Eastern European Journal of Transnational Relations

Polish FDI in Germany – junior partner with any signs of rising strong?

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Abstract. The economic ties between neighbours are always in the spotlight. Polish-German relations are no exception in this regard, especially given a particularly pronounced asymmetry in the level of mutual direct investment – the flows and stocks of foreign direct investments (FDI). This paper aims threefold: to analyse the recent development trends of Polish investment in Germany, to characterise the profile of investing firms and identify possible patterns of Polish FDI in Germany and finally, based on the diagnosed challenges, to formulate some policy and managerial recommendations. Methodologically it draws on a descriptive analysis of investment figures and a qualitative approach in line with the grounded theory method (GTM) framed in classic FDI theories and concepts. Confrontation of previously (2012-2014) conducted projects with the recent reports or scholarly studies confirmed challenges identified earlier and demonstrated that not much has changed in this respect. Poland when it comes to outward foreign direct investment (OFDI) is still 'punching below its weight'. Such reflection could be interpreted ambiguously. On the one hand, Polish investments in Germany fluctuate considerably often subject to single one-time investment decisions; on the other, more investments target promising niche sectors such as IT or urban mining. The still unsatisfactory levels of Polish OFDI (development along the investment development path - IDP) can be hence explained 'pessimistically' in terms of missing structural competitiveness but also more on a positive note, as a result of the unabating potential and absorptive capacity of the domestic market.

Keywords: FDI, OFDI, Poland, Germany, trend, profile.

JEL Classification: F00, F20, O52, P00.

Citation: Götz, M. (2023). Polish FDI in Germany – junior partner with any signs of rising strong?. *Eastern European Journal of Transnational Relations*, *7*(2), 77-90. https://doi.org/10.15290/eejtr.2023.07.02.08

Academic Editor: Andrzej Jackiewicz

Publisher's Note:

INTRODUCTION

Economic relations between neighbours always deserve closer attention. Poland and Germany two key EU member states are no exemption in this respect. According to the Polish Economic Institute (PIE) report (2022), Germany has remained one of Poland's key economic partners for years. Around 10% of Poland's GDP in 2018 depended on trade with its western neighbour, of which more than 7% came from the demand of German customers and another 2.6% from Germany's further exports of Polish added value. Germany's share of Polish goods exports in 2019 is approaching 30%, while its share of imports is almost 22%. According to the United Nations COMTRADE Database (2021) on international trade, Poland's exports to Germany in 2021 were 91.05 billion USD, whereas German exports to Poland totalled 92.31 billion USD. Poland is Germany's fifth trading partner in exports and fourth in imports. Besides rather balanced trade relations, the asymmetry of economic potential can be seen on many levels. In 2022, the GDP of Germany totalled 4.03 trillion USD whereas Poland's equalled 716 billion USD. According to the European Commission's 2022 estimates, Poland reaches 38.8% of the German GDP per capita. In 2004, the proportion was below 25%. At this rate, however, it will take as long as 71 years to equal the levels of GDP p.c. If the purchasing power is considered, Polish GDP per capita could exceed 65% of Germany's. German GDP pc equals 2022 119% of the EU average, whereas Polish is 77% (TL, 2022). A key factor for knowledge-based economies - expenditures on R&D per capita amounted in 2020 to 131.932 (PPP billion USD) in Germany and 16.086 in Poland. Capitalisation of the Warsaw Stock Exchange (WSE) totalled 583 billion PLN, whereas German Börse - 7795 billion PLN (EXPLICITE, 2022). Significant discrepancies can be also identified for the most advanced form of capital flows i.e., foreign direct investment (FDI), which as such might be also conceptually attributed to often-raised misconceptions about the harmful impact of outward foreign direct investment (OFDI) on the home economy (Bathelt et al., 2022). At present, Polish foreign direct investment across the border river Oder is almost 30 times smaller than German investment here. Precise Central Bank (NBP) data from 2021 shows that this asymmetry is almost 42 times for FDI flows and more than 24 times for FDI stock.

Summing up, analysing the development trends of Polish investment in Germany, and providing recommendations seems a valuable research endeavour due to various reasons. Firstly, Poland is one of Germany's key trading partners in Central and Eastern Europe, making it crucial to understand the dynamics of Polish FDI in Germany to foster future economic cooperation and next to strengthen bilateral relations. Secondly, understanding the evolution of profiles and patterns of investing firms can provide fresh more nuanced e.g. sectoral insights which can help identify areas of mutual interest. Thirdly, diagnosing challenges faced by Polish firms when investing in Germany should inform policy decisions aimed at improving the investment climate and enhancing the attractiveness of cross-border investments. Fourthly, also managers of Polish firms seeking to invest in Germany can benefit from some findings derived from this research which may help them make more informed investment decisions, mitigate risks, or optimize their strategies. The studied topic fits into the complex issue of economic integration within the EU stressing how member states are taking advantage of the Single Market. Finally, this research might add to the body of knowledge on international business, foreign direct investment, and economic relations between EU member states and have practical implications for businesses, chambers of commerce, trade associations, and government agencies involved in promoting international trade and investment. In conclusion, studying the development trends of Polish FDI in Germany seems essential for fostering economic growth, strengthening bilateral relations, and contributing to regional and European economic stability providing some new resources for policymakers, businesses, and academics.

This paper aims to analyze the development trends of Polish investment in Germany drawing on data at the turn of XX / XXI centuries, and recent figures; to characterize the profile of investing firms and possible patterns of Polish FDI in Germany and finally based on the diagnosed challenges to formulate some tentative policy and managerial recommendations. The next section presents selected literature devoted to the outward foreign direct investment (OFDI) phenomena and is supplemented by the review of theoretical concepts guiding the field study scenario outlined in the second part. The subsequent third section provides facts and figures on Polish FDI in

Germany and is followed by a discussion of research project findings. The last part summarizes the conclusions, formulates practical recommendations, and provides some way forward.

1. LITERATURE REVIEW

Research on OFDIs from Central and Eastern Europe (CEE, "new" EU members) countries, although continuously developing, remains relatively rare (Fidrmuc & Martin, 2011; Elteto, 2010; Yamakawa et al., 2008). Poland, as a "middle-income country," seems neither rich enough to provide "downhill flows" (i.e., from more advanced economies to less developed ones), nor exotic enough. Poland seems not to be in the spotlight of International Business research, as it escapes clear categorization. It is neither a fully advanced, industrialized, developed economy nor an emerging developing one, already having reached some status of the country in the middle of the league. As some argue, the post-transition and ex-communist economy is possibly threatened by the risk of getting stuck in a middle-income trap, also heavily dependent on FDI, hence specific, yet not exotic country or some unique case drawing typically more analytical attention and scientific curiosity. Thus, Polish investments abroad, particularly in more advanced economies, could be categorized as atypical (Klimek, 2009).

Previous studies point to several peculiarities of OFDI stemming from the CEE region and detect specific properties of a given country (Elteto, 2010; Svetlicic & Jaklic, 2006; Andreff, 2003; Rugraff, 2010). Recent study by Hilger et al. (2023), also revealed the need of contextualised explanations in this respect. The generally confirmed low level of FDI from CEE countries results from their companies' "latecomer" status and all the associated disadvantages, which can be traced back to the "transformation shock" experienced while switching from a centrally planned economy towards a market economy (Kalotay, 2010). Despite some deviations from classic "downhill flows", investments conducted by companies from CEE, do not allow us to question the applicability of traditional theoretical concepts (Svetlicic, 2004). Discrepancies can be rather attributed to timing, i.e., the moment when these firms start venturing abroad; rapid changes induced by hyper-globalisation; or new realms of market functioning, including the deepening of EU integration (Rosati & Wiliński, 2003).

Studies on Polish FDIs (Karaszewski, 2008; Karpińska-Mizielińska & Smuga, 2007) confirmed correlations between factors such as export experience, company size, financial situation and OFDI. Market potential and possible cost reduction, belong to the most frequently quoted motives for venturing abroad. Surveys also revealed various barriers to investment processes. Interestingly, Polish companies complain less about a host country's hindrances (fierce rivalry or bureaucracy) than they do about the Polish authorities' assistance with internationalization processes. The propensity to start OFDI in nearby markets and only then expand to remote places has been corroborated, yet the identified significant variation in investors' opinions suggests the highly individual character of Polish FDI (Maleszyk, 2007). Studies have confirmed the hypothesis assuming the positive influence of FDI on a firm's competitiveness (Karaszewski, 2008) but also revealed that OFDIs were directed mainly to niche markets, exactly where a company's competitive advantages can be fully utilised (Rosati & Wiliński, 2003). Not only did higher productivity facilitate investments abroad, but also further upgrade itself precisely as an outcome of internationalisation (Hagemejer & Kolasa, 2011).

While studying the evolution of FDIs, many authors concentrate on the Investment Development Path (IDP) framework (Dunning & Narula, 1996), which assumes an increase in a country's outward investments as its economic development proceeds. Basically, the IDP relationship empirically tested for CEE countries showed split results (Masca & Vaidean, 2010). One of the most comprehensive papers in this respect highlights the idiosyncratic character of each country's IDP course (Gorynia et al., 2010), as well as emphasises the impact of external factors on an IDP trajectory. CEE countries seem to follow the subsequent stages of IDP, nevertheless, bilateral Polish-German FDI linkages seem to defy such a relationship (Götz & Trąpczyński, 2016). While Poland can be classified as residing somewhere between the second and third stages of IDP in relation to the rest of the world, in bilateral relations with Germany it seems to be at a still earlier stage – late first or early second. This asymmetry between

Polish investment in Germany and German ones in Poland could be also attributed to the occurrence of single large transactions significantly impacting the shape of IDP. Other factors than purely GDP growth, seem to play role in determining the mutual flows. Domestic firms may still lack key competitive advantages enabling them to venture into the German market stressing the need of upgrading home businesses' competitiveness, which should translate into further internationalisation of indigenous Polish entrepreneurship.

2. METHOD

Polish FDI in Germany still seems to remain a rather uncharted area neither fitting nicely into the category of exotic flows from developing to the developed country nor into the classic direction from capital-abundant to the capital-scarce economy. Considering this relative uniqueness, this paper relies on mixed sources and methodological approaches. It employs a review of grey literature (Szalavetz, 2022), which provides insights generated by non-academic actors and published in non-peer-reviewed outlets like reports by think-tanks, consultancy firms, or case studies by practitioners and analyses by government bodies. According to Mahood et al. (2014), the inclusion of grey literature broadens the important evidence base for contemporary research. Thanks to conducting a scoping review it is possible to properly map and identify patterns that may guide more systematic research (Munn et al., 2018). This paper also draws on dedicated extensive research projects entitled "Polish direct investment in Germany" (2012) and "Exploring Foreign Direct Investment from Poland Using Grounded Theory Method" (2012-2014). An integral part of the project was a field study covering an extensive and comparative multi-case study which relied on the grounded theory method (GTM) procedure and 7 in-depth interviews with experts and investors[1]. Grounded theory, and thus the development of contextualized explanation, is possible thanks to an iterative process of data collection and analysis (Strauss & Corbin, 1990; Glaser & Strauss, 1967; Magnani & Gioia, 2022). Polish FDI in Western Europe is increasing though could be considered as an atypical economic category, consisting of a flow of capital to a wealthier country, which, among other things, justifies the use of GTM as a framework for the study and an analytical structure (Götz, 2013). It should be noted that traditional quantitative research was hindered by the size of the group, i.e. a small population of Polish investors operating in Western Europe. Given the difficulty of accessing such a small group or obtaining information from its members, and the resulting fact that the information obtained would not ensure any representativeness, the quantitative method was rejected. As a result, it was decided to carry out qualitative research and to adapt the GTM methodology (i.e. to use it as a framework for analysis). The relatively small group of those "willing to talk" determines de facto so-called saturation which is achieved when there is no additional data and that it is possible to develop properties for categories. Nevertheless, the presence of participants from firms of various sizes, financial backgrounds, and specializations enables the fulfilment of the maximum diversity requirement (Patton, 1990). The qualitative analysis, based on the extensive use of multiple case studies (Yin, 2003), was intended not only to identify the profile of the Polish investor active in more developed foreign markets but also to develop the foundations of grounded theory in describing the phenomenon of "reverse flow" capital. In the field (empirical) studies, in-depth semi-structured interviews were used as a core technique. Given the specific problems associated with non-random sampling, sampling in this study was deliberately based on a subjective selection of units in the hope of obtaining the broadest and most complete responses. Practical considerations - the desire and willingness of enterprises to cooperate - played a decisive role. However, the sampling method used had certain consequences for the interpretation of the results obtained. The results, i.e. the new data

[1] "The project Exploring Foreign Direct Investment from Poland Using Grounded Theory Method" was funded in 2012/2013 by the National Science Centre (OPUS; decision 2011/03/B/HS4/01629; discipline panel HS4_12 international economic relations. The project „Polskie inwestycje za granicą – pomoc państwa" funded by the Instutute of Western Affairs funds to carry out research or development work and related tasks for the development of young scientists and participants in doctoral studies at the Zygmunt Wojciechowski Western Institute in Poznań, Institute of Science and Research.

that kept coming in, were analyzed throughout the project to gain a clear understanding of each case and to make various comparisons between them. This enabled the formulation of the main theses of grounded theory concerning Polish FDI, which could then serve as a starting point for more precise research. Finding participants proved to be a difficult task. Despite repeated attempts, requests to participate in the project were either ignored or refused. At the same time, it turned out that some investments officially classified as "Polish FDI" were not. The first set of questions was sent at the end of June 2012 to 41 companies registered in databases as investing abroad. Subsequently, interviews (partly structured, using a set of questions with different levels of detail) were conducted with some of these companies. Recognizing that grounded theory guidelines optimally assume four to ten cases, information was obtained for nine companies (Eisenhardt, 1989). They represent the fuel and energy sector, manufacture of transport equipment, catering services, trade, control and measurement automation, medical diagnostics, ICT, production of rolling stock, chemical industry, industry (cement, road, chemical, shipbuilding, mining) building elements manufacturing and financial industry.

The research propositions tested in field studies have been conceptually framed in different classic FDI paradigms and approaches. Hence the scenarios of interviews accounted for seminal works in the field (Götz, 2011). Conducting foreign investments requires three basic groups of advantages: O – ownership advantages, which grant a certain edge over competitors; L – locational advantages of the host country, such as a conducive business environment; and I – internalisation advantages justifying investment as a preferable form of internationalisation compared to export (Dunning & Narula, 1996). One of the most prominent classifications in FDI literature differentiates between market-seeking, strategic asset-seeking, efficiency-seeking or resource-seeking investment (Dunning, 1993) and revealed that the highest-asset or most productive firms tend to choose Greenfields; less-equipped companies go for M&A or joint ventures; whereas the weakest and least productive decide usually on export (Raff et al., 2007; Wang, 2009). Concerning technology, three types of FDIs can be distinguished: technology-seeking, home-base exploiting, and home-base augmenting (UNCTAD, 2004). Companies conduct FDI not only when they possess unique capabilities (Cantwell, 1989; Mucchielli & Mayer, 2004; Peng, 1995). Faced with a lack of own advantages, they may perceive external sourcing as a way to address certain imbalances (Moon & Roehl, 2001). As incoming investors are confronted in the target country with the "disadvantage of Alien Status" (Caves, 1971), those who consider investment abroad must possess specific advantages possibly offsetting disadvantages deriving from the privileged situation of domestic firms (Hymer, 1976). Whereas the presumed preference for investing in neighbouring countries reflects the incremental nature of internationalisation and the learning processes involved (Johanson & Wiedersheim-Paul, 1975; Hosseini, 2005; Gorynia & Jankowska, 2007), the network theory explains internationalisation as an attempt to enhance the firm's position by extending its relations with other players abroad (Miles & Snow, 1986; Ratajczak-Mrozek, 2009). The presented study also acknowledges that FDIs can reflect an uncooperative game between firms and an "exchange of threats" (Graham, 1978). Countering investments can aim at gaining attractive foreign know-how, skills, or assets (i.e., at pre-emptying competitors) earlier than rival firms (Flowers, 1976; Knickerbocker, 1973). Though, such reactions can be also motivated by the need for risk reduction or learning from another's experiences (Leahy & Pavelin, 2001; Altomonte & Pennings, 2003). Guided by the insight generated in the literature review, this paper aims to:

1) evaluate the trend development of Polish FDI in Germany so far and the current situation in terms of invested capital,
2) characterise the profile of Polish investors in the German market and identify some patterns or regularities of investors' behaviour,
3) formulate tentative recommendations based on diagnosed challenges and arising opportunities.

To address such issues besides the above-mentioned qualitative approach drawing on two 'in-depth, semi-structured interviews' based' projects, simple descriptive statistical calculation of officially available databases is applied.

3. FACTS AND FIGURES

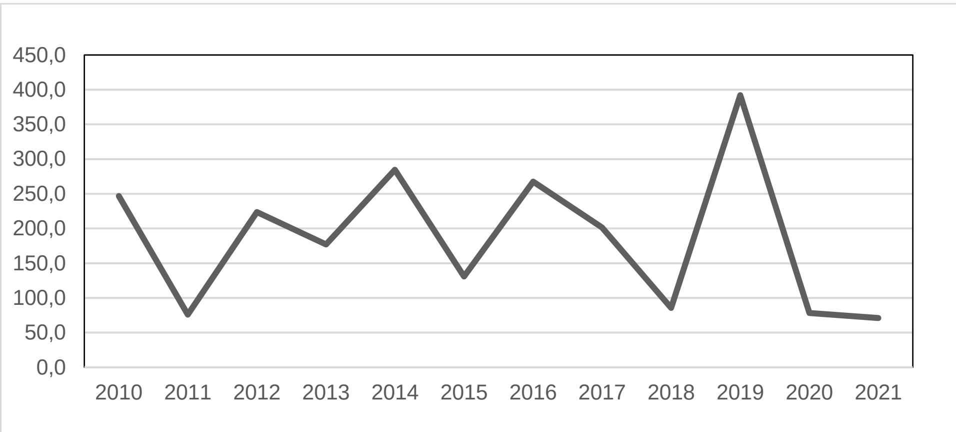
The Polish Economic Institute (PIE, 2022) noted that the value of Polish foreign direct investment in Germany and its share in the total outflow of FDI from Poland fluctuated from year to year. In 2019, it amounted to PLN 1.14 billion, accounting for more than 20% of the total FDI outflow from Poland. The cumulative value of Polish FDI in Germany at the end of 2019 exceeded more than PLN 5.9 billion which accounted for about 6% of the total cumulative Polish FDI.

Analysing the trend of capital outflow from Poland to Germany in more detail at the turn of the XX and XXI centuries revealed significant variations. As data provided by the Central Bank (NBP) showed the scale of investments varied from over EUR 53 million withdrawn in 2005 to more than four times as much sent two years later (217 million in 2007). Germany's share of capital outflowing Poland fluctuated considerably between 1996 and 2009, oscillating between 1.18% in 2006 and 73.4% in 1997. Interestingly, the stock of Polish FDI in Germany did not systematically accumulate in terms of value. This is because the stock fluctuated (not just grew), declining among others in 1997, 1999, or 2005.

Considering the volume of Polish capital invested abroad, it can be stated that the values attributable to Germany ranged from a share of approx. 2.5% to 26%. The capital accumulated in Germany in 1997 was of the greatest significance, compared to the capital accumulated in Europe, and the least in 2002. In 2009, the total capital deployed in Germany amounted to less than 5% of Polish investments in Europe. Significant fluctuations in the value of cumulative investment testify to both multi-directional dynamic flows Poland-Germany (the capital was flowing in and out) and high activity in other geographical directions in Europe.

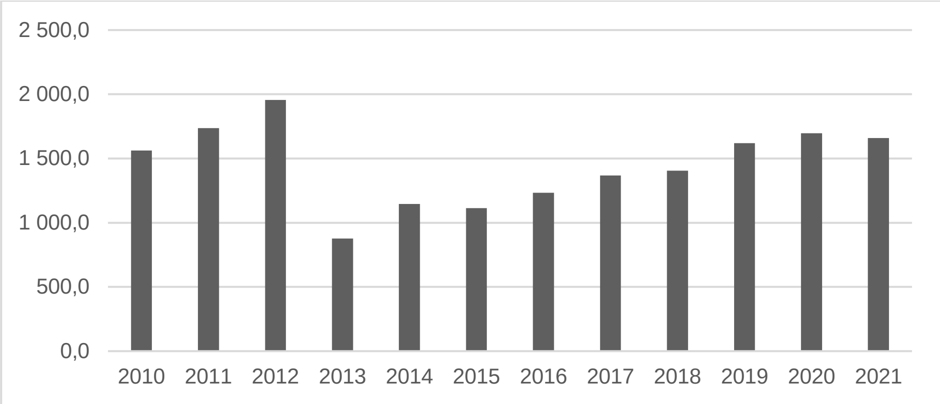
Recent data provided by NBP (2022) shows that in the years 2010-2021 the highest value of FDI flew from Poland in the year 2019 reaching more than 392 million EUR, whereas in 2021 it was barely 71 million EUR. These fluctuations translated into changes in stock values which ranges from nearly 2 billion EUR in 2012, to merely 878 million a year after.

Figure 1. FDI outflow from Poland to Germany, mln EUR



Note. Source: NBP, data retrieved January, 2023.

Figure 2. FDI stock from Poland to Germany, mln EUR



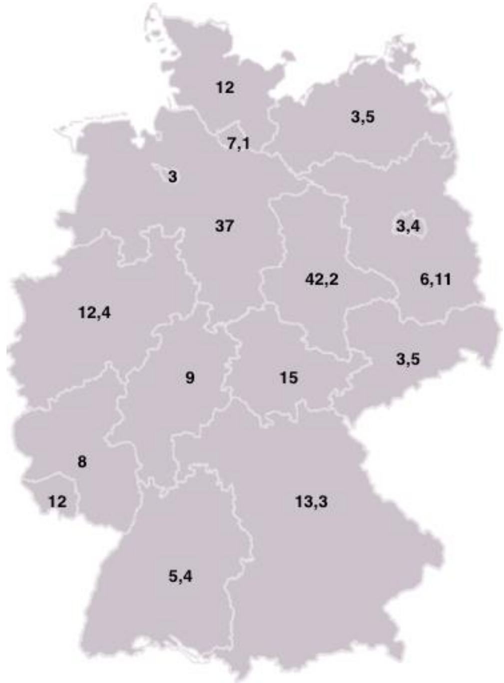
Note. Source: NBP, data retrieved January, 2023.

The importance of Germany as a favourable location for Polish investments seems to significantly fluctuate over time. Whereas in 2012 more than 50% of all Polish FDI destined for Europe flew exactly to Germany in other years it did not exceed 5%. In terms of cumulated investments, Germany hosts so far around 7% of total Polish FDI located in Europe.

According to Polish Central Statistical Office (GUS, 2022) at the end of 2020, 1,880 entities based in Poland reported involvement in 4,030 entities abroad in the form of shares, branches or another form. Most foreign entities were based in Germany, the Czech Republic, Ukraine, and Russia. In 2020, the largest number of employees was reported in foreign units based in Germany (27.3 thousand), Russia (20.0 thousand), the Czech Republic (19.4 thousand) and Romania (17.9 thousand). Taking into account the location of the surveyed foreign units, high net revenues from sales of products, goods and materials in 2020 were achieved by foreign units based in Germany and the Czech Republic, with PLN 36.7 billion and PLN 25.1 billion respectively.

Figures provided by Bundesbank (GTAI, 2023) show that in 2020 Poland ranked as the 36th largest FDI source for Germany with FDI stock of more than 608 million EUR which signifies some decline from 880 in 2019, 859 in 2018, 943 in 2017 and 827 in 2016. There were 105 projects coming from Poland in the years 2015-2021 which placed Poland in the 18th position among top investors. Whereas in 2015, according to fDi Markets 2022; there were 19 new projects coming from Poland, in 2016 as many as 22, but the number dropped sharply in 2017 to barely 6 projects to return to an average of 14/15 projects in subsequent years – 15 in 2021. The majority of FDI projects located in Germany originate from the US, Switzerland, the UK and China. Available data also revealed that in 2020 Poland had 2500 companies registered in Germany employing 20 500 people. The top three investors were: Switzerland with 10 000 firms and 463 000 employees, the US having 8650 companies in Germany with 702 000 employees and the Netherlands with 9200 and 439 000 employed people. In recent years, Berlin has become the most attractive federal state for Polish investors with more than 880 registered firms employing 3000 people. According to GTAI, in 2022 the remaining top three German regions among Polish investors besides the capital city region were North-Rhine Westphalia hosting 340 firms with 4200 employees, Brandenburg with respectively – 360 companies and 2200 workers and Saxony where 230 Polish firms located and employed 800 people. Bavaria comes fifth with only 120 firms but employs 1600 people.

*Map 1. The average number of employees per Polish company in each Federal State**



Note. Source: own calculations based on figures from GTAI (2023).

* Draws on fDi Markets 2022 and Bureau van Dijk Electronic Publishing database June 2022 - FDI projects refer to greenfield and expansion investment projects; M&A projects are not included.

In terms of the number of new projects located in each German federal state in the years 2015-2021 North-Rhein Westphalia with 25, Berlin with 24 and Baden Wuerttemberg with 14 projects occupied the top three regions followed by Bavaria - 13, Hamburg - 6 and Brandenburg and Hessen 5 in each. Interestingly, according to German sources, the ICT and software sector attracted the majority of Polish FDI projects (21% of the total) in the years 2015-2021, followed by business and financial services (15%) and textiles (12%).

Taken together, the course of bilateral IDP, the erratic trends in Polish FDI flows and stock in Germany, as well as the pattern of distribution of Polish entities in German federal states in terms of the number of firms and employment (vide Hamburg with 133 sole proprietorships) are rather weak signs of Polish partner rising stronger as a source of foreign capital. This can be also seen as corroboration of the fact that FDI is indeed the most advanced mode of capital flows which really takes time.

4. DISCUSSION

4.1. Profile of Polish investors - identified pattern and peculiarities

The discussion of Polish FDI in Germany should start with a brief overview of the profile of investing firms. Polish construction companies have the longest tradition of operating on the German market, generally in the role of subcontractors to German companies, but apparently, they are increasingly taking over existing principals (Godusławski, 2020). Lately, investment activity in Germany has been shown especially by chemical, automotive, furniture, logistics and waste disposal companies, e.g. Victoria Dom one of Poland's largest property developers, Elemental Holding one of the leaders in the global urban mining market or Laude.pl representing intermodal transport. PKN Orlen, Boryszew, Ciech, KGHM, Kopex and Nowy Styl belong to the largest Polish investors in

Germany. Most of the time Polish companies expand by M&A, rather than by greenfield investments (GTAI, 2023). For example, Grupa Synthos bought in the town of Schkopau an existing facility from the company Trinseo. Polish startup Docplanner, acquired their German competitor Jameda in 2021. Azoty and Nowy Styl expanded in Germany via M&A as well. A recent example of Polish greenfield investments in Germany might be Ciech who expanded activities in Stassfurt by building new facilities there. Yet, high-tech companies are also entering the German market more and more boldly. Polish IT firms such as Comarch, Asseco and Komputronik are expanding their operations. Difficulties in entering the German market are partly solved by taking over or entering a partnership with a local company. The grey literature reveals that the vast majority of Polish investors in Germany believe that the choice of this country as an investment destination was the right one. They praise, among other things, the quality of infrastructure, payment discipline, the approach of tax institutions and the availability of qualified personnel and subsidies. The crisis caused by the COVID-19 pandemic does not generally cause a change in their investment plans.

The results of quoted research projects (2012 and 2012-2014) likewise findings obtained by PIE (2019) did not reveal any single pattern of investment behaviour among Polish firms, which in a way reflects the still small scale of such undertakings. Companies both invested according to the stages of the Uppsala model, as well as tend to skip them; they take up business in neighbouring familiar markets as well as enter directly (often as born globals) other continents. Economies of scale and competitors do not seem to play a role in the internationalisation decisions of Polish companies. According to some experts, in some cases, there were not so much 'economies of scale' as 'economies of scope' (and rather in terms of the side effect) and the behaviour of competitors, seemed to act not so much a 'negative incentive' but rather a positive example to follow; to encourage others. "Market attractiveness" apparently has been understood in terms of not simply the size and absorptive capacity of the German economy, as a result of the number of inhabitants and their purchasing power; but also with respect to the geographical proximity especially for the western provinces of Poland; or the presence of global players - companies with whom contacts are becoming a springboard for investment around the world; or with regard to trend-setting consumers. In other words, it is not just about the market as such, it is about the marketplace (Enright, 2000). Referring to J.H. Duning's classification of FDI, the German market can be considered the most important factor determining the decision to invest due to its potential (there is still room for many players) and characteristics (despite its specifics, it is very lucrative). This is of particular importance for large firms, which are increasingly drawing attention to the shrinking capacity of the Polish market, which is simply becoming too tight. The internationalisation of Polish companies is mainly market-oriented, i.e., it concerns the introduction in Germany of products already offered ('tested' in Poland), although adapted to local needs. The element of necessary adaptation and flexible response to customer expectations is emphasised in the context of the affluent, mature (highly demanding) German market.

Although greenfield investments were numerous among Polish FDI, M&A dominated for the most important players. Interestingly, when Polish companies make investments in Germany, they both use and seek to gain access to foreign knowledge and technology. Apparently, as claimed by interviewees, in all cases analysed, entry into the German market was a completely autonomous decision, directly independent of the actions of other players.

Previous research on Polish investments made in Germany and interviews conducted suggest that these investments are entirely complementary to the activities carried out in Poland, i.e. they do not imply a reduction in activity in the country as a result of starting investments abroad (excluding at least temporarily risk of relocations). Besides, referring to the classification of the reactions of local actors, the functioning of Polish companies in the context of the realities of German companies can be described as a certain coexistence. Polish companies are keen to gain a foothold in the German market by acquiring companies there. In doing so, they gain existing distribution networks and/or renowned brands.

According to experts, Polish entities have a 'habit of acting independently'. On the German market, however, this is not so much evidence of resourcefulness as it is evidence of business immaturity and an inability to benefit from the division of labour which translates into weaker results by not allowing the company to focus on its core competencies. Finally, barriers encountered by Polish firms should be mentioned. The identified difficulties faced by Polish companies when investing in Germany are manifold: the decentralised nature of the state; the large differences between industries and Länder; the reluctance of officials; and bureaucracy, especially in the initial stage, when settling in.

4.2. Recommendations in face of current challenges and opportunities

Available data, recent trends and yet rather scarce studies clearly suggest the need to monitor the processes of atypical (directed to wealthier countries) foreign investments of Polish companies. To obtain probable scenarios for the development of Polish companies in Germany, consideration should be given to carrying out systematic cyclical surveys of the "investment situation abroad". For instance, demographic problems across the Oder imply that many of the owners of companies operating there are around retirement age and have no one to pass them on to. According to PIE analyses, in the next three years, more than 600,000 German SMEs are planning succession and there are often no candidates in the new generation to take them over, this could provide an opportunity for Polish entrepreneurs (PAP, 2021). As the results of previous studies also suggest (PIE, 2019), Polish entrepreneurs expect concrete and practical assistance from the state in the internationalisation process. Polish-German Commerce Chamber AHK's experience highlights the demand for very specific industry-specific information.

Due to the peculiarities of the highly regulated economic life in Germany, Polish companies must not economise on consultants and expert assistance from advisors. Some new forms of “tariff jumping 2.0 FDI” could be diagnosed due to strict law - they could be labelled “the law conditioned FDI”. Especially in logistics, it has recently been a trend for Polish companies to establish a branch office in Germany due to new EU policies and principles (Zeit, 2022). Investing in Germany should be accompanied by a long-term perspective and not by *ad hoc* thinking based on cost savings. It would therefore be desirable to develop business habits among entrepreneurs that correspond to the specifics of the German market, such as, for example, the use of professionals, membership in trade associations and chambers, etc.

Apart from the expected tangible practical assistance, in the long run, it seems justified to foster appropriate attitudes among Polish enterprises - the ability to cooperate, to be active within the network of connections, preferably coopetition, i.e. simultaneous cooperation and competition. It is valuable in mature Western markets, where clusters are popular, or companies are gathered in industry chambers and umbrella organisations.

It is important for the Polish economy that investments launched abroad do complement the activities conducted in Poland, not resulting in offshoring or relocation. Hence, Polish entrepreneurship abroad should be fostered, but assuring that it is complementary to domestic operations and allows for the incorporation of new Polish companies. Maximising the benefits should mean encouraging the companies already present in Germany to further engage other new Polish enterprises, to include further native co-operators in the supply chain; to foster a certain "Polish patriotism on the ground there". Another desirable consequence of Polish FDI should be the process of knowledge spillovers from abroad back to Poland (knowledge-seeking / knowledge-driven FDI) or the use of the so-called learning option (Peng, 1995). Polish companies making investments in more technologically advanced countries should try to treat it as a way to acquire new technology. From the point of view of the theory of unconventional FDI imbalance (Moon & Roehl, 2001), Polish companies by investing in Germany might also gain access to the unfortunately still often missing asset - the country's reputation - which constitutes part of the companies' overall growth strategy.

Although respondents indicate that rivals do not play a role in their investments and that the decisions of industry competitors are not influenced by subsequent players, the idea of spreading good practices is worth considering. SMEs in particular should be interested in such meetings, and workshops where companies could share their experiences. Paradoxically, unsuccessful cases - those investments that failed - should also be highlighted. Learning from others' mistakes can help another entrepreneur avoid them again in the future. That being said, although investing abroad is a challenge, especially in the German market, it should be somewhat de-mythologised. It should be pointed out that it is simply the next stage in a company's development strategy, an unavoidable step in the evolution of any company operating within the EU. As revealed by the interviews with experts, it might be valuable to promote cutting-edge companies, which in Poland may not yet enjoy sufficient interest, for the offer of which the domestic demand is perhaps not sufficient, and the market itself is not mature enough.

While intensifying its own activities, the Polish side should also popularise the assistance available in Germany. This offer seems to be still poorly recognised by Polish entities. These include e.g. assistance from the Federal Government within the framework of EU programmes stimulating regional development or concrete assistance from the Länder. German regions seek to actively approach prospective investors from Poland, in particular, East Germany is fighting for Polish investments, and developing a cross-border area near Szczecin as a magnet for investors (Madejski, 2021). The authorities of cities and districts in the eastern German regions are competing to attract Polish investments offering good communications, the proximity of motorways and ports, a high level of subsidies, which can reach up to 40% and the possibility of benefiting from the 'made in Germany' brand.

CONCLUSIONS

Confrontation of previously conducted dedicated projects from 2012 and 2012-2014 with the recent reports elaborated by think-tanks such as PIE (2019) or studies prepared by scholars (Budnikowski et al., 2022) confirmed challenges identified earlier and demonstrated that in fact not much has changed in this respect. Poland when it comes to OFDI is still 'punching below its weight'. Such reflection deserves certainly future more advanced studies as currently, it could be interpreted ambiguously. On the one hand, Polish investments abroad, in Germany in particular, are erratic and fluctuating considerably often subject to single one-time investment decisions which translate into unstable figures. On the other hand, more investments tend to target promising niche sectors such as IT or urban mining. The still unsatisfactory levels of Polish OFDI (development along IDP) can be hence explained 'pessimistically' in terms of missing structural competitiveness but also more on a positive note, as a result of the unabating potential and absorptive capacity of the domestic market. The findings show rather ambiguous developments as certain positive tendencies, e.g. confirmed by investments in advanced IT sectors are accompanied by still huge disparities when comparing Polish investments in Germany and German investments in Poland. Thus, the label of 'junior partner' (unfortunately) does not seem to have lost its validity, at least as far as FDI flows are concerned. Due to the size of the respondents' group and its heterogeneity, the inference must be cautious, but the results obtained cannot be underestimated either, as they concern companies with a significant global market share, or award-winning, dynamic companies in the new technology sector. Hence obtained results allow for preliminary recognition of the subject of Polish FDI in Germany and analytical but not statistical generalizability.

This paper while offering a retrospective reflection on Polish FDI in Germany also provides some tentative recommendations with respect to shaping the OFDI from Poland. It stresses the need to regularly monitor the Polish OFDI processes, and adequately incentivize the foreign expansion of Polish business not only by shaping the general conditions facilitating domestic firms' internationalization but also by providing more targeted tools assisting them in venturing abroad. Future studies should aim at refining and verifying discussed findings among others by drawing on the total interpretative structural modelling (TISM) approach (Matysek-Jędrych et al., 2022) which should provide an opportunity to identify key factors responsible for Polish FDI development and diagnose contextual relationships among them.

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