used in the case of this investment and if yes, they were asked to rate how important the source was. Respondents were also asked to list one or two information sources from the list provided, or any other source that was not listed in the questionnaire that influenced their investment decision the most. In addition, respondents were asked to rate the influence that personal experiences and perceptions, as well as technical analysis, have on a company's choice of a destination for FDI. This section allows for better understanding of which information sources are used and their importance in making the investment decision.

Use of information sources by the investing companies is provided in the Table 12. The analysis of 16 listed information sources shows that, in choosing Poland as an FDI destination business visits, by parent company executives were the most popular source, used by almost 86 percent of firms. This was followed by other home country firms with investment in Poland, which was used by 78 percent of companies and the portrayals of Poland in international media used by 74 percent. This demonstrates that the popularity of Poland and its success stories of economic reforms in the international media were possibly used by investors in gathering information.

Table 12. Information Sources Utilization

Information source	Used by (%)
Business visits by parent company executives	88
Other home country firms with investment in Poland	78
International media	74
Home country magazines/newspapers	69
Media portrayals of Poland in home country	69
Polish suppliers/distributors/customers	67
Competitors	67
Home country consultants	67
Chambers of Commerce	62
Polish consultants	60
Polish embassy personnel	52
Investment promotion materials by Polish government	52
Publications by international organizations	48
Polish magazines/newspapers	40
Pleasure visits	28
The acquired company (if acquisition)	65*

Excluding sources rated as not important and missing cases
*Percentage calculated based on the number of companies within the investments through acquisitions only.

Publications by international organizations (i.e., WTO, UN) were used by less than 50 percent of investors. The least popular information source used is the pleasure visits by the foreign executives, which can be related to the fact that Poland is still not a very popular tourist destination. Finally, out of 17 companies which invested in Poland through acquisition, 11 (or 65 percent) used the acquired company as a source of information. This is a similar value to the one obtained in the study of Canada (D'Souza, 1993) where 71 percent companies investing in acquisition used the acquired company as a source of information. In the case of Greece, the appropriate value was 31 percent (Kalligatsi 1996).

2.1. Importance of information sources used in influencing the investment decision

The analysis of the importance of information sources used in investment decisions reveals that the most important source of information (mean value of 4.5, on a scale ranging from 1 not important to 5 very important) was the acquired company (Table 13). However, it was only applicable for the companies that invested through acquisition, and, since only 11 companies used this source of information, the importance of this source for the general population decreases. When excluding the acquired company as a source of information, by far the most important source was business visits by parent company executives with the mean value of 4.2. This is followed by other home country firms with investment in Poland with the mean value of 3.4.

The analysis of how important a given information source was in influencing the investment decision shows that the source identified as the most widely used is also rated as the one having the most influence on the decision. The business visits received the highest mean value of 4.2 on the five point importance scale. Although the international media, home country magazines / newspapers and media portrayals of Poland in home country rated high as a quite popular source of information utilized by between 69 and 74 percent of companies, their importance on influencing the investment decision was quite low, rating just below the midpoint values. In fact, the importance of these three information sources as rated by respondents is less than the importance of other sources not as widely used such as Polish consultants, Polish suppliers / distributors / customers, competitors and home country consultants. It could be related to the fact that the information found in those specified media provided general knowledge about Poland and was not specific enough for the investor to rely on it.

Table 13. Importance of Information Sources Used

Information source	Mean
Business visits by parent company executives	4.2
Other home country firms with investment in Poland	3.4
International media	2.6
Home country magazines/newspapers	2.4
Media portrayals of Poland in home country	2.7
Polish suppliers/distributors/customers	3.1
Competitors	3.1
Home country consultants	3.0
Chambers of Commerce	2.6
Polish consultants	3.2
Polish embassy personnel	2.1
Investment promotion materials by Polish government	2.5
Publications by international organizations	2.8
Polish magazines/newspapers	1.9
Pleasure visits	2.8
The acquired company (if acquisition)	4.5

Scale ranging from 1 not important to 5 very important
Underlined are sources that rated above 3.

As shown in Table 12, the least popular source of information, used by less than 30 percent respondents, is pleasure visits. However, those who used it, rated it as more important than not only Polish magazines / newspapers, investment promotion materials by Polish government, Polish embassy personnel and Chambers of Commerce but also international media, home country magazines / newspapers and media portrayals of Poland in home country. This suggests that executives traveling to Poland on a pleasure visit were able to gather information relevant for the investment decision.

Table 14. Impact of Information Sources Used
(frequency × mean rating)

Information source	Impact
Business visits by parent company executives	3.7
Other home country firms with investment in Poland	2.6
International media	1.9
Home country magazines/newspapers	1.6
Media portrayals of Poland in home country	1.9
Polish suppliers/distributors/customers	2.1
Competitors	2.1
Home country consultants	2.0
Chambers of Commerce	1.6
Polish consultants	1.9
Polish embassy personnel	1.1
Investment promotion materials by Polish government	1.3
Publications by international organizations	1.3
Polish magazines/newspapers	0.8
Pleasure visits	0.8
The acquired company (if acquisition)	2.9

The analysis of the impact of a particular information source on the investment decision (Table 14) reveals that only one source, namely the business visits by parent company executives, rated above the midpoint on a five point scale. Even the impact of information gathered from the acquired company scored only 2.9. This result was influenced by the fact that not all companies investing in the acquisition used the acquired company as a source of information (Table 12).

2.2. Importance of information sources based on timing of the investment.

Another analysis focuses on a breakdown with respect to when the investment took place. In the case of investments made in the beginning of the 1990s, other home country firms with investments in Poland rated as the most popular information sources used by 87 percent of companies, followed closely by home country consultants with 86 percent of companies (Table 15). As for later investments, by far the most popular source of information used by 95 percent of companies are business visits by parent company executives, followed by international media (used by 84 percent of companies), and Polish suppliers / distributors / customers (used by 80 percent).

Table 15. Information Sources Utilization Based on the Timing of Investment

Information source	Early Investments Used by (%)	Late Investments Used by (%)
Other home country firms with investment in Poland	87	69
Home country consultants	86	53
Business visits by parent company executives	78	<u>95</u>
Competitors	70	63
Polish consultants	65	53
Media portrayals of Poland in home country	65	73
International media	65	<u>84</u>
The acquired company (if acquisition)	65	32
Home country magazines/newspapers	65	74
Polish suppliers/distributors/customers	61	<u>80</u>
Chambers of Commerce	61	63
Investment promotion materials by Polish government	52	63
Publications by international organizations	48	46
Polish embassy personnel	48	58
Polish magazines/newspapers	35	47
Pleasure visits	21	37

Underlined are the three most popular sources among companies that invested in and after 1994.

This distribution is peculiar but also logical. The first wave of investors was quite cautious, relying it heavily on the opinion of other investors that already invested in Poland and home country consultants. At that time the investment environment in Poland was very uncertain, there were no well established trade relationships between Western and Polish economies and the economy of Poland was in a state of transformation. The quantity and quality of relevant information for the potential investors was limited.

The situation changed after a few years. There was an appropriate support structure developed by the Polish government to make business visits by parent company executives more useful. The international media were providing an abundance of information regarding the Polish economy and progress of reforms. In addition, the information could be gathered through Polish suppliers / distributors / customers since there was more interaction between Western and Polish businesses. Lastly, with a change of the ruling system there was no longer a fear of risks from traveling to a country governed by a Communist regime and more people chose Poland as a travel destination not only for business but for pleasure visits as well.

For both early and late investments, the information source that was given the highest rating was the acquired company, which received mean value of 5.0 and 4.2, respectively (Table 16). This source, used only in the case of acquisition type of investments, although valued as important was not widely used, only 65 percent of early investors and 32 percent of late investors, relied on it.

Also, in case of pioneering investments, eight information sources were rated as having high importance (mean value of 3 and above). For later investments, only four sources were rated as high. Therefore, as time passes, there is a better knowledge of the environment in Poland and companies make their investment decisions relying more heavily on a limited number of information sources.

Table 16. Importance of Information Sources Used Based on the Timing of Investment

Information source	Early Investments Mean	Late Investments Mean
Other home country firms with investment in Poland	3.9*	2.7
Home country consultants	3.2	2.6
Business visits by parent company executives	4.4	4.0
Competitors	3.4	2.7
Polish consultants	3.1	3.3
Media portrayals of Poland in home country	3.1*	2.3
International media	2.9	2.4
The acquired company (if acquisition)	5.0	4.2
Home country magazines/newspapers	2.6	2.1
Polish suppliers/distributors/customers	3.2	3.0
Chambers of Commerce	2.9	2.3
Investment promotion materials by Polish government	2.4	2.5
Publications by international organizations	2.9	2.7
Polish embassy personnel	2.1	2.1
Polish magazines/newspapers	2.0	1.8
Pleasure visits	3.0	2.7

*Mann-Whitney U test significant difference at $\alpha < .05$
Sources listed from the most to least popular based on previous Table 15.
Underlined are three the most important sources for each category.

The analysis of the importance of information sources used based on the time when the investment took place reveals significant differences in two cases (Table 16). In both instances, companies that invested early, rated information gathered through other home country firms with investment in Poland and media portrayals of Poland in their home country as far more important than companies that invested later.

The impact (frequency × mean rating from Tables 15 and 16) of the information source used based on the time of the investment reveals that for early investments the most influence on the investment decision was by other home country firms with investment in Poland (impact of 3.4), business visits by parent company executives (3.4) and the acquired company (3.2). In the case of investments made late, the highest impact on the decision had business visits by parent company executives with the mean value of 3.8. The remaining information sources rated below the midpoint value in both categories.

2.3. Importance of information sources based on type of the investment.

An analysis of the use of information sources based on the type of investment reveals that a larger number of information sources are used by the companies investing in greenfield investment rather than companies investing in an acquisition (Table 17). More than 60 percent of the new business investment searched for relevant information using 13 different information sources, before making the decision. In the case of acquisitions, a majority of investors (60 percent) used only 7 different information sources.

Table 17. Information Sources Utilization Based on the Type of Investment

Information source	New Business Used by (%)	Acquisition Used by (%)
Business visits by parent company executives	84	<u>88</u>
Other home country firms with investment in Poland	84	<u>70</u>
Competitors	84	41
Media portrayals of Poland in home country	80	52
Home country magazines/newspapers	80	53
International media	76	<u>71</u>
Publications by international organizations	76	<u>71</u>
Polish suppliers/distributors/customers	76	53
Home country consultants	72	<u>59</u>
Polish consultants	68	47
The acquired company (if acquisition)	n.a.	<u>65</u>
Chambers of Commerce	64	<u>59</u>
Polish embassy personnel	60	41
Investment promotion materials by Polish government	56	47
Polish magazines/newspapers	48	29
Pleasure visits	28	29

Underlined are seven most popular sources among companies that invested in acquisition.

The lower number of information sources used by the acquisition investments could be related to the fact that the companies, which actually used the acquired company as the information source, relied heavily on that information and did not search for other data.

In addition, consistently the business visits of the parent company executives are the most popular source of information for both types of investments. Although competitors, media portrayals of Poland in their home country and home country magazines / newspapers were used by over 80 percent of greenfield investments, they were only used by half of the companies investing in an acquisition. As in the case of the analysis based on the time of the investment, the information gathered through pleasure visits to Poland was used by the lowest number of companies.

Table 18. Importance of Information Sources Used based on Type of Investment

Information source	New Business Mean	Acquisition Mean
Business visits by parent company executives	4.1	4.3
Other home country firms with investment in Poland	3.3	3.5
Competitors	3.1	3.1
Media portrayals of Poland in home country	2.7	2.6
Home country magazines/newspapers	2.5	2.1
International media	2.7	2.4
Publications by international organizations	2.7	2.4
Polish suppliers/distributors/customers	3.2	2.9
Home country consultants	3.0	3.0
Polish consultants	3.1	3.4
The acquired company (if acquisition)	n.a.	4.5
Chambers of Commerce	2.5	2.6
Polish embassy personnel	1.9*	2.6
Investment promotion materials by Polish government	2.4	2.5
Polish magazines/newspapers	2.1	1.4
Pleasure visits	2.6	3.2

*Mann-Whitney U test significant difference at $\alpha < .04$.
Sources listed from the most to least popular based on Table 17.
Underlined are sources scoring 3 and above on the five point scale ranging from 1 not important to 5 very important.

The breakdown of the importance of the information sources used based on the type of the investment shows a significant difference (at $\alpha < .04$) in one category (Table 18). Polish embassy personnel are rated as a more important source of information by acquisition investment than greenfield investment. There is also a difference between the value placed on pleasure visits by parent company executives. In the case of acquisition, they are valued at 3.2, and in the case of new start-ups the value is 2.6, although the difference is not statistically significant. For the acquisition investments, the most important source of information is the acquired company itself with the mean value of 4.5. Excluding the acquired company as an information source, relevant only in acquisition investments, both types of investments seem to value the same sources of information. They both place value on business visits by parent company executives, other home country firms with investment in Poland, competitors, home country consultants, and Polish consultants.

Table 19. Impact of Information Source Used based on the Type of Investment

Information source	Impact for New Business	Impact for Acquisition
Business visits by parent company executives	3.4	3.8
Other home country firms with investment in Poland	2.8	2.4
Competitors	2.6	1.3
Media portrayals of Poland in home country	2.1	1.3
Home country magazines/newspapers	2.0	1.1
International media	2.1	1.7
Publications by international organizations	2.1	1.7
Polish suppliers/distributors/customers	2.4	1.5
Home country consultants	2.1	1.8
Polish consultants	2.1	1.6
The acquired company (if acquisition)	n.a.	2.9
Chambers of Commerce	1.6	1.5
Polish embassy personnel	1.1	1.1
Investment promotion materials by Polish government	1.3	1.2
Polish magazines/newspapers	1.0	0.4
Pleasure visits	0.7	0.9

When measuring the impact of the information sources used based on the type of the investment, both for new businesses and acquisition investments, the business visits by the parent company executives placed first, with mean values of 3.4 and 3.8, respectively (Table 19). The next information source with the second highest impact for both types of investment is other home country firms with investment in Poland, with means of 2.8 and 2.4, respectively. Even for the acquisition investment, the impact of the acquired company as an information source is valued only at 2.9. This lower value is caused by the fact that not all acquisition investments used the acquired company as the information source. Interestingly, the impact of such sources as competitors, media portrayals of Poland in home country and home country magazines / newspapers is much more significant for new businesses than for acquisitions.

In an open ended question, respondents were asked to provide two sources that influenced the decision to invest in Poland the most. The responses of 30 executives that replied are grouped in Table 20. Again, business visits were brought up as the most influential information sources by almost 50 percent of companies that provided the answer for this question. The market survey and the acquisition were used in the case of 7 and 6 companies respectively. In the case of one parent company the most influential source of information used in making the investment in Poland was the fact that the parent did consultant work for the Polish company that they subsequently purchased.

Table 20. Sources of Information Provided by Respondents

Information source	Frequency	Information source	Frequency
Business visits	14	Polish consultants	1
Market survey	7	Personal visits	1
Acquisition	6	Polish distributors	1
Customers	2	Internal sources	1
Competitors	2	Home country consultants	1
Other firms in Poland	2	Export experience	1
Business relations	2	Home country Embassy	1

Among other sources of information that were used in the case of this investment but were not listed in the questionnaire were Joint-Venture experience, clients that invested in

Poland, business friends, foreign management, personal visits, internal sources, business visits by other company's executives and market surveys. However, these were mentioned only by a small number of respondents.

2.4. Effect of personal experiences and technical analysis on the investment decision

The questions about personal experiences and technical analysis as variables influencing the investment decision process were answered by all respondents. The mean value of the importance of technical analysis was quite high, mean value 4.3 (Table 21). However, the mean value of the importance of personal experiences in investment decision was, although smaller, still quite impressive at 3.7. There was no significant difference between means of new business vs. acquisitions, nor between old vs. new investments.

Table 21. Importance of Technical Analysis and Personal Experiences in Investment Decision

	Mean	New business	Acquisition	Early Investments	Late Investments
Technical Analysis	4.3	4.3	4.3	4.2	4.5
Experience	3.7	4.0	3.4	3.9	3.6

Scale ranging from 1 not important to 5 very important.

Further examination of the responses shows that in 12 cases, the executives valued the personal experiences and perceptions as more important than technical analysis in making the investment decision, and, in 8 cases, both variables were valued as having the same importance. These results do show that not only the technical analysis is important in making the investment decision but the personal experiences and perceptions of executives are important and do in fact influence the investment decision.

As for the question of whether executives were asked their opinion by representatives of other companies about the investment climate in Poland, 35 respondents said yes, 6 said no, and one response was missing. This signifies the importance and influence of personal perceptions, experiences and contacts on the business decisions.

3. Motives for Investment

In part C of the questionnaire, respondents were asked to evaluate the most important objectives in choosing Poland as a location for investment. The analysis identified, "to be closer to the potential customer", as the most important objective for investing in Poland, with the mean value of 4.6 (Table 22). The intention to be first in the region before other competitors and to establish a presence in Eastern Europe tied for second place with mean values of 4.1. These were followed by establishing a presence in Central Europe (4.0) and to be closer to existing customers (3.7).

As can be noted all factors that were rated the highest were market-related. The highest rated objective is not surprising since Poland is a newly opened, practically untapped market, with a population of close to 40 million. However, objectives relating to establishing a presence in Eastern Europe and Central Europe, although rated second and third, did not receive as high a mean value as expected. In other words, in wanting to be closer to "potential customers", the responding firms apparently are more likely to mean customers *in Poland* itself rather than referring to Poland as a springboard for other East European countries. This is a significant comment on the perceived value of Poland as a market in and of itself.

Table 22. Rating of Objectives for Investing in Poland

Motives for investment	Mean
To be closer to the potential customer	4.6
To be first in the region before competition	4.1
To establish presence in	
Eastern Europe	4.1
Central Europe	4.0
To be closer to the existing customer	3.7
To use this investment as a stepping stone to invest	
in Eastern Europe	3.4
Central Europe	2.7
European Union	1.4
To overcome trade barriers	3.1
To benefit from lower labour costs	3.1
To use this investment to export to	
Eastern Europe	3.0
Central Europe	2.6
European Union	2.1
other	1.7
To lower manufacturing costs	2.8
To follow exist customer who moved to Poland	2.1
To protect existing markets	2.1
To follow competitor who invested in the region	2.0
To access raw materials	1.9
To benefit from Polish government financial incentives	1.9
To meet government requirements	1.6
To be closer to major supplier(s)	1.6
To benefit from higher productivity	1.6
To access special design, engineering, other skills	1.5
To protect from domestic currency appreciation	1.4

Scale ranging from 1 not important to 5 very important.

Objectives that immediately followed the first five highest rating motives, relating to the use of investment as a stepping stone to invest in Eastern Europe, Central Europe and the EU, and exports to these regions, rated somewhat low. The mean values range from 3.4 to 1.4 for "stepping stone for" Eastern Europe and the EU. Respectively, this suggests the investors' clear view of Poland as a member of "Eastern" Europe rather than of the broader European trading and investment space.

These findings suggest that the market related factors; serving local customers, establishing presence in an untapped market, and geographical location of Poland are viewed as the most important motives for investment by foreign executives. As could be expected Poland is not treated as an advanced industrialized country. Benefits from better production factors do not play an important role in the process of making the investment decision (e.g., the mean of "to benefit from lower labour costs" was 3.1, which also represents the highest rating given to production related motives). Also, the Polish government does not appear to be offering benefits to foreign investors that would be perceived as a major factor in choosing Poland as an investment location.

In order to better understand the motivation of foreign companies that invested in Poland, further analysis was performed on the investment objectives by type of investment. Table 23 presents the results. Generally, new business investments give a higher value for all types of objective when compared to the acquisition investments. The values in the analysis of the general sample are mostly driven by the evaluation of executives of greenfield investments. At the top, there is a significant difference in rating two particular objectives. In the case of intention to use this investment as a stepping stone to invest in Central Europe and to overcome trade barriers, responses given by executives in new business were significantly higher than those by firms involved in acquisitions.

Table 23. Rating of Objectives for Investing in Poland Based on Type of Investment

Motives for Investment	New Business	Acquisition
To be closer to the potential customer	4.6	4.5
To be first in the region before competition	4.1	3.9
To establish presence in		
Eastern Europe	4.2	3.9
Central Europe	4.3	3.6
To be closer to the existing customer	3.9	3.3
To use this investment as a stepping stone to invest		
in Eastern Europe	3.6	3.2
Central Europe	3.2*	2.1
European Union	1.5	1.2
To overcome trade barriers	3.5*	2.4
To benefit from lower labour costs	3.1	3.1
To use this investment to export to		
Eastern Europe	3.0	2.9
Central Europe	2.9	2.3
European Union	2.1	2.1
other	1.0	2.4
To lower manufacturing costs	2.8	2.9
To follow exist customer who moved to Poland	2.0	2.3
To protect existing markets	2.1	1.8
To follow competitor who invested in the region	2.1	1.8
To access raw materials	1.9	1.9
To benefit from Polish government financial incentives	2.1	1.6
To meet government requirements	1.8	1.3
To be closer to major supplier(s)	1.4	1.8
To benefit from higher productivity	1.7	1.5
To access special design, engineering, other skills	1.5	1.5
To protect from domestic currency appreciation	1.4	1.4

*Mann-Whitney U test significant difference at $\alpha < .05$.

In addition, two other objectives were rated quite differently. These were "to establish presence in Central Europe" and "to be closer to the existing customer"; however, in both cases the difference was not significant. Coupled with the responses from the total sample (Table 22), this suggests that firms acquiring Polish businesses may have a greater interest in the Polish market itself, while greenfield investors have a broader view of Poland in the context of the region where it is located.

In addition to the analysis by type of the investment, the analysis based on the age of the investment was performed (Table 24). Here, significant differences are detected in the case of four objectives. In investments from before 1994, the executives rated the motive to establish a presence in Eastern Europe as much more important than investments from 1994 onwards. Also, using this investment to export to the European Union and other regions, and following existing customers who moved to Poland, were rated significantly higher by late investments than early investments. A possible explanation could be that at the beginning of the 1990s, investors who moved to Poland focused mostly on winning Polish customers. Since they were pioneers in the region they could not predict whether they would be successful based on other companies' experiences. When they were assessing possibilities for further expansion, they were mostly focusing on countries in Eastern and Central Europe. The opportunity of exporting to the EU came as a result of successful operations in Poland as well as the integration of Poland in the European marketplace. "Following the existing customer who moved to Poland" was not as important in the early 1990s since investors had just begun to move into Poland.

Table 24. Rating of Objectives for Investing in Poland Based on the Timing of Investment

Motives for investment	Early Investments	Late Investments
To be closer to the potential customer	4.5	4.6
To be first in the region before competition	4.2	3.9
To establish presence in		
Eastern Europe	4.5*	3.6
Central Europe	4.0	3.9
To be closer to the existing customer	3.7	3.6
To use this investment as a stepping stone to invest		
in Eastern Europe	3.4	3.4
Central Europe	2.8	2.6
European Union	1.3	1.4
To overcome trade barriers	3.1	3.1
To benefit from lower labour costs	3.1	3.1
To use this investment to export to		
Eastern Europe	3.0	2.9
Central Europe	2.7	2.5
European Union	1.6*	2.5
other	1.0*	3.3
To lower manufacturing costs	2.6	3.1
To follow exist customer who moved to Poland	1.6*	2.7
To protect existing markets	2.1	1.8
To follow competitor who invested in the region	2.1	1.8
To access raw materials	1.8	2.0
To benefit from Polish government financial incentives	2.3	1.5
To meet government requirements	1.5	1.7
To be closer to major supplier(s)	1.5	1.6
To benefit from higher productivity	1.8	1.5
To access special design, engineering, other skills	1.5	1.5
To protect from domestic currency appreciation	1.2	1.5

*Mann-Whitney U test significant difference at $\alpha < .05$

In conclusion, the main objectives for foreign companies to invest in Poland are market related, mainly to be closer to the potential or existing customer; to be first in the region before competition; and to establish a presence or use this investment as a stepping stone to invest in CEE or export to other European countries, in the future. So, market potential, a determination to be close to the potential and existing customer, as well as Poland's geographical location in the center of Europe with ties to other countries of the region (but mainly other countries of Eastern Europe) were the highest influencing factors in the investment decisions. Although, there were several significant differences detected in evaluation of some motives for investment, in the case of both new and old investments as well as investments in start-ups and acquisitions, the objectives that were given the highest values were generally similar.

4. Investment Climate

In this section a detailed analysis of Poland's investment climate is performed based on the answers in three sections of the questionnaire. The first presented respondents with a detailed list of investment climate characteristics for assessing the Polish environment. These characteristics were grouped into six main categories, specifically factors related to the market, production, finance, the economic and legal environment, politics and the social environment, and a general view of Poland and Poles. The next two sections in the questionnaire asked respondents to assess the importance of these climate factors, and their experience with them, using the six summary groupings rather than the detailed list of characteristics in order to prevent respondent fatigue. The analysis below begins with the second of these questionnaire sections (*importance* of climate factors), in order to provide context for the detailed assessment of Poland's investment climate, and the investors' experience with it, that follow in this order. All factors are rated on a five point scale where 1 represents unfavourable and 5 represents favourable assessment.

4.1. Factor importance in influencing an investment decision

According to the foreign investors in Poland, by far the most important factors taken under consideration when making an investment decision are market related. Executives gave them a mean value of 4.6 on the five point scale (Table 25). These were followed by production, economic and legal, political, social and finance factors. The least important factors when making the decision regarding the destination of the FDI were the general view of Poland and Poles. This ranking might be underscored by the subjectivity of respondents who might actually evaluate this question bearing in mind the fact that the investment in Poland took place.

Table 25. Importance of Factors in Influencing the Investment Decision

Factors	Mean	New Business	Acquisition	Early Investments	Late Investments
Market Related Factors	4.6	4.7	4.6	4.7	4.5
Production Related Factors	3.6	3.9*	3.1	3.7	3.6
Economic and Legal Factors	3.4	3.4	3.4	3.4	3.5
Political and Social Factors	3.3	3.3	3.2	3.1	3.4
Finance Related Factors	3.2	3.2	3.1	3.3	3.0
General View of Poland and Poles	2.9	3.1*	2.6	2.9	2.8

*Mann-Whitney U test significant difference at $\alpha < .05$

When a more detailed analysis was performed, it showed significant differences in the ratings by new business and acquisition investors. Both production factors and a general view of Poland and Poles were rated significantly higher (at $\alpha < .05$) by investors investing in greenfield operations than by acquisition investments. By contrast, there were no statistically significant differences in the ratings by investors who went to Poland in the early versus late parts of the period covered.

The evaluation of factors influencing the investment decision differs from the analysis of motives for investing in Poland. In both analyses, market factors were given the highest rating. However, in evaluating the importance of factors when making an investment decision, production factors were given the second highest mean value, while in case of evaluation of motives to invest in Poland, these factors were given a quite low rating.

4.2. Assessment of Poland's investment climate

4.2.1. Market-Related Factors.

In the analysis of Poland's investment climate a detailed list of different determinants for each factor category was presented. From the previous analysis we learned that, in making the investment decision, market factors are viewed as the most important objectives. In assessing the investment climate of Poland, market factors were also given the highest rating. Market size and market potential as well as Poland's geographical location, were all given mean values above 4 (Table 26). Despite the fact that Poland is still considered a newly opened market, the competition is assessed as fairly high with the mean value of 2.3, but the distribution costs received the value of 3.2. Overall, in this category of factors Poland rates as quite an attractive place for investment.

Table 26. Mean Ratings of Market Related Factors

Factors	Mean	New Business	Acquisition	Early Investments	Late Investments
Market potential	4.3	4.3	4.3	4.5	4.1
Poland's geographic location	4.3	4.5	4.1	4.4	4.3
Market size	4.2	4.2	4.3	4.5*	3.9
Distribution costs	3.2	3.0	3.3	2.8*	3.5
Competition	2.3	2.3	2.1	2.3	2.3

*Mann-Whitney U test significant difference at $\alpha < .05$

Further analysis of market related factors where the respondents were divided by the time of the investment showed a significant difference (at $\alpha < .05$) when evaluating market size and distribution costs. In the case of investments prior to 1994, the market size rated 4.5, whereas in case of investments since that year the market size was given a mean value of 3.9. Perhaps, one explanation could be that early investors went into the market at a time that competition did not exist, and they were evaluating the size of an untapped market. Investors investing later had to take into consideration the presence of other investors in Poland and their share of the market. An alternative explanation may be that the early optimism brought about by the newly-opened East European markets was later replaced by more realistic views, not only of population size but also of purchasing power and the rate of market expansion.

Also, distribution costs were assessed as being higher by companies that invested early (mean 2.8) than were assessed by companies that invested in and after 1994 (mean 3.5). Possible explanations are that the distribution infrastructure at the beginning of 1990s was non-existent, and investors had to provide their own distribution system, which increased costs. With the passage of time, the distribution infrastructure improved and costs of delivery of products to their final destination decreased.

There were no significant differences detected between greenfield and acquisition investments with respect to the assessment of market related factors.

4.2.2. Production Related Factors

Foreign investors in Poland assessed production factors and their significance in influencing any investment decision as second in importance after market factors (Table 25). However, the first look at the assessment of production factors in evaluating the investment climate in Poland shows that these factors were not given a positive appraisal. This evaluation is similar to the evaluation of the objectives to invest in Poland where motives related to production were not given a high value.

An analysis of the production related category shows that all factors were given mean values between 1.9 and 3.5 (Table 27). The most favourable assessment was given to the cost of labour (mean 3.5) which was followed by manufacturing costs (3.4) and cost of raw materials and energy (both received a mean value of 3.3). Although costs of all four listed components of production were assessed lower they were still given more favourable evaluation than other factors in this category.

Table 27. Mean Ratings of Production Related Factors

Factors	Mean	New Business	Acquisition	Early Investments	Late Investments
Labour costs	3.5	3.4	3.6	3.2*	3.9
Manufacturing costs	3.4	3.3	3.5	3.2	3.6
Cost of raw materials	3.3	3.4	3.3	2.9**	3.7
Cost of energy	3.3	3.3	3.4	3.2	3.4
Availability of skilled labour	3.0	3.1	2.8	3.2	2.7
Skill level of Polish workers	3.0	3.1	3.0	3.3	2.8
Availability of raw materials	2.6	2.4	2.9	3.0**	2.2
Level of productivity	2.5	2.6	2.2	2.8*	2.0
Technology level	2.4	2.5	2.3	2.5	2.3
Availability of expert managers	2.3	2.0**	2.6	2.6*	1.8
Quality of communication system	2.1	2.2	2.0	2.2	2.1
Quality of distribution system	2.1	2.2	2.1	2.2	2.0
Quality of transportation system	1.9	1.9	1.9	1.9	1.9

*Mann-Whitney U test significant difference at $\alpha < .05$

**Mann-Whitney U test approaching significance at $\alpha < .1$

The lowest values were given to the quality of communication, distribution and transportation system, for which the evaluation is consistent with the assessment of these factors found in the literature (Krajewska 1996, Sidor 1996, Paliwoda, Thomas and Farfus 1998).

Further analysis based on the type of investment (new business vs. acquisition) reveals results approaching significance at $\alpha < .1$, in one category only. Executives in greenfield investments viewed the availability of expert managers lower (mean value 2.0) than executives in acquisition investments (2.6), although both of these values were rather small. The reason could be related to the fact that in an acquisition investment, the investor obtains managers that were already employed in the company and already are somewhat knowledgeable about its operation. There is less of a need to immediately hire large numbers of new managers. As for greenfield investors, what they are looking for is knowledgeable managers in the overall population, and these are harder to come by since all countries of the region are characterized as not possessing a large pool of expert managers.

When comparing the assessment of all determinants in the production category given by when the initial investment took place, later investors view only costs of factors of production more favourably than the pioneering investors. The remaining determinants were more positively assessed by the pioneering investors. In addition, there were significant differences found among three determinants (Mann-Whitney U test at $\alpha < .05$). The three factors assessed differently by the investors were labour costs, level of productivity, and availability of expert managers. Investors from before 1994 valued level of productivity and availability of expert managers significantly more favourable than later investors. However, the labour costs were assessed significantly more favourable by more recent investors despite the fact that labour costs, which were much lower in the early 1990s increased.

In addition to the above, significant differences were detected in assessing two other determinants, this time at $\alpha < .08$. The availability of raw materials was assessed significantly more positively by pioneering investors. However, the cost of raw material was assessed more favourably by the later investors.

4.2.3. Economic and Legal Factors

The third most important group of factors when making an investment decision were economic and legal factors. In this category Poland received much higher values when compared to the results in the production related category. The highest rated factor was the economic growth prospects which received a mean value of 4.3 (Table 28). This represents the same evaluation as the highest scoring determinants in the market related category. The second was risk of expropriation which investors assessed as low with the mean value of 3.9.

In general, the level of bureaucracy and legal system overall were negatively assessed by investors, who gave them a mean value of 2.2 and 1.9 respectively. The remaining factors describe the investment climate in Poland as a favourable, the mean values are 'hovering' around the midpoint on a scale ranging from positive to negative.

There were no significant differences between the new business and acquisition types of investment. However, when analysis was performed between early and late investments, significant differences were found in the assessment of two factors. First, the inflation rate was assessed more favourably by investors investing early (Mann-Whitney U test significant difference at $\alpha < .05$). One explanation could be that for pioneering investors, the improved economic situation of Poland at the time the questionnaires were completed, brought lower inflation rate than they were initially faced with when the investment took place.

Table 28. Mean Ratings of Economic and Legal Factors

Factors	Mean	New Business	Acquisition	Early Investments	Late Investments
Economic growth prospects	4.3	4.4	4.3	4.4	4.3
Risk of expatriation	3.9	3.9	3.8	4.1	3.5
Policies towards private sector	3.3	3.4	3.2	3.4	3.2
Exit conditions	3.3	3.4	3.2	3.3	3.3
Restrictions on repatriations of profits	3.2	3.1	3.3	3.2	3.2
Restrictions on ownership	3.1	3.2	3.1	3.2	3.0
Investment law	3.0	3.2	2.8	3.2**	2.8
Inflation rate	3.0	3.0	3.0	3.3*	2.6
Unemployment	3.0	2.8	3.2	2.9	3.1
Entry requirements	2.9	3.1	2.7	3.1	2.7
Progress of reforms overall	2.8	2.8	2.8	2.9	2.8
Ease of obtaining work permits for expatriate personnel	2.8	2.8	2.8	3.0	2.7
Progress of privatization process	2.6	2.7	2.5	2.6	2.6
General level of bureaucracy	2.2	2.2	2.2	2.3	2.0
Legal system overall	1.9	1.9	2.0	2.0	1.9

*Mann-Whitney U test significant difference at $\alpha < .05$

**Mann-Whitney U test approaching significance at $\alpha < .1$

Another area that showed difference in rating was investment law, which was assessed more favourably by the pioneering investors than later investors (Mann-Whitney U test approaching significance at $\alpha < .1$). This may suggest that the new investment laws do not meet investors expectations.

4.2.4. Political and Social Factors

The fourth group of factors influencing the investment decision were political and social factors (Table 29). Here, the highest rating received was the attitude of the Polish government towards foreign investment, which was assessed as fairly positive with a mean value of 3.9. Generally, the political climate in Poland was assessed higher than the social environment, although the values were not very high, ranging between 3.3 and 3.9.

An interesting finding was the difference in perceptions of the attitudes of specific parts of Polish society towards the foreign investment. It seems that the most positive attitude towards foreign investment is represented by the federal government, whereas the attitudes of local governments and the general public are seen as somewhat less favourable, with mean values of 3.5 and 3.3 respectively. Generally, it could be assumed that the foreign investors do not face an extremely welcoming environment, which is represented by somewhat lower values when assessing political and social determinants. As for the overall political situation in Poland, factors such as political climate and labour unrest received quite favourable assessments. When compared with the low assessment of the risk of expatriation (Table 28), this shows that foreign investors feel secure about political certainty in Poland.

The social environment received a less positive evaluation, with corruption and crime level as the most negative factors. There were no significant differences by the investment type, but there were two factors that received significantly different evaluation for the two investors groups divided by time. Pioneering investors rated political climate as more stable (at $\alpha < .05$) and schooling and other facilities for children of expatriates as better (at $\alpha < .10$) than most recent investors. This more favourable assessment by the first investors may be influenced by their low initial expectations and the positive perception of what they actually found after the investment took place. Poland and the region were isolated from the rest of the world, so there was not adequate and reliable information available to the pioneering investors (see also Table 15 and the related discussion). With the passage of time the more representative portrayal of Poland in media influenced the impression of the later investors.

Table 29. Mean Ratings of Political and Social Factors

Factors	Mean	New Business	Acquisition	Early Investments	Late Investments
Attitude of Polish government to foreign investment	3.9	4.0	3.7	4.0	3.7
Political climate	3.7	3.7	3.6	3.9*	3.4
Receptivity to new products/methods/ideas	3.7	3.8	3.7	3.8	3.7
Labour unrest	3.6	3.6	3.5	3.6	3.5
Attitude of local government to foreign investment	3.5	3.6	3.5	3.5	3.6
Public's attitude towards foreign investment	3.3	3.4	3.2	3.4	3.1
Housing facilities	3.1	3.2	2.8	3.1	3.1
Access to information	2.9	3.1	2.6	3.1	2.7
Quality of life	2.6	2.7	2.5	2.7	2.6
Schooling and other facilities for children of expatriates	2.6	2.7	2.5	2.9**	2.3
Corruption	2.4	2.4	2.3	2.5	2.2
Crime level	2.4	2.3	2.6	2.5	2.3

*Mann-Whitney U test significant difference at $\alpha < .05$
**Mann-Whitney U test approaching significance at $\alpha < .10$

4.2.5. Finance Related Factors

In the finance-related category of factors, the fifth important group in making investment decisions, Poland rated rather low. The highest rating was received for the currency exchange rate, however it was still below 3.0 (Table 30). Although the Polish government was quite successful in stabilizing its currency and making it convertible, the results are still different from the situation in developed countries. The three remaining factors scored even lower, specifically, the quality of the banking system and tax advantages were rated as low, and the tax structure as complex. This evaluation is consistent with the assessment of these factors in the literature.

Table 30. Mean Ratings of Finance Related Factors

Factors	Mean	New Business	Acquisition	Early Investments	Late Investments
Currency exchange rate	2.8	3.0	2.7	3.3*	2.2
Quality of banking system	2.4	2.4	2.4	2.6	2.2
Tax structure	2.1	2.1	2.3	2.1	2.2
Tax advantages	1.9	1.8	2.0	2.1	1.7

*Mann-Whitney U test significant difference at $\alpha < .05$

A significant difference was detected in only one category. Executives representing investments that took place early rated the currency exchange rate as significantly more stable than later investors. Initial investors were faced with a very troublesome environment. The Balcerowicz Plan had just been implemented; there was no history of

FDI in Poland; and the overall situation in CEE was a totally new experience. Therefore, they regarded the successes of reforms more favourable than later investors.

4.2.6. General View of Poland and Poles

The final group of factors upon which the investment climate was judged was the general view of Poland and Poles, which was rated sixth in importance (Table 25). Here, executives' ratings were in the high to mid range and mean values extended from 2.9 to 3.8 (Table 31).

Table 31. Mean Ratings of General View of Poland and Poles

Factors	Mean	New Business	Acquisition	Early Investments	Late Investments
National image	3.8	3.8	3.9	3.9	3.7
Openness to world	3.8	4.0*	3.5	4.0	3.5
Likeability	3.6	3.8	3.5	3.7	3.6
General outlook	3.5	3.5	3.5	3.6	3.5
Attitude toward other cultures, religions, races	3.1	3.2	2.9	3.1	3.2
Cultural similarity to parent company's country	3.0	3.0	2.9	3.0	2.9
Industriousness	3.0	3.2	2.9	3.2	2.8
Trustworthiness	2.9	2.9	3.0	2.8	3.1

*Mann-Whitney U test significant difference at $\alpha < .08$

The national image, openness to world, likeability and general outlook all received the highest ratings between 3.8 and 3.5. Poland's over forty years of solitude from Western civilization, and a largely homogeneous religion and race, caused the development of a distinguishing culture with attributes that are largely unfamiliar to foreign executives. This appears to have affected the respondents' ratings on likeability, which are somewhat low (3.6), and even more so the ratings on trustworthiness, which are even lower (2.9). In this category the only significant difference was observed between new business and acquisition investments, where executives representing new business evaluated Poland and Poles as more open to the world than the executives in acquisition investments (at $\alpha<.08$).

4.2.7. Most Important Characteristics Identified by Expatiates

In the final part of this section, assessing the investment climate of Poland, respondents were asked to identify factors that make the country attractive and unattractive to foreign investment and what Poland should do to improve the investment climate and attract more foreign investment. Respondents could identify characteristics from the detailed list provided in this section, or add any that might not have been included. The cumulative results to these three questions are provided in Tables 32 and 33.

By far, the most often mentioned determinants that make Poland attractive were market and economy related factors. The size and potential of the market were identified by 25 respondents and the economic growth potential by 15. Location, low costs, the attitude of the Polish government to foreign investment, and the receptivity of new products were also mentioned by more than one respondent.

The factor identified most frequently as damaging to the investment climate in Poland was the bureaucracy, with 17 respondents identifying it as the most unattractive element of

Poland's investment climate. The legal and tax system, as well as corruption were the next most suggested factors. The full list of factors that make Poland unattractive to foreign investment is provided in Table 33. It should be noted that two respondents did not identify any factors as unattractive in Poland, instead they wrote "none".

Table 32. Factors That Make Poland Attractive for FDI as Reported by Executives

Factor	Frequency*
Size and potential of the market	25
Economic growth potential	15
Location	7
Low costs	6
Attitude of Polish government to foreign investment	4
Receptivity of new products, ideas	3
Eagerness of Poles to perform	1
Openness to the world	1
National image	1
Trustworthiness	1
Labour force	1
Progress of reforms	1
Potential EU membership	1
Privatization	1
Long term stability	1

*Total number of entries exceeds the number of respondents as some provided more than one answer

The last question that respondents were asked in this part of the questionnaire referred to "what should Poland do in order to improve the investment climate and to attract more foreign investors". The most frequent mentions included changes in the administrative environment, such as reduction of bureaucracy, changes in the legislative environment, change and simplification of the tax system (as one respondent noted, "1000 interpretations to one law"), changing the attitude of tax and other public agencies towards companies, and improving the infrastructure (transportation, telecommunication, banking). In addition, other recommended changes that would influence the position of Poland on the international arena would be lowering import barriers, acceleration of reforms, and ensuring access to the EU. Moreover, executives would like to see implementation of laws that would empower companies to collect bad debt, give more protection for accounts receivable and resolve trademark issues.

Table 33. Factors That Make Poland Unattractive for FDI as Reported by Executives

Factor	Frequency*
Bureaucracy	17
Legal system	6
Tax system	6
Corruption	6
Lack of infrastructure (roads, distribution)	3
Availability of expert managers	3
None	2
Skill level of Polish workers	2
Social factors	1
Crime level	1
Quality of distribution system	1
Inflation	1
Ease of obtaining work permits	1
Leisure facilities	1
Banking system	1
Level of technology	1
Slow payments (crooks among customers)	1
Non EU	1
Unions	1
Economic stability	1
Closeness to Russia	1
Poor image (cliché)	1
Restrictions on land ownership by foreigners	1

*Total number of entries exceeds the number of respondents as some provided more than one answer

4.3. Poland's investment climate: Experience

In Part F of the questionnaire respondents were asked to evaluate the level of satisfaction or dissatisfaction of the parent company with this investment experience so far. The evaluation was based on the same six factors that were used in the evaluation of the investment climate. Similarly, five point satisfaction scale was used thorough this section. The one factor with which the parent company was the most satisfied was market characteristics, which received a mean value of 3.9 (Table 34). It was followed closely by production-related factors and the general view of Poland and Poles, with mean values of 3.8 and 3.7, respectively. It is noticeable that all three sets of factors were rated very closely, which could indicate that the satisfaction of the parent company with the investment experience in Poland is based on a combination of factors.

It should also be noted, that when analyzing the satisfaction with the investment experience, production related factors rated quite high, with the second highest rating. As shown in Table 25, production factors were seen as not very influential motives for the investment decision, and they were rated quite low in the assessment of the investment climate (Table 27). The low scores in the assessment of the investment climate (1.9 to 3.5) and higher score in the assessment of satisfaction (3.8) could be related to the investors initial low expectations regarding production related factors, coupled with what they actually encountered in Poland, which, although still not favourable by Western standards, was found to be better that what they initially expected.

On the other hand, in the analysis of investment climate, the determinants in the economic and legal factors category received higher ratings (Table 28, nine of the 15 rated from 3.0 to 4.3) while, in the assessment of satisfaction, this category rated last (2.9, Table 34). This may be due to a reverse reasoning compared to that for production factors, namely, that expectations are higher than the perceived performance of Poland on economic and legal issues.

Table 34. Mean Ratings of Investment Climate in Poland Based on Experience

	Mean	New Business	Acquisition	Early Investments	Late Investments
Market Related Factors	3.9	4.0	3.7	4.1	3.6
Production Related Factors	3.8	3.9	3.6	3.8	3.7
General View of Poland and Poles	3.7	3.8	3.5	3.8	3.6
Finance Related Factors	3.4	3.5	3.2	3.7*	3.0
Political and Social Factors	3.1	3.1	3.1	3.0	3.2
Economic and Legal Factors	2.9	3.0	2.8	3.1	2.8
Overall Satisfaction of the Parent	4.0	4.2*	3.6	3.9	4.0

*Mann-Whitney U test significant difference at $\alpha < .05$

Analysis of the differences by investment type and age revealed a significant difference in only one case. Satisfaction with finance-related factors was appraised higher by the parent companies that invested early than those that invested since 1994.

The overall satisfaction of the parent company with investment in Poland to date was dealt in the next question. On a five point scale, the overall satisfaction rating was 4.0. It has to be noted that the overall satisfaction with this investment experience is evaluated higher than any one of the factors in Table 34. This question reveals a significant difference between new business and acquisition types of investment. It appears that at $\alpha < .05$ the satisfaction of companies that invested in new start ups is significantly higher (mean value 4.2) than the satisfaction of companies that invested in acquisition (mean 3.6). This is similar to the assessment of the investment climate, where on average, acquisition investments evaluated various determinants less favourably than greenfield investments. This may be related to the fact that greenfield investors were involved in the startup operation from the beginning, they could control recruitment and employ only younger people whose work and attitudes would be less influenced by the previous regime, they used new assets etc. Investors in acquisitions, not only purchased assets requiring upgrade but also had to take over the staff previously employed in Polish state-owned enterprises, whose work performance differs from Western standards and who could not be laid-off because of the existing labour laws.

4.4. Respondent vs. parent company views

This part of the questionnaire intended to identify any perceived differences between the respondents' own views of Poland and the respondents' assumption of what their parent companies' views might be. The analysis of how similar is the respondent's opinion Poland's investment climate to the opinion on the parent company revealed that there is not much difference. On the five point scale ranging from 1 to 5, where 1 is not at all similar and 5 very similar, the mean value is 4.0, with no significant difference between different groups of respondents by investment type and age. Also, examination of the autonomy level of the Polish company shows that Polish operations are quite dependent on their parent company with a score 3.3. Assessment of the overall personal satisfaction of respondents with the Polish investment experience shows that executives are quite satisfied scoring 3.9 on a 5-point scale, where 5 is very satisfied. However, executives in greenfield investments are significantly more satisfied with the experience (mean value 4.3) than executives of acquisition investment (mean value 3.4) at $\alpha < .05$.

Table 35. Respondent vs. Parent Company Views

	Mean	New Business	Acquisition	Early Investments	Late Investments
Satisfaction of the parent	4.0	4.2*	3.6	3.9	4.0
Satisfaction personal	3.9	4.3*	3.4	3.9	3.9
Similarities of views	4.0	4.2	3.9	4.0	4.0
Level of autonomy	3.3	3.4	3.2	3.5	3.0

As a final measure of satisfaction with the Polish investment, respondents were asked to indicate their companies' future plans for the next five years. A majority of respondents, 86 percent, indicated that there will be possible expansion of this investment and 10 percent indicated that the investment will remain about the same. No respondent indicated a possible contraction of this investment. This appears to indicate that, in spite of many problems identified, Poland's investment climate is perceived to be attractive enough to not only not consider divesting but, in fact, to plan expansion on the part of most investors.

4.5. Country competitors to Poland

The last section of the questionnaire asked respondents to identify the country that in their opinion is the main competitor of Poland in attracting foreign investment, and to compare the investment climate in both countries. Table 36 provides countries, and in some cases regions, which were identified as the main competitors. Notably, some respondents named more than one country and some did not name any.

Hungary was the most frequently named country competitor to Poland (16 investors), followed by Czech Republic (11). Russia, China and Ukraine were mentioned by significantly smaller number of respondents (two to five). With the exceptions of China, South America, and emerging markets, which were mentioned a total of five times, all remaining countries are from Central and Eastern Europe. So, it could be assumed that in the eyes of investors Poland competes mainly with other CEE countries for the inflows of FDI.

Table 36. Countries / regions Identified as Main Competitors

Country	Frequency
Hungary	16
Czech Republic	11
Russia	5
China	3
Ukraine	2
South America	1
Bulgaria	1
Romania	1
Emerging markets	1

Table 37 shows the results of the comparison of the investment climate of Poland and the identified competitor on a five point scale, where 1 means Poland is worse than, and 5 means it is better than, its competition. Notably, foreign investors in Poland, rated all but one factor above the midpoint, which suggest that Poland is seen as better than its competitors in all identified areas.

Table 37. Comparison of Investment Climate of Poland and its Main Competitor

Factors	Mean rating
Market potential	3.7
Future prospects	3.6
Political stability	3.5
Overall investment climate	3.5
Government attitude towards foreign investment	3.4
Quality of life	3.4
Availability of technology	3.2
Skill level of workers	3.2
Receptivity to new products, methods, ideas	3.2
Manufacturing costs	3.2
Management expertise	3.1
Distribution cost	3.0
Productivity	3.0
Cost of labour	2.9

The four highest rating factors, namely, market potential, future prospects, political stability and overall investment climate, all received almost identical scores. Other advantages of investment climate in Poland opposite its competitors include the government attitude towards foreign investment, quality of life, availability of technology, skill level of workers, receptivity to new products, methods and ideas, and manufacturing costs. The factors that Poland received lowest evaluation, although still more favourable than its competitor, include management expertise, distribution cost, productivity levels and labour cost.

These results suggest that Poland's main competitors in attracting the FDI flows are other countries in the region especially Hungary and the Czech Republic. When compared to its competitors, Poland may be seen as possessing advantages mainly due to the size and potential of the market, success of the reforms, political stability and overall investment climate. However, although Poland received better evaluation in all the investment climate determinants than the identified competitor, still the results are not overwhelmingly in favour of Poland and there is unquestionably room for improvement. This conclusion is underscored by the potential subjectivity in these responses, given that all respondents had in fact chosen Poland over other countries for their investment.

II. RESEARCH FINDINGS AND DISCUSSION - Interview responses

The second part of the analysis involves the examination of the responses received during the interviews conducted among Canadian government officials and business executives of Canadian companies that had invested or were seriously considering an investment in Poland. Learning from D'Souzas' and Kalligatsis' experiences, it was possible to expand the methodology of this study not only by obtaining a larger sample through the survey approach, but also by conducting personal interviews with a broader range of respondents in order to obtain a more comprehensive view of the Polish investment climate. Similarly to the first part, this analysis will also be separated into sections. First, the general characteristics of the sample will be provided, then information sources used in making the investment decision and the objectives for choosing Poland as a destination of FDI will be investigated. This will be followed by the assessment of the overall investment climate in Poland and experience with the investment to date.

5. Characteristics and Demographics

Interviews were conducted with six senior government officials representing Canadian agencies that have a CEE department. All officials were responsible for dealings with Poland, had been with their departments between 2 and 10 years, and all but one had traveled to Poland on business. In case of one interviewee his knowledge of Poland reaches the 1970s when he worked in the Canadian Embassy in Poland.

As for Canadian businesses that invested in Poland, 12 senior executives agreed to the interview. The respondents represented 10 companies that actually invested in Poland, one company that abandoned the project after encountering too many difficulties in Poland and one, a consulting company, which was hired by a Canadian investor and was involved in the investment process from the beginning. At the time when the interviews took place three potential projects were still under consideration. However, two were less likely to happen due to the unresolved issues in Polish legislation regarding the industry sector in which the Canadian company operates. In one case, the company was in the process of divesting from Poland. However, that decision was not influenced by the current situation in Poland but by mismanagement of the investment.

The detailed list when the actual investment took place is provided in Table 38. Among the executives eight were a part of the investment decision making process and participated from the conceptualization to operationalization of the investment.

Table 38. Year When the Canadian Company First Invested in Poland

Year of the first investment in Poland					
	1990	**1991**	**1992**	**1997**	**1998**
Number of companies	3	2	1	1	3

As for the nature of the Polish investment three companies report to be a sole owner of the operations, three formed a JV with the local company, two have majority ownership and control, and one formed a JV with the foreign company. One company reports exports from Poland to Sweden, Holland, Germany, France and Canada and one company reports exports of services they offer to the neighbouring Central European countries.

6. Information Sources

To learn more about information sources used during the investment making process, data was gathered from questions 18, 19, 20, 32, 47 and 48 of the interview. Specifically, executives were asked to provide information sources used in the process, choose ones that influenced the decision the most and comment on how easy or difficult it was to access them. Also, they were asked whether other potential investors in Canada asked their opinion about the investment environment in Poland. The final two questions referred to the personal contacts (i.e., acquaintances or experiences) influence on the investment decision and whether such contacts played a role in this investment.

6.1. Information sources used for the investment decision

As for the information sources used in coming to the investment decision, in the majority of cases a combination of different sources was used. However, by far the most popular source was the personal and business contacts of the executives that allowed for familiarization with the situation in the country. Some used friends in Poland who were the main contacts and help in operationalization of the investment; some used professional contacts in the industry, but the majority of investors (nine) sent their own executives to Poland (if possible of Polish ancestry who spoke the language and knew the environment) to research the environment. Almost all investors performed some sort of the analysis of the market and the situation in Poland. In some cases the use of Polish government publications and agencies (such as PAIZ, Ministry of Foreign Affairs and Polish Embassy in Canada) was reported. However, in case of early investments that took place in the beginning of 1990s these sources proved not as useful. For example, some investors complained about the quality of information provided by Polish government:

> "At that time there was very little information, good information, both market information and statistical information was very poor. It's getting much better now."

> "The information that I got from the Polish government in 1990 was completely ridiculous, the annual statistics available were from 1984."

and:

> "Polish information is very suspicious, [there is] ignorance of people running Polish government, upper level is slightly better than government in the remote areas, which is run and controlled by 'reds'; they lie and are not reliable, their knowledge is not up to date and different from the truth."

Despite the problems with the information coming from the Polish government, potential investors could rely on other sources such as large consulting companies whose information is reliable but expensive. Other reported sources include the market analysis prepared by the investors themselves, information gathered from the current clients in Poland and other investors. One large investor used the help of German or British partners in gathering the relevant information. These Western European countries had previous commercial contacts with Poland, although from before the W.W.II, but still they are characterized as being more familiar with the environment in Poland than Canadians.

Despite the different information sources used, all investors agreed that the access to the information, mainly to the statistical data, was quite difficult especially in the beginning of the decade. However, having a person of Polish ancestry who had local knowledge made the process much easier. All investors report the importance of professional contacts, business visits and use of friends in Poland.

As for the government officials, they recommended usage of the publications of the Foreign Affairs Departments in both Canada and Poland as well as help of both Embassies and Internet search. According to the interviewees, what the Canadian agencies are focusing on is not to provide the most comprehensive publication that would satisfy large groups of potential investors and would cost the department a fortune, instead they are trying to provide contacts in Canada or in Poland that would be more useful. When they are approached by a Canadian investor interested in potential investment in Poland they will provide connection with the Canadian Embassy in Poland that will help in contacting appropriate contacts in Poland. Some of the government officials' comments regarding their role in helping companies looking for investment opportunities in Poland include:

> "...[what we are trying to do is to] stir people in certain direction so they will be able to get more information from other sources"

> "At the moment a Canadian businessman contacts us with very specific questions, which are beyond general ones, if we are not able to answer that, for example if the company wishes to learn about cost of labour in certain sectors because they want to make a greenfield investment, well, we don't know how much the manpower costs in Krakow or Warsaw, we usually would put them in contact with the PAIZ

> or relevant associations or sector chambers of Commerce on the expectations that these people are better prepared to meet needs of foreign investors and Canadian investors."

To the question whether representatives of other companies in Canada asked executives about their opinion about investing in Poland, 50 percent responded that in fact they were approached by other business people. The recommendations that they gave were quite positive. However, they warned to be very cautious, well prepared, patient and expect things to go wrong. Some comments referring to this subject were:

> "Absolutely go but be prepared that the business will not be done the next day you come, it will take much longer than you anticipated, plus get everything in writing, there are lots of promises but the promise is not a contract."

> "The primary recommendation is to do a lot of due-diligence, make sure that one understands the market, the financial climate, the economic climate, and have a really good understanding of what really goes on in terms of politics, how decisions are made for a spectrum of public funds, use of public funds, and what restrictions there may be regarding private investment and opportunities to recover funds."

> "There are some difficulties but there are some great opportunities as well."

As explained by one of the executives, the lower interest of Canadian businesses in Poland is because "Canadian businesses have such a huge market to the South of the border, you have to be emotionally involved".

6.2. Effects of personal experiences on the investment decision

The question concerning the way the information gathered through the personal acquaintances, personal experiences or other personal factors affected the investment decision found that the above factors do in fact influence the decision whether to invest abroad. Fifty percent of respondents assessed these factors as having a significant influence on the investment decision in any case. The combination of personal factors and technical analysis was stressed by 33 percent of respondents. Seventeen percent suggested caution and not giving that much importance to personal experiences and acquaintances, especially when relying on personal contacts means relying on wrong contacts.

Some comments shed more light on when and why the personal factors are important:

-if there is some level of uncertainty, then the personal contacts may push a company to make the investment

-they are more important in cases of small and medium enterprises (SMEs) where the potential investor does not have 'very deep pockets'

-one cannot separate personal from technical aspects of the decision making process

-business is done by people who interact with each other, if one is to create appropriate contacts that will help to move the business there.

In all 12 cases of investment in Poland, personal experiences and personal contacts played an important role. The respondent representing the consulting company said that in all cases, there was always someone on board of Polish descent promoting the investment. Another mentioned that they were major factors "based on information from my private source I decided to go or not to go". In cases where the Polish ancestry of the owners was the main factor for choosing Poland, it was because the owners were very familiar with the environment in Poland and had contacts there that were helpful in the decision. For Canadian businesses without pre-existing Polish connections, it is very difficult to conduct business in Poland because of different language, culture, geographical distance, etc., and that is "why the decision has to be based on the personal level, you have to know the country and you have to learn it".

7. Motives for Investment

Question 15 of the interview of Canadian executives referred to the parent company's most important objectives in deciding to make an investment in Poland. From the responses gathered the motives could be divided into three groups. First were market oriented motives where the size and potential of the Polish market, as well as the lack of competition played an important role in establishing a presence in Poland.

Second, there were sentimental reasons where the owners or co-owners of the Canadian operations were of Polish ancestry. In fact this was the case in five cases. At the moment when the potential foreign investment in Poland could take place they did not hesitate and started planning. In some such cases investment in other countries of the region was not even seriously considered. Some of the comments included:

> "Since I still have family in Poland the logical path will be to establish operations there."

> "For me the most important was the humanitarian side [...] and the fact that I'm Polish was very important."

One potential investor planned to help his old university by transferring of the technology however, this particular project did not work because Canadian products, although very good when used in Canada, did not work well in Poland:

> "I committed myself to transfer of knowledge and technology to my old *Alma Mater*, where I discovered that they were writing Ph.D. theses on the technology I have been using in Canada every day in my company."

Third, there were cases when the decision to invest in Poland came as a strategic necessity when companies wanted to establish a presence in the newly opened market or in order to sell their products they had to move to Poland and develop the client base. The following provide more detailed explanation of such cases:

> "The key objective was to make sure that we have a global presence to serve multinational corporations."

> "Some of our shareholders are large institutionalized investors and in 1992-93 they were not exposed significantly to CEE. So, the objective was to take advantage of the changes that were taking place in the early 1990 in the Central Europe, specifically in Poland at the time, in a view to give our shareholders access to these investment opportunities."

> "It was probably the only way that we could grow in that market. Given at the time the lack of any real resources to pay for goods plus the change of management approaches and use of products that required considerable expertise, the expansion into Poland was converted into actual investment."

In addition, in some cases it was a combination of factors that influenced the investment decision. For example, one investor suggested that it was the want to establish a presence in Europe as a response to the request of the customers, to offer service and support to existing customers in Europe, and the fact that the operations were placed in Poland was influenced by the Polish ancestry of the owner. Also, for the fact that Poland, Hungary and the Czech Republic were becoming NATO members, Poland become a stepping stone to begin expansion into other Eastern European markets. The fact that two out of five principals were Polish-Canadians influenced the decision to choose Poland.

According to responses gathered from the Canadian government officials the most popular reasons for Canadian businesses to invest in Poland were again the market size and potential, the geographical proximity to EU and CE, potential membership in EU and the fact that Poles are in fact business people and they like to trade.

So, in the case of Canadian investments in Poland the main objectives were market factors, the size and potential of the market and geographical location of Poland in proximity to other highly potential markets. As can be recalled, these objectives are similar to the ones provided by responses to the questionnaire. However, it seems that in the case of

Canadian investments, perhaps due in part to the great business distance which may deter other investors, previous contacts with Poland (in particular the Polish ancestry) play a far more important role in selecting Poland as a destination for FDI.

8. Investment Climate

Questions 13, 14, 15 and 16 in the interview with government officials and questions 23, 24, 25 and 29 in the interview with the business executives, referred to the assessment of the investment climate in Poland. Respondents were asked to assess what, in their opinion, is attractive and unattractive about it at the present time. The question that immediately followed asked about the comparison of their initial expectations regarding an investment climate in the country to what they actually encountered when dealing in Poland. A final question asked for the recommendations of what Poland should do to improve the investment climate and attract more foreign investors.

8.1. Government officials' responses

In general the government officials' assessment of the Polish investment climate was positive. All identified only positive factors about investing in Poland. These factors could be grouped into three main categories:

Market related factors. Among the determinants mentioned that belong to this category are the size of the market, which with the population of over 38 million people, is one of the largest in Eastern Europe; the great demand for a consumer goods from the smallest item to the largest item (as one official said "you look at housing, you look at cars, you look at clothing, there is almost nothing there that is not an opportunity"). In this group belongs the geographical location of Poland and its proximity to Western Europe and possibility to join the EU in the near future. This will allow Canadian businesses the access the EU marketplace through the investment in Poland since "it is cheaper to get there [Poland] now than it will be ten years from now" and also "what we [Canadians] see, EU is very nervous about NAFTA, they [EU members] don't want us there". Also, the fact that some of the richest countries and regions of Europe, Germany and the Scandinavia, are neighbours of Poland. One official noted that Poland could be used as a base for expansion of the operations into other EE.

Economic and legal factors. Among mentioned factors in this group are the strong economic performance of Poland and Polish government's commitment to reforms and encouragement of the foreign investment, which puts Poland, together with Czech Republic and Hungary, among leaders in the region. Besides, there is strong rule of law that provides more certainty about investing and withdrawing of dividends. The country is regarded as having less corruption than Russia or most other places in CEE.

Production related factors. The one factor mentioned in this category was the cost of manpower which is still competitive when compared to the Canadian environment. However, as noticed, this gap is closing. Also indicated was the fact of high receptivity of technology, however, what Poles are interested in is the latest technology and they do not want to recycle the used one.

8.2. Business executives responses

Market related factors. Business executives' responses when describing the investment climate in Poland were less positive. Although they were also stressing the importance of market factors (i.e., size of market, location and demand for products), the production related factors (such as a well educated labour force and possession of excellent software development skills coupled with competitive labour costs) and economy related factors (strong economy and success of reforms), respondents cautioned about being too optimistic.

Economic and legal factors. Some of the most criticized areas involved the legal environment, where Poland was described as a very legalistic nation, definitely more so than Canada. There is a lack of clarity of legislation, which leads to misinterpretations, and regulations are based on theoretical desire to match regulations of the EU. Most of them are in place already, however the infrastructure to support these regulations and speed the process is not there yet. There is still fairly significant government control of activities that discourages private sector decision making. Even when things seem to be moving, there appears to be some level of stagnation in terms of being able to make solid and rapid decisions. There are sectors of the economy (one example is agriculture) that the Polish government is attempting to regulate or protect from foreign influence. The over regulation is mostly caused by the bureaucrats not wanting to lose control. During the Communist rule "the farmers saw what the bureaucrats wanted them to see." Now the situation is changing; farmers want modern products and modern technology. However, often they do not have purchasing power or the existing regulations prevent foreign products from being marketed. Also, one of the more often mentioned difficulties was the general level of bureaucracy, which, coupled with problems with the legislation, presents quite an unattractive environment.

Production related factors. In this category the potentially low labour costs become not as attractive when social coverage is taken under consideration. Also reported was the low efficiency of workers (one executive in charge of manufacturing operations in Poland calculated it as 12 times lower than the average in Canada) and the poor quality of the workmanship. This may cause the situation that the manufacture of the products of the same quality could cost less in Canada than in Poland. In addition, there is the lack of good managerial skills that makes the management of the Polish operation and delegation of control more difficult. Also, as for the availability of the quality raw materials, there is not always a supply within Poland. So, the components have to be imported from other, mostly Western, countries, which make them more expensive due to the duties, and often the release of goods from the customs takes a long time. Taking all these things under consideration makes the low labour costs somewhat less attractive.

One respondent mentioned the problems with corruption and the Mafia-style extortion of money when his company was approached by the individuals offering "security services" and threatening to steal the equipment if their services were not hired. Another problem refers to personal safety and car theft, which is a problem especially in big cities and remote areas where almost every day there are reports of robberies and car hijacking.

8.3. Poland's investment climate: Expectations

As for the assessment of the investment climate in comparison to the initial expectations, the responses were split in half, with 50 percent being positively surprised by what they actually found in Poland and 50 percent being disappointed. This evaluation may be influenced by what the investors were actually expecting in Poland, that is, whether expectations were too low or too high. Similar results were obtained in the case of the parent company assessment of the investment climate.

8.4. Recommendations

The recommendations concerning what the Polish government should do to improve its investment climate and attract more foreign investors referred to the unattractive factors of the environment. Some respondents mentioned the improvement and update of the legal system, getting rid of a lot of regulations and Communist control. Also, the government of Poland should offer more support to business initiatives among their own people and present a welcoming atmosphere for potential foreign investors. One respondent was quite upset with the behaviour of some of the Polish Ministers during the Canadian Trade Mission to Poland in February 1999, where they ignored the Canadian delegation, led by the Prime Minister, because Canada did not wipe out the Polish debt. There was also a suggestion that in order to attract investors from other than members of EU, the Polish government should standardize the regulations. Currently there is different treatment for exports from Western Europe and exports from Canada. Perhaps what is really needed is for the Canadian government to pressure Polish government to treat goods from Canada similarly to goods from Europe.

Overall, the Canadian government officials' perception of the investment climate in Poland is far more favourable than the perceptions of the Canadian business executives, perhaps partly because promoting investment in Poland is a function of their current job assignment. Although the executives admit that there are aspects that make the investment environment very positive, they present examples of the difficulties they actually encounter there.

8.5. Poland's investment climate: Experience

The experience of the Canadian companies with the investment in Poland was examined using responses to the questions 20, 21, 22, 26 and 27 of the interview schedule. Respondents were asked about their opinion on how satisfied or dissatisfied is the parent company, about their personal investment experience thus far, and about the experience with the operationalization of the investment .

Satisfaction. As for the parent company's satisfaction with the investment that actually took place, 70 percent are satisfied. In some cases the investment took less and in some more time than anticipated and for some companies the expectations were greater than what they were actually experiencing but overall these companies are satisfied. The high number of satisfied companies could be related to the fact that some investors were of Polish ancestry, were aware of the possible difficulties that could be encountered and they knew what to expect so they were not disappointed. These were also able to find good contacts in Poland, which lowered the stress of managing the operations there. However, the remaining 30 percent of investors reported their companies' dissatisfaction with the investment and that number does not include the investors that abandoned the plans.

Operationalization. When referring to the process of the operationalization of the investment, 50 percent of the companies report the process as quite easy. For some it was directly related to the hiring the foreign consulting firms that helped in the process. For others, it was the local knowledge of people in charge. For some, the fact that they focused on selecting appropriate people from the start and run the operations in Poland was critical. ("It was easy for us, because we invested in people, the hardest part was to hire the right Poles and that is getting much better now with the education system they have."). One executive reported the support of high-ranking Polish government officials, which allowed for a smooth process.

On another hand, there were reports of the process being very slow, especially in the protected sectors, where the bureaucracy and red tape were established or still existed from the previous era to protect Polish producers. One company reported difficulties when they were starting a company in the beginning of 1990s, so, to ease the process, they hired appropriate legal help. In the case of another recent investment made by the same company, the process was much smoother. Problems were also reported involving the actual operations of the Polish governmental structures. Complaints included discrepancies between actual regulations and executions of changes, political instability, lack of follow up on government promises especially when the new people were taking over the office, low professionalism of government officials and honesty of people within the government. The problems with dealing with the government officials were actually the reasons why one of the larger investments was abandoned, and in the case of two others, problems with the legislature and misinformation contributed to putting them on hold for now.

Some of the remarks referring to the ease or difficulty with the operationalization of the investment and specifically regarding the operations of the Polish government include:

> "We signed two agreements, but the work didn't start. We were just about to start, when we were asked to put a hold on it, we learned that there were some legal problems which were not disclosed previously. The ownership issues were not determined at that time, so in the future this could cause legal problems. This information we should be able to obtain very easily, but it was hidden from us. Later on we learned that this issue has been on the agenda of legislative organs for quite some time, and there is no possibility to predict when it will be resolved."

> "There were changes that were taking place but they weren't executed, they weren't happening."

> "There was the political instability of Poland. We have been working with one Wojewoda (Premier of the Province), and the next thing they amalgamated them or one province become subservient to another, so you were constantly in a state of flux."

> "(There was) the lack of fiscal capacity of the infrastructure. The government makes promises so we set up programs, we provide automobiles and they sit and rust because they don't have money for gasoline, or they promise they will put people out on the farms but they will not allow people to work outside the existing structures."

> "It should be easy to communicate. I had a direct fax number to the Mayor of Warsaw, but it was one way communication. I was sending faxes and they did not send anything. The reply to my requests was disastrous, total ignorance. When you write you expect the reply in due time (two weeks, three weeks) but not five months."

There were problems with translations, where investors were advised to have someone on staff who speaks Polish and understands the culture which will help in avoiding potential misunderstandings.

> "Although, for us the communication was not a problem because we always had someone of Polish origin on board, but we had to rely on their translation. Difficulty with that is that you not always get a complete picture, so the translation and the biases of translation was one problem."

Overall, depending on the timing when the investment took place, sector of the industry, and people involved, the operationalization of investment could be easy or very frustrating. Particularly hard criticism is directed towards Polish government officials who respond to business proposals slowly, are not accustomed to discretionary decision-making, and are reluctant to make decisions in order to protect their positions. Even Polish expatiates with the local knowledge, fluent Polish language skills, and high level contacts throughout the country reported problems. They were able to initiate contacts but were often discouraged by red tape and lack of professionalism.

8.6. Country competitor to Poland

The next section refers to the comparison of Poland to other countries as potential competitors for FDI inflows. Questions 22, 23, 24 and 25 of the government officials interviews, and questions 39 - 46 of the business executives interviews asked which other countries or regions could be considered as a potential alternative location for foreign investment and what are the main differences and advantages of Poland when compared to the identified competitor. Business executives were also asked whether or not their company invested in those specified countries, and if yes, what was the experience with that investment. In the case that they invested only in Poland, what were the main factors in choosing Poland.

8.6.1. Government officials' responses

The countries or regions that were identified most often by Canadian government officials were; South America, Asia, and South Africa, and among countries of CEE Hungary and the Czech Republic. From a Canadian perspective, Poland has to compete with the opportunities that emerged in South America. There are countries that, similarly to Poland, want to be members of a trading pact. Poland wants to get into the EU and South American countries want to get into the NAFTA. These would allow investment to have opportunities to be exposed to larger marketplaces than that of any one country. Also, there are opportunities in Asia that are especially attractive to Canadian investors from the Western provinces. To an average investor, Poland seems as foreign when looked from the geographical perspective or presence in Canadian media, as any identified region unless there is a special interest.

When compared to these competitors Poland's identified advantages were; location close to the large markets of Western, Central, and Eastern Europe; large market on its own; well educated workforce and cultural similarity, especially when compared to South America and Asia. Currently, a lot of investments into Poland and the region are initiated by the first or second generation of emigrants who are looking back to establishing a relationship with the old country. In addition, the application to join the EU brings requirements that have to be fulfilled before joining the Union. One of them is meeting the environmental protection specifications. To meet these specifications, Poland needs technology and it wants very modern technology, which Canada has to offer. National funds hold a lot of money for that purpose which is attractive from the Canadian environmental technology investor perspective.

On the other hand Poland has to compete with other OECD countries that have a long tradition of FDI inflow, with well established procedures and frameworks. Also, in some sectors (i.e., agriculture) members of the EU benefit from the subsidies offered by the Union. Investors in Poland cannot look at a larger market than that of Poland or the region. According to one official, Poland suffers from being associated too closely with Russia. In light of the recent economical and political instability in the former Soviet

Union investors presume the possibility of similar problems in other countries of the region. In fact, Poland was able to stabilize its economy and to learn from mistakes of other emerging markets, which took much longer to open up. What is happening now in Poland is that the government is trying to be more careful with how much foreign investment it lets in and how much should stay Polish.

8.6.2. Business executives' responses

Canadian business executives identified mostly other CEE countries as an alternative for FDI. In cases where Poland was the only place the company invested, the reasoning provided included; Poland's visibility, former contacts, better preparation for foreign investment, faster development of infrastructure, well skilled workers, openness to foreign investments (at least on the outside), and of course the Polish ancestry of the owners. Fifty percent of companies reported that they also invested in other countries as an alternative location. For some it was because they wanted "to be everywhere in the world", for others they opted to have operations in other countries because the existing barriers and client mentality would make it very difficult, if not impossible, to serve these markets using investment in the neighbouring countries. Companies report good to very good experience with the investments in the Czech Republic and Hungary, and reasonable but disappointing situations in Russia and Ukraine. As one investor commented Russia hit a bottom so it could only go up.

III. COMPARISON TO THE STUDIES OF CANADA AND GREECE

One of the main objectives of this study as presented in the research objectives section was to compare the findings to those of the Canadian (D'Souza, 1993) and Greek (Kalligatsi, 1996) studies. In the following section the main similarities and differences are identified and the investment climates of all three countries compared. The design of the mail survey in this study, which closely followed the designs of the self-administrated portion of the studies of Canada and Greece, incorporated these objectives so the comparison could be performed. The comparison involves the responses to the questionnaire gathered from the foreign executives in each country. There are some differences among the three questionnaires that reflect the situation in each individual country. However, these do not heavily influence the comparison of the investment climate. Only the determinants that *all three* countries were evaluated on are compared. In the following section where the calculated means are compared the measurement is always on a five point scale where 1 means unfavourable and 5 means favourable assessment.

9. Comparison of samples in three studies.

In all three studies a similar approach was followed in the design of the research with respect to the population and the sampling process. Although, the approach taken in generating the responses differed (in both previous studies the self-administered questionnaire was used, this research opted for mail survey) this should have no influence on the actual comparability of the three countries.

The Canadian study involved 22 firms from 12 countries of which 64 percent were from Western Europe and the remaining 36 percent were from the Pacific Rim. (It should be noted that the Canadian study was designed so as to exclude US investments). The Greek study included 31 firms from 11 countries of which 87 percent come from Europe, 6.5 percent from the USA and 6.5 percent from Japan. The survey part of this study involved 42 companies that came from 17 different countries. Out of these 78.6 percent came from Western Europe, 16.7 percent came from North America, and 7.0 percent came from Asia and Australia. The difference in the country of origin representation among samples reflects the difference in actual representation of FDI inflows of explored populations, as reported by the previous research for the Canada and Greece studies, and earlier in this thesis for Poland (Table 6).

Due to the specific investment situation in Poland, where FDI was not allowed during the Communist regime, the comparison of the timing when the investment took place in each case is irrelevant. As for the type of investment that took place, in the Canadian study 73 percent of the companies invested through acquisition and 27 percent invested in greenfield operations. The situation in Greece was reversed, there, approximately 38 percent of investments were in acquisitions and 61 percent in new business. The reasoning behind this situation provided by Kalligatsi refers to fewer companies in Greece being available to be acquired by foreign investors than in Canada, partly due to the close "family ties" to the owned businesses and unfavourable Greek perceptions of "selling out" when companies are purchased by foreign investors. In the case of Poland, approximately

60 percent of companies invested in the new business and 40 percent in acquisition. This distribution is essentially identical to that found in Greece, which seems reasonable given the general similarities between these two countries and their differences from Canada (e.g., smaller, less developed markets with fewer firms that might be attractive acquisition targets).

10. Comparison of main investment objectives

In both previous studies the main objectives for the foreign investors to invest was to be closer to the potential customer. This rated 4.1 in the case of Canada (D'Souza 1993, Table 6) and 4.4[4] in the case of Greece (Kalligatsi 1996, Table 9). (From this point on, to avoid clutter, only references to the table number will be given, referring to D'Souza, 1993 for Canada, Kalligatsi, 1996 for Greece, and this study for Poland). The same motive rated first in this study as well, receiving a mean value of 4.6 (Table 22). Also, "to be close to existing customer" was the second most important motive for both Canada (mean rating 3.9) and Greece (3.6). This was rated fifth in the study of Poland, albeit with a rating comparable to previous studies, 3.7.

The objectives scoring second, third and fourth in Poland were to be first in the region before competition, to establish a presence in Eastern Europe (both at 4.1) and to establish presence in CE (4.0), respectively. The importance of the geographical location was also

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[4] Results rounded to one decimal space.

stressed in the previous studies. To establish a presence in North America (3.9) and to use this investment as a stepping stone for future investment in the USA (3.0) placed second and third in the study of Canada. In the case of Greece its proximity to the Mediterranean (3.6) and the Balkans (3.4) and to use the investment as a stepping stone for expansion into the Balkan region (3.3) ranked third, fourth and fifth, respectively.

To establish operations in close proximity to the customer was the leading force behind the foreign investment inflows in all three cases but it was closely followed by the geographical location determinants establishing presence in the region which allows for future expansion into other, neighbouring markets. These findings suggest that to be close to the customer is one of the main objectives for foreign investments activities, but the choice of the actual market seems to be heavily influenced by the geographical location of the country, its proximity to other potentially attractive markets, and its suitability for future expansion.

11. Use of information sources in investment decision

In all three studies the most commonly used source of information when making the investment decision was business visits by parent company executives. In Canada this was reported by 90 percent of companies (Table 10), in case of Greece by 96.4 percent (Table 14) and Poland by 88 percent (Table 12). The second and third most commonly used sources in Canada and Greece were local consultants (76 percent and 82 percent respectively) and suppliers / customers / distributors (71 percent and 82 percent). In

Poland, the second and third sources were other home country firms with investment in Poland and international media, which scored 78 and 74 percent, respectively.

The higher utilization of such source as other home country firms with investment in case of Poland is quite interesting. It shows the exchange of information between the business executives, where they rely on the opinion of others as proven by rather high mean value of 3.4 this information source received on the five point importance scale (Table 13). This is especially important in the investment decision where a country without long history of FDI inflows is considered. The Polish suppliers / customers / distributors ranked fifth and Polish consultants ranked seventh, and the lower utilization of these sources could be attributed to the short history of business relations between Poland and other countries, the lack of former knowledge and the lack of consulting services in Poland especially at the beginning of the 1990s.

12. Comparison of investment climate

In this part various determinants of investment climate are compared and satisfaction with the investment experience as reported by foreign expatriates is evaluated. Due to the variations in individual studies the comparison of the evaluation of the importance of factors in influencing the investment decision could not be performed.

12.1. Market related factors

In this category the comparison could only be performed involving three factors, since the previous studies did not incorporate geographic location and competition in this group.

Table 39. Comparison of Mean Ratings of Market Related Factors

Factors	Canada (Table 27)	Greece (Table 29)	Poland* (Table 25)
Market potential	2.5	3.3	4.3
Market size	2.3	2.1	4.2
Distribution costs	2.5	2.8	3.2

*Results reported in descending order

As shown in Table 39, Poland rated the highest among all three countries on each determinant. Market potential and market size are assessed much more favourably in Poland (mean 4.3 and 4.2) than in Canada (2.5 and 2.3) and Greece (3.3 and 2.1). This shows a strength of Poland in the market related category, which is not surprising taking under consideration its good economic performance in previous years, high demand for products and large population of Poland. Interesting results are given in distribution costs category where Poland was assessed more favourably (3.2) than Canada (2.5) and Greece (2.8), despite the problems discussed previously in this study. This could be influenced by the size of the territory of a country (Poland is much smaller than Canada) that influences the cost of transportation.

12.2. Production related factors

When comparing costs of factors of production, such as labour, manufacturing, raw materials and energy costs, Poland rated much higher than the other two countries (Table 40). Availability of skilled labour and skill level of local workers, as well as the level of productivity, all received rather comparable evaluation in all three countries. The evaluation of the investment climate based on the availability of raw materials, technology levels, and quality of communication system and quality of transportation system is comparable in Poland and Greece, both of which are lower than Canada. This is not surprising since Canada is a highly industrialized country with an abundance of natural resource and a member of the G7 group.

Table 40. Comparison of Mean Ratings of Production Related Factors

Factors	Canada (Table 24)	Greece (Table 23)	Poland* (Table 27)
Labour costs	2.3	2.6	3.5
Manufacturing costs	2.4	<u>3.0</u>	3.4
Cost of raw materials	2.8	2.4	3.3
Cost of energy	<u>3.2</u>	<u>2.9</u>	3.3
Availability of skilled labour	3.1	<u>2.9</u>	3.0
Skill level of local workers	3.1	<u>3.0</u>	3.0
Availability of raw materials	<u>3.3</u>	2.1	2.6
Level of productivity	2.9	2.6	2.5
Technology level	3.1	2.6	2.4
Availability of expert managers	<u>3.3</u>	<u>2.9</u>	2.3
Quality of communication system	<u>3.8</u>	1.9	2.1
Quality of transportation system	<u>3.5</u>	1.8	1.9

*Results reported in descending order
Underlined are four highest scoring factors in Canada and Greece

12.3. Economic and legal factors

The results of comparison of factors in this category show that Canada is rated much more favourably than Greece and Poland on restrictions of ownership, inflation rate and legal system overall (Table 41). Canada and Greece were rated as comparable and more positively than Poland when assessing an ease of obtaining the work permit. Surprising results were found when comparing Poland and Greece on such factors as inflation rate and general level of bureaucracy, where Poland received more favourable assessment than Greece. This may reflect the higher expectations of investors for Greece, which is expected to operate more fully as a free-market economy. Poland's and Greece's evaluation of such factors as restrictions of ownership and legal system overall was comparable.

Table 41. Comparison of Mean Ratings of Economic and Legal Factors

Factors	Canada (Table 26)	Greece (Table 25)	Poland* (Table 28)
Restrictions on ownership	3.8	2.8	3.1
Inflation rate	3.7	1.2	3.0
Ease of obtaining work permits for expatriate personnel	3.2	3.4	2.8
General level of bureaucracy	n.a.	1.4	2.2
Legal system overall	2.6	1.8	1.9

*Results reported in descending.

12.4. Political and social factors

In the assessment of political and social factors, Poland was rated more favourably than Canada and Greece when assessing the government attitude to foreign investment, political climate and receptivity to new products/methods/ideas (Table 42). These could be explained by the fact that Polish government in fact sees the FDI as a leading force in ensuring economic prosperity. Also, when comparing the political climate of Poland versus that of other countries of the CEE region, Poland seems more stable. There is a great demand in Poland for many products ranging from the consumer goods to industrial products which can explain the high receptivity of new products / methods / ideas.

Public's attitude towards foreign investment in all three countries was comparable. The remaining factors such as housing facilities, quality of life, schooling and other facilities for children of expatriates and crime level were assessed more favourably in Canada and Greece than in Poland.

Table 42. Comparison of Mean Ratings of Political and Social Factors

Factors	Canada (Table 21)	Greece (Table 25)	Poland* (Table 28)
Attitude of federal government to foreign investment	3.2	3.1	3.9
Political climate	2.5	3.0	3.7
Receptivity to new products/methods/ideas	3.3	3.2	3.7
Public's attitude towards foreign investment	<u>3.5</u>	<u>3.3</u>	3.3
Housing facilities	<u>3.9</u>	<u>3.9</u>	3.1
Quality of life	<u>4.2</u>	<u>3.9</u>	2.6
Schooling and other facilities for children of expatriates	<u>3.4</u>	<u>3.7</u>	2.6
Crime level	<u>3.4</u>	<u>4.2</u>	2.4

*Results reported in descending order
Underlined are four highest scoring factors in Canada and Greece

12.5. Finance related factors

The assessment of all three factors in this category is comparable for all three countries (Table 43). This suggests that the executives do not perceive any preferential treatment of FDI provided by any government, that is, there are no tax advantages and the tax structure is comparable among the three countries. In light of the recent success of the Polish government in stabilizing the currency exchange rate, the executives gave Poland the highest rating in this category even though the Polish currency is more volatile than, for example, Canada's.

Table 43. Comparison of Mean Ratings of Finance Related Factors

Factors	Canada (Table 29)	Greece (Table 24)	Poland* (Table 30)
Currency exchange rate	2.5	2.6	2.8
Tax structure	2.3	2.5	2.1
Tax advantages	2.2	2.2	1.9

*Results reported in descending order

12.6. General outlook

The comparison of the three countries with respect to their people and the general outlook reveals quite mixed results. There are some factors that received much higher rating in Canada than Poland and Greece, i.e., national image, attitude towards other cultures, religions, races and trustworthiness (Table 44). On the likeability scale Canada and Greece are more or less comparable and more favourably assessed than Poland. Surprising results were reached with respect to the general outlook and industriousness where Poland was assessed slightly more favourably than one or another of the other two countries.

Table 44. Comparison of Mean Ratings of General Outlook

General View of the country	Canada (Table 29)	Greece (Table 27)	Poland* (Table 31)
National image	4.1	3.6	3.8
Likeability	4.1	4.0	3.6
General outlook	3.1	3.3	3.5
Attitude toward other cultures, religions, races	4.0[a]	3.6[b]	3.1
Cultural similarity to parent company's country	3.1[a]	2.5[b]	3.0
Industriousness	2.9	2.4	3.0
Trustworthiness	3.7	2.9	2.9

*Results reported in descending order
[a]D'Souza 1993, Table 21
[b]Kalligatsi 1996, Table 26

12.7. Comparison of investment climate based on experience

In all three studies, expatriates were asked to assess the investment climate of the given country based on their experience with that investment. It seems that the assessment of Poland was much more favourable than the assessment of Canada and Greece except in the economic and legal categories of factors, where the three countries were comparable (Table 45). Actually, when taking under consideration market and production related factors Poland scored surprisingly more positively. Overall, the investment climate in Canada received the most favourable evaluation among the three countries. However, there were many factors that Poland or Greece received more favourable assessment than Canada.

Table 45. Comparison of Mean Ratings with Investment in Poland Based on Experience

Factors	Canada (Table 38)	Greece (Table 30)	Poland* (Table 34)
Market Related Factors	2.9	3.2	3.9
Production Related Factors	3.1	2.9	3.8
General Outlook	3.6	3.3	3.7
Finance Related Factors	3.1	2.8	3.4
Political and Social Factors	2.6	2.9	3.1
Economic and Legal Factors	2.9	2.6	2.9

*Results reported in descending order

This suggests that less developed countries are also attractive locations for FDI with many advantages to offer. This comparison also suggests that in any investment decision process the important determinants are similar. The most important investment objectives such as proximity to customers and markets, and a strategically valued location, seem to be similar in each case. Also, the most widely used and most important sources of information are same. Executives rely not only on visiting the countries that are potential recipients of FDI but on the opinions of other business executives as well.

IV. CONCLUSIONS AND IMPLICATIONS

In the following section, first the limitations of the research are acknowledged and deliberated. Then, the results of the analysis of 42 responses to the mail survey of foreign executives of foreign owned companies in Poland, and the results of interviews with 12 Canadian business executives of companies that invested in Poland and six Canadian government officials are summarized. Finally, the implications of the research are presented.

13. Limitations of Research

The first limitation is connected to the list of major foreign investors in Poland obtained through PAIZ, as there is no possibility to check its accuracy without incurring major additional costs, and it relates not only to the accuracy of the addresses but the contact persons as well.

The main part of the analysis was conducted using the answers collected from the mail survey. The distributed mail surveys contained only two language versions, Polish and English. This methodology may influence the accuracy of the responses and the response rate as there might be misunderstandings with translations or some of the respondents might not feel comfortable answering either language version and would prefer, for example, a German translation. However, every translation changes meaning, so restricting to two languages only has advantages and if working in Poland, manager can likely function in one or both languages of questionnaire.

In addition, this is an *ex post facto* research that in relies in part upon memory recollection of the executives; about situations that took place several years before. Some answers may have put the executives in an uncomfortable situation. Also, the people who were involved in the investment decision may not have been available to answer the questionnaire, for various reasons. However, the most important section of the questionnaire on current views of investment climate and satisfaction with the investment were best answered by the managers currently involved in operations in Poland.

The study is oriented only towards one country, so the results cannot be easily generalized for other countries of the region. However, results were compared to two previous studies of Canada and Greece, which make it possible to better portray the investment climate of Poland and the investment decision process overall.

Careful selection of candidates for the interviews was performed in order to reach the most knowledgeable person. Although different approach in design of this part of the research introduced different subjects than those present in research done by D'Souza and Kalligatsi, this made it possible to obtain additional qualitative data and to introduce different opinions. By structuring the research to include the Canadian perspective and, in the case of the mail survey, by obtaining responses from a bigger sample (twice a big as D'Souza's), external validation of all three studies was accomplished.

14. Summary

14.1. Information sources

The most popular and most important information source as reported by the respondents was business visits by parent company executives. Investors seem to prefer to get the information first hand by visiting the country and also by getting the information from other domestic firms with investment in Poland, the second most important and most widely used source. The perceptions created and contacts formed during the executives' stay in Poland and by contacts with other executives in the home country were in fact more important in the investment decision process that any other source.

In the case of the early investments, other home country firms with investment in Poland, home consultants and business visits by parent company executives were the most utilized information sources. In the case of the acquisitions the acquired company was not as frequently used but those that used this source gave it the highest rating. As for the late investments, business visits by parent company executives, international media and Polish suppliers / distributors / customers were the most utilized. Sources popular in the beginning of the 1990s, such as other home country firms with the investment in Poland, home country consultants and the acquired company, were not only less utilized by later investors but were also less valued.

For new business investments, business visits, other home country firms with investment in Poland, competitors, media portrayals of Poland in home country and home country magazines and newspapers were the most popular sources of information. The first three sources were also assessed as highly important. Greenfield investments tend to rely on a wide variety of sources in making the investment decision when compared to the acquisition types of investments, which heavily depend only on the information gathered from the acquired company and business visits by parent company executives.

These results prove the importance of the personal contacts and perceptions of executives in investment decision. For the country competing for FDI inflows it is important to develop appropriate services and information packages to make the process of accessing the information and gaining knowledge easy. Concerning Poland, these include not only development of the infrastructure supporting the executives' stay in the country, such as network of hotels or rental car services, but also facilitation of the interaction among business executives in Poland. Since executives value opinions of their colleagues, any problems with the operations of the business will likely be communicated. It is in the best interest of Poland to create the environment for business operations as comparable to one executives encounter in industrialized countries as possible.

14.2. Motives for investment

The analysis of the responses to the questionnaire as well as interviews with Canadian executives reveals the most important motives for foreign companies to invest in Poland were to be closer to the potential customer, to be first in the region before competition and to establish presence in Central and Eastern Europe. An additional strong motive for

Canadian investors was the Polish ancestry of the owners of the operations. In the eyes of foreign investors Poland presents opportunities due to its own market potential and the potential of the CEE region. The geographical closeness of Poland to the EU region did not play an important role, and using Poland as a stepping stone for the future investment to other parts of Europe was not rated as important objective. Also, accessibility and lower costs of factors of production and Polish government financial incentives offered to foreign investors were not assessed as influential in the decision.

Similar objectives were important in the cases of acquisition versus new business investments and early versus late investments. However, for greenfield investments such motives as establishing a presence in Eastern Europe, overcoming trade barriers and using the investment as a stepping stone to invest in Central Europe were more important than for acquisition investments.

What Poland has to offer for foreign investors is its own rather large market and closeness to other countries of Eastern Europe. Investors do not view Poland as a potential intermediate stop for future access to the EU, nor as a country offering benefits from better production factors.

14.3. Investment climate

According to the executives, in any investment decision the most important factors are related to the market situation. These are followed by production, economic, legal, political and social factors. The least important factors in the investment decision are finance related and the general view of the country and its citizens.

Poland's investment climate in the market related category received rather positive assessment particularly in the market potential, geographical location and market size dimensions. The distribution costs and levels of competition, on the other hand, were evaluated less favourably. There were also differences in perceptions between the early investment that evaluated market size more positively and distribution costs more negatively than later investors.

Production related determinants received an overall less attractive evaluation. Within this category, the cost of factors of production received the highest evaluation and the quality of communication, distribution and transportation systems received the lowest evaluation. Factors such as labour costs and cost of raw materials were given less positive ratings by early investors, as compared to later investors who gave them significantly higher ratings. On the other hand, later investors gave such factors as availability of raw materials, level of productivity and availability of expert managers significantly lower ratings than early investors. The availability of expert managers was evaluated more positively by acquisition investments than by new businesses. Overall, the lower assessment in this category, ranked second in importance in influencing the investment decision, might in the future decrease the investment inflows into Poland especially when the investor's main motives would be related to production determinants.

The highest rating in the economic and legal category received the economic growth prospects. This may be influenced by the good economic performance of Poland in the recent years and the fact that there is a lot of room for improvement before Poland reaches levels of development comparable to even those less prosperous members of the EU. The evaluation of laws referring to operations of the foreign investment was not unfavourable. The lowest ratings in this category were given the privatization process, the general level of bureaucracy and legal system overall. Early investors' assessment of the investment laws and inflation rate was significantly more favourable than that of later investors.

A more favourable assessment was given to the political environment in Poland, although these results might be influenced by the situation in other countries in the region and the fact that the political situation in Poland is more stable than in many neighbouring countries. The rating of social determinants was much less positive, as housing facilities, quality of life, schooling and other facilities for children of expatiates, corruption level and crime level were assessed rather unfavourably.

In the finance category, the second last in importance when making the investment decision, the somewhat volatile currency exchange rate, poor quality of banking system, complex tax structure and low tax advantages make the investment climate in Poland not very attractive.

A rather positive assessment was given to national image, likeability and general outlook by the responding sample. Greenfield investors evaluated Poland as more open to the world than investors investing in the acquisition. Such determinants as attitude towards other cultures, religions, races, cultural similarity to parent company's country, industriousness and trustworthiness were evaluated quite low.

Poland's main competitors in competing for FDI inflows are the two countries of Central Europe that are, together with Poland, leaders in the progress of reforms and economic development, Hungary and Czech Republic. Poland's investment climate was evaluated more favourably than the investment climate of its competitors, however, in many areas the difference was marginal suggesting that there is room for improvement. As for evaluation of main competitors from the perspective of Canada a more complicated situation arises, where Poland has to compete with South America and Asia, regions possessing a longer tradition of accommodating foreign investment, an abundance of natural resources and cheaper labour.

The government of Poland should strive to increase awareness that many attributes of its investment climate were actually positively evaluated by foreign executives and that, when compared to the investment climate of its main competitors, Poland received more positive evaluation. These facts could be used in promoting Poland on the international arena. The importance of factors that received negative assessment and that could not be easily changed and improved should be downplayed.

15. Implications of Research

The results of this study have implications for policy makers for the host and home country, managers of operations and researchers of FDI theory.

15.1. Implications for policy makers

This is the first study exploring the experience of foreign investors that decided to locate their investment in Poland. It is directed towards an exploration of the foreign executives' opinion about the investment decision process overall and the investment climate in Poland in particular. By exploring the investment climate of Poland it identifies its strengths and weaknesses. The research not only provides information about Poland but also gives general evaluation of the investment climate of other countries in the region. These countries possess a similar background, similar structure of the economy and had similar experience with the Communist regime as Poland. So, knowledge about the situation in Poland gives better insights into the whole region.

Although the research aimed at exploring the perception of investment climate as viewed by foreign expatriates, such opinions describe the overall environment for business operations in Poland. So, the Polish government can benefit from the analysis by improving not only the climate for FDI but also the business environment overall. By building on identified strengths and focusing on improving the identified weaknesses government policy makers can improve the investment / business environment which in turn will attract more foreign investors but also will benefit the overall economic performance of the country.

As for the assessment of the investment climate there were factors identified as positive and those should be maintained at that level, but there were many factors that make operation of the business quite cumbersome (i.e., the problems with the interpretations of the law and taxation, to name but a few). These indicate problem areas which improvement is within the scope of policy makers. By gaining insights in what are the most important investment objectives, policy makers can focus on stressing and improving those determinants.

Also, by learning which information sources are most commonly used, the improvement of services that support the information search could prove beneficial and highly anticipated by foreign investors. For example, the most used information source were business visits by parent company executives. In Poland, the structures supporting the stay in the country, such as hotels and car rental services, are non existing or have very poor quality. Also, identified factors that make the experience of living in Poland negative, such as crime level and poor quality of facilities for foreign expatriates, should be looked into and improved.

15.2. Implications for managers

The study gives insights about conducting business in a country in transition, which is characterized as one that does not have a long history of foreign investments. It gives aggregate information about the experience of companies which have already invested in Poland. Such information can be used by foreigners looking for place in which to invest, and also it can be used by companies that already invested in Poland to correct their estimates. It gives Polish managers guidance on how to approach and attract foreign capital, which attributes are important to foreign investors and should be focused on and which attributes should be downplayed. Also, the knowledge of the information sources most frequently used and most valued in investment decisions allows for the development of strategies that will be successful and at the same time efficient in promoting the Polish company.

15.3. Implications for researchers of FDI theory

This study adds to the pool of knowledge regarding the decision making process in international investment of the firm. Specifically, it supplements the FDI theory by looking at factors that were not taken in consideration by FDI theory developers. These include the personal experiences of business executives and their impact on the investment decision. In more detail it looks at the managers' personal perceptions about the country, their personal experiences and the way those perceptions and experiences are created and influenced.

The most available research in the area of FDI involves the industrialized countries the main recipient and source of FDI flows. By choosing Poland, the scope of the research into the decision making process and foreign investment theory were expanded by including a new category among the players, the country in transition. This research refers to a new competitor for investments, the country that also represents the CEE region, and is a leader in the region in moving from the centrally planned to open market economy.

The results of this study give insights not only into investment environment of Poland and other countries of the region but of other newly opened markets in other parts of the world as well, whose political and economical situation is comparable. Although, Poland is a new competitor, it seems that similar rules as in industrialized countries apply when taking under consideration the investment objectives and information sources. It also shows that countries characterized as not industrialized posses attributes that make foreign investment desirable. Those factors do not necessarily have to relate to cheaper costs of factors of production but more to establishing a presence and being closer to the customer. The strategy of international companies seems to follow the "act local, think global" approach.

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APPENDIX I

(Date)
Dear Sir or Madam,

In a few days you will be contacted by Ms. Beata Czapor, a graduate student in the Master of Management Studies program at the School of Business of Carleton University in Ottawa, Canada, about participating in a research study concerning foreign direct investment in Poland. The study is being carried out under the auspices of the School's International Business Study Group. The fieldwork will be administered by Ms. Czapor, who will travel to Poland for this purpose and who works on the research for her graduate thesis. Her supervising committee includes myself as chair, Dr. Ian Lee, and Dr. Louise A. Heslop.

The study is about Poland as a location choice for foreign direct investment and the views of investors about the country's investment environment. It is part of a large research program which includes similar studies in Canada and several countries in Europe and Asia-Pacific.

The research is based on a survey of senior executives, such as yourself, at companies which have a foreign (in this case, non-Polish) parent. We are specifically interested in the views of the most senior executive from the parent company who is presently working in Poland.

As part of the multi-country project, this study will enable us to make cross-country comparisons and therefore to help companies such as yours, public policy makers, and academic researchers through the knowledge we gain about foreign investment decisions and location choices.

Ms. Czapor will be mailing the survey to you from Poland and will be available locally to answer any questions you may have. The questionnaire is brief and takes only a few minutes to complete and your answers will remain anonymous and completely confidential.

The number of firms that meet the criteria for this study is quite small, and so your cooperation is essential to the study's success and for enabling Ms. Czapor to complete her thesis. I should note that we will be happy to provide you with a summary of the research findings if you would like.

Please do not hesitate to contact Ms. Czapor (telephone and address to be provided with the questionnaire) or myself (at the address cited above) if you have any questions. We are grateful for your cooperation.

Sincerely,

Dr. Nicolas Papadopoulos
Professor of Marketing and International Business
Director, International Business Study Group

APPENDIX II

(Date)

Dear Sir or Madam,

A few days ago you received a letter from my graduate thesis supervisor, Dr. Nicolas Papadopoulos, informing you of our study of foreign direct investment in Poland and kindly requesting your participation. As was mentioned in that letter, the study is part of a major international research program involving similar studies in several other countries. Your participation is important to the international research and for enabling me to complete my thesis.

The questionnaire for the study is enclosed, in two language versions, English and Polish, so that you can use the one with which you feel most comfortable. Please see the important notes on the cover page about completing the questionnaire.

It is important that the survey be answered by the highest-ranking foreign executive in your company, that is, the highest placed representative of the parent company in Poland who is in Poland for this assignment only and is not a permanent resident in the country. If you are not this person, please forward the questionnaire to the appropriate executive.

We should note that the study originates exclusively from Canada. It does not involve and is not influenced by any Polish institution and the results will be examined in Canada as part of the international project.

I truly appreciate your help. A self-addressed envelope for returning the completed survey is enclosed. If you would like to receive the summary of the results of the study as soon as they are available, please make sure to check the appropriate box on the front cover of the questionnaire.

I remain at your disposal, at the Polish address shown on the survey cover, for any questions you may have, and again, thank you very much for your participation.

Sincerely,

Beata Czapor
Graduate Student
Master of Management Studies Program
School of Business, Carleton University

The
International
Business Study Group

School of Business
Carleton University

Study of Foreign Direct Investment in Poland

First, we would like to thank you again for agreeing to fill out this questionnaire. Your contribution to this research is very important and we very much appreciate it.

The study is part of a major research program that includes similar projects in Canada and several European and Asia-Pacific countries. The objective of this study is *to assess the environment for foreign direct investment in Poland from the foreign investor's perspective*, and compare it to the investment climate in various other countries. The results should be highly useful to investors such as yourself, public policy makers in the countries we study, and academic researchers.

If you would like to receive a summary of the results as soon as available, please check here: ☐
(To enable us to send you the summary, make sure to provide your name and address on a separate sheet or business card. Your response envelope will be opened by a research assistant and your address will be forwarded to us separately from the questionnaire to maintain the anonymity of results.)

Please note:

- This questionnaire is to be answered by a **highest rank foreign executive**. This means the highest placed representative of the parent company in Poland, who is in Poland for this assignment only and would not be a permanent resident in the country.
- It does **not** matter whether you were or were not personally involved in the initial decision to invest in Poland – it is your knowledge and views *today* that matter.
- Please **answer all the questions as completely as possible**. The questionnaire will take only a few minutes to complete – in most cases all you need to do is "tick" a box or "circle" a number.

Please be assured that your responses will remain **strictly anonymous and confidential**. Only aggregate results will be generated for the statistical analysis of all responses.

To return the completed questionnaire, please use the enclosed self-addressed envelope or mail to:

Beata Czapor
ul. Zamiejska 9
57-300 Klodzko
woj. walbrzyskie

serial no.: (This is used only to check your company off the mailing list once the questionnaire is returned. This cover page will be discarded upon return and respondents will never be identified

STUDY OF FOREIGN DIRECT INVESTMENT IN POLAND

A Background Information

This section asks for background information which will help us to classify your answers. Please be assured that your responses are **anonymous** and will only be used for statistical analysis.

1 **Profile of parent company**

Home country: ____________________ Year of founding: 19___

Primary business (check as many as apply): Manufacturing ☐ Trade ☐ Services ☐

Major product group(s): ____________ , ____________ , ____________

For **most recent fiscal year**, approximate:

Sales: ________ Exports: ________ Number of employees worldwide: ______

(please specify currency: million US$ ☐ or ________)

Year of first foreign investment outside parent's home country: 19___

Number of countries in which parent company operates today with direct investment: ______

Country representing the largest investment: ________ Value in U.S.$ ________

2 **Profile of Polish company**

Primary business (check as many as apply): Manufacturing ☐ Trade ☐ Services ☐

Major product group(s): ____________ , ____________ , ____________

For **most recent fiscal year**, approximate:

Sales: ___________ Exports, if any: ___________ Number of employees: ______

(please specify currency: million US$ ☐ or ________)

When did the parent company first invest in Poland? _______ (year)

Was the investment a new business ☐ or an acquisition ☐ ?

Is the Polish company (please check one):

Fully owned ☐ or majority owned and controlled ☐ by the parent company

A joint venture with a local company ☐ or with another foreign company ☐

Other (please specify): ______________________________

Was the parent company operating in Poland prior to this investment? yes ☐ no ☐

If yes, what type(s) of activities were involved? (check as many as apply) Licensing agreement ☐, joint venture ☐, manufacturing ☐, or imports into Poland via company-owned channels☐, foreign agents/distributors ☐, or agents/distributors in Poland ☐

3 **Personal profile**

Number of years: with the Polish company ___with the parent company___in the workforce _

Did you have any connections with Poland before being transferred here by the parent company?

(e.g., Polish ancestry or spouse, travel) no ☐ yes ☐ please specify ___________

Do you have a university or college degree? no ☐ yes ☐

If yes, is it from: Western Europe ☐ Eastern Europe ☐ N. America ☐ Other ☐

What languages do you speak? __________ , __________ , __________ , __________

B Information Sources

In this section we would like to know the information sources that were used and their importance in influencing the parent company's decision to invest in Poland. (Note: Please answer this question even if you were not personally involved when the decision to invest was made, based on your general knowledge and recollection.)
Various sources are listed below. Please circle the appropriate number to indicate either that the source **was not used (0)** or **how important it was if it was used,** where **1** is **not at all important** in influencing the decision and **5** is **very important** in influencing the decision.

	Not used	Importance (if used): Not at all important				Very important	Don't know
Polish magazines/newspapers	0	1	2	3	4	5	6
Home country magazines/newspapers	0	1	2	3	4	5	6
International media	0	1	2	3	4	5	6
Media portrayals of Poland in home country	0	1	2	3	4	5	6
Polish Embassy personnel	0	1	2	3	4	5	6
Investment promotion material by Polish government	0	1	2	3	4	5	6
Chambers of Commerce	0	1	2	3	4	5	6
Home country consultants	0	1	2	3	4	5	6
Polish consultants	0	1	2	3	4	5	6
Polish suppliers/customers/distributors	0	1	2	3	4	5	6
Competitors	0	1	2	3	4	5	6
Publications by international organizations	0	1	2	3	4	5	6
Business visits by parent company executives	0	1	2	3	4	5	6
Pleasure visits by parent company executives	0	1	2	3	4	5	6
Other home country firms with investment in Poland	0	1	2	3	4	5	6
The acquired Polish company (if acquisition)	0	1	2	3	4	5	6
Other (pls. specify ____________________)	0	1	2	3	4	5	6

Of the above information sources, or any other sources we may not have listed, which one or two influenced the investment decision the most? ____________________, ____________________
Please rate the importance of two general kinds of influences on a company's choice of a country for foreign direct investment (circle the appropriate number):

Personal experiences and perceptions of the decision makers about the country(-ies) considered:

Not at all important 1 2 3 4 5 Very Important

Technical analyses of the country (e.g., feasibility analysis based on economic and other facts):

Not at all important 1 2 3 4 5 Very Important

Has it ever happened that business executives from other companies in your home country have asked your opinion about investing in Poland? yes ☐ no ☐

C Investment Objectives

This section deals with the objectives for the parent company's decision to invest in Poland (please remember that it does not matter whether or not you were personally involved in the decision to invest.)

Please **rate the importance** of each of the following possible **objectives** for the parent company in making this investment, by circling the appropriate number on this 1 to 5 scale where **1** is **not at all important** and **5** is **very important.**

	Importance: Not at all important				Very important	Don't know
To be first in the country or region before competitors	1	2	3	4	5	6
To overcome trade barriers	1	2	3	4	5	6
To be closer to potential customers	1	2	3	4	5	6
To be closer to existing customers	1	2	3	4	5	6
To follow an existing customer who moved to Poland	1	2	3	4	5	6
To establish a presence in:						
- Central Europe	1	2	3	4	5	6
- Eastern Europe	1	2	3	4	5	6
- other ________________	1	2	3	4	5	6
To use this investment to export to:						
- other Central European countries	1	2	3	4	5	6
- Eastern Europe	1	2	3	4	5	6
- European Union	1	2	3	4	5	6
- other ________________	1	2	3	4	5	6
To use this investment as a stepping stone for a future investment in:						
- other Central European countries	1	2	3	4	5	6
- Eastern Europe	1	2	3	4	5	6
- European Union	1	2	3	4	5	6
- other ________________	1	2	3	4	5	6
To access raw materials	1	2	3	4	5	6
To access special design, engineering or other skills	1	2	3	4	5	6
To follow competitors who invested in the region	1	2	3	4	5	6
To protect existing markets	1	2	3	4	5	6
To meet government requirements, e.g. offset obligations	1	2	3	4	5	6
To protect from domestic currency appreciation	1	2	3	4	5	6
To be close to major supplier(s)	1	2	3	4	5	6
To lower manufacturing costs	1	2	3	4	5	6
To benefit from lower labor costs	1	2	3	4	5	6
To benefit from higher productivity	1	2	3	4	5	6
To benefit from Polish government financial incentives	1	2	3	4	5	6
Other (pls. specify ______________________):	1	2	3	4	5	6

Of the above objectives, or any other objectives we may not have listed, which one or two influenced the investment decision the most? ________________ , ________________

D Assessment of Poland's Investment Climate

Now, based on your experience, we would like to know your *personal* views about Poland as a place for investment for the parent company.
Various evaluation factors are listed below. For each factor, please indicate **your personal view** of Poland's **environment for investment** by placing an **X** in the space that most closely represents your opinion.

Market Related Factors

Market size	Small	:___:___:___:___:___:	Large
Market potential	Low	:___:___:___:___:___:	High
Distribution costs	Low	:___:___:___:___:___:	High
Competition	Low	:___:___:___:___:___:	High
Poland's geographic location in Europe	Not attractive	:___:___:___:___:___:	Attractive

Production Related Factors

Availability of raw materials	Low	:___:___:___:___:___:	High
Cost of raw materials	Low	:___:___:___:___:___:	High
Cost of energy	Low	:___:___:___:___:___:	High
Manufacturing costs	Low	:___:___:___:___:___:	High
Labor costs	Low	:___:___:___:___:___:	High
Availability of skilled labor	Low	:___:___:___:___:___:	High
Skill level of Polish workers	Low	:___:___:___:___:___:	High
Availability of expert managers	Low	:___:___:___:___:___:	High
Level of productivity	Low	:___:___:___:___:___:	High
Technology level	Low	:___:___:___:___:___:	High
Quality of transportation system	Low	:___:___:___:___:___:	High
Quality of communication system	Low	:___:___:___:___:___:	High
Quality of distribution system	Low	:___:___:___:___:___:	High

Finance Related Factors

Tax structure	Complex	:___:___:___:___:___:	Simple
Tax advantages	Low	:___:___:___:___:___:	High
Currency exchange rate	Unstable	:___:___:___:___:___:	Stable
Quality of banking system	Low	:___:___:___:___:___:	High

Economic and Legal Factors

Economic growth prospects	Low	:___:___:___:___:___:	High
Inflation rate	Low	:___:___:___:___:___:	High
Unemployment	Low	:___:___:___:___:___:	High
Progress of privatization process	Slow	:___:___:___:___:___:	Fast
Progress of reforms overall	Slow	:___:___:___:___:___:	Fast
Policies towards private sector	Negative	:___:___:___:___:___:	Positive
Investment law	Negative	:___:___:___:___:___:	Positive
Entry requirements	High	:___:___:___:___:___:	Low
Restrictions on ownership	Low	:___:___:___:___:___:	High

(economic and legal factors continued)

Restrictions on repatriation of profits	High	:___:___:___:___:___:	Low
Risk of expropriation	High	:___:___:___:___:___:	Low
Exit conditions	High	:___:___:___:___:___:	Low
Ease of obtaining work permits for expatriate personnel	Difficult	:___:___:___:___:___:	Easy
Legal system overall	Complex	:___:___:___:___:___:	Simple
General level of bureaucracy	Low	:___:___:___:___:___:	High

Political and Social Factors

Political climate	Unstable	:___:___:___:___:___:	Stable
Attitude of Polish government to foreign investment	Negative	:___:___:___:___:___:	Positive
Attitude of local government to foreign investment	Negative	:___:___:___:___:___:	Positive
Labor unrest	High	:___:___:___:___:___:	Low
Access to information	Low	:___:___:___:___:___:	High
Corruption	High	:___:___:___:___:___:	Low
Public's attitude toward foreign investment	Negative	:___:___:___:___:___:	Positive
Receptivity to new products, methods and ideas	Low	:___:___:___:___:___:	High
Quality of life	Low	:___:___:___:___:___:	High
Schooling and other facilities for children of expatriates	Poor	:___:___:___:___:___:	Good
Housing facilities	Poor	:___:___:___:___:___:	Good
Crime level	High	:___:___:___:___:___:	Low

General View of Poland and the Poles

National image	Poor	:___:___:___:___:___:	Good
Industriousness	Low	:___:___:___:___:___:	High
General outlook	Backward	:___:___:___:___:___:	Progressive
Likeability	Low	:___:___:___:___:___:	High
Trustworthiness	Low	:___:___:___:___:___:	High
Openness to world	Low	:___:___:___:___:___:	High
Cultural similarity to parent company's country	Dissimilar	:___:___:___:___:___:	Similar
Attitude of Poles toward other cultures, religions, races	Closed	:___:___:___:___:___:	Open

Of the above factors, or any other factors we may not have listed, please identify two that make Poland attractive and two that make Poland unattractive to foreign investment:

Attractive: ______________________________ , ______________________________

Unattractive: ______________________________ , ______________________________

What do you think Poland should do to improve the investment climate and attract more foreign investment?

____

____

____

E Poland's Investment Climate: Factor Importance

Of the above factors, you may see some as **more** or **less important** than others in **influencing an investment decision** by the parent company (any investment decision, not only the one for Poland).

Please **rate the importance** of each category of factors in foreign investment decisions on a scale of 1 to 5, where **1** means **not at all important** and **5** means **very important.** (Note: You may wish to refer to the previous section which lists the specific factors within each of the categories.)

	Not at all important				Very important
Market Related Factors	1	2	3	4	5
Production Related Factors	1	2	3	4	5
Finance Related Factors	1	2	3	4	5
Economic and Legal Factors	1	2	3	4	5
Political and Social Factors	1	2	3	4	5
General View of Poland and the Poles	1	2	3	4	5

F Poland's Investment Climate: Experience

From your viewpoint, how **satisfied or dissatisfied** is your **parent company** with the Polish investment experience? Please rate the following categories of factors on a scale of 1 to 5, where **1** means very **dissatisfied** with the Polish experience and **5** means **very satisfied**.

	Very Dissatisfied				Very Satisfied
Market Related Factors	1	2	3	4	5
Production Related Factors	1	2	3	4	5
Finance Related Factors	1	2	3	4	5
Economic and Legal Factors	1	2	3	4	5
Political and Social Factors	1	2	3	4	5
General View of Poland and the Poles	1	2	3	4	5

Overall, how satisfied/dissatisfied is **the parent company** with the investment experience in Poland to date?

Very Dissatisfied 1 2 3 4 5 **Very Satisfied**

Overall, how satisfied/dissatisfied are **you personally** with the investment experience in Poland to date?

Very Dissatisfied 1 2 3 4 5 **Very Satisfied**

What are the parent company's **plans about investment in Poland for the next 5 years**? Is it likely to: (please check one)

Expand ☐ Contract ☐ Remain about the same ☐

G Poland's Investment Climate: Comparison to Other Countries

In your opinion, which is the main country that is a competitor of Poland as a potential foreign investment location? (please specify) ______________________________

Has the parent company invested in that country?

yes ☐ In which year? 19______

no ☐ Is there a plan to invest there in the next five years? yes ☐no ☐

Was this country considered as an **alternative location for the investment in Poland?**

yes ☐ no ☐

Based on your personal experience, how would you compare Poland's investment climate to that of its main competitor which you identified above? Please rate the following factors on a scale of 1 to 5 where **1** means that Poland is **worse than,** and **5** means that Poland is **better than, its competitor.**

	Worse than its competitor				Better than its competitor
Political stability	1	2	3	4	5
Market potential	1	2	3	4	5
Cost of labor	1	2	3	4	5
Future prospects	1	2	3	4	5
Productivity	1	2	3	4	5
Skill level of workers	1	2	3	4	5
Availability of technology	1	2	3	4	5
Management expertise	1	2	3	4	5
Distribution costs	1	2	3	4	5
Manufacturing costs	1	2	3	4	5
Overall investment climate	1	2	3	4	5
Receptivity to new products, methods and ideas	1	2	3	4	5
Government attitude towards foreign investment	1	2	3	4	5
Quality of life	1	2	3	4	5
Other (pls. specify: ____________________)	1	2	3	4	5

H Similarity of Views

In general, how **similar or dissimilar** do you think your personal views of Poland's investment climate are to those of your parent company? Please **rate the degree of similarity** between **your** and the **parent company's views** on this 1-5 scale, where **1** is **not at all similar** and **5** is **very similar**.

Not at all Similar 1 2 3 4 5 Very Similar

Were you personally involved in the decision making process to invest in Poland?

yes ☐ no ☐

In what role?

____

____

Level of autonomy of the Polish company in decision-making: (pls. circle the appropriate number)

Highly dependent 1 2 3 4 5 **Highly independent**

Thank you very much for completing the questionnaire!!!

Your opinion counts! Please feel free to use this page for any additional comments you might wish to make on the above questions or on any related issue which we may not have covered here. Your comments will remain confidential but will be taken into account when analysing the aggregate statistical results.

Appendix III

(Date)

*******REMINDER*******

Will you please help us complete the study of foreign direct investment in Poland?

Dear Sir or Madam,

About three weeks ago we asked you to participate in a survey which aims to determine the investment climate of Poland. The study is part of a major international research program involving similar studies in several other countries.

If you have already completed and returned the questionnaire, please accept our sincere thanks and ignore this reminder notice.

If not, could we kindly ask you to complete and return the questionnaire as soon as possible? Your response is crucial to the success of this study and the completion of my Master's thesis.

The questionnaire for the study is enclosed, in two language versions, English and Polish, so that you can use the one with which you feel most comfortable. Please see the important notes on the cover page about completing the questionnaire.

It is important that the survey be answered by the highest-ranking foreign executive in your company, that is, the highest placed representative of the parent company in Poland who is in Poland for this assignment only and is not a permanent resident in the country. If you are not this person, please forward the questionnaire to the appropriate executive.

I remain at your disposal, at the Polish address shown on the survey cover, for any questions you may have, and again, thank you very much for your participation.

Sincerely,

Beata Czapor
Graduate Student
Master of Management Studies Program
School of Business, Carleton University

Appendix IV

(Data)

Szanowny Pan/Pani:
Za kilka dni skontaktuje się z Panem/Panią pani Beata Czapor, studentka programu podyplomowego Master of Management Studies w Szkole Biznesu Uniwersytetu Carleton w Ottawie, Kanada, w sprawie pańskiego udziału w badaniu naukowym dotyczącym bezpośrednich inwestycji zagranicznych w Polsce. Badanie to jest prowadzone pod protektoratem International Business Study Group, przy Uniwersytecie Carleton. Pani Czapor jest odpowiedzialna za przeprowadzenie ankiety i dokonanie analizy niezbędnej do napisania pracy naukowej i uzyskania dyplomu. W skład komisji egzaminacyjnej wchodzę ja osobiście (przewodniczący), docent Ian Lee oraz docent Louise A. Heslop (członkowie komisji).

Tematem badań jest wybór Polski jako miejsca lokacji bezpośrednich inwestycji zagranicznych oraz opinia inwestorów zagranicznych o polskim klimacie inwestycyjnym. Badanie to jest częścią większego projektu, który bieże pod uwagę Kanadę, kilka krajów europejskich oraz kraje Azji Wschodniej.

Mechanizmem zbioru informacji do analizy statystycznej jest ankieta przeprowadzona wśród wysokiej rangi przedstawicieli przedsiębiorstw zagranicznych w Polsce. Jesteśmy szczególnie zainteresowani opinią najwyższego rangą przedstawiciela firmy zagranicznej (macierzystej) pracującego w Polsce z ramienia firmy zagranicznej.

Jako że badanie to jest częścią większego projektu, umożliwi nam to porównanie przekrojowe różnych krajów, oraz ułatwi przedsiębiorstwom (jak pańskie), ustawodawcom, oraz badaczom akademickim w lepszym zrozumieniu czynników wpływających na decyzję inwestycyjną oraz lokalizację inwestycji bezpośrednich.

Pani Czapor roześle ankietę z Polski oraz będzie obecna w Polsce aby odpowiedzieć na pańskie pytania. Ankieta jest krótka i wypełnienie jej zajmie tylko kilka minut. Gwarantujemy anonimowość odpowiedzi.

Jako że liczba przedsiębiorstw spełniających kryteria jest limitowana, z tego powodu uczestnictwo pańskie jest niezbędne aby badania odniosły sukces a pani Czapor napisała pracę dyplomową. Nie omieszkam wspomnieć, że zapewniamy przesłanie wyników końcowych analizy jeśli Pan/Pani sobie tego życzy.

W przypadku jakichkolwiek pytań lub wątpliwości prosimy skontaktować się z panią Czapor (polski adres i numer telefonu załączamy z ankietą) lub za mną osobiście. Jesteśmy niezmiernie zobowiązani za pańską współpracę.

Z poważaniem
(podpis)

Doc. Nicolas Papadopoulos
Professor of Marketing and International Business
Director, International Business Study Group

(Data)

Szanowny Pan/Pani:

Kilka dni temu otrzymał Pan/Pani list od przewodniczącego komisji egzaminacyjnej mojej pracy dyplomowej, docenta Nicolasa Popadopoulousa, informujący o badaniu naukowym dotyczącym zagranicznych inwestycji w Polsce. Jak docent Papadopoulos wspomniał, badanie to jest częścią międzynarodowego projektu obejmującego podobne badania w kilku innych krajach. Pańska współpraca jest niezbędna dla sukcesu tego projektu oraz do umożliwienia mi napisania pracy dyplomowej i ukończenia studiów.

Załączam dwie wersje językowe ankiety (polską i angielską), proszę o wypełnienie tylko jednej wersji, w języku, w którym czuje się Pan/Pani bardziej komfortowo. Proszę o zwrócenie uwagi na ważne informacje zawarte na stronie tytułowej ankiety.

Jest niezmiernie ważne aby odpowiedzi na ankietę udzielił najwyższy rangą przedstawiciel przedsiębiorstwa zagranicznego, pracujący w Polsce z ramienia przedsiębiorstwa zagranicznego, który jest w Polsce na delegacji, i nie jest obywatelem polskim na stałe zamieszkałym w Polsce. Jeśli Pan/Pani nie jest tą osobą, proszę o przekazanie ankiety do właściwych rąk.

Zaznaczam, że pomysł tematu mojej pracy dyplomowej narodził się w Kanadzie, żadna polska instytucja/agencja nie wpływa na wyniki przeprowadzonej ankiety, oraz że obliczenia końcowe będą miały miejsce w Kanadzie.

Nie omieszkam wspomnieć jak bardzo jestem zobowiązana, za poświęcenie czasu i udzielenie odpowiedzi na nasze pytania. Załączam kopertę z polskim adresem zwrotnym (w trakcie przeprowadzania ankiety będę czasowo w Polsce), która ułatwi odesłanie ankiety. Na życzenie wyniki końcowe badania będą udostępnione uczestnikom ankiety (proszę o zaznaczenie w odpowiednim miejscu na okładce ankiety).

W przypadku jakichkolwiek pytań lub wątpliwości proszę skontaktować się ze mną pod adresem zamieszczonym na stronie tytułowej ankiety. Jeszcze raz dziękuję za uczestnictwo i współpracę w tym projekcie.

Z poważaniem
(podpis)

Beata Czapor
Graduate Student
Master of Management Studies
School of Business, Carleton University

(Data)

*******PRZYPOMNIENIE*******

Uprasza się o uczestnictwo w badaniu naukowym na temat bezpośrednich inwestycji zagranicznych w Polsce!

Szanowny Pan/Pani:

Trzy tygodnie temu poprosiliśmy o współpracę w badaniu naukowym, które pozwoli ocenić kilmat inwestycyjny w Polsce. Badanie to jest częścią międzynarodowego projektu obejmującego podobne badania w kilku krajach świata.

Jeśli wypełnił i odesłał Pan/Pani naszą ankietę, dziękujemy serdecznie za współpracę, i prosimy zignorować ten list.

Jeśli nie uczynił Pan/Pani tego, proszę serdecznie o wypełnienie i odesłanie załączonej ankiety. Pańska współpraca jest niezbędna dla sukcesu tego projektu oraz do umożliwienia mi napisania pracy dyplomowej i ukończenia studiów.

Załączam dwie wersje językowe ankiety (polską i angielską), proszę o wypełnienie tylko jednej wersji, w języku, w którym czuje się Pan/Pani bardziej komfortowo. Proszę o zwrócenie uwagi na ważne informacje zawarte na stronie tytułowej ankiety.

Jest niezmiernie ważne aby odpowiedzi na ankietę udzielił najwyższy rangą przedstawiciel przedsiębiorstwa zagranicznego, pracujący w Polsce z ramienia przedsiębiorstwa zagranicznego, który jest w Polsce na delegacji, i nie jest obywatelem polskim na stałe zamieszkałym w Polsce. Jeśli Pan/Pani nie jest tą osobą, proszę o przekazanie ankiety do właściwych rąk.

W przypadku jakichkolwiek pytań lub wątpliwości proszę skontaktować się ze mną pod adresem zamieszczonym na stronie tytułowej ankiety. Jeszcze raz dziękuję za uczestnictwo i współpracę w tym projekcie.

Z poważaniem
(podpis)

Beata Czapor
Graduate Student
Master of Management Studies
School of Business, Carleton University

BADANIE BEZPOŚREDNICH INWESTYCJI ZAGRANICZNYCH W POLSCE

A Informacje ogólne

W tej części chcielibyśmy uzyskać informację o przedsiębiorstwie zagranicznym, która umożliwi prawidłowe zakwalifikowanie odpowiedzi. Zaznaczamy, że zapewniamy całkowitą **anonimowość.**

1 **Informacje o przedsiębiorstwie macierzystym**:firmie zagranicznej inwestującej w Polsce

Kraj, siedziba firmy zagranicznej: ______________ Rok założenia firmy: 19____
Główny kierunek działalności: Produkcja ☐ Handel ☐ Usługi ☐
Główna grupa(y) produktów: ____________, ____________, ____________

Za **ostatni rok finansowy**:
Sprzedaż: ________ Export: ________ Liczba pracowników na świecie: ______
(waluta użyta: milliony US$ ☐ lub ________)

Rok pierwszej inwestycji podjętej przez firmę macierzystą, poza krajem ojczystym: 19____
W ilu krajach operuje firma macierzysta przy użyciu inwestycji bezpośrednich: ______
Kraj z największym nakładem inwestycji bezpośrednich: ______ Wartości US$ ______

2 **Informacje o przedsiębiorstwie polskim**

Główny kierunek działalności: Produkcja ☐ Handel ☐ Usługi ☐
Główna grupa(y) produktów: ____________, ____________, ____________

Za **ostatni rok finansowy**:
Sprzedaż: ________ Export: ________ Liczba pracowników: ______
(waluta użyta: milliony US$ ☐ lub ________)

Rok w którym firma macierzysta po raz pierwszy zainwestowała w Polsce? ______ (rok)
Inwestycja miała formę: całkowicie nowego biznesu ☐ czy zakupiono firmę istniejącą ☐?
Polska inwestycja jest typu (prosimy zaznaczyć jedną odpowiedź):
Pełna własność ☐ większość współudziału i kontroli ☐
Joint venture z firmą localną ☐ lub z inną firmą zagraniczną ☐
Inne (prosimy wymienić): ______________________

Czy firma macierzysta współpracowała z Polską przed tąinwestycją? tak ☐ nie ☐
Jeśli tak, to jakiego typu była to działalność? Umowa licencyjna ☐, joint venture ☐, produkcja ☐, lub export do Polski poprzez własne kanały sieci dystrybucyjnej☐, lub export poprzez zagranicznych agentów/dystrybutorów ☐, lub agentów/dystrybutorów polskich ☐

3 **Informacje personalne**

Staż pracy: w firmie polskiej__ staż pracy w firmie macierzystej __całkowity staż pracy ___(lat)
Czy posiadał Pan/Pani jakiekolwiek powiązania z Polską przed delegacją?
(Np. pochodzenie polskie, współmałżonek poch. polskiego, podróże etc.) nie ☐ tak ☐
prosimy wymienić ________
Czy posiada Pan/Pani wykształcwenie wyższe? nie ☐ tak ☐
Jeśli tak, to z: Europy Zach. ☐Europy Wsch. ☐ Ameryki Płn. ☐ Inne ☐
Znajomość języków? ________, ________, ________, ________

B Źródła Informacji

W tej części chcielibyśmy dowiedzieć się jakie źródła były wykorzystane (i ich ważność) w uzyskaniu informacji użytej w podjęciu decyzji o inwestowaniu w Polsce. (Prosimy udzielić informacji nawet jeśli nie był Pan/Pani zaangażowany w podjęciu tej decyzji, biorąc pod uwagę wiedzę na dzień dzisiejszy)

Różne źródła informacji są wyszczególnione poniżej. Prosimy o zaznaczenie odpowiedniego numeru; jeśli **źródło nie było użyte -0,** a jeśli zostało użyte to jak ważne było to źródło, gdzie **1 oznacza że źródło nie było ważne** a **5** oznacza że źródło było **bardzo ważne** w podjęciu decyzji.

	Nie było użyte	Ważność (jeśli było żyte) Nieważne				Bardzo ważne	Nie wiem
Polskie czasopisma i gazety	0	1	2	3	4	5	6
Czasopisma i gazety w kraju macierzystym	0	1	2	3	4	5	6
Media międzynarodowe	0	1	2	3	4	5	6
Obraz Polski w mediach kraju macierzystego	0	1	2	3	4	5	6
Personel ambasady polskiej	0	1	2	3	4	5	6
Materiay promocyjne polskich agencji rządowych	0	1	2	3	4	5	6
Izby handlowe	0	1	2	3	4	5	6
Konsultanci w kraju macierzystym	0	1	2	3	4	5	6
Polscy konsultanci	0	1	2	3	4	5	6
Polscy dostawcy/klienci/dystrybutorzy	0	1	2	3	4	5	6
Konkurencja	0	1	2	3	4	5	6
Wydawnictwa organizacji międzynarodowych (ONZ, WTO)	0	1	2	3	4	5	6
Wizyty służbowe kierownictwa firmy macierzystej do Polski	0	1	2	3	4	5	6
Wizyty turystyczne kierownictwa firmy macierzystej do Polsk	0	1	2	3	4	5	6
Inne firmy z kraju macierzystego, z inwestycjami w Polsce	0	1	2	3	4	5	6
Zakupiona firma polska (jeśli zakupiono)	0	1	2	3	4	5	6
Inne (prosimy wymienić ______________)	0	1	2	3	4	5	6

Z powyższych źródeł informacji, lub innych które nie zostały wymienione, które miały największy wpływ na podjęcie decyzji inwestycyjnej? ______________, ______________

Prosimy oszacować wagę niżej podanych dwóch typów czynników wpływających na decyzję inwestycyjną (prosimy zakreślić odpowiedni numer)

Osobiste doświadczenie i opinie osoby podejmującej decyzję, na temat kraju(ów) branych pod uwagę

Nieważne 1 2 3 4 5 Bardzo ważne

Analiza techniczna kraju (np.sytuacja ekonomiczny, infrastruktura, prognozy, itp.):

Nieważne 1 2 3 4 5 Bardzo ważne

Czy zdażyło się, że kierownictwo innych firm z kraju macierzystego zwróciło się do Pana/Pani o opinię na temat inwestowania w Polsce? tak ☐ nie ☐

C Cele Inwestycji/Motywy

W tej częścvi chcielibyśmy dowiedzieć się co było głównym celem/motywem inwestycji w Polsce (prosimy pamiętać, że nie jest ważne czy był Pan/Pani zaangażowany osobiście w podjęciu decyzji)

Prosimy **zakwalifikować ważność każdego** z poniższych **celów/motywów** dla których firma macierzysta zainwestowała w Polsce na skali od 1 do 5, gdzie 1 oznacza **nieważny** a **5** oznacza **bardzo ważny**.

	Ważność					
	Nieważny				Bardzo ważny	Nie wiem
Aby być pierwszym w kraju lub regionie przed konkurencją	1	2	3	4	5	6
Aby ominąć bariery handlowe	1	2	3	4	5	6
Aby być bliżej potencjalnego klienta	1	2	3	4	5	6
Aby być bliżej obecnego kilenta	1	2	3	4	5	6
Pójść w ślad za obecnym klientem, który przeniósł się do Polski	1	2	3	4	5	6
Aby rozpocząć działalność w- - Europie Centralnej	1	2	3	4	5	6
- Europie Wschodniej	1	2	3	4	5	6
- inne ____________	1	2	3	4	5	6
Aby użyć polską inwestycję, żeby eksportować do:						
- innych krajów Europy Centeralnej	1	2	3	4	5	6
- Europy Wschodniej	1	2	3	4	5	6
- krajów Unii Europejskiej	1	2	3	4	5	6
- inne ____________	1	2	3	4	5	6
Aby użyć polską inwestycję jako wstęp przed inwestowaniem w:						
- innych krajach Europy Centralnej	1	2	3	4	5	6
- Europie Wschodniej	1	2	3	4	5	6
- krajach Unii Europejskiej	1	2	3	4	5	6
- inne ____________	1	2	3	4	5	6
Uzyskać dostęp do surowca(ów) podstawowego	1	2	3	4	5	6
Uzyskać dostęp do projektów specjalnych i rozwiązań technologicznych	1	2	3	4	5	6
Pójść za konkurencją, która zainwestowała w regionie	1	2	3	4	5	6
Aby ochronić istniejące rynki zbytu	1	2	3	4	5	6
Aby dostosować się do zarządzeń rządu (np. zobowiązania)	1	2	3	4	5	6
Jako rezultat wzrostu wartości waluty kraju macierzystego	1	2	3	4	5	6
Aby być bliżej głównego dostawcy(ów)	1	2	3	4	5	6
Aby obniżyć koszty produkcji	1	2	3	4	5	6
Aby wykorzystać niższy koszt zatrudnienia pracowników	1	2	3	4	5	6
Aby wykorzystać wyższą wydajność pracowników	1	2	3	4	5	6
Aby wykorzystać zachęty finansowe rządu polskiego	1	2	3	4	5	6
Inne (prosimy wymienić): ____________________):	1	2	3	4	5	6

Z powyższych celów/motywów, lub innyych które nie zostały wymienione, które dwa miały największy wpływ na decyzję inwestycyjną?____________________, ____________________

D Polski Klimat Inwestycyjny: Ocena ogólna

W tym miejscu chcielibyśmy dowiedzieć się o Pańską osobistą opinię, opartą na doświadczeniu, na temat Polski jako kraju, w którym firma macierzysta zainwestowała.

Różne czynniki są wyszczególnione poniżej. Prosimy o **wyrażenie osobistej opini** na temat **polskiego środowiska inwestycyjnego** poprzez postawienie **X** w miejscu, które najbardziej representuje pańską opinię.

Czynniki Rynku			
Wielkość rynku	Mały	:__:__:__:__:__:	Duży
Potencjał rynku	Mały	:__:__:__:__:__:	Duży
Koszty dystrybucji	Niskie	:__:__:__:__:__:	Wysokie
Konkurencja	Słaba	:__:__:__:__:__:	Silna
Położenie geograficzne Polski w Europie	Nieatrakcyjne	:__:__:__:__:__:	Atrakcyjne
Czynniki Związane z Produkcją			
Dostęp do surowców podstawowych	Trudny	:__:__:__:__:__:	Łatwy
Koszt surowców podstawowych	Niski	:__:__:__:__:__:	Wysoki
Koszt energii	Niski	:__:__:__:__:__:	Wysoki
Koszt produkcji	Niski	:__:__:__:__:__:	Wysoki
Koszt zatrudnienia pracowników	Niski	:__:__:__:__:__:	Wysoki
Dostęp do wykwalifikowanej siły roboczej	Trudny	:__:__:__:__:__:	Łatwy
Kwalifikacje polskich pracowników	Niskie	:__:__:__:__:__:	Wysokie
Dostęp do wykwalifikowanego kierownictwa	Trudny	:__:__:__:__:__:	Łatwy
Produktywność	Niska	:__:__:__:__:__:	Wysoka
Poziom technologiczny	Niski	:__:__:__:__:__:	Wysoki
Jakość systemu transportu	Niska	:__:__:__:__:__:	Wysoka
Jakość systemu komunikacyjnego	Niska	:__:__:__:__:__:	Wysoka
Jakość systemu sieci dysrtrybucjnej	Niska	:__:__:__:__:__:	Wysoka
Czynniki Finansowe			
Struktura systemu podatkowego	Skomplikowana	:__:__:__:__:__:	Prosta
Ulgi/wakacje podatkowe	Niskie	:__:__:__:__:__:	Wysokie
Kurs waluty polskiej	Niestabilny	:__:__:__:__:__:	Stabilny
Jakość systemu bankowego	Niska	:__:__:__:__:__:	Wysoka
Czynniki Ekonomiczne i Prawne			
Prognozy rozwoju ekonomicznego	Słabe	:__:__:__:__:__:	Dobre
Poziom inflacji	Niski	:__:__:__:__:__:	Wysoki
Bezrobocie	Niskie	:__:__:__:__:__:	Wysokie
Postęp procesu prywatyzacji	Wolny	:__:__:__:__:__:	Szybki
Ogólny postęp reform	Wolny	:__:__:__:__:__:	Szybki
Ustawy dotyczące sectora prywatnego	Negatywne	:__:__:__:__:__:	Pozytwne
Prawo inwestycyjne	Negatywne	:__:__:__:__:__:	Pozytwne
Wymagania przy wejściu na rynek	Wysokie	:__:__:__:__:__:	Niskie
Zastrzeżenia w prawie własności	Wysokie	:__:__:__:__:__:	Niskie

(czynniki ekonomiczne i prawne, ciąg dalszy)

Zastrzeżenia w repatriacji zysków	Wysokie	:___:___:___:___:___:	Niskie
Ryzyko wywłaszczenia	Wysokie	:___:___:___:___:___:	Niskie
Wymagania przy opuszczeniu rynku	Wysokie	:___:___:___:___:___:	Niskie
Łatwość uzyskania pozwolenia na pracę dla cudzoziemców	Trudno	:___:___:___:___:___:	Łatwo
Ogólna ocena systemu prawniczego	Skomplikowany	:___:___:___:___:___:	Prosty
Poziom biurokracji	Wysoki	:___:___:___:___:___:	Niski

Scena Polityczna i Czynniki Socjalne

Sytuacja polityczna	Stabilna	:___:___:___:___:___:	Niestabilna
Stanowisko rządu centralnego do inwestycji zagran.	Negatywne	:___:___:___:___:___:	Pozytywne
Stanowisko rządu lokalnego do inwestycji zagranicznych	Negatywne	:___:___:___:___:___:	Pozytywne
Zagrożenie strajków	Wysokie	:___:___:___:___:___:	Niskie
Dostęp do informacji	Słaby	:___:___:___:___:___:	Dobry
Łapownictwo/Korupcja	Wysoka	:___:___:___:___:___:	Niska
Stanowisko opinii publicznej do inwestycji zagranicznych	Negatywne	:___:___:___:___:___:	Pozytywne
Poziom odbióru nowych productów/metod/ideii przez Polaków	Niski	:___:___:___:___:___:	Wysoki
Poziom życia	Niski	:___:___:___:___:___:	Wysoki
Szkoły i inne instytucje dla dzieci pracowników zagranicznych	Słabe	:___:___:___:___:___:	Dobre
Jakość lokali mieszkalnych	Niska	:___:___:___:___:___:	Wysoka
Poziom przestępczości	Wysoki	:___:___:___:___:___:	Niski

Ogólna Ocena Polski i Polaków

Wizerunek/obraz narodu	Zły	:___:___:___:___:___:	Dobry
Rozwój przemysłu	Niski	:___:___:___:___:___:	Wysoki
Swiatopogląd	Zacofany	:___:___:___:___:___:	Postępowy
Poziom na jakim Polacy dadzą się lubić	Niski	:___:___:___:___:___:	Wysoki
Poziom zaufania do Polaków	Niski	:___:___:___:___:___:	Wysoki
Otwarcie na świat	Zamknięci	:___:___:___:___:___:	Otwarci
Podobieństwo kulturowe do kraju macierzystego	Niepodobna	:___:___:___:___:___:	Podobna
Stanowisko Polaków do innych kultur, religii, ras	Zamknięci	:___:___:___:___:___:	Otwarci

Z powyższych czynników, lub innych które zostały pominięte, prosimy wybrać 2 czniące Polskę atrakcyjną dla inwestorów zagranicznych i 2 czynące Polskę nieatrakcyjną.

Czynią Polskę **atrakcyjną:** ____________________, ____________________

Czynią Polskę **nieatrakcyjną:**____________________, ____________________

W pańskiej opini co powinien rząd polski uczynić aby **poprawić klimat inwestycyjny kraju i zachęcić więcej inwestorów zagranicznych?**

____

____

____

E Polski Klimat Inwestycyjny: Ważność Czynników

Z powyższych kategorii czyników, niektóre mogą wydać się Panu/Pani jako mające **większy** a niektóre **mniejszy** wpływ na **podjęcie decyzji inwestycyjnej** (każdej inwestycji, nie tylko polskiej) przez firmę macierzystą.

Prosimy **zaszeregować ważność** każdej kategorii na skali od 1 do 5, gdzie **1** oznacza **nieważną kategorię** a **5** oznacza **bardzo ważną kategorię czynników.** (W razie potrzeby przypominenia czynników składających się na poszczególną kategorię prosimy odwołać się do sekcji D)

	Nieważna				Bardzo ważna
Czynniki Rynku	1	2	3	4	5
Czynniki Związane z Produkcją	1	2	3	4	5
Czynniki Finansowe	1	2	3	4	5
Czynniki Ekonomiczne i Prawne	1	2	3	4	5
Scena Polityczna i Czynniki Socjalne s	1	2	3	4	5
Ogólna Ocena Polski i Polaków	1	2	3	4	5

F Polski Klimat Inwestycyjny: Doświadczenie

Według Pana/Pani **jaki poziom satysfakcji** lub **braku satysfakcji** osiągnęła firma macierzysta z inwestycji w Polsce? Prosimy zaszeregować następujące kategorie na skali od 1 do 5, gdzie **1** oznacza **brak satysfakcji** a **5** oznacza **pełną satysfakcję.**

	Brak Satysfakcji				Pełna Satysfakcja
Czynniki Rynku	1	2	3	4	5
Czynniki Związane z Produkcją	1	2	3	4	5
Czynniki Finansowe	1	2	3	4	5
Czynniki Ekonomiczne i Prawne	1	2	3	4	5
Scena Polityczna i Czynniki Socjalne	1	2	3	4	5
Ogólna Ocena Polski i Polaków	1	2	3	4	5

Na dzień dzisiejszy, jaki poziom satysfakcji osiągnęła **firma macierzysta** z inwestycji w Polsce?

Brak Satysfakcji 1 2 3 4 5 **Pełna Satysfakcja**

Na dzień dzisiejszy, jaki poziom satysfakcji **uzyskał Pan/Pani osobiście** z inwestycji w Polsce?

Brak Satysfakcji 1 2 3 4 5 **Pełna Satysfakcja**

Jakie są **plany firmy macierzystej związane z Polską na najbliższe 5 lat**? Przypuszczalnie działalność ulegnie:

Rozszerzeniu ☐ Pomniejszeniu ☐ Nie Ulegnie Zmianie ☐

G Polski Klimat Inwestycyjny: Porównanie z nnymi Krajami

W Pana/Pani opini jaki kraj stanowi największą konkurencję dla Polski jako potencjalny odbiorca inwestycji zagranicznych? (prosimy wymienić) ______________________

Czy firma macierzysta zainwestowała w tym kraju do tej pory:

tak ☐ W którym roku? 19__

nie ☐ Czy planuje zainwestować w ciągu najbliższych 5 lat? tak ☐ nie ☐

Czy był ten kraj brany pod uwagę jako **alternatywna lokalizacja obecnej inwestycji?** tak ☐ nie ☐

Biorąc pod uwagę pańskie doświadczenie, jak porównałby Pan/Pani i klimat inwestycyjny Polski do klimatu inwestycyjnego kraju wymienionego przez Pana/Panią jako największego konkurenta Polski?
Prosimy zakwakifikować poniższe czynniki na skali od 1 do 5, gdzie **1** oznacza, że Polska jest **gorsza** a **5** oznacza że Polska jest **lepsza** niż kraj konkurencyjny.

	Gorsza niż konkurencja				Lepsza niż konkurencja
Stabilizaja polityczna	1	2	3	4	5
Potencjał rynku	1	2	3	4	5
Koszt zatrudnienia pracowników	1	2	3	4	5
Widoki na przyszłość	1	2	3	4	5
Produktywność	1	2	3	4	5
Kwalifikacje pracowników	1	2	3	4	5
Dostępność technologii	1	2	3	4	5
Kwalifikacje kierownictwa	1	2	3	4	5
Koszty dystrybucji	1	2	3	4	5
Koszty produkcji	1	2	3	4	5
Ogólny klimat inwestycyjny	1	2	3	4	5
Odbiór nowych productów/metod/ideii	1	2	3	4	5
Stanowisko rządu do inwestycji zagranicznych	1	2	3	4	5
Poziom życia	1	2	3	4	5
Inne (prosimy wymienić:______________)	1	2	3	4	5

H Podobieństwo Opinii

Według Pana/Pani, jak **zbliżona** jest pańska opinia na temat klimatu inwestycyjnego Polski do opini kierownictwa firmy macierzystej? Prosimy o zakreślenie odpowiedniego numeru, gdzie **1** oznacza że opinia Pańska i opinia kierownictwa firmy macierzystej **nie są zbliżone** a **5** oznacza że są **bardzo zbliżone**.

Nie są Zbliżone	1	2	3	4	5	Bardzo Zbliżone

Czy był Pan/Pani osobiście zaangażowany w podjęcie decyzji o inwestowaniu w Polsce? tak ☐nie ☐

Jaka była pańska rola?____

____

Poziom niezależności (autonomi) w podejmowaniuy decyzji jaką posiada firma polska:

Pełne uzależnienie 1 2 3 4 5 Pełna autonomia

PONOWNIE DZIĘKUJEMY ZA WYPEŁNIENIE ANKIETY!!!!

Pańska opinia jest dla nas bardzo ważna! Jeśli ma Pan/Pani jakiekolwiek uwagi na tematy przez nas poruszone lub pokrewne, prosimy się z nami podzielić. Pański komentarz będzie wzięty pod uwagę w obliczaniu końcowych wyników statystycznych, z zapewnieniem pełnej anonimowości.

Appendix V

INTERVIEW OF GOVERNMENT OFFICIALS

INTRODUCTION

Good morning/afternoon, I am Beata Czapor a graduate student in the Masters of Management Studies program at the School of Business at Carleton University , Ottawa, Canada. I will be conducting this interview as a part of my thesis work and for a major international research program involving similar studies in several other countries.

a) The study is on how business investors in Poland look at Poland
b) however, it also focuses on Canadian investors perceptions about Poland
c) and since government officials play important role in encouraging/discouraging, assisting, etc. business decision, by speaking to the experts like yourself, we would like to get insights regarding Canadian investment in Poland, the current investment climate in Poland and its implications for future foreign investments.

We are especially interested in knowing about:

a) Your experience in dealing with Poland
b) Your opinion about Canadian companies' objectives in selecting Poland as possible place for investment, and
c) Your Personal assessment of the Polish business environment for foreign direct investment.

If you agree, I would like to tape this meeting **in** order to retain as much information as possible. Your answers are **completely confidential** and the tape will not be aired by anyone but myself, and also all results will only be reported in aggregate form. .

PERSONAL HISTORY

1. How long have you worked for the government of Canada in this department?
2. What is your role?
3. Have you ever been to Poland or other countries of the region?

OBJECTIVES

4. In your opinion what is the most important objective(s) for Canadian companies in deciding to make investment in Poland?
6. Are there any specific factors for choosing the particular city/part of the country? *(if No go to Q. 18)*
7. Which factors and for what cities/locations?

SOURCES OF INFORMATION AND ASSISTANCE

7a. What information sources are available for Canadian businesses wanting to invest in Poland?

8a. Which of these information sources are, in your opinion, the most comprehensive, accurate and most widely used?

9a. How easy or difficult is it to access relevant information that is needed before making the investment decision about the Polish investment climate. (e.g. market, government regulations etc.)

10a. How easy or difficult is it to get help to operationalize the investment decision? (e.g. legal assistance, help from reactors, investment consultants etc.)

11a. How simple or complex is the application or notification to Polish government agencies?

12. How would you assess the climate for foreign investment in Poland at the present time?

PROBES
--What do you think is attractive about it?
-- or unattractive about it?
--Why do you say that?

13. How would **<u>you</u>** assess the present investment climate in Poland in comparison to your previous expectations, when you were not personally involved in dealings with Poland?

(if there was a change in perception), what influenced this change the most?

14. What do you think Poland should do to improve the investment climate and to attract foreign investment?

15. How do you think investors from Canada view Poland?

31. To the best of your knowledge, how many Canadian businesses have already invested in Poland, and how many is looking into investing in Poland?

32. In your opinion how satisfied/dissatisfied are companies that invested in Poland with that investment?

33. Do you help Canadian businesses that would like to invest in Poland or other CEE countries? *(if YES)* what type of support do you offer:

PROBES

--Do you collect information?

--Do you prepare reports about Poland, what type?

19. How often does this happen and what do you say?

20. What would you say or recommend if they did ask?

COMPARISON TO OTHER COUNTRIES

21. In your opinion which other countries/regions are considered as alternative locations to Poland as a Foreign Direct Investment location?

22. In your opinion which other country (-ies) have investment climate similar to Poland?

PROBES

--Within the E.U.

--Central and Eastern Europe

--Other European countries

--Asia

--Other

23. Why would you choose Poland over these other countries?

46. What differences do you perceive between the investment climate in Poland and the rest of countries

--Within the E.U.

--Central and Eastern Europe

--The Balkans
--Other European countries on the Mediterranean
--Middle East
--Asia
--Other

PERSONAL CONTACTS IN DECISION MAKING.

Finally, some books and theory tell us that companies look at objective reasons and use a process based on financial considerations when deciding whether, and if so where to invest abroad, while others tell us that personal experiences, acquaintances and other personal information affect the decision making process.

25. In your opinion in what way does the information gathered through personal acquaintances or personal experiences, etc. affect the decision making process?

Thank you for your help this concludes this interview, however, could you please recommend other government officials that could be interviewed for the purpose of this study.

Appendix VI

INTERVIEW OF CANADIAN EXECUTIVES INTRODUCTION

Good morning/afternoon, I am Beata Czapor a graduate student in the Masters of Management Studies program at the School of Business at Carleton University , Ottawa, Canada. I will be conducting this interview as a part of my thesis work and for a major international research program involving similar studies in several other countries.

The main purpose of the study is to evaluate the Perceptions of senior executives of companies in Poland, such as yours, that are owned by Canadian parent company, regarding the current investment climate in Poland and its implications for future foreign investments.

We are especially interested in knowing about the parent company's:

a) Experience with this investment decision;

b) Their objectives in selecting Poland as a place for investment, and

c) Your Personal assessment of the Polish business environment for foreign direct investment.

If you allow, I would like to tape this meeting in order to retain as much information as possible. Your answers are completely confidential and the tape will not be aired by anyone but myself, and also all results will only be reported in aggregate form.

PERSONAL HISTORY

1. How long have you worked with the parent company?
2. Were you there at the time of the decision to invest in Poland? *(if NO go to Q.5)*
3. Were you part of the decision making Process? *(if no go to Q. 5)*
4. What was your role?

PROBES

--Did You come to scout the environment?
--Did you collect information?
--Did you help in Operationalizing the investment decision?
--Were you part of the decision making group?

PARENT COMPANY HISTORY

5. In what year was the parent company founded? Where?
6. What is the primary business of the parent company?
7. Would you please tell me about the foreign investment activities of the parent company,

e.g. *when first invested outside its home country, where and why?*

PROBES

--When did the company first begin foreign direct investment?
--How many countries has the company invested in?
--What was the first country?
--Where does Poland rank in terms of order of entry?
--Which country has received the most investment in $ value?
--Where does Poland stand in terms of order of investment?
--When did the company invest in Poland:_______ (year)

8. Which investment is most important to the parent company? and why?
9. How does this Polish investment fit within the parent firm's strategy for foreign direct investment activities?
10. Was the parent company operating in Poland prior to this investment?

--Did any of the activities involve -- *(list the following)*

a. Export via company-owned channels
b. Exports via agents or distributors in the home country
c. Exports via agents or distributors in Poland
d. Licensing agreement
e. Joint Venture
f Manufacturing

--*(if NO, go* **to 11)**
--*(if Yes to any of the above)* 'Why did you take this path?

(if CEO Q I 1 to 14,otherwise go to Q 15)

11. What is the nature of the investment?

PROBES

--Is it one of *(list the following):*

a. Sole owner
b. Majority ownership and control
e. Joint venture with local company
d. Joint venture with other foreign company
e. Minority owned affiliate

12. Are there exports or other international operations from Poland? *(if no, go to 15)*
13. *(if Yes to exports)* To where do you export from Poland?
14. *(If Yes* **to** *other international operations)* What is the nature and extent of these?

OBJECTIVES

15. What were the Parent company's most important objectives in deciding to make investment in Poland?
16. Were there any specific factors for choosing the particular city/part of the country? *(if No go to Q. 18)*
17. Which factors and for what cities/locations?

EXPERIENCE WITH INVESTMENT

We would like to know the parent company's activities and experiences in making this investment decision up to the time that you actually acquired/established operations here. More specifically-

(if Yes to 2, ask 18a-22a -- otherwise go to 18b-22b)

18a. What information sources were used?

19a. Which of these information sources influenced decision making?

20a. How easy or difficult was it to access relevant information that was needed before making the investment decision about the Polish investment climate (e.g. market, government regulations etc.)

21a. How easy or difficult was it to get help to operationalize the investment decision? (e.g. legal assistance, help from reactors, investment consultants etc.)

22a. How simple or complex was the application or notification to government agencies *(go to 23)*

18b. What information sources do you think were used?

19b. Which of these information sources do you think influenced decision making?

20b. How easy or difficult do you think it was to access relevant information that was needed before making the decision about the Polish investment climate? (e.g. market, government regulations etc.)

21b. How easy or difficult was it do you think to get help to operationalize the investment decision ? (e.g. legal assistance, help from realtors, investment consultants etc.)

22b. How simple or complex do you think was the application or notification to government agencies?

23. How would you assess the climate for foreign investment in Poland at the present time?

PROBES

--What do you think is attractive or unattractive about it?

--Why do you say that?

24. How would **you** assess the present investment climate in Poland in comparison to your initial expectations?

25. How would **your parent company** assess the climate in comparison to their initial expectations?

26. Overall how satisfied/dissatisfied **is your parent company** with the investment experience in Poland to date? Why?

27. Overall how satisfied/dissatisfied **are you personally** with the investment experience in Poland to date? Why?

28. Overall how satisfied/dissatisfied are you personally with the experience of living and working in Poland to date? why?

29. What do you think Poland should do to improve the investment climate and to attract foreign investment?

30. How do you think other investors from your home country view Poland?

31. Given all of the above, what are the Parent company's plans here for the next 5 years?

PROBE

--Are you likely to expand, contract or remain about the same?

32. Has it ever happened that other companies or executives in your home country have asked your opinion about investing in Poland? *(if Yes, go to Q 33: if no, go to Q 34)*

33. How often does this happen and what do you say?

34. What would you say or recommend if they did ask?

PRESENT RELATIONS WITH PARENT COMPANY

(if CEO Q 35 otherwise go to 36)

35. How is the Pölish organisation structured for reporting to the parent and in sharing decision making with the parent?

PROBES

--Does the Polish company report directly to the parent company or through a regional *office? (If regional office, where is this regional office?)*

--How often do the personnel from the Parent or regional headquarters. and who, come to Poland?

--How often do the people from the Polish company, and who, visit the parent or regional headquarters?

36. What level of autonomy does the Polish company have in decision-making?

PROBE

--What decisions can the Polish company make on its own and what does it have to refer to the head office?

37. How does your parent company solicit your personal views about operations and investment

38. How influential are your views in the parent company's decision making?

COMPARISON TO OTHER COUNTRIES

39. Which other countries/regions were considered as alternative locations for this investment?

40. In your opinion which other country (-ies) have investment climate similar to Poland?

PROBES

--Within the E.U.

--Central and Eastern Europe

--Other European countries

--Asia

--Other

41. Has your company invested in any of these countries? if yes, which ones?

(if Yes go to 42, otherwise go to 45)

42. What is the parent company's experience with that investment? *(how satisfied/dissatisfied is it?)*

43. Why is the company established in both countries?

44. Do they compete for parent company resources? *(if no to 41)*

45. Why did you choose Poland over these other countries?

46. What differences do you perceive between the investment climate in Poland and the rest of countries

--Within the E.U.
--Central and Eastern Europe
--The Balkans
--Other European countries on the Mediterranean
--Middle East
--Asia
--Other

PERSONAL CONTACTS IN DECISION MAKING.

Finally, some books and theory tell us that companies look at objective reasons and use a process based on financial considerations when deciding whether, and if so where to invest abroad, while others tell us that personal experiences, acquaintances and other personal information affect the decision making process.

47. In your opinion in what way does the information gathered through personal acquaintances or personal experiences, etc. affect the decision making process?

48. Were any such factors at play in your particular case and how?