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COMPANIES WITH FOREIGN  
PARTICIPATION  
IN THEIR LOCAL ENVIRONMENT

A Study

Report on a survey of opinions of foreign investors and local  
representatives

carried out by

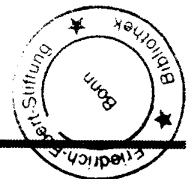
Centrum Badań Marketingowych INDICATOR

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the Friedrich Ebert Foundation  
Warsaw Office

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# COMPANIES WITH FOREIGN PARTICIPATION IN THEIR LOCAL ENVIRONMENT

## A Study

### **Conclusions**

#### **1. Aim of the study**

The aim of the study was to present the image of companies with foreign participation in their respective local environments as seen from the opposite vantage-points of the foreign investors themselves and that of local authorities. Thus conceived, the study provided an interesting opportunity to get a comparative view of both images along with an outline and appraisal of similarities and differences between them. The respective images were drawn in virtue of 21 empirical indicators that were replied by both respondent groups to the same symmetric queries. Foreign investors and local representatives were asked about conditions and consequences of foreign companies' work in local foreign investors and local authorities. This report supplies the empirical evidence along with a discussion of those relations.

#### **2. How companies with foreign participation choose locations. Attractiveness and promotion of local environments**

The four most frequently named reasons for choosing locations for investment projects revealed in the study by foreign investors and local representatives alike were, in this order, the Polish partner's ties to the region (indicated by 36.3% investors and 24.5% local representatives as a very significant reason); good traffic and transit links (29.2 and 48.1%, respectively); vast supply of cheap labour (25.9 and 43.4%, respectively); and instantly available

production, storage or office space (24.5 and 46.2%, respectively). None of these factors is linked to any other considerations, nor do they bear any relation towards local authorities' decisions and actions. Factors that do depend on local authorities decisions apparently were considered less important. For example, the foreign partner's ties to the region as an important factor in choosing locations for investments ended up in the fifth place on foreign investors' and sixth on local representatives' ranking lists, respectively. Positive experiences other foreign companies may have had in any region were rarely mentioned as an important location factor by either group.

The choice of location for investments can be approached from the angle of local obstacles to foreign investment location. Both groups named three main obstacles: an underdeveloped market infrastructure, including banks, transports and communications (named by 58.5% investors and 41.5% local representatives); limited buying power (46.7 and 45.3%, respectively); and narrow local markets (35.4 and 38.7%, respectively). These local barriers are objective and standing, and their removal goes beyond the bounds of local opportunities. But apart from those the study has also revealed subjective barriers that local authorities are perfectly capable of overcoming on their own. Qualifications are the main barrier in this sense, as skilled labour is in short supply (named by 25.9% foreign investors and 15.1% local representatives). There also psychological barriers: local representatives' mistrust of foreign investors (named by 15.1% of company managers and 2.8% local representatives), or local inhabitants' unfriendly attitude towards foreign investors (12.3% in either group).

A very important location-affecting factor may and should be local authorities' actions designed to attract foreign investment. It was found in the study that local authorities did close to nothing in more than one half of the studied communities (32.1% of foreign investors saying local authorities were doing little or nothing at all, with another 22.6% saying they saw no such efforts on the part of the authorities).

The study confirmed the widespread opinion that promotion work on behalf of regions and towns to flaunt them as promising local markets for foreign investments in Poland was generally very poor in quality. Most foreign investors and local leaders said most of the information they got on any local environment had come from informal or private sources, mainly Polish

individuals or business firms, acquaintances or relatives, or other foreign investors. Barely one in six managers of foreign companies named typical promotional sources, that is, sale bids, promotion materials, info booklets supplied by local authorities or the Polish press or media.

All that leaves many foreign investors largely in the dark about their local environments as they are embarking on their work. One in three foreign investors gave a negative assessment of their knowledge of local conditions. Local representatives were even more critical (with 53.8% saying so).

### **3. Founding and starting companies with foreign participation**

Foreign investors have to cope with numerous obstacles trying to found companies in Poland. The largest number of difficulties were said to arise when investors sought to ensure favourable technical and organisational conditions for companies' future work (39.6% investors' replies), when recruiting and taking on workers with the right skills (39.2%), and when preparing the required documents and registering the companies with the relevant bodies (34.4%).

The findings indicated that foreign investors received assistance in starting their companies in less than one half of local communities. Replies obtained from managers of companies with foreign participation indicated that such assistance had been provided by village heads, mayors and town presidents (43.9%) and by lower-rank local officials (30.2%). Some foreigners complained local authorities and lower officials (6.1 and 12.3% respectively) mounted difficulties for them.

### **4. Situation of companies with foreign participation in their local environments**

Foreign investors and local representatives alike were of the opinion that prointegration attitudes predominated in most local communities. If friendliness towards foreign investors is a reliable criterion to go by, local inhabitants were by and large pro-European minded. Only 7.6% of foreign investors declared local inhabitants had an unfriendly negative attitude towards their work.

Replies to a query about the degree of foreign investors' interest in local communities' affairs produced a differentiated pattern at local scale. In many

local communities no agreement could be found as to foreign investors' true involvement in resolving local problems. Investors generally tended to appraise their engagement as significant (65.6%), compared with only one in four (29.2%) local representatives subscribing to that view.

Asked to appraise the quality of telecom services, respondents gave better marks to international calls (with 63.7 and 69.8% positive ratings from foreign investors and local representatives, respectively) and fax connections (68.4 and 75.5%, respectively) than to local telephone links. This last-named service got a relatively large proportion of negative ratings from investors (44.5%), compared with only 28.3% from local representatives.

Investors and authorities largely agreed on the question of benefits operations of companies with foreign participation hold for local environments, with 96.4% of investors and 88.7% local representatives saying benefits outweighed potential disadvantages. Investors and local representatives at local scales were also found closely similar views when naming increases of jobs, invigoration of the local economy, introduction of new technology, and expansion of international contacts, in this order, as the most important benefits resulting from the work of companies with foreign participation. Agreement on this issue was found at least in two of three studied local communities.

Asked to name benefits companies with foreign participation draw from their work in Poland, investors and local representatives fully agreed on two benefits: encouraging development prospects (63.9 and 77.4%, respectively) and cheap labour (56.6 and 80.2%).

##### **5. Relations between investors and local representatives**

A clear majority of the polled foreign investors (61.3%) described the local authorities' attitude towards their work as very good or good. The investors' attitude toward local authorities also got top ratings, with 77.3% local representatives describing it as very good or good. There is no significant potential of tension conflict between those groups. Yet 35.8% of polled investors and 18.9% local representatives subscribed to the view that there is ample room for indifference.

The study demonstrated that companies with foreign participation were having trouble getting their affairs done with local offices. Investors and local representatives were largely in agreement on that. Two kinds of obstruction

were most often pointed out by both groups: first, obstruction resulting from obscure regulations (named by 59.9% investors and 58.5% local representatives); and, second, co-operation with tax offices (43.4 and 34.9%, respectively). This high degree of agreement between company managers and local representatives is indicative of a tension potential between the central and local levels, with would speak in favour of fresh regulations.

Respondents were asked to suggest changes in co-operation between companies with foreign participation and local representatives. The replies largely confirmed the above-mentioned call for changes in regulations; 60.8% investors and 53.8% local representatives said procedures should be streamlined and red tape cut. Another line of changes to co-operation went in the direction of streamlining the two-way information flow between companies with foreign participation and local representatives (58.5% investors and 81.1% representatives). It should be pointed out, perhaps, that the same suggestions were obtained in more or less the same distribution in a similar study carried out in 1993.

Foreign investors acknowledged that local authorities used to do different things to ease work for companies with foreign participation. Among those they named most often the design of local or regional development plans (52.8%), actions for environmental protection (45.8%), development of the local infrastructure (43.9%) or the social services network (36.3%). Foreign investors were generally pleased with all such actions.

##### **6. Prospects for growth companies with foreign participation**

The findings of this study produced an encouraging vision of the future companies with foreign participation have in their local environments. In a vast majority of local communities, positive predictions were made by investors and local representatives alike (73.1 and 74.3%, respectively). Auspicious expectations and with favourable investment conditions are two factors that together should stir development in local communities and boost inhabitants' optimism. That sets the stage at local scale for boosting Poland's chances for integration with other European countries.

## Chapter I

### AIM, SUBJECT AND METHOD OF THE STUDY

#### 1. Aim of the study

The aim of the study was to find out what respondents thought about local conditions and consequences of economic activity of companies with foreign participation in Poland. The findings enabled us to identify views, opinions, expectations and suggestions of two distinct groups: foreign investors operating in Poland, and representatives of local authorities.

This is the first ever such study in Poland. Its findings have revealed areas and effects of co-operation of foreign investors with local authorities as viewed from their respective angles. In a similar study, the INDICATOR Marketing Research Centre found in 1993 one of these groups, foreign investors, to be very critical of that co-operation.<sup>1</sup> A new element in the present study was that the local social context was explored (comparing foreign investors' with local representatives' views), and an in-depth analysis of local conditions of companies' economic activity was undertaken.

Previous studies of those issues seem to have demonstrated that in Poland the most significant factors that determine conditions of foreign investors' operations are in the hands of the central government rather than local authorities, that is, that they depend on the government's macro-economic policies and on political preferences of Parliament and leading political parties that make up successive coalition governments (monetary policy, tax policy, legislation, etc.). At the same time, the continuing transformation of the economy has been reinforcing the role of new economic entities. The old view about a particular role in that of macro-economic entities, that is, the state, the government or huge social groups, a dogma of socialist Poland, has been put in question. With the reform unfolding, more

and more such powers have been taken over by micro-structures, i.e., specific institutions, communities local (gminas) or regional, private individuals or groups or communities vested with various kinds of resources and powers. The importance of new resources held by private companies, including foreign investors, have been growing in the train of these changes.

The authors of the research team also sought to check a few customary views and opinions about consequences of foreign investors' operations in Poland. Many people in Poland tend to subscribe to two positions at the opposite extremes: they either lend foreign investors unconditional support as a token of their "pro-European" attitude or Poland's involvement in fresh political and economic links with Western advanced market economies, or they are very critical warning against hazards a possible entry in international economic links may hold for Poland. Those holding the latter view tend to argue that foreign investors' activities compromises Poland's sovereignty, leads up to a sell-out of Poland's national wealth, to a destruction of the Polish economy, and so on. It is fair to assume, however, that the question of social implications of foreign investors' operations in Poland is a multi-faceted issue that cannot possibly be described or explained away in black-and-white dichotomies either positive or negative alone.

Three main reasons justify a need to study local conditions of work of foreign investors in Poland. First, studies of foreign investment are only in a preliminary stage, because foreign investment actually appeared in this country only in 1989. Secondly, nobody has yet tried to explore what people think of activities of foreign investors in Poland. This lack of knowledge applies in particular to local leaders, who have best possibilities of reflecting and generalising many individual views (about the interaction between investors and local communities, for example, the specific social dialogue they enter at local level). Thirdly, any signal that the rate of foreign investment may be flagging is a major impulse to launch such a study, which may have vitally essential practical implications for Poland's modernisation.<sup>2</sup> Publications of this kind are basically warnings by themselves, which calls for verification because the great importance economic or sociological theories (modernisation theories, the sociology of post-Communist transformation) attribute to foreign

<sup>1</sup> The 1993 study was summed up in: J. Bluszkowski and J. Garlicki, *Social Conditions of Foreign Investments in Poland*, Friedrich Ebert Foundation in Poland & Polish Foreign Investment Agency, Warsaw, 1993; and J. Bluszkowski, J. Garlicki and E. Sadowska-Cieslak, *Economic Conditions of Foreign Investments in Poland*, Friedrich Ebert Foundation in Poland & Polish Foreign Investment Agency, Warsaw, 1993

<sup>2</sup> M. Nowakowski, "Zagraniczny w odstawce?" (Foreigners out?), *Życie Gospodarcze*, 1995, No.12.

investment as strongly contributing to creating stable development mechanisms in the Polish economy.

The basic issue of Poles' perception of foreign investors' activities may also hold important consequences to what the Polish people are going to think of Poland's growing economic links with leading market economies. Just put this in the perspective of Poland's eventual integration with the European Union. This perception is important to efforts to create positive social and cultural dimensions of Poland's opening-up to its international setting, to mention but efforts to overcome ethnic prejudice or to cut down ethnocentric attitudes and behaviours.

The authors of this study are well aware that an in-depth assessment of local-level perceptions of foreign investors' activities call for extra studies of other elements of local communities, including other business operators and Polish investors, employees of foreign companies, or trade union leaders. The study we launched has a more modest scope. Yet even so these findings can be taken as a step towards a more adequate identification of main obstacles and development opportunities foreign investors face in Poland, because they cast light on what local people view as advantages and hazards of foreign investors' activities in this country.

## 2. Subject and scope of study

The study comprised two identical sets of topics spelled out in two separate questionnaires, one probing (a) opinions of foreign investors about conditions and consequences of their business involvement in Poland, and (b) opinions of local authorities about conditions of foreign investors' business involvement in Poland. Each questionnaire therefore contained the following eight sets of topics:

1. Factors affecting foreign investors' decisions to start business in Poland, including macroeconomic considerations and factors deciding the choice of any given region or town to settle for business.
2. Identification of local benefits and hazards for companies with foreign participation operating in Poland.
3. Opinions and views of foreign investors' co-operation with local authorities, including assessments of co-operation at large and positive

and negative ranking lists of institutions depending on their attitudes towards companies with foreign participation.

4. Opinions on local restrictions and obstacles foreign investors come across when starting business in Poland.
5. Opinions on conditions of operation of companies with foreign participation in Poland, including legal regulations, financial terms, telecommunications and business services.
6. Identification of local restrictions and disincentives for foreign investors in Poland.
7. Expectations of possibilities by local authorities to support the work of companies with foreign participation.
8. Views about development prospects for companies with foreign participation in the next few years including potential hazards that are seen as threats to companies' future.

## 3. Method

The study was carried out by individual questionnaire polls with company owners and managers and leaders of local authorities. The above eight sets of topics were translated into questionnaire language.

The main methodological directive in the study was symmetry, which implied that the same questions must be asked of foreign investors and local representatives alike. This particular approach has made possible a straightforward comparison of replies received from both respondent groups, a reconstruction of two respective approaches to the same issues and questions.

## 4. The choice of sample

### 4.1. Criteria of choice of local communities and companies

Three series of queries were carried out in each community to ensure comparability of opinions from investors and local representatives: involving two managers of two companies and one local representative.



Several criteria were applied to pick communities and companies: each had to be representative of their region; rural locations (gminas) had to be distinguished from urban locations (gminas); and companies with foreign participation had to be of different size classes.

**Representativeness of geographic distribution:** The underlying idea was that Poland was regionally differentiated in terms of socio-economic advancement and cultural heritage, which may affect significantly local conditions for foreign investors.

**Distinction of communities by type of locality:** Each locality had their own specific characteristics: better or worse advanced infrastructure, different work force structure, different cultural contexts.

**Size and scope of foreign investors' activities:** minor, medium and strategic investors were taken into account in the study.

*Waldemar Latoszek* of the State Agency of Foreign Investment drew up the list of communities and companies with foreign participation. The study embraced altogether 106 communities, with three polls carried out in each. The study sample accordingly consists of 106 representatives of local authorities and 212 owners and managers of companies with foreign participation.

#### 4.2. Criteria of choice of respondents

A first group of respondents consisted of shareholders and stockholders or managers of companies with foreign participation (chairmen, deputy chairmen, board members, commercial representatives).

Members of the local representatives group were picked from among local elites: gmina heads, mayors, town presidents, and their deputies.

## 5. Sample description

### 5.1. Voivodship distribution

No.	Voivodship	Number of studied local communities	Number of studied companies with foreign participation
1	Warsaw	7	14
2	Biała Podlaska	2	4
3	Białystok	1	2
4	Bielsko-Biała	5	10
5	Bydgoszcz	3	6
6	Chełm	1	2
7	Ciechanów	1	2
8	Częstochowa	1	2
9	Elbląg	2	4
10	Gdańsk	1	2
11	Gorzów	5	10
12	Jelenia Góra	2	4
13	Kalisz	4	8
14	Katowice	5	10
15	Kielce	2	4
16	Konin	2	4
17	Kraków	1	2
18	Krosno	1	2
19	Legnica	2	4
20	Leszno	2	4
21	Lublin	1	2
22	Łomża	1	2
23	Łódź	1	2
24	Nowy Sącz	2	4
25	Olsztyn	1	2
26	Opole	6	12
27	Ostrołęka	3	6
28	Piła	1	2
29	Poznań	7	14
30	Radom	1	2
31	Rzeszów	1	2
32	Skiermiewice	2	4
33	Suwalkie	2	4
34	Szczecin	6	12
35	Tarnobrzeg	2	4
36	Tarnów	3	6
37	Toruń	2	4
38	Wałbrzych	4	8
39	Włocławek	1	2
40	Wrocław	4	8
41	Zamość	1	2
42	Zielona Góra	4	8
	Total	106	212

**5.2. Sample structure in terms of type of locality:**

Towns over 100,000 population	20.8 %
Towns 51-100,000 population	27.4 %
Towns 20-50,000 population	32.0 %
Towns 20,000 population	12.3 %
Rural communities	7.5 %
Total	100.0 %

**5.3. Legal status of studied companies:**

Limited liability companies	88.2 %
Joint stock	11.8 %
Total	100.0 %

**5.4. Ownership structure of studied companies:**

100 % foreign participation	37.3 %
51-99 % foreign participation	28.3 %
50 % foreign participation	7.5 %
minority foreign participation	26.9 %
Total	100.0 %

**5.5. Country of origin of polled foreign investors:**

1. Germany	43.8 %
2. Sweden	6.6 %
3. Austria	6.6 %
4. USA	6.1 %
5. Italy	5.7 %
6. France	4.7 %
7. Netherlands	4.2 %
8. Denmark	3.8 %
9. Switzerland	2.4 %
10. Belgium	1.9 %
11. United Kingdom	1.9 %
12. Canada	1.4 %
13. Liechtenstein	1.4 %
14. Finland	0.9 %
15. Luxembourg	0.9 %
16. Australia	0.9 %
17. Turkey	0.9 %
18. Greece	0.5 %
19. Ukraine	0.5 %
20. Spain	0.5 %
21. multinational corporation	0.5 %
22. Vietnam	0.5 %
23. Belarus	0.5 %
24. Korea	0.5 %
25. Israel	0.5 %
26. other	1.9 %
Total	100.0 %

**5.6. Mode of founding company:**

Founded by foreign investor with 100 % own participation	34.9 %
Founded as joint venture by foreign investor with Polish partner	59.9 %
Founded via participation in sale-of-equity privatisation of state enterprise	2.8 %
Founded via participation in privatisation (acquisition) of state enterprise	2.4 %
Total	100.0 %

**5.7. Year companies were founded:**

before	1989	12.2 %
	1990	19.8 %
	1991	23.1 %
	1992	27.4 %
	1993	14.2 %
	1994	1.4 %
	1995	1.9 %
<hr/>		
Total		100.0 %

**5.9. Position or rank respondents held in company:**

Owner	20.8 %
Chairman	33.0 %
Deputy Chairman	17.9 %
Board Member	24.1 %
Commercial representative	1.4 %
Others	2.8 %
<hr/>	
Total	100.0 %

**5.8. Mainstream business line of companies**

(figures do not add up to total 100 because many respondents named several lines at the same time)

1. Distribution	22.6%
2. Transport	5.7%
3. Construction	6.1%
4. Agriculture	1.9%
5. Communications	0.9%
6. Research	0.9%
7. Education	0.5%
8. Health care	0.5%
9. Municipal services	0.5%
10. Food	12.7%
11. Wood products	7.1%
12. Chemicals	5.2%
13. Engineering	3.8%
14. Metal products	4.7%
15. Clothing	10.4%
16. Electronics	3.3%
17. Precision engineering	1.4%
18. Paper	1.9%
19. Means of transportation	0.9%
20. Building materials	8.5%
21. Leather	3.3%
22. Textiles	0.5%
23. Glassware	1.9%
24. Printing	2.4%
25. Non-ferrous metals	0.5%
26. Other	9.0%

**5.10. Social and demographic characteristics of foreign investors' group:**

**A. Sex**

Male	75.9 %
Female	24.1 %
<hr/>	
Total	100.0 %

**B. Age**

Under 35 years of age	19.8 %
36-50 years of age	64.6 %
Over 50 years of age	15.6 %
<hr/>	
Total	100.0 %

**C. Education**

College	74.1 %
Secondary	24.5 %
Other	1.4 %
<hr/>	
Total	100.0 %

**5.11. Social and demographic characteristics of local representatives' group:**

**A. Position or rank in local community**

Mayor / Deputy Mayor	48.2 %
President / Vice-President	33.0 %
Gmina head	9.4 %
Other	9.4 %
<u>Total</u>	<u>100.0 %</u>

**B. Sex**

Male	86.8 %
Female	13.2 %
<u>Total</u>	<u>100.0 %</u>

**C. Age**

Under 35 years of age	15.1 %
36-50 years of age	76.4 %
Over 50 years of age	8.5 %
<u>Total</u>	<u>100.0 %</u>

**D. Education**

College	91.5 %
Secondary	8.5 %
Other	100.0 %
<u>Total</u>	<u>100.0 %</u>

**6. Manner and duration of study**

INDICATOR staff conducted questionnaire-based conversations individually with foreign investors and local representatives in the company headquarters and local government seats, in June 1995.

**7. Presentation of findings**

The poll was designed to obtain replies to the same, symmetric, queries put to foreign investors and representatives of local authorities. Distribution patterns of the replies received are presented in what follows first of owners or managers of companies with foreign participation, and next of local representatives. In a third step of the presentation, replies to the particular queries received from both respondent groups are compared with each other. The comparisons are based on aggregate distribution patterns on national and gmina (local community) levels, with all-Poland and individual gminas being study units at the same time.

## Chapter II

### LOCAL CONDITIONS TO FOUND COMPANIES WITH FOREIGN PARTICIPATION

#### 1. Factors determining location choice by companies with foreign participation

##### 1.1. Foreign investors' opinions

What is known about foreign investors' motives and mechanisms of picking the sites they do for their business projects in Poland is at best intuitive and incomplete knowledge yet. So, to obtain empirically-funded knowledge, foreign investors were asked, *What factors made your company choose that particular location to start business operations in Poland?* The obtained replies were used to draw up a ranking scale of location choice factors for companies with foreign participation, with the particular factors being arranged in the order of frequency of being named as very important (Table 1.1).

In view of this criterion the particular factors fell into one of three classes.

A first class of factors includes factors described as *very important* by at least one in four foreign investors. The following factors fell in that class:

- Polish partner's links with the region (described as *very important* by 36.3% respondents),
- convenient geographic situation and transit connections from the locality (29.2%),
- large supply and low price of labour (25.9%),
- opportunities to take over free production halls, stores or office space etc. (24.5%).

A next class of factors were those rarely named as *very important*. Approximately one in five respondents named them. They were the following factors:

- foreign partner's links with the region (origin, previous contacts) (23.1%),

- opportunities to find new markets (closeness to border) (22.6%).

A third class of factors were those only very rarely named as *very important*. Barely one in ten managers of companies with foreign participation named those factors:

- big market in region (13.7%),
- little competition from other companies (11.3%),
- big supply & easy access to raw materials in region (10.4%),
- low prices of raw materials in region (7.1%),
- positive experiences of other companies with foreign participation (4.2%).

Table 1.1. Ranking scale of factors determining companies' location choice, in the order of frequency of naming them as very important (in %) FOREIGN INVESTORS' OPINIONS (N = 212)

Place on ranking scale	Factor	Factor marking				total
		great importance	moderate importance	little importance	no importance	
1	Polish partner's link with region	36.3	17.5	21.2	25.0	100.0
2	Good situation & transit connections	29.2	31.1	19.3	20.3	100.0
3	Large supply of cheap labour	25.9	29.7	19.8	24.5	100.0
4	Opportunities to take over free production halls, stores or office space etc.	24.5	32.1	14.6	28.8	100.0
5	Foreign partner's links with region (origin, previous contacts)	23.1	19.3	17.5	40.1	100.0
6	Opportunities to find new markets (closeness to border)	22.6	24.5	17.5	35.4	100.0
7	Big market in region	13.7	23.6	23.6	39.2	100.0
8	Little competition from other companies	11.3	24.1	23.6	41.0	100.0
9	Big supply & easy access to raw materials in region	10.4	19.8	26.9	42.9	100.0
10	Low prices of raw materials in region	7.1	18.4	21.2	53.3	100.0
11	Positive experiences of other companies with foreign participation	4.2	13.2	22.2	60.4	100.0

Table 1.1 also shows the respective proportions of respondents describing the studied factors as of moderate importance, little importance, or no importance. Those data were included in order to deepen the diagnostic value and sociotechnical usefulness of the findings in drawing up and realising the strategy of promoting Poland as a venue for foreign investments. For that

purpose, frequency distributions of opposite appraisals of the particular location factors by companies with foreign participation were compared with one another. On the basis of that comparison (description of factor as being of *great importance* in contrast to being of *no importance*), the factors on the ranking scale can be put into four classes of importance.

#### CLASS ONE: FACTORS OF GREAT IMPORTANCE - UNQUESTIONED

This class included factors respondents described as being of *great importance* more frequently than of *no importance*. Application of this criterion disclosed the following factors to belong in this class:

- Polish partner's link with region, with 36.3% replies describing it as of *great importance* and 25.0% as of *no importance*; net appraisal (i.e., difference between the value of descriptions as of *great importance* and that as of *no importance*) was a positive 11.3 percentage points;
- Good situation & transit connections, with 29.2% replies describing it as of *great importance* and 20.3% as of *no importance*; net appraisal was a positive 8.9 percentage points.

#### CLASS TWO: FACTORS OF GREAT IMPORTANCE - BUT QUESTIONED

This class included factors respondents described as of *great importance* generally as frequently as of *no importance*. The following factors were found to belong in this class:

- Large supply of cheap labour, with 25.9% replies describing it as of *great importance* and 24.5% as of *no importance*; net appraisal was a positive 1.4 percentage points.
- Opportunities to take over free production halls, stores or office space etc., with 24.5% replies describing it as of *great importance* and 28.8% as of *no importance*; net appraisal was a positive 4.3 percentage points.

#### CLASS THREE: FACTORS OF LITTLE IMPORTANCE

This class included factors respondents described as of *no importance* more often than as of *great importance*. The following factors were found to belong in this class:

- Foreign partner's links with region (origin, previous contacts), with 23.1% replies describing it as of *great importance* and 40.1% as of *no importance*; net appraisal was a negative 7.0 percentage points.

- Opportunities to find new markets (closeness to border), with 22.6% replies describing it as of *great importance* and 35.4% as of *no importance*; net appraisal was a negative 12.8 percentage points.
- Big market in region, with 13.7% replies describing it as of *great importance* and 39.2% as of *no importance*; net appraisal was a negative 25.5 percentage points.
- Little competition from other companies, with 11.3% replies describing it as of *great importance* and 41.0% as of *no importance*; net appraisal was a negative 29.7 percentage points.
- Big supply & easy access to raw materials in region, with 10.4% replies describing it as of *great importance* and 42.9% as of *no importance*; net appraisal was at a negative 32.5 percentage points.

#### CLASS FOUR: FACTORS OF NO IMPORTANCE

This class consists of factors more than one half of respondents described as of no importance and only rarely were described as of great importance. The following factors were found to belong in this class:

- Low prices of raw materials in region negative, with 7.1% replies describing it as of *great importance* and 53.3% as of *no importance*; net appraisal was a negative 46.2 percentage points.
- Positive experiences of other companies with foreign participation, with 4.2% replies describing it as of *great importance* and 60.4% as of *no importance*; net appraisal was a negative 56.2 percentage points.

#### 1.2. Local authorities' opinions

The distribution pattern of replies from representatives of local authorities to the symmetric query, *Which factors, in your view, made foreign investors choose your community as the venue for starting business operations?* is shown in Table 1.2. Based on the frequency of describing them as of great importance, the particular factors fall into one of three classes.

A first class of factors includes factors very often described as of *great importance* by at least one in three local representatives. The following factors fell in that class:

- convenient geographic situation and transit connections from the locality (described as of *great importance* by 48.1% respondents),
- opportunities to take over free production halls, stores or office space etc. (46.2%).
- large supply and low price of labour (43.4%),
- opportunities to find new markets (closeness to border) (34.0%).

A next class of factors were those rarely named as of *great importance*. Approximately one in four respondents named them. They were the following factors:

- big market in region (29.2%),
- foreign partner's links with the region (origin, previous contacts) (28.3%),
- Polish partner's links with the region (24.5%).

A third class of factors were those very rarely named as of *great importance*. Barely one in ten managers of companies with foreign participation named those factors:

- little competition from other companies (19.8%),
- positive experiences of other companies with foreign participation (17.9%).
- big supply & easy access to raw materials in region (16.0%),
- low prices of raw materials in region (9.4%),

A listing of opposed appraisals of the particular location choice factors (as being of *great importance* as opposed to being of *no importance*) spelled out by local representatives produced a different ranking scale of those factors depending on their relative importance. The scale was simple enough to vindicate the distinction of two classes of importance only.

Table 1.2. Ranking scale of factors determining companies' location choice, in the order of frequency of naming them as very important (in %) FOREIGN INVESTORS' OPINIONS (N = 106)

Place on ranking scale	Factor	Factor marking				
		great importance	moderate importance	little importance	no importance	total
1	Good situation & transit connections	48.1	33.0	10.4	8.5	100.0
2	Opportunities to take over free production halls, stores or office space etc.	46.2	31.1	11.3	11.4	100.0
3	Large supply of cheap labour	43.4	34.0	14.2	8.4	100.0
4	Opportunities to find new markets (closeness to border)	34.0	27.4	20.8	17.8	100.0
5	Big market in region	29.2	26.4	24.5	19.9	100.0
6	Foreign partner's links with region (origin, previous contacts)	28.3	23.6	29.2	18.9	100.0
7	Polish partner's link with region	24.5	36.8	25.5	13.2	100.0
8	Little competition from other companies	19.8	37.7	30.2	12.3	100.0
9	Positive experiences of other companies with foreign participation	17.9	40.6	19.8	21.7	100.0
10	Big supply & easy access to raw materials in region	16.0	29.2	28.3	26.5	100.0
11	Low prices of raw materials in region	9.4	24.5	32.1	34.0	100.0

### CLASS ONE: FACTORS OF GREAT IMPORTANCE - UNQUESTIONED

This class included factors respondents described as being of *great importance* more frequently than of *no importance*. Application of this criterion disclosed the following factors to belong in this class:

- Good situation & transit connections, with 48.1% replies describing it as of *great importance* and 8.5% as of *no importance*; net appraisal was a positive 39.6 percentage points.
- Opportunities to take over free production halls, stores or office space etc., with 46.2% replies describing it as of *great importance* and 11.4% as of *no importance*; net appraisal was a positive 34.8 percentage points.
- Large supply of cheap labour, with 43.4% replies describing it as of *great importance* and 8.4% as of *no importance*; net appraisal was a positive 35.0 percentage points.
- Opportunities to find new markets (closeness to border), with 34.0% replies describing it as of *great importance* and 17.8% as of *no importance*; net appraisal was a positive 16.2 percentage points.
- Big market in region, with 29.2% replies describing it as of *great importance* and 19.9% as of *no importance*; net appraisal was a positive 9.3 percentage points.
- Foreign partner's links with region (origin, previous contacts), with 28.3% replies describing it as of *great importance* and 18.9% as of *no importance*; net appraisal was a positive 9.4 percentage points.
- Polish partner's link with region, with 24.5% replies describing it as of *great importance* and 13.2% as of *no importance*; net appraisal (i.e., difference between the value of descriptions as of *great importance* and that as of *no importance*) was a positive 11.3 percentage points;
- Little competition from other companies, with 19.8% replies describing it as of *great importance* and 12.3% as of *no importance*; net appraisal was a positive 7.5 percentage points.

### CLASS TWO: FACTORS OF NO IMPORTANCE

This class consists of factors respondents described as of *no importance* more often than as of *great importance*. The following factors were found to belong in this class:



- Positive experiences of other companies with foreign participation, with 17.9% replies describing it as of *great importance* and 21.7% as of *no importance*; net appraisal was a negative 3.8 percentage points.
- Big supply & easy access to raw materials in region, with 16.0% replies describing it as of *great importance* and 26.5% as of *no importance*; net appraisal was at a negative 10.5 percentage points.
- Low prices of raw materials in region, with 9.4% replies describing it as of *great importance* and 34.0% as of *no importance*; net appraisal was a negative 25.6 percentage points.

### 1.3. Comparing foreign investors' with local representatives' opinions

Comparative analysis of findings aggregated at national scale disclosed areas of convergence and divergence of opinions on factors determining location decisions by companies with foreign participation (Table 1.3.1).

Table 1.3.1. Factors determining companies' location choice, in the opinions of foreign investors and local representatives  
COMPARISON OF APPRAISALS ON NATIONAL SCALE

Foreign investors		Factor	Local authorities	
net appraisal of factors *	class of importance of factors		net appraisal of factors *	class of importance of factors
(+) 11.3	great importance, unquestioned	Polish partner's link with region	great importance, unquestioned	(+) 11.3
(+) 8.9	great importance, unquestioned	Good situation & transit connections	great importance, unquestioned	(+) 39.6
(+) 1.4	great importance, but questioned	Large supply of cheap labour	great importance, unquestioned	(+) 35.0
(-) 4.3	great importance, but questioned	Opportunities to take over free production halls, stores or office space etc.	great importance, unquestioned	(+) 34.8
(-) 17.0	little importance	Foreign partner's links with region (origin, previous contacts)	great importance, unquestioned	(+) 9.4
(-) 22.6	little importance	Opportunities to find new markets (closeness to border)	great importance, unquestioned	(+) 16.2
(-) 13.7	little importance	Big market in region	great importance, unquestioned	(+) 9.3
(-) 29.7	little importance	Little competition from other companies	great importance, unquestioned	(+) 7.5
(-) 32.5	little importance	Big supply & easy access to raw materials in region	great importance, but questioned	(-) 10.5
(-) 46.2	no importance	Low prices of raw materials in region	little importance	(-) 24.6
(-) 56.2	no importance	Positive experiences of other companies with foreign participation	little importance	(-) 3.8

\* difference between description as factor of *great importance* and as of *no importance*.

**Convergence of opinions area.** Both respondent groups named two location choice factors as being of great importance and unquestionable: the Polish partner's links with the region (net appraisal rates the same for both groups, at a positive 11.3 percentage points), and good situation & transit connections. This factor, however, got significantly more *great-importance* ratings from local representatives (net appraisal a positive 39.6 percentage points) than from foreign investors (positive 8.9 percentage points).

**Divergence of opinions area.** This area is determined by the studied groups' opposite attitudes towards two factors: opportunities to take over free production halls, stores or office space etc. (local representatives' net appraisal rate was a positive 34.8, compared with foreign investors' 4.3 percentage points), and large supply of cheap labour (net appraisal rates were positive at 35.0 percentage points for local representatives and 1.4 for foreign investors).

A next step in the analysis of empirical materials was to compare views about location choice factors of companies with foreign participation for both respondent groups at gmina level (Tables 1.3.2 and 1.3.3). High convergence was found for the following factors:

- Low prices of raw materials in region, with convergence found in 27.4% of gminas; of which all respondents described that as of *no importance* in 17.0% of gminas, as of *little importance* in 3.8% of gminas, as of *moderate importance* in 5.7% of gminas, and as of *great importance* in 0.9% of gminas.
- Opportunities to find new markets (closeness to border), with convergence found in 18.9% of gminas; of which all respondents described that as of *no importance* in 4.7% of gminas, as of *little importance* in 2.8% of gminas, as of *moderate importance* in 6.6% of gminas, and as of *great importance* in 4.8% of gminas.
- Large supply of cheap labour, with convergence found in 18.8% of gminas; of which all respondents described that as of *no importance* in 11.3% of gminas, as of *little importance* in 3.8% of gminas, as of *moderate importance* in 2.8% of gminas, and as of *great importance* in 0.9% of gminas.
- Big supply & easy access to raw materials in region, with convergence found in 18.0% of gminas; of which all respondents described that as of *no importance* in 11.4% of gminas, as of *little importance* in 3.9% of

gminas, as of *moderate importance* in 2.8% of gminas, and as of *great importance* in 0.9% of gminas.

• Positive experiences of other companies with foreign participation, with convergence found in 17.9% of gminas; of which all respondents described that as of *no importance* in 11.3% of gminas, as of *little importance* in 0.9% of gminas, as of *moderate importance* in 5.7% of gminas.

Table 1.3.2. Factors determining location decisions of companies with foreign participation as seen by foreign investors and local authorities  
COMPARISON AT GMINA LEVEL

No.	Factor	Convergence & divergence of opinions (in %)				Total
		1	2	3	4	
1	Polish partner's link with region	9.5	31.9	29.3	29.3	100.0
2	Good situation & transit connections	14.1	45.5	20.9	19.5	100.0
3	Large supply of cheap labour	18.8	45.0	22.5	13.7	100.0
4	Opportunities to take over free production halls, stores or office space etc.	13.2	39.0	19.7	28.1	100.0
5	Foreign partner's links with region (origin, previous contacts)	11.3	32.2	29.3	27.2	100.0
6	Opportunities to find new markets (closeness to border)	18.9	27.3	22.7	31.1	100.0
7	Big market in region	16.0	27.4	28.3	28.3	100.0
8	Little competition from other companies	8.4	33.2	23.5	34.9	100.0
9	Big supply & easy access to raw materials in region	18.0	45.5	22.8	13.7	100.0
10	Low prices of raw materials in region	27.4	28.5	28.5	15.6	100.0
11	Positive experiences of other companies with foreign participation	17.9	25.3	38.9	17.9	100.0

**Legend:**

- 1 - complete convergence of opinions of foreign investors and a local representative
- 2 - limited convergence of opinions of one foreign investor and a local representative
- 3 - divergence of opinions of foreign investors and a local representative
- 4 - divergence of opinions between all respondents

Table 1.3.3. Convergence of opinions areas of appraisals of location choice factors

No.	Factor	Proportion of gminas where opinions were found to converge (in %)				Total
		1	2	3	4	
1	Polish partner's link with region	-	1.9	1.9	5.7	9.5
2	Good situation & transit connections	0.9	-	3.8	9.4	14.1
3	Large supply of cheap labour	11.3	3.8	2.8	0.9	18.8
4	Opportunities to take over free production halls, stores or office space etc.	1.9	-	4.7	6.6	13.2
5	Foreign partner's links with region (origin, previous contacts)	6.6	-	1.9	2.8	11.3
6	Opportunities to find new markets (closeness to border)	4.7	2.8	6.6	4.8	18.9
7	Big market in region	4.7	2.8	3.8	4.7	16.0
8	Little competition from other companies	2.8	1.9	2.8	0.9	8.4
9	Big supply & easy access to raw materials in region	11.4	3.9	2.8	0.9	18.0
10	Low prices of raw materials in region	17.0	3.8	5.7	0.9	27.4
11	Positive experiences of other companies with foreign participation	11.3	0.9	5.7	-	17.9

**Legend:**

- 0 - factor of no importance
- 1 - factor of little importance
- 2 - factor of moderate importance
- 3 - factor of great importance

**2. Factors limiting location choice by companies with foreign participation**

**2.1. Foreign investors' opinions**

To get a comprehensive view of factors affecting location decisions by companies with foreign participation, authors of the study resolved to take account also of limiting factors. Foreign investors' replies to the question, *What factors do you think prevent foreign investors from choosing the gmina where your company is operating for their operations?* disclosed many local obstacles to foreign investment. Most respondents (58.5%) named the poor market services infrastructure (banks, communications, transports). Nearly one in two (46.7%) pointed at the local population's limited buying power. One in

three (35.4%) named the small size of local market, and one in four (25.9%) the lack of skilled labour. All details are shown in Table 2.1.

Table 2.1. Factors limiting location decisions of companies with foreign participation  
FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Factor	Proportion % <sup>*/</sup>
1	Poor market services infrastructure (banks, communications, transports)	58.5
2	Local population's limited buying power	46.7
3	Small local market	35.4
4	Lack of skilled labour	25.9
5	Local authorities' unfriendly attitude towards foreign investors	15.1
6	Local people's unfriendly attitude towards foreign investments	12.3
7	Inconvenient location	9.0

\*/ The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

**2.2. Local authorities' opinions**

Local representatives in their replies to the analogous question, *What factors do you think prevent foreign investors from choosing your gmina as the location for their operations?* disclosed many local obstacles to foreign investment. Most respondents (58.5%) named three factors as the most significant ones. Nearly one in two gmina leaders (45.3%) named the local population's limited buying power, two in five (41.5%) the underdeveloped market infrastructure, and a good one in three (38.7%) the small local market. All details are shown in Table 2.2.

Table 2.2. Factors limiting location decisions of companies with foreign participation  
LOCAL AUTHORITIES' OPINIONS (N = 106)

No.	Factor	Proportion <sup>*/</sup>
1	Local population's limited buying power	45.3
2	Poor market services infrastructure (banks, communications, transports)	41.5
3	Small local market	38.7
4	Lack of skilled labour	15.1
5	Local people's unfriendly attitude towards foreign investments	12.3
6	Inconvenient location	11.3
7	Local authorities' unfriendly attitude towards foreign investors	2.8

<sup>\*/</sup> The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

### 2.3. Comparing foreign investors' with local representatives' opinions

Comparative analysis of replies obtained from both respondent groups disclosed similarities and differences of opinions about factors limiting the influx of foreign investment to local communities (Table 2.3.1).

**Convergence of opinions area.** Both respondent groups most often named three local obstacles to location decisions: poor market services infrastructure (banks, communications, transports) (difference a positive 17 percentage points in favour of foreign investors); local population's limited buying power (difference a positive 1.4 percentage points); and small local market (difference a negative 3.3 percentage points). Also, both groups rarely (12.3%) indicated local people's unfriendly attitude towards foreign investments.

**Divergence of opinions area.** Foreign investors much more often than local representatives (15.1% compared with only 2.8%, respectively) spoke of local authorities' unfriendly attitude towards foreign investors (difference a positive 12.3 percentage point).

Table 2.3.1. Factors limiting companies' location choice, in the opinions of foreign investors and local representatives  
COMPARISON OF APPRAISALS ON NATIONAL SCALE

No.	Factor	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	Poor market services infrastructure (banks, communications, transports)	58.5	41.5	(+) 17.0
2	Local population's limited buying power	46.7	45.3	(+) 1.4
3	Small local market	35.4	38.7	(-) 3.3
4	Lack of skilled labour	25.9	15.1	(+) 10.8
5	Local authorities' unfriendly attitude towards foreign investors	15.1	2.8	(+) 12.3
6	Local people's unfriendly attitude towards foreign investments	12.3	12.3	0.0
7	Inconvenient location	9.0	11.3	(-) 2.3

Comparison of opinions at national scale on local obstacles to founding companies with foreign participation revealed major convergence of opinions on that between foreign investors and local authorities (Table 2.3.2). Two or one foreign investor and a local representative most often indicated three factors limiting location decisions of companies with foreign participation. A first obstacle was the local population's limited buying power (named by foreign investors or one investor and a local representative in 36.9% of gminas), and small local market (indicated jointly by both groups in 26.3% gminas). Another obstacle was the poor market services infrastructure (banks, communications, transports) (with foreign investors' and local representatives' opinions found to converge in 34.9%).

Table 2.3.2. Factors limiting companies' location choice, in the opinions of foreign investors and local representatives

COMPARISON OF APPRAISALS ON GMINA SCALE

No.	Factor	Convergence and divergence area (in %)						Total
		1	2	3	4	5	6	
1	Poor market services infrastructure (banks, communications, transports)	19.8	15.1	17.9	26.4	6.6	14.2	100.0
2	Local population's limited buying power	14.2	22.7	12.3	17.9	8.5	24.4	100.0
3	Small local market	11.3	15.0	4.7	23.6	12.3	33.1	100.0
4	Lack of skilled labour	0.9	7.6	5.7	31.2	6.6	48.0	100.0
5	Local authorities' unfriendly attitude towards foreign investors	-	-	6.6	17.0	2.8	73.6	100.0
6	Local people's unfriendly attitude towards foreign investments	-	1.8	2.8	16.9	10.4	68.1	100.0
7	Inconvenient location	0.9	1.9	-	14.1	8.5	74.6	100.0

**Legend:**

- 1 - indicated by investors and a local representative
- 2 - indicated by one investor and a local representative
- 3 - indicated by investors only
- 4 - indicated by one investor only
- 5 - indicated by a representative of local authorities
- 6 - indicated by nobody

One in three (30.2%) indicated gmina officers. At the same time, however, quite a few respondents (12.3%) named gmina officers as those who created difficulties. Foreign investors further mentioned local Polish business representatives (21.7%), state enterprises (19.3%) and other companies with foreign participation (17.0%) as those that had helped.

Table 3.1. Role of local individuals, institutions and organisations in companies' decisions to start business in the gmina  
FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Individuals, institutions, organisations	Role description			
		helped	created difficulties	no opinion	total
1	Gmina head, mayor, town president	43.9	6.1	50.0	100.0
2	Local Polish business representatives	21.7	5.2	73.1	100.0
3	Church	6.6	1.4	92.0	100.0
4	Gmina officers	30.2	12.3	57.5	100.0
5	State enterprises	19.3	6.1	74.6	100.0
6	Other companies with foreign participation	17.0	1.9	81.1	100.0
7	Industrial organisations (trade guilds, business clubs)	20.8	0.5	78.7	100.0
8	Government agencies (State Foreign Investments Agency, Polish Agency for Regional Development)	25.9	4.2	69.9	100.0

**3. Role of local individuals, institutions and organisations in companies' decisions to start business**

**3.1. Foreign investors' opinions**

It is interesting to see in what way local individuals, institutions and organisations may influence decisions of companies with foreign participation to start business in any local community. Such knowledge is also useful in actual work. To get to know more about that investors were asked to answer the question, *Which of the individuals, institutions and organisations listed below helped or thwarted your company to start business in the gmina?*

The distribution of replies (Table 3.1) shows that only some foreign investors had received help from different local individuals, institutions or organisations in launching their companies. Not even one in two respondents (43.9%) named the gmina head, mayor or town president in this connection.

**3.2. Local representatives' opinions**

Replies to the question, *Which of the individuals, institutions and organisations listed below helped or thwarted your company to start business in the gmina?* indicated gmina heads, mayors and town presidents most frequently (89.6%) as those who had helped get companies going. Gmina officers (77.4%) and local Polish business representatives (47.2%) were the next major helpers. Details are shown in Table 3.2.

Table 3.2. Role of local individuals, institutions and organisations in companies' decisions to start business in the gmina

LOCAL REPRESENTATIVES' OPINIONS (N = 106)

No.	Individuals, institutions, organisations	Role description			total
		helped	created difficulties	no opinion	
1	Gmina head, mayor, town president	89.6	-	10.4	100.0
2	Local Polish business representatives	47.2	9.4	43.4	100.0
3	Church	15.1	1.9	83.0	100.0
4	Gmina officers	77.4	1.9	20.7	100.0
5	State enterprises	36.8	8.5	54.7	100.0
6	Other companies with foreign participation	36.8	7.5	54.7	100.0
7	Industrial organisations (trade guilds, business clubs)	61.3	-	38.7	100.0
8	Government agencies (State Foreign Investments Agency, Polish Agency for Regional Development)	45.3	2.8	51.9	100.0

### 3.3. Comparison of foreign investors' with local representatives' opinions

Comparison of replies from both respondent groups disclosed a wide area of divergence of opinions about the assistance local individuals, institutions and organisations gave companies with foreign participation in starting their business operations. Local leaders twice as often as local representatives pointed to the assistance local individuals, institutions and organisations gave to companies. Differences in appraisals of help given by gmina heads, mayors and town presidents were at 45.7 percentage points, of that given by local officers 47.2 percentage points. For details see Table 3.3.1.

Table 3.3.1. Foreign investors' and local representatives' opinions on assistance companies with foreign participation received from local individuals, institutions and organisations in starting business operations

COMPARISON OF APPRAISALS ON NATIONAL SCALE

No.	Individuals, institutions, organisations	Helped		Difference (percentage points) A - B
		Foreign investors % indications = A	Local representatives % indications = B	
1	Gmina head, mayor, town president	43.9	89.6	(-) 45.7
2	Local Polish business representatives	21.7	47.2	(-) 25.5
3	Church	6.6	15.1	(-) 8.5
4	Gmina officers	30.2	77.4	(-) 47.2
5	State enterprises	19.3	36.8	(-) 17.5
6	Other companies with foreign participation	17.0	36.8	(-) 19.8
7	Industrial organisations (trade guilds, business clubs)	20.8	61.3	(-) 40.5
8	Government agencies (State Foreign Investments Agency, Polish Agency for Regional Development)	25.9	45.3	(-) 19.4

Convergence of opinions of both respondent groups on assistance given to foreign investors was found as a rule in gminas where foreign representatives said they had received help. This rule holds for each individual, institution or organisation indicated in this study. For details see Table 3.3.2.

Table 3.3.2. Foreign investors' and local representatives' opinions on assistance companies with foreign participation received from local individuals, institutions and organisations in starting business operations

COMPARISON OF APPRAISALS ON GMINA SCALE

No.	Individuals, institutions, organisations	Convergence & divergence of opinions (in %)				Total
		1	2	3	4	
1	Gmina head, mayor, town president	24.5	18.8	-	56.7	100.0
2	Local Polish business representatives	7.5	11.3	2.8	78.4	100.0
3	Church	2.8	1.8	-	95.4	100.0
4	Gmina officers	15.1	12.6	0.9	71.4	100.0
5	State enterprises	5.7	10.4	2.8	81.1	100.0
6	Other companies with foreign participation	6.6	9.4	-	84.0	100.0
7	Industrial organisations (trade guilds, business clubs)	10.4	7.0	-	82.6	100.0
8	Government agencies (State Foreign Investments Agency, Polish Agency for Regional Development)	7.5	18.8	0.9	72.8	100.0

Legend:

- 1 - complete convergence of opinions of foreign investors with local representatives
- 2 - limited convergence of opinions
- 3 - divergence of opinions between one investor and a local representative
- 4 - no opinion or divergence of opinions between all respondents

#### 4. Difficulties hampering foundation of companies with foreign participation

##### 4.1. Foreign investors' opinions

The survey revealed that foreign investors faced different difficulties in founding companies in Poland. Most difficulties were encountered during the stage of creating good technical and organisational conditions for starting work (39.6% respondents named this) and while recruiting and employing employees with required qualifications (39.2%). Staff problems were also reported from the period of creating and integrating the company personnel (29.4%). One in three respondents (34.4%) had difficulties preparing the

required documents and official registration of their companies. Some foreign investors (17.9%) were unable to find business partners for cooperation. Some investors found it difficult to get official permits from local authorities for starting work in the local community (17.5%).

Details of replies to the question, *Which of the listed stages of founding your company was most difficult for you?* are shown in Table 4.1.

Table 4.1. Difficulties in founding companies with foreign participation  
FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Difficulty	% indications
1	Creating good technical & organisational conditions to start business operations	39.6
2	Recruitment & employment of qualified workers	39.2
3	Preparing required documents & registering company	34.4
4	Motivating own staff for work for the company (creating a dedicated team)	29.4
5	Finding business partners	17.9
6	Getting official permission to start company	17.5

\*/ percentages do not add up to 100 because some investors named more than one difficulty.

##### 4.2. Local representatives' opinions

Replies received in the study indicate that local authorities are generally self-critical about their part in setting up companies with foreign participation in their communities. They thought foreign investors faced difficulties mainly trying to find partners to do business with (54.7% named this) or creating favourable conditions to start business operations (40.6%). Nearly two in five local representatives (38.7%) pointed to the red tape that often accompanied preparation of documents and companies' official registration. One in ten respondents (10.4%) named difficulties encountered when seeking official permits to start business operations. Many local representatives spoke of staff problems in connection with recruitment of skilled employees (24.5%) or integration of company staff (32.1%).

Distribution of replies to the question, *Which of the listed stages of foreign investors trying to found companies in local communities would you say was the toughest one for them?* are shown in Table 4.2.

Table 4.2. Difficulties in founding companies with foreign participation  
LOCAL REPRESENTATIVES' OPINIONS (N = 106)

No.	Difficulty	% indications
1	Finding business partners	54.7
2	Creating good technical & organisational conditions to start business operations	40.6
3	Preparing required documents & registering company	38.7
4	Motivating own staff for work for the company (creating a dedicated team)	32.1
5	Recruitment & employment of qualified workers	24.5
6	Getting official permission to start company	10.4

percentages do not add up to 100 because some investors named more than one difficulty.

Table 4.3.1. Foreign investors' & local representatives' opinions on difficulties faced when founding companies with foreign participation  
COMPARISON ON NATIONAL SCALE

No.	Difficulty	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	Creating good technical & organisational conditions to start business operations	39.6	40.6	(-) 1.0
2	Recruitment & employment of qualified workers	39.2	24.5	(+) 4.7
3	Preparing required documents & registering company	34.4	38.7	(-) 4.3
4	Motivating own staff for work for the company (creating a dedicated team)	29.4	32.1	(-) 2.7
5	Finding business partners	17.9	54.7	(-) 36.8
6	Getting official permission to start company	17.5	10.4	(+) 7.1

#### 4.3. Comparing foreign investors' with local representatives' opinions

Foreign investors and local representatives expressed largely concurrent opinions on difficulties encountered when founding companies with foreign participation (Table 4.3.1). Both respondent groups often mentioned difficulties of technical and organisational nature, staff problems, as well as difficulties encountered in contacts with official representatives. Significant differences of opinions, on the other hand, were found on the issue of difficulties in finding business partners, with local representatives (54.7%) noticing them three times as frequently as foreign investors (17.9%).

Comparison of analogous replies on gmina scale disclosed the two respondent groups agreed on three main difficulties:

- Creating good technical and organisational conditions to start business operations (investors and local representatives named this in 26.4% of local communities).
- Preparing required documents and registering company (24.5% local communities).
- Recruitment and employment of qualified workers (27.9% local communities).



Table 4.3.2. Foreign investors' & local representatives' opinions on difficulties faced when founding companies with foreign participation  
COMPARISON ON GMINA SCALE

No.	Difficulty	Convergence & divergence areas (in %)						Total
		1	2	3	4	5	6	
1	Creating good technical & organisational conditions to start business operations	6,6	19,8	13,2	19,8	14,2	26,4	100,0
2	Recruitment & employment of qualified workers	6,6	11,3	8,5	36,8	6,6	30,2	100,0
3	Preparing required documents & registering company	10,4	14,1	7,5	18,8	14,2	35,0	100,0
4	Motivating own staff for work for the company (creating a dedicated team)	6,6	12,2	6,6	19,8	13,2	41,6	100,0
5	Finding business partners	4,7	14,1	1,9	8,5	35,8	35,0	100,0
6	Getting official permission to start company	-	3,7	2,8	25,5	6,6	61,4	100,0

**Legend:**

- 1 - indicated by investors and a local representative
- 2 - indicated by one investor and a local representative
- 3 - indicated by foreign investors alone
- 4 - indicated by only one investor
- 5 - indicated by only one local representative
- 6 - indicated by nobody

## 5. Sources of information on local community

### 5.1. Foreign investors' opinions

Promotion work for Poland as a potential market for foreign investment is widely held to be insufficient. Information about the country is all but unavailable, especially in regions and places foreign investors may find interesting. This study confirmed that common opinion. Replies foreign investors spontaneously gave to the open query, *Where did you get your information from before resolving to localise your company in this region?*, indicated that most respondents had got their information from unofficial or private sources such as a private person or Polish firm acting as partner to the

company (49.2% did so). Personal contacts to Poles (42.5%) were the next biggest source of information, followed by previous trade links with Poland (41.0%), family ties (34.0%), sporadic contacts to Polish companies and institutions (25.9%), and other foreign investors (21.7%). Just one in six investor pointed at promotional materials: bids, folders, info booklets prepared by local authorities (15.1%) or by the Polish press, radio and television (14.2%). Some foreign investors used Western press reports (7.5%) or Western radio or television channels (6.6%). For details see Table 5.1.

Table 5.1. Sources of information on local communities foreign investors used before starting business in Poland  
FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Source	% indications <sup>*</sup>
1	Polish partner person or company	42.9
2	Private contacts to Poles	42.5
3	Previous trade or cooperation with Poland	41.0
4	Family ties to Poland	34.0
5	Sporadic contacts to Polish companies & institutions	25.9
6	Other foreign investors	21.7
7	Local authorities (bids, folders, info booklets)	15.1
8	Polish press, radio & tv	14.2
9	Western press	7.5
10	Western radio & tv	6.6

\* Percentages do not add up to 100 because some investors named more than one source.

### 5.2. Local representatives' opinions

Local representatives most frequently named contacts to relatives in Poland as the information source they thought foreign investors usually used before starting business in Poland (41.5%). One in three local representatives named promotional materials: government agencies and voivodship offices (36.8%) and bids, folders and info booklets issued by local authorities (34.0%). Distribution of replies to the query, *Which sources of information, in your opinion, did foreign investors rely upon resolving to start business in this region?*, is shown in Table 5.2.

Table 5.1. Sources of information on local communities foreign investors used before starting business in Poland  
LOCAL REPRESENTATIVES' OPINIONS (N = 106)

No.	Source	% indications <sup>*/</sup>
1	Family ties to Poland	41.5
2	Government agencies, voivodship offices engaged in promotion work	36.8
3	Local authorities (bids, folders, info booklets)	34.0
4	Previous trade or cooperation with Poland	23.6
5	Polish press, radio & tv	15.1
6	Consulting firms	6.6

<sup>\*/</sup> Percentages do not add up to 100 because some investors named more than one source.

### 5.3. Comparing foreign investors' with local representatives' opinions

Comparison of replies received from both respondent groups disclosed convergence and divergence of opinions on sources of information foreign investors used before deciding to start doing business in Poland (Table 5.3).

**Convergence of opinions area.** This area is mainly one where both groups underscored the significance of unofficial and private sources, mainly contacts to relatives in Poland (34.0% of foreign investors and 41.5% local representatives), and previous trade contacts to Poland (41.0% and 23.6%, respectively).

**Divergence of opinions area.** Foreign investors named many more unofficial and private information sources, including Polish individuals or companies among the company's partners (named by 42.9%), private contacts to Poles (42.5%), other foreign investors (21.7%). Gmina representatives were the only ones to name consulting firms as information sources (6.6%).

Table 5.3. Opinions of managers of companies with foreign participation and of local representatives on information sources foreign investors relied upon before starting business in Poland  
COMPARISON OF OPINIONS ON NATIONAL SCALE

No.	Factor	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	Previous trade or cooperation with Poland	41.0	23.6	(+) 17.4
2	Family ties to Poland	34.0	41.5	(-) 7.5
3	Local authorities (bids, folders, info booklets)	15.1	34.0	(-) 18.9
4	Polish radio & tv	14.2	15.1	(-) 0.9
5	Polish partner person or company	42.9	-	-
6	Private contacts to Poles	42.5	-	-
7	Sporadic contacts to Polish companies & institutions	25.9	-	-
8	Other foreign investors	21.7	-	-
9	Western press	7.5	-	-
10	Western radio & tv	6.6	-	-
11	Government agencies, voivodship offices engaged in promotion work	-	36.8	-
12	Consulting firms	-	6.6	-

## 6. Foreign investors' knowledge of local community when starting business operations

### 6.1. Foreign investors' opinions

In another line of queries, foreign investors were asked to indicate what they knew about their local communities at the moment of starting business. Assessment of this issue was based on replies received from owners and managers of companies with foreign participation and replies received from local authorities. It turned out respondents were quite happy with their knowledge. Two in three foreign investors (63.2%) described their knowledge as in-depth or very good. One in three were critical of their knowledge of the local community (9.0% as very poor, and 22.6% as inadequate).

Distribution of replies to the query, *How would you describe the knowledge managers of your company had of the local community where you work at take off?*, is shown in Table 6.1.

Table 6.1. Foreign investors' knowledge of their local communities at take-off  
FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Knowledge description	% indications
1	very poor	9.0
2	inadequate	22.6
3	in-depth	36.3
4	very good	26.9
5	hard to say	4.7
6	no answer	0.5
	total	100.0

## 6.2. Local representatives' opinions

More than one half of local representatives (53.8%) gave negative ratings to foreign investors' knowledge of their local communities at the moment they start their companies in Poland (with 13.2% of studied local representatives describing it as very poor and 40.6% as inadequate). One in three respondents (34.0%) gave positive ratings (25.5% local representatives described foreign investors' knowledge as in-depth, and 8.5% as very good). Distribution of local representatives' replies to the query, *How would you describe foreign investors' knowledge of their local communities at take-off?*, is shown in Table 6.2.

Table 6.2. Foreign investors' knowledge of their local communities at take-off  
LOCAL REPRESENTATIVES' OPINIONS (N = 106)

No.	Knowledge description	% indications
1	very poor	13.2
2	inadequate	40.6
3	in-depth	25.5
4	very good	8.5
5	hard to say	12.2
	total	100.0

## 6.3. Comparing foreign investors' with local representatives' opinions

Comparison of both respondent groups' replies highlighted sharp differences of opinions regarding investors' initial knowledge of their local communities (Table 6.3). Foreign investors' self-rating of their knowledge turned out to be much better than what local representatives thought of that. Foreign partners were less critical (31.6%) and local representatives more critical (53.8%) of that knowledge. The difference was at 22.2 percentage points. Foreign investors twice as often as local authorities (63.2% and 34.0%, respectively) gave positive ratings to their knowledge of their local communities in the initial period of companies' business operations.

Table 6.3. Foreign investors' & local representatives' opinions on foreign investors' knowledge of their local communities at take-off  
COMPARISON ON NATIONAL SCALE

No.	Knowledge description	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	very poor	39.6	40.6	(-) 1.0
2	inadequate	39.2	24.5	(+) 4.7
3	in-depth	34.4	38.7	(-) 4.3
4	very good	29.4	32.1	(-) 2.7
5	hard to say	17.9	54.7	(-) 36.8
6	no answer	17.5	10.4	(+) 7.1

Comparison of both respondent groups at local scale about the knowledge foreign investors had at the point of starting business operations in Poland showed that convergence of opinions on that matter expressed by foreign investors and a local representative was found in 14.0% of studied local communities (descriptions as *very good* in 7.5% studied gminas, as *average* in 2.8%, and *poor* or *very poor* in 3.7%) gminas. In more than one in four gminas (28.5%) divergence of opinions was found between foreign investors and a local representative, while in nearly one in four (23.6%) divergence of opinions was found between all respondents.

**7. Foreign investors' relations with local authorities at the moment companies with foreign participation started business operations**

**7.1. Foreign investors' opinions**

Asked to describe their relations with local authorities at the point of starting operations, more than one half of foreign investors gave positive ratings to that (58.5%, with 15.1% describing them as very good and 43.4% as good). One in three respondents (33.5%) gave neutral descriptions, and 7.0% negative ratings. Details of replies to the query, *How would you describe relations between local authorities and your company at the time of starting business?*, are shown in Table 7.1.

Table 7.1. Relations between foreign investors and local authorities at take-off  
FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Relations description	% indications
1	very good	15.1
2	good	43.4
3	average	33.5
4	bad	6.1
5	very bad	0.9
6	no answer	1.0
total		100.0

**7.2. Local representatives' opinions**

A vast majority of gmina representatives (84.9%) polled gave positive ratings to relations with companies with foreign participation at the moment they started business operations in the local communities. Neutral ratings were given by 14.2% respondents. Only in one gmina did local authorities describe those relations as bad. Details of replies to the question, *How would you describe relations between foreign investors and local authorities at the time companies with foreign participation were starting to work in your gmina?*, are shown in table 7.2.

Table 7.2. Relations between foreign investors and local authorities at take-off  
LOCAL REPRESENTATIVES' OPINIONS (N = 212)

No.	Relations description	% indications
1	very good	29.2
2	good	55.7
3	average	14.2
4	bad	0.9
5	very bad	-
total		100.0

**7.3. Comparing foreign investors' with local representatives' opinions**

Comparison of opinions expressed by both groups showed that foreign investors more rarely (58.5%) than local authorities (84.9%) gave positive ratings to relations between them. The difference was a negative 26.4 percentage points. Investors, on the other hand, twice as often as local representatives gave neutral ratings (33.5% versus 14.2%, respectively). The difference was a positive 19.3 percentage point. A significant group of investors (7.0%) described them as bad or very bad, compared with just 0.9% of local representatives. The difference in this case was a positive 6.1 percentage point (Table 7.3).

Table 7.3. Foreign investors' & local representatives' opinions on relations between foreign investors and local authorities at companies' take-off  
COMPARISON ON NATIONAL SCALE

No.	Relations description	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	very good	15.1	29.2	(-) 14.1
2	good	43.4	55.7	(-) 12.3
3	average	33.5	14.2	(+) 19.3
4	bad	6.1	0.9	(+) 5.2
5	very bad	0.9	-	-
6	no answer	1.0	-	-

Comparison on gmina scale of descriptions of relations between foreign investors and local representatives at the time of setting up companies disclosed high convergence between both respondent groups. In 46.1% of studied local communities, descriptions of relations were found to converge between foreign investors and the respective local representative (with *very good* and *good* descriptions given in 36.9% gminas, and descriptions as *average* in 4.7%). In more than one in three gminas (36.0%) limited convergence was found between one investor and the respective local representative. In 14.1% of gminas, opinions were found to diverge between investors and the local representative. Divergence between all respondents was found in 8.3% of studied gminas.

## 8. Local authorities' measures designed to attract foreign investment

### 8.1. Foreign investors' opinions

A major class of conditions of operation for companies with foreign participation are local authorities' operations designed to attract foreign investors. What has been found out to date is precious little. In order to get such knowledge, respondents were asked, *What do you think local authorities are doing to attract foreign investors?* Most foreign investors replied negatively (32.1% respondents saying local authorities were doing little if anything, while 22.6% were aware of no actions at all local authorities would be undertaking). Positive replies reflected awareness of two different lines of work by local authorities: preparation of bids, bulletins, folders, info booklets and other publications (named by 21.7% respondents), and organising fairs, exhibitions and meetings with foreign investors (15.1%). For details see Table 8.1.

Table 8.1. Local representatives' actions designed to attract foreign investors  
FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Actions	% indications
1	They do little if anything	32.1
2	Foreign investors are aware of no such actions	22.6
3	They prepare bids, bulletins, folders, info booklets, publications	21.7
4	They organise fairs, exhibitions & meetings with foreign investors	15.1
5	They come forward with cooperation offers and/or land lease proposals	5.7
6	They are friendly and open-minded to any offer	5.7
7	They grant investment and tax allowances	3.3

\*/ Percentages do not add up to 100 because some investors named more than one source.

### 8.2. Foreign investors' opinions

In spontaneous replies to the open query, *What are local authorities doing to attract foreign investment?*, local representatives most often named two kinds of promotional actions: preparation of bids, bulletins, folders, info booklets and publications (56.6% respondents) and organising fairs, exhibitions and meetings with foreign investors (55.6%). Nearly one in five local representative mentioned granting investment and tax allowances (19.8%) and coming forward with cooperation offers (18.9%). Some local communities (7.5%) set up agencies and foreign investment offices. For details see Table 8.2.

Table 8.2. Local representatives' actions designed to attract foreign investors  
LOCAL REPRESENTATIVES' OPINIONS (N = 106)

No.	Actions	% indications
1	They prepare bids, bulletins, folders, info booklets, publications	56.6
2	They organise fairs, exhibitions & meetings with foreign investors	55.6
3	They grant investment and tax grants	19.8
4	They come forward with cooperation offers and/or land lease proposals	18.9
5	They set up foreign investment agencies & offices	7.5

\*/ Percentages do not add up to 100 because some investors named more than one source.

### 8.3. Comparing foreign investors' with local representatives' opinions

Comparison disclosed a divergence of opinions as regards actions local authorities take in order to attract foreign investments. Local representatives presented a much more favourable picture than foreign investors (Table 8.3). Promotional actions launched in the form of bids, bulletins, folders and publications were mentioned by 21.7% investors and 56.6% local authorities (the difference was 34.9 percentage points). Local representatives three times as often as foreign investors named fairs, exhibitions and meetings with foreign investors (at a difference 40.5 percentage points).

Table 8.3. Foreign investors' & local representatives' opinions on actions local authorities take to attract foreign investment  
COMPARISON ON NATIONAL SCALE

No.	Actions	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	They prepare bids, bulletins, folders, info booklets, publications	21.7	56.6	(-) 34.9
2	They organise fairs, exhibitions & meetings with foreign investors	15.1	55.6	(-) 40.5
3	They come forward with cooperation offers and/or land lease proposals	5.7	18.9	(-) 13.2
4	They grant investment and tax grants	3.3	19.8	(-) 16.5
5	They do little if anything	32.1	-	-
6	Foreign investors are aware of no such actions	22.6	-	-
7	They are friendly and open-minded to any offer	5.7	-	-
8	They set up foreign investment agencies & offices	-	7.5	-

## Chapter III

### FUNCTIONING OF COMPANIES WITH FOREIGN PARTICIPATION IN LOCAL COMMUNITIES

#### 1. Local inhabitants' attitudes towards foreign investors

##### 1.1. Foreign investors' opinions

Attitudes of local inhabitants are a significant factor affecting the functioning of companies with foreign participation in any given region. To find out what foreign investors thought of conditions offered them in any particular region they were asked to answer the question, *What is the local population's attitude towards foreign investors?* Replies company representatives gave were interpreted as indicators of local communities' reactions to the presence of foreign investors in their region (Table 9.1).

Table 9.1. Local inhabitants' attitude towards foreign investors in their regions

FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Attitude description	% indications
1	Very positive	6.6
2	Positive	50.9
3	Hard to say	34.9
4	Negative	7.6
total		100.0

Well over one half of company representatives said the local inhabitants' attitudes towards the presence of foreign capitalists in their region as positive. Descriptions of those attitudes as *positive* or *very positive* altogether make up 57.5%. A good one-third (34.9%) of the polled people found it hard to describe those attitudes. Just 7.6% respondents chose the term *negative* to describe attitudes. None chose the description *very negative* to best describe local inhabitants' attitudes towards foreign investors.

## 1.2. Local representatives' opinions

Local representatives were also asked to answer the same question. Local representatives' replies are summed up in Table 9.2.

Table 9.2. Local inhabitants' attitude towards foreign investors in their regions

LOCAL AUTHORITIES' OPINIONS (N = 106)		
No.	Attitude description	% indications
1	Very positive	10.4
2	Positive	64.2
3	Hard to say	20.8
4	Negative	4.6
total		100.0

Almost three in four local representatives (74.6%) thought people in their gminas had positive attitudes towards foreign investors. One in five polled local representatives (20.8%) did not know what to say, compared with a tiny 4.6% claiming local inhabitants had a negative attitude towards foreign investors. None described those attitudes as *very negative*.

## 1.3. Comparing foreign investors' with local representatives' opinions

Comparison of both respondent groups' replies was possible since respondents had been asked to answer the same question. Results of a comparative analysis are shown in Table 9.3.1.

Table 9.3.1. Foreign investors' & local representatives' opinions on local inhabitants' attitudes towards foreign investors

COMPARISON ON NATIONAL SCALE				
No.	Attitude description	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	Very positive	6.6	10.4	(-) 3.8
2	Positive	50.9	64.2	(-) 13.3
3	Hard to say	34.9	20.8	(+) 14.1
4	Negative	7.6	4.6	(+) 3.0

Comparison of descriptions of local inhabitants' attitudes towards foreign investors used by foreign investors themselves and local representatives showed that most respondents took positive views of them. Local authorities were by and large more optimistic in their descriptions of local inhabitants' attitudes towards foreign investors. That showed in their bigger proportions of *very positive* choices and more frequent uses of *positive*. Foreign investors were perhaps more cautious in expressing their opinions. More often than local representatives they chose *hard to say* to describe local communities' attitudes towards the presence of companies with foreign participation in their regions.

Table 9.3.2. Local inhabitants' attitudes towards foreign investors in the opinion of foreign investors and local authorities

COMPARISON ON GMINA SCALE				
Appraisals of convergence & divergence of opinions (in %)				
Complete convergence of opinions of foreign investors & a local representative	Partial convergence of opinions of foreign investors & a local representative	Divergence of opinions of foreign investors & a local representative	Divergence of opinions between all respondents	Total
33.1	45.4	16.9	4.6	100.0

Comparison of opinions voiced by local representatives and foreign investors at local scale justifies the observation that convergence of opinions is complete or partial at that level (Table 9.3.2). Complete convergence of opinions was found in one in three gminas (33.1%). Partial convergence was found nearly in one half of gminas (45.4%), which was interpreted to mean that one in two polled investors and one local representative were of the same opinion.

To sum up the attitudes question, both groups appear to agree essentially that integrative attitudes predominate in most gminas. Local communities, accordingly, can be taken to hold pro-European attitudes, if positive attitudes towards foreign investors are an indicator of that.

## 2. Foreign investors' interest in local communities' problems

### 2.1. Foreign investors' opinions

A next issue in the study was the extent of interest foreign investors had in what local communities held to be important issues. Foreign investors' appraisal of their own approach to those issues was shown in Table 10.1.

Table 10.1. Appraisals of foreign investors' interest in issues local inhabitants viewed as important

FOREIGN INVESTORS' OPINIONS (N = 212)		
No.	Degree of interest	% indications
1	Yes	65.6
2	No	18.9
3	Hard to say	15.5
total		100.0

Almost two in three foreign investors (65.6%) were certain their companies were concerned with local communities' problems in the gminas where they had their factories or offices. Barely one in five (18.9%) representatives of companies with foreign participation said their companies took no interest at all in local communities' problems, compared with 15.6% saying they did not want or were unable to describe clearly their companies' activeness in that respect.

A majority of foreign investors described their engagement in Poland as going beyond the bounds of business activity as such. Replies to the polls showed their companies were also concerned with local communities' problems.

### 2.2. Local representatives' opinions

The question of the extent to which foreign investors took interest in local communities' problems was also answered by local representatives. Their opinions are summed up in Table 10.2.

Table 10.2. Appraisals of foreign investors' interest in issues local inhabitants viewed as important

LOCAL REPRESENTATIVES OPINIONS (N = 106)		
No.	Degree of interest	% indications
1	Yes	29.2
2	No	27.4
3	Hard to say	42.5
4	No answer	0.9
total		100.0

Local representatives differ in their views of foreign investors' interest in local communities' problems. *Hard to say* was the most frequently chosen reply. More than two in five polled local representatives (42.5%) said so. Those saying foreign investors were concerned with local problems and those thinking that was not so formed equally large groups.

### 2.3. Comparing foreign investors' with local representatives' opinions

Comparison of both respondent groups' replies on the question of interest companies with foreign participation took in local problems is shown in Table 10.3.1.

Table 10.3.1. Foreign investors' & local representatives' appraisals of interest companies with foreign participation took in local problems  
COMPARISON ON NATIONAL SCALE

No.	Attitude description	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	Yes	65.6	29.2	(+) 36.4
2	No	18.9	27.4	(-) 8.5
3	Hard to say	15.5	42.5	(-) 27.0
4	No answer	-	0.9	-

Differences in the relative degree of interest companies with foreign participation took in local communities' problems are apparently significant. Foreign investors twice as often as local representatives said their companies were concerned with local problems. Local representatives for their part were



more prone to answer this question in the negative, for 27.4% did so compared with just 18.9% foreign investors. A substantial number of local representatives had no clear view on that issue. That can be taken to mean that the situation was not at all clear and different investors reacted differently to local problems. Or, that may be viewed as evidence of local representatives' caution as they are sceptical about investors' commitment to local environment problems but do not want to turn them off with too harsh opinions.

Table 10.3.2. Foreign investors' & local representatives' appraisals of interest companies with foreign participation took in local problems

COMPARISON ON GMINA SCALE

Appraisals of convergence & divergence of opinions (in %)				
Complete convergence of opinions of foreign investors & a local representative	Partial convergence of opinions of foreign investors & a local representative	Divergence of opinions of foreign investors & a local representative	Divergence of opinions between all respondents	Total
18.9	31.2	33.0	16.9	100.0

Foreign investors' interest in problems of local communities as voiced by representatives of companies and local authorities are differentiated on local scale (Table 10.3.2). In one in two gminas opinions converged fully or to some extent, and diverged entirely or partly in the other half. Ordinary differences of opinion were such that investors said they took interest and were concerned with problems of local communities, whereas local representatives said the opposite thing or declined to supply a straightforward answer on that question.

The figures bear out the contention that in many local communities there was little agreement over foreign investors' commitment to the resolution of local issues. Investors tended to describe their interest as significant. Local representatives, on the other hand, were more sceptical.

### 3. Opinions on business services available in local communities

#### 3.1. Foreign investors' opinions

Representatives of companies with foreign participation were asked the question, What kinds of business services do foreign companies miss in their local communities? Opinions of company managers are shown in Table 11.1.

Table 11.1. Opinions on business services in local communities

FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Business service missed	% indications
1	Specialised firms supplying information about business partners	56.6
2	Information on Polish economy	43.9
3	Information on local community	41.0
4	Information on companies supplying business services	37.7
5	Consulting services	36.8
6	Marketing services	36.8
7	Advertising services	26.4
8	Economic plans	0.9
9	Legal services	0.9
10	Other	4.3
11	Chose none	12.3

\* The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

Foreign investors mostly complained about the absence in their local communities of specialised companies supplying information about business partners. More than one half (56.6%) foreign investors on the poll said it was hard for them to find any business information firm. Foreign investors further missed information about the Polish economy (43.9%) and information about local communities (41.0%). They gave relatively the best marks to legal services. Only rarely did they claim advertising firms were in short supply, yet one in four (26.4%) said more such firms could work in their local communities.

### 3.2. Local representatives' opinions

The same question was put to local representatives. Opinions of that group are presented in Table 11.2.

Table 11.2. Opinions on business services in local communities

LOCAL REPRESENTATIVES' OPINIONS (N = 106)

No.	Business service missed	% indications
1	Specialised firms supplying information about business partners	56.6
2	Information on local community	44.3
3	Information on Polish economy	39.6
4	Marketing services	36.8
5	Consulting services	35.8
6	Information on companies supplying business services	34.9
7	Advertising services	25.5
8	No direct contact between interested parties	1.9
9	Shortage of credit, lack of partners with venture capital	1.9
10	Poor knowledge of the law	0.9
11	Stable regulations	0.9
12	No business law specialists	3.8
13	Other	7.5
14	Chose none	

\* The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

Representatives of local authorities for their part named firms supplying information about possible business partners when asked what they thought was most painfully missed in their local

Local representatives thought that the worst shortage in their communities was that of firms supplying information about business partners. A total of 56.6% of those polled subscribed to that opinion. Respondents in the same group also claimed they missed information about their local community (44.3%) and information on the Polish economy (39.6%). Local representatives further said there were too few marketing agencies and consulting companies. Gmina representatives also mentioned a number of matters they thought had a negative effect on the quality of business services: lack of direct contacts between interested partners; shortage of credit loans and partners with venture capital; poor knowledge of the law; unstable regulations (especially tax regulations); and shortage of business law specialists.

### 3.3. Comparing foreign investors' with local representatives' opinions

Comparison of both respondent groups' replies on the question of business services availability in local communities is shown in Table 11.3.1.

Table 11.3.1. Foreign investors' & local representatives' opinions on business services in local communities

COMPARISON ON NATIONAL SCALE

No.	Attitude description	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	Specialised firms supplying information about business partners	56.6	56.6	0.0
2	Information on Polish economy	43.9	39.6	(-) 4.3
3	Information on local community	41.0	44.3	(-) 3.3
4	Information on companies supplying business services	37.7	34.9	(+) 2.8
5	Consulting services	36.8	35.8	(+) 1.0
6	Marketing services	36.8	36.8	0.0
7	Advertising services	26.4	25.5	(+) 0.9

Comparison indicated a strong convergence of opinions between foreign investors and local representatives on which local business services they thought were missed most badly in their communities. The figures justify the general conclusion that information services are most badly missed in local communities. Agencies offering business information on potential partners were missed as well as reliable information about the economy at large and the situation in local communities. Foreign investors and local representatives alike complained about the short supply of information services in local communities. Investors attached greater importance to information about the Polish economy. Local representatives, on the other hand, self-critically conceded information about their communities was inadequate. Asked to appraise specialised firms offering services to business firms both studied groups admitted that the least painful absence of business services in their

communities was that of advertising agencies. Differences of opinion between the two groups concerned appraisals of availability of information about companies offering business services. Investors spoke of the lack of that kind of information slightly more often than local representatives. Comparison of both groups on gmina level is shown in Table 11.3.2.

Table 11.3.2. Foreign investors' & local representatives' opinions on business services in local communities

COMPARISON OF APPRAISALS ON GMINA SCALE

No.	Factor	Convergence and divergence area (in %)						Total
		1	2	3	4	5	6	
1	Specialised firms supplying information about business partners	20.8	24.6	13.2	20.7	11.3	9.4	100.0
2	Information on Polish economy	8.5	20.7	14.2	21.7	10.4	24.5	100.0
3	Information on local community	11.3	18.8	6.6	27.4	14.2	21.7	100.0
4	Information on companies supplying business services	3.8	17.9	12.3	25.5	13.2	27.3	100.0
5	Consulting services	8.5	13.2	10.4	22.6	14.2	31.1	100.0
6	Marketing services	6.6	13.2	9.4	28.3	17.0	25.5	100.0
7	Advertising services	1.9	10.4	6.6	25.5	13.2	42.4	100.0

**Legend:**

- 1 - indicated by investors and a local representative
- 2 - indicated by one investor and a local representative
- 3 - indicated by investors only
- 4 - indicated by one investor only
- 5 - indicated by a representative of local authorities
- 6 - indicated by nobody

Highest convergence between foreign investors and local representatives was found when they indicated a lack of firms specialising in supplying information about potential business partners and availability of information about local communities. Both groups generally named these two kinds of business services as being in short supply in local communities.

#### 4. Telecom services in local communities

##### 4.1. Foreign investors' opinions

Foreign investors' representatives were asked for their opinions about the efficiency of telecom services in local communities. The findings are shown in Table 12.1.

Table 12.1. Foreign investors' opinions on telecommunications services in local communities (N = 212)

No.	Telecom service	Appraisals (%)			Total
		hard to say	negative	positive	
1	Local calls in towns	8.5	44.5	47.0	100.0
2	Trunk calls	8.0	46.2	45.8	100.0
3	International	8.0	28.3	63.7	100.0
4	Fax communications	9.0	22.6	68.4	100.0
5	Telex communications	36.8	14.6	48.6	100.0

Fax communications got the best ratings from foreign investors. A good two-thirds (68.4%) gave positive ratings, compared with 22.6% expressing negative ideas, yielding a net positive rating at 45.8 points. Positive opinions clearly eclipsed negative ones also for international telephone calls, yielding a net positive 35.4% points. Positive very clearly dominated over negative ratings in both cases, yet the fact that as many as one in five investors thought little of fax or international telephone communications is proof enough of the situation still being a far cry from what it should be.

Local calls in towns and trunk calls were given much worse ratings. Indeed, negative ratings even prevailed over positive ones in the case of trunk calls. Local calls did not do much better either.

As for telex communications, nearly one in two respondents said they had no opinions about that particular kind of connections. That particular distribution of replies may be to do with the fact that many foreign firms actually never use telexes.

#### 4.2. Local representatives' opinions

Local representatives were also asked to evaluate the functioning of local telecommunications from the point of view of foreign investors. The findings are shown in Table 12.2.

Table 12.2. Local representatives' opinions on telecommunications services in local communities (N = 106)

No.	Telecom service	Appraisals (%)			Total
		hard to say	negative	positive	
1	Local calls in towns	5.7	28.3	66	100.0
2	Trunk calls	5.7	28.3	66	100.0
3	International	12.3	17.9	69.8	100.0
4	Fax communications	11.3	13.2	75.5	100.0
5	Telex communications	20.8	7.5	71.7	100.0

Local representatives gave positive ratings to all kinds of telecom services. The largest number of positive ratings, and at the same time the smallest number of negative ones, were given for fax and telex communications. Trunk and local calls in towns got the least positive ratings, yet even so positive ratings still exceeded negative ones.

#### 4.3. Comparing foreign investors' with local representatives' opinions

Comparison of both respondent groups' replies on the question of business services availability in local communities is shown in Table 12.3.1.

Table 12.3.1. Foreign investors' & local representatives' opinions on business services in local communities

##### COMPARISON ON NATIONAL SCALE

No.	Attitude description	Net ratings (percentage points)	
		foreign investors	local representatives
1	Local calls in towns	(+) 2.7	(+)38.7
2	Trunk calls	(-) 0.4	(+)38.7
3	International	(+)35.4	(+)51.9
4	Fax communications	(+)45.8	(+)62.3
5	Telex communications	(+)34.0	(+)64.2

Comparative analysis disclosed conformity of positive ratings of such services as fax and international telephone calls. Those ratings were not the same though. Local representatives more often tended to give positive ratings.

Foreign investors differed from local representatives in their views of the quality of local (town) and trunk calls. Foreigners were much more critical on that. Yet local authorities also gave the worst ratings to the same kinds of services, which showed in the relatively large number of negative ratings from local representatives.

Table 12.3.2. Foreign investors' & local representatives' opinions on local telecom services

##### COMPARISON OF APPRAISALS ON GMINA SCALE

No.	Factor	Convergence and divergence area (in %)				Total
		1	2	3	4	
1	Local calls in towns	28.4	40.6	22.6	8.4	100.0
2	Trunk calls	33.0	46.4	18.8	1.8	100.0
3	International	46.2	34.0	16.1	3.7	100.0
4	Fax communications	43.6	34.8	15.1	6.5	100.0
5	Telex communications	23.6	48.2	22.6	5.6	100.0

##### Legend:

- 1 - complete convergence of opinions of investors and a local representative
- 2 - limited convergence of opinions voiced by an investor and a local representative
- 3 - divergence of opinions between investors and a local representative
- 4 - divergence of opinions between all respondents

International calls and fax communications were the least controversial services on gmina scale. Complete convergence was found in 46.2% gminas

on international calls and in 43.6% of studied local communities asked for their opinions about fax connections. In a clear majority of cases that convergence was on the positive side.

Widest divergence at gmina scale was observed on the question for local telephone calls and telex connections. Limited convergence was found between one investor and a local representative. In the case of local calls opinions were often found to fit a polarised pattern of negative opinions of investors against positive opinions of gmina representatives.

The above findings justify the conclusion that efficient international and fax communications have a favourable effect on the work of companies with foreign participation in local communities. Most gminas hold convergent opinions in that respect. Where they do differ is on the quality of local telephone calls. Investors relatively frequently gave negative ratings. In many gminas investors clearly differed from local authorities in their view of the efficiency of telecom services. For telex services, differences largely seem to result from the circumstance that local authorities took a different view of possibilities to take advantage of it by foreign companies. Many investors often chose "Hard to say," because they simply never used that specific service.

## 5. Does the presence of foreign companies cause more benefit than cost to local communities?

### 5.1. Foreign investors' opinions

A next major issue was in what way the work of foreign companies affected the condition of local communities. A series of queries was put together to find out if the work of foreign companies produced more benefits than losses to local communities, what were the benefits, and what were the losses. The findings are shown in Table 13.1.

Table 13.1. Foreign investors' opinions on possible benefits and losses to local communities from the presence of foreign companies (N = 212)

No.	Appraisal	% of indications
1	benefits vastly predominate over losses	36.3
2	benefits predominate	60.4
3	hard to say	2.3
4	losses predominate	0.5
5	losses vastly outrun benefits	0.5
	total	100.0

Foreign investors agreed that the presence of foreign companies generated benefits (96.7% subscribed to this opinion). Yet *benefits predominate* was a more frequent reply than *benefits vastly predominate over losses*.

### 5.2. Local representatives' opinions

Local representatives were of the opinion that benefits predominated over losses in the work of foreign companies. A total of 88.7% respondents said so (Table 13.2).

Table 13.2. Local representatives' opinions on possible benefits and losses to local communities from the presence of foreign companies (N = 106)

No.	Appraisal	% of indications
1	benefits vastly predominate over losses	18.9
2	benefits predominate	69.8
3	hard to say	9.4
4	losses predominate	1.9
	total	100.0

### 5.3. Comparing foreign investors' with local representatives' opinions

Foreign investors and local representatives alike believe the presence of foreign companies produces more benefits than losses. The *vastly predominate* opinions are more frequently voiced by foreign investors (Table 13.3.1).

Table 13.3.1. Foreign investors' and local representatives' opinions on possible benefits and losses to local communities from the presence of foreign companies

#### COMPARISON ON NATIONAL SCALE

No.	Attitude description	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	benefits vastly predominate over losses	36.3	18.9	(+)17.4
2	benefits predominate	60.4	69.8	(-) 9.4
3	hard to say	2.4	9.4	(-) 7.0
4	losses predominate	0.5	1.9	(-) 1.4
5	losses vastly predominate benefits	0.5	-	-

The comparison at gmina level disclosed a very high convergence of opinions between investors and local authorities. Complete convergence was found in most of the studied gminas (82.4%). Benefits generated by the work of foreign companies clearly predominated over losses, investors and local representatives agreed (Table 13.3.2).

Table 13.3.2. Foreign investors' and local representatives' opinions on possible benefits and losses to local communities from the presence of foreign companies

#### COMPARISON ON GMINA SCALE

Convergence and divergence of opinions (in %)				
complete convergence of opinions of investors and a local representative	limited convergence of opinions voiced by an investor and a local representative	divergence of opinions between investors and a local representative	divergence of opinions between all respondents	total
82.4	6.4	11.2	0.0	100.0

### 6. Benefits to local communities of the presence of foreign companies

#### 6.1. Foreign investors' opinions

Foreign investors on the poll were asked to say *What benefits the work of foreign companies produced to local communities?* The findings are shown in Table 14.1.

Table 14.1. Foreign investors' opinions on benefits to local communities from the presence of foreign companies (N = 212)

No.	Benefits	% of indications <sup>*)</sup>
1	more jobs	88.7
2	boost to local business	87.3
3	new technology transfer	86.3
4	wider foreign contacts	85.3
5	better local market supplies	68.4
6	improved local standard of living	67.9
7	other	5.7

\*/ The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

Foreign investors claimed above all that their work helped boost the number of jobs in local markets. As many as 88.7% said so. Other frequent mentions: boost to local business (87.3%); new technology transfer (86.3%); and wider foreign contacts (85.3%).

#### 6.2. Local representatives' opinions

Local representatives most often named wider foreign contacts when asked to indicate the benefits to local communities flowing from the presence of foreign companies. Findings are shown in Table 14.2.

Table 14.2. Local representatives' opinions on benefits to local communities from the presence of foreign companies (N = 106)

1	wider foreign contacts	88.7
2	boost to local business	86.8
3	more jobs	85.8
4	new technology transfer	79.2
5	improved local standard of living	62.3
6	better local market supplies	55.7
7	other	10.4
8	hard to say	0.9

\*/ The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

Local representatives asked to point to benefits most often named wider foreign contacts (88.7%); boost to local business (86.8%); more jobs (85.8%); and new technology transfer (79.2%).

### 6.3. Comparing foreign investors' with local representatives' opinions

Comparison at national scale of replies received from the two groups of respondents disclosed convergence of opinions on effects such as boosting local economies or increasing the number of jobs. The findings are shown in Table 14.3.1

Table 14.3.1. Foreign investors' and local representatives' opinions on benefits to local communities from the presence of foreign companies

COMPARISON ON NATIONAL SCALE

No.	Attitude description	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	more jobs	88.7	85.8	(+) 2.9
2	boost to local business	87.3	86.8	(+) 0.5
3	new technology transfer	86.3	79.2	(+) 7.1
4	wider foreign contacts	85.3	88.7	(-) 3.4
5	better local market supplies	68.4	55.7	(+) 12.7
6	improved local standard of living	67.9	62.3	(+) 5.6
7	other	5.7	10.4	-

High convergence of both respondent groups' opinions was found for benefits such as increasing the number of jobs, boosting local economies, new technology transfer and wider foreign contacts. Convergence was found at least in two in three gminas (Table 14.3.2).

Table 14.3.2. Foreign investors' and local representatives' opinions on benefits to local communities from the presence of foreign companies

COMPARISON ON GMINA SCALE

No.	Benefit	Convergence and divergence of opinions (in %)						Total
		1	2	3	4	5	6	
1	more jobs	74.6	10.4	6.6	4.7	0.9	2.8	100.0
2	boost to local business	68.9	16.0	8.5	3.8	1.9	0.9	100.0
3	new technology transfer	68.0	9.4	9.4	8.5	1.9	2.8	100.0
4	wider foreign contacts	67.0	17.9	8.5	2.8	3.8	0.0	100.0
5	better local market supplies	33.9	15.1	15.1	23.6	6.6	5.7	100.0
6	improved local standard of living	33.0	23.6	13.2	19.8	5.7	4.7	100.0

**Legend:**

- 1 - indicated by investors and a local representative
- 2 - indicated by one investor and a local representative
- 3 - indicated by investors only
- 4 - indicated by one investor only
- 5 - indicated by a representative of local authorities
- 6 - indicated by nobody

## 7. Losses to local communities of the presence of foreign companies

### 7.1. Foreign investors' opinions

Foreign investors on the poll were asked to say *What losses or problems the work of foreign companies produced to the local environment?* (Table 15.1).

Table 15.1. Foreign investors' opinions on losses to local environment from the presence of foreign companies (N = 212)

No.	Benefits	% of indications *)
1	no losses	59.9
2	population grows suspicious of foreigners over supposed exploitation of Poles	17.5
3	new problems and tension arise over employment cuts and joblessness	16.5
4	local firms go broke because of competition from companies with foreign participation	15.1
5	"dirty" technology transfer	8.5
6	refuse imported into Poland	8.0
7	hard to say	5.2
8	other	1.4

\*) The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

More than a half (59.9%) of investors said their work generated *no losses* at all. Asked to name negative effects of the presence of foreign companies they mentioned: *population growing suspicious of foreigners over supposed exploitation of Poles; new problems and tension arising over employment cuts and joblessness; and local firms going broke because of competition from companies with foreign participation.* However, investors mentioned employment reduction a good five times less frequently than increasing the number of jobs.

### 7.2. Local representatives' opinions

Local representatives replying to the query about whether or not the presence of foreign companies caused losses to local communities gave the answers shown in Table 15.2.

Table 15.2. Local representatives' opinions on losses to local environment from the presence of foreign companies (N = 212)

No.	Benefits	% of indications *)
1	no losses	45.3
2	"dirty" technology transfer	21.7
3	new problems and tension arise over employment cuts and joblessness	20.8
4	refuse imported into Poland	19.8
5	local firms go broke because of competition from companies with foreign participation	17.0
6	population grows suspicious of foreigners over supposed exploitation of Poles	9.4
7	hard to say	4.7
8	other	4.7

\*) The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

Nearly one in two (45.3%) of polled local representatives failed to see any losses. Asked to say what perhaps worried them as a problem they most often named "dirty" technology transfer; new problems and tension arising over employment cuts and joblessness; growing unemployment; as well as imports of refuse into Poland.

### 7.3. Comparing foreign investors' with local representatives' opinions

The two groups of respondents were asked to answer the same sets of queries to verify their opinions on the question of expected hazards arising from the work of companies with foreign participation in local communities. That made



it possible to make comparisons and to determine areas of convergent and divergent opinions. The findings are shown in Table 15.3.1

Table 15.3.1. Foreign investors' and local representatives' opinions on hazards to local communities from the presence of foreign companies

COMPARISON ON NATIONAL SCALE

No.	Attitude description	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	no hazards	59.9	45.3	(+) 14.6
2	population grows suspicious of foreigners over supposed exploitation of Poles	17.5	9.4	(+) 8.1
3	new problems and tension arise over employment cuts and joblessness	16.5	20.8	(-) 4.3
4	local firms go broke because of competition from companies with foreign participation	15.1	17.0	(-) 1.9
5	"dirty" technology transfer	8.5	21.7	(-) 13.2
6	refuse imported into Poland	8.0	19.8	(-) 11.8
7	hard to say	5.2	4.7	(+) 0.5

Both groups of respondents most frequently named *no hazards*. But beyond that they differed. Investors more often conceded their presence in local communities could breed suspicions towards foreigners. Local representatives, on the other hand, tended to name "dirty" technology transfer as a more serious threat.

Little convergence of opinions was found on hazards to local communities posed by companies with foreign participation. Complete convergence was found only on *no hazards* in 22.7% of gminas, compared with 15.0% gminas with partial convergence. Perception of hazards was clearly differentiated between the two groups. Differences were stated not only between investors and local representatives but also inside the investors group (Table 15.3.2).

Table 15.3.2. Foreign investors' and local representatives' opinions on hazards to local communities from the presence of foreign companies

COMPARISON ON GMINA SCALE

No.	Benefit	Convergence and divergence of opinions (in %)						Total
		1	2	3	4	5	6	
1	no hazards	22.7	15.0	20.9	17.9	7.5	16.0	100.0
2	population grows suspicious of foreigners over supposed exploitation of Poles	0.0	3.8	5.7	19.8	5.7	65.0	100.0
3	new problems and tension arise over employment cuts and joblessness	0.9	7.6	0.9	21.7	12.3	56.6	100.0
4	local firms go broke because of competition from companies with foreign participation	0.9	7.6	2.8	15.1	8.5	65.1	100.0
5	"dirty" technology transfer	0.0	0.9	1.9	12.2	20.8	64.2	100.0
6	refuse imported into Poland	0.0	1.9	0.9	12.3	17.9	67.0	100.0
7	hard to say	0.0	0.9	1.9	5.7	3.8	87.7	100.0

**Legend:**

- 1 - indicated by investors and a local representative
- 2 - indicated by one investor and a local representative
- 3 - indicated by investors only
- 4 - indicated by one investor only
- 5 - indicated by a representative of local authorities
- 6 - indicated by nobody

**8. Benefits to foreign companies from their presence in their communities**

**8.1. Foreign investors' opinions**

Foreign investors' view of benefits they believe to be getting out of working in the respective local communities is a good indicator of their success. Their replies to that query are shown in Table 16.1.

Table 16.1. Foreign investors' opinions on benefits their companies get from working in their respective communities (N = 212)

No.	Benefits	% of indications <sup>*)</sup>
1	bright prospects	69.3
2	cheap labour	56.6
3	good profit rates	27.8
4	low raw materials prices	27.4
5	easy sales	25.5
6	other	7.5
7	hard to say	7.1
8	no benefits	1.4

<sup>\*)</sup> The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

The most frequent reply from investors was that their companies had good prospects for the future. What they believed was cheap labour, anticipation of good profits, and low raw materials prices, were the most effective incentives for them to invest in their respective local communities.

### 8.2. Local representatives' opinions

Local representatives replying to the query about benefits foreign companies stand to gain from their presence in their respective local communities gave the answers shown in Table 16.2.

Table 16.2. Local representatives' opinions on benefits foreign companies get from their presence in their local communities (N = 106)

No.	Benefits	% of indications <sup>*)</sup>
1	cheap labour	80.2
2	bright prospects	77.4
3	good profit rates	51.9
4	low raw materials prices	50.9
5	easy sales	47.2
6	other	5.7
7	hard to say	1.9

<sup>\*)</sup> The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

Local representatives most frequently named cheap labour in their respective gminas as their benefits. Quite a few further named bright prospects for the future, anticipation of good profit rates, and low raw materials prices.

### 8.3. Comparing foreign investors' with local representatives' opinions

The two groups of respondents were asked to indicate benefits companies with foreign participation stood to gain from their presence in local communities. The findings are shown in Table 16.3.1

Table 16.3.1. Foreign investors' and local representatives' opinions on benefits foreign companies gain from the presence of local communities

#### COMPARISON ON NATIONAL SCALE

No.	Attitude description	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	bright prospects	69.3	77.4	(-) 8.1
2	cheap labour	56.6	80.2	(-) 23.6
3	good profit rates	27.8	51.9	(-) 24.1
4	low raw materials prices	27.4	50.9	(-) 23.5
5	easy sales	25.5	47.2	(-) 21.7
6	other	7.5	5.7	(+) 1.8
7	hard to say	7.1	1.9	(+) 5.2
8	no benefits	1.4	0.0	(+) 1.4

Local representatives tended more strongly than investors to attribute to the latter group benefits to be gained from the presence of their companies in local communities. Investors themselves had a more restrained attitude on the question of benefits from their presence in local communities. The two groups, however, were quite close to one another in their views of benefits such as cheap labour or good prospects for the future. Anticipation of good profit rates was quite important, with local representatives naming them twice as often as foreign investors.

Comparison of local representatives' and foreign investors' opinions on benefits foreign companies could gain from their presence in their communities showed that at gmina scale convergence of opinions existed on two issues. Both investors and local representatives named most frequently benefits such as bright prospects for the future and cheap labour (Table 16.3.2).

Table 16.3.2. Foreign investors' and local representatives' opinions on foreign companies' benefits from their presence in their local communities

COMPARISON ON GMINA SCALE

No.	Benefit	Convergence and divergence of opinions (in %)						Total
		1	2	3	4	5	6	
1	bright prospects	40.5	30.2	8.5	10.4	6.6	3.8	100.0
2	cheap labour	33.0	34.9	3.8	4.7	12.3	11.3	100.0
3	good profit rates	9.4	15.1	5.7	10.3	27.4	32.1	100.0
4	low raw materials prices	10.4	13.2	1.9	17.0	27.4	30.1	100.0
5	easy sales	7.5	18.0	2.8	12.3	21.7	37.7	100.0

**Legend:**

- 1 - indicated by investors and a local representative
- 2 - indicated by one investor and a local representative
- 3 - indicated by investors only
- 4 - indicated by one investor only
- 5 - indicated by a representative of local authorities
- 6 - indicated by nobody

## Chapter IV

### MUTUAL RELATIONS BETWEEN FOREIGN INVESTORS AND LOCAL REPRESENTATIVES

#### 1. Relations between foreign investors and local representatives

##### 1.1. Local representatives' attitude towards foreign investors

Attitudes of local representatives towards foreign investors are not viewed in the same manner by all respondents. The dominant opinion among foreign investors (61.3%) is that those attitudes are positive (compared with 16.5% saying they were *very positive*, and 44.8% describing them as *positive*). A good one in three polled managers of foreign companies (35.8%) said, however, that local authorities were *indifferent* towards them, and 2.4% even that they were *bad* or *very bad*. The complete pattern of replies to the query, *What is the local authorities' attitude towards your company?* is shown in Table 17.1.

Table 17.1. Local inhabitants' attitude towards foreign investors in their regions

FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Attitude description	% indications
1	Very positive	16.5
2	Positive	44.8
3	Indifferent	35.8
4	Negative	1.9
5	Very negative	0.5
6	Hard to say	0.5

##### 1.2. Foreign investors' attitude towards local representatives

Foreign investors' attitude towards local representatives were assessed positively by an absolute majority (77.3%) of those polled (of whom 17.9% gave *positive* and 59.4% *very positive* ratings). Nearly one in five (18.9%) local representatives described foreign investors' attitudes towards them as *indifferent*, compared with 1.9% saying they were *negative*. A complete

pattern of replies to the question, *What are foreign company managers' attitudes towards local authorities?* is given in Table 17.2.

Table 17.2. Foreign investors' attitude towards local inhabitants

LOCAL AUTHORITIES' OPINIONS (N = 106)		
No.	Attitude description	% indications
1	Very positive	17.9
2	Positive	59.4
3	Indifferent	18.9
4	Negative	1.9
5	Very negative	-
6	No answer	1.9

### 1.3. Opinions on mutual relations between foreign investors and local representatives

Empirical material obtained from the poll showed mutual relations between foreign investors and local representatives were burdened with no particular tension or conflict. Negative or very negative ratings were given only rarely (2.4% foreign investors, 1.9% local representatives). Yet indifference was mentioned by as many as 35.8% foreign investors and 18.9% representatives of studied gminas. *Positive* and *very positive* ratings of local representatives' attitudes towards foreign investors were given the relatively biggest proportions (61.3% replies from foreign investors), as well as the analogous ratings of foreign investors' attitudes towards local authorities (77.3% replies from gmina representatives).

The next step in the study was to determine mutual relations between foreign investors and local representatives on gmina scale. Comparison revealed the following convergence and divergence areas of opinions:

- complete convergence of foreign investors' and a local representative's respective was found in 39.8% of studied local communities (of which *very positive* and *positive* opinions were found in 36.1% of gminas and neutral ratings in 3.7% of studied local communities);
- partial convergence of opinions of one investor and one local representative was found in 25.5% of gminas;

• divergence of opinions between all respondents was found to occur in 2.7% of gminas.

## 2. Matters foreign investors are unable to get done properly at local offices

### 2.1. Foreign investors' opinions

On the basis of results of studies and pilot studies data were obtained that enabled authors of the study to draw up a list of matters foreign investors found impossible to get done properly at local offices. 15 different issues were put on the list. Foreign investors most frequently named seven such causes of difficulties: ambiguously worded legal regulations (59.9%); cooperation with tax offices (43.4%); telecom services (40.6%); local officers' failure to keep to official deadlines (31.6%); frequent harassing audits (31.6%); customs problems (23.6%); blackouts (23.1%). The pattern of replies to the query, *What matters has your company been unable to get done properly by local offices?* is shown in Table 18.1.

Table 18.1. Matters foreign investors are unable to get done properly at local offices

FOREIGN INVESTORS' OPINIONS (N = 212)		
No.	Item	% indications
1	ambiguously worded legal regulations	59.9
2	efficient cooperation with tax offices	43.4
3	telecom services	40.6
4	local officers not keeping to schedules	31.6
5	frequent harassing audits	31.6
6	customs problems	23.6
7	blackouts	23.1
8	difficulties to overcome trying to start new business operations	19.8
9	obtaining ownership titles	17.5
10	work permits for foreigners	10.8
11	efficient transport services	10.4
12	obtaining outdoor advertising permits	9.9
13	problems caused by corruption	7.5
14	obtaining tax allowances on account of employing disabled persons	7.5
15	repair cost clearance	5.7

\*/ The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

The same list of matters was presented to local representatives. Most of them named five matters: ambiguously worded legal regulations (58.5%); efficient cooperation with tax offices (34.9%); telecom services (32.1%); obtaining ownership titles (31.1%); and difficulties to overcome trying to start new business operations (23.6%). The pattern of replies to the query, *Which matters are local authorities unable to do for foreign investors?* is shown in Table 18.2.

Table 18.2. Matters foreign investors are unable to get done properly at local offices

LOCAL AUTHORITIES' OPINIONS (N = 106)

No.	Item	% indications
1	ambiguously worded legal regulations	58.5
2	efficient cooperation with tax offices	34.9
3	telecom services	32.1
4	obtaining ownership titles	31.1
5	difficulties to overcome trying to start new business operations	23.6
6	customs problems	20.8
7	local officers not keeping to schedules	18.9
8	frequent harassing audits	15.1
9	obtaining tax allowances on account of employing disabled persons	11.3
10	work permits for foreigners	10.4
11	efficient transport services	10.4
12	blackouts	10.4
13	problems caused by corruption	5.7
14	obtaining outdoor advertising permits	5.7
15	repair cost clearance	4.7

\* The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

## 2.2. Comparing foreign investors' with local representatives' opinions

Comparison of both respondent groups' replies to this set of queries on national scale disclosed substantial convergence rates between foreign investors and local representatives on the question of matters foreign companies found difficult to put through at local offices (Table 18.3.1). Respondents in both groups most frequently named three matters: problems resulting from ambiguously worded legal regulations (59.9% foreign investors,

58.5% local representatives); efficient cooperation with tax offices (43.4% foreign investors, 34.9% local representatives); telecom services (40.6% foreign investors, 32.1% local representatives). Other frequent mentions included local officers not keeping to schedules (31.6% and 18.9%, respectively); customs problems (23.6% and 20.8%, respectively); and difficulties to overcome trying to start new business operations (19.8% and 23.6%, respectively).

Table 18.3.1. Foreign investors' & local representatives' opinions on matters foreign companies are unable to get done properly at local offices

COMPARISON ON NATIONAL SCALE

No.	Item	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	ambiguously worded legal regulations	59.9	58.5	(+) 1.4
2	efficient cooperation with tax offices	43.4	34.9	(+) 8.5
3	telecom services	40.6	32.1	(+) 8.5
4	local officers not keeping to schedules	31.6	18.9	(+) 12.7
5	frequent harassing audits	31.6	15.1	(+) 16.5
6	customs problems	23.6	20.8	(+) 2.8
7	blackouts	23.1	10.4	(+) 12.7
8	difficulties to overcome trying to start new business operations	19.8	23.6	(-) 3.8
9	obtaining ownership titles	17.5	31.1	(-) 13.6
10	work permits for foreigners	10.8	10.4	(+) 0.4
11	efficient transport services	10.4	10.4	0.0
12	obtaining outdoor advertising permits	9.9	5.7	(+) 4.2
13	problems caused by corruption	7.5	5.7	(+) 1.8
14	obtaining tax allowances on account of employing disabled persons	7.5	11.3	(-) 3.8
15	repair cost clearance	5.7	4.7	(+) 1.0

Comparison of opinions on this matter on gmina scale disclosed one wide and probably most important convergence area, namely on ambiguously worded regulations. Foreign investors, at least one of them, as well as local representatives named ambiguous regulations as a barrier to foreign companies' business affairs in local offices (53.8%).

Comparison on gmina scale of opinions on matters foreign investors were unable to put through local offices is shown in Table 18.3.2.

Table 18.3.2. Foreign investors' & local representatives' opinions on matters foreign companies are unable to get done properly at local offices

COMPARISON ON GMINA SCALE

No.	Item	Convergence and divergence area (in %)						Total
		1	2	3	4	5	6	
1	ambiguously worded legal regulations	24.5	29.3	16.0	9.5	4.7	16.0	100.0
2	efficient cooperation with tax offices	10.4	14.2	13.2	25.5	10.4	26.3	100.0
3	telecom services	7.5	16.1	14.2	21.7	8.5	32.0	100.0
4	local officers not keeping to schedules	3.8	6.6	9.4	30.2	8.5	41.5	100.0
5	frequent harassing audits	8.5	11	11.3	18.9	1.9	54.7	100.0
6	customs problems	0.9	7.5	7.5	20.8	10.4	51.0	100.0
7	blackouts	4.7	6.6	6.6	18.9	1.9	63.2	100.0
8	difficulties to overcome trying to start new business operations	3.8	1.9	1.9	17.9	9.4	56.6	100.0
9	obtaining ownership titles	-	3.8	3.8	16	19.8	49.1	100.0
10	work permits for foreigners	-	2.8	2.8	10.4	4.7	76.5	100.0
11	efficient transport services	-	1.9	1.9	15.1	8.5	72.7	100.0
12	obtaining outdoor advertising permits	-	2.8	2.8	14.1	5.7	77.4	100.0
13	problems caused by corruption	-	2.8	2.8	9.5	5.7	82.0	100.0
14	obtaining tax allowances on account of employing disabled persons	-	2.8	2.8	8.5	10.4	77.4	100.0
15	repair cost clearance	0.9	0.9	0.9	7.5	3.8	86.9	100.0

Legend:

- 1 - indicated by investors and one local representative
- 2 - indicated by one investor and one local representative
- 3 - indicated by investors only
- 4 - indicated by one investor only
- 5 - indicated by one representative of local authorities
- 6 - indicated by nobody

### 3. Suggested changes to cooperation between foreign investors and local authorities

#### 3.1. Foreign investors' suggestions

One aim of the study was to get to know what suggestions were offered to make cooperation between foreign investors with local authorities more efficient. Most foreign investors on that matter suggested to streamline procedures and cut red tape (60.8%); to streamline information flows both ways (58.5%); and to raise qualifications of local office staff dealing with foreign company representatives (52.4%). These proportions did not differ much from those obtained in a study carried out two years before. In a 1993 poll, foreign managers also most often said that procedures should be streamlined and red tape cut (62.3%); information flows should be streamlined both ways (50.9%); and qualifications of local office staff dealing with foreign company representatives should be raised (44.0%). The complete pattern of replies to the query, *What should be changed in your company's cooperation with local authorities?* is given in Table 19.1.

Table 19.1. Suggested changes to cooperation between foreign companies and local authorities

FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Suggested change	% indications	% indications 1993
1	streamline procedures and cut red tape	60.8	62.3
2	streamline information flows both ways	58.5	50.9
3	raise qualifications of local office staff dealing with foreign company representatives	52.4	44.0
4	set up separate branches at local offices to deal specifically with foreign companies	32.1	16.3
5	remove barriers mounted by local authorities without reference to binding regulations or central administration decisions	23.6	25.1

\*/ The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

### 3.2. Local representatives' suggestions

Local representatives above all suggested to streamline two-way information flows (81.1%); raise qualifications of local office staff (55.7%); and streamline procedures and cut red tape (53.8%). Replies of that group to the query, *What should be changed in local authorities' cooperation with foreign investors?* are presented in Table 19.2.

Table 19.2. Suggested changes to cooperation between foreign companies and local authorities  
LOCAL REPRESENTATIVES' OPINIONS (N = 106)

No.	Suggested change	% indications <sup>*)</sup>
1	streamline information flows both ways	60.8
2	raise qualifications of local office staff dealing with foreign company representatives	58.5
3	streamline procedures and cut red tape	52.4
4	set up separate branches at local offices to deal specifically with foreign companies	32.1
5	remove barriers mounted by local authorities without reference to binding regulations or central administration decisions	23.6

<sup>\*)</sup> The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

### 3.3. Comparing foreign investors' with local representatives' suggestions

Comparison of both respondent groups' replies disclosed high convergence on the question of changes to cooperation between foreign investors and local authorities (Table 19.3.1). Streamlining procedures and cutting red tape (60.8% of foreign investors, 53.8% local representatives); streamlining information flows both ways (58.5% and 81.1%, respectively); and raising local office staff's qualifications (52.4 and 55.7%, respectively), were the most frequently named items.

Table 19.3.1. Foreign investors' and local representatives' suggestions of changes to cooperation between foreign companies and local authorities

COMPARISON ON NATIONAL SCALE

No.	Suggested change	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	streamline information flows both ways	60.8	53.8	(+) 7.0
2	raise qualifications of local office staff dealing with foreign company representatives	58.5	81.1	(-) 22.6
3	streamline procedures and cut red tape	52.4	55.7	(-) 3.3
4	set up separate branches at local offices to deal specifically with foreign companies	32.1	28.3	(+) 3.8
5	remove barriers mounted by local authorities without reference to binding regulations or central administration decisions	23.6	17.0	(+) 6.6

Comparison of both groups' replies on gmina scale disclosed three areas of convergence of suggestions from foreign investors and local representatives:

- streamline information flows both ways (indicated by investors or one investor and one local representative in 52.3% of studied gminas);
- raise qualifications of local office staff dealing with foreign company representatives (indicated by both groups in 45.2% of studied gminas);
- streamline procedures and cut red tape (indicated by investors or one investor and one local representative in 37.8% of studied gminas).

Complete data are shown in Table 19.3.2.

Table 19.3.2. Foreign investors' and local representatives' suggestions of changes to cooperation between foreign companies and local authorities

COMPARISON ON GMINA SCALE

No.	Item	Convergence and divergence area (in %)						Total
		1	2	3	4	5	6	
1	streamline information flows both ways	24.6	3.2	9.4	26.4	12.3	14.1	100.0
2	raise qualifications of local office staff dealing with foreign company representatives	31.1	21.2	7.5	8.5	18.9	12.8	100.0
3	streamline procedures and cut red tape	22.6	22.6	10.4	16.0	10.4	18.0	100.0
4	set up separate branches at local offices to deal specifically with foreign companies	2.8	13.2	9.4	26.4	12.3	35.9	100.0
5	remove barriers mounted by local authorities without reference to binding regulations or central administration decisions	2.8	6.6	2.8	29.3	7.5	51.0	100.0

**Legend:**

- 1 - indicated by investors and one local representative
- 2 - indicated by one investor and one local representative
- 3 - indicated by investors only
- 4 - indicated by one investor only
- 5 - indicated by one representative of local authorities
- 6 - indicated by nobody

**4. Local authorities' actions to support activity of companies with foreign participation**

**4.1. Foreign investors' opinions**

Foreign investors were aware of various actions local authorities were taking to support business activity of companies with foreign participation. Designing local or regional development plans (52.8% indications); environmental protection actions (45.8%); infrastructure services development (43.9%); public services development (36.3%), were named most frequently by those polled. For a complete summary of replies to the query, *What actions do local*

*authorities take to support business activity of foreign investors?*, see Table 20.1.

Table 20.1. Local authorities' actions to support activity of companies with foreign participation

FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Action taken	% indications <sup>*)</sup>
1	develop local or regional develop plans	52.8
2	ensure environmental protection (build sewage treatment plants, enact environment-friendly regulations)	45.8
3	develop infrastructure services (raise standards of telecom services, public roads etc.)	43.9
4	develop public services (provide vocational retraining courses, jobs brokerage services, better education and health service)	36.3
5	grant tax allowances (e.g., cut real estate tax)	17.5
6	help find business partners	16.0

<sup>\*)</sup> The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

**4.2. Local representatives' opinions**

Local representatives' replies to the query about actions they took to support foreign companies' business activity yielded a very bright picture indeed. Only few chose not to indicate the design of local or regional development plans or environmental protection actions (87.7% indications each); infrastructure services development (81.1%); public services development (75.5%). A complete summary of replies to the query, *What actions do local authorities take to support business activity of foreign investors?*, is provided in Table 20.2.



Table 20.2. Local authorities' actions to support activity of companies with foreign participation  
LOCAL REPRESENTATIVES' OPINIONS (N = 106)

No.	Action taken	% indications <sup>*)</sup>
1	develop local or regional develop plans	87.7
2	ensure environmental protection (build sewage treatment plants, enact environment-friendly regulations)	87.7
3	develop infrastructure services (raise standards of telecom services, public roads etc.)	81.1
4	develop public services (provide vocational retraining courses, jobs brokerage services, better education and health service)	75.5
5	help find business partners	68.9
6	grant tax allowances (e.g., cut real estate tax)	61.3

<sup>\*)</sup> The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

#### 4.3. Comparing foreign investors' with local representatives' opinions

Local authorities far more frequently than foreign investors pointed at various actions taken to stir up foreign companies' business activity. The respective differences are shown in Table 20.3.1.

Table 20.3.1. Foreign investors' and local authorities' opinions on actions local authorities took to support foreign companies' activity

#### COMPARISON ON NATIONAL SCALE

No.	Suggested change	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	develop local or regional develop plans	52.8	87.7	(-) 34.9
2	ensure environmental protection (build sewage treatment plants, enact environment-friendly regulations)	5.8	87.7	(-) 41.9
3	develop infrastructure services (raise standards of telecom services, public roads etc.)	43.9	81.1	(-) 37.2
4	develop public services (provide vocational retraining courses, jobs brokerage services, better education and health service)	36.3	75.5	(-) 39.2
5	grant tax allowances (e.g., cut real estate tax)	17.5	61.3	(-) 43.8
6	help find business partners	16.0	68.9	(-) 52.9

Comparison on gmina scale of both groups' replies disclosed three major convergence areas:

- local authorities develop local or regional develop plans (convergence between both groups was found in 66.1% of studied local communities);
- local authorities ensure environmental protection (convergence found in 62.3% local communities);
- local authorities develop infrastructure services (convergence found in 50.0% local communities);

The respective figures are shown in Table 20.3.2.

Table 20.3.2. Foreign investors' and local authorities' opinions on actions local authorities took to support foreign companies' activity

COMPARISON ON GMINA SCALE

No.	Item	Convergence and divergence area (in %)						Total
		1	2	3	4	5	6	
1	develop local or regional develop plans	35.9	30.2	0.9	1.9	21.7	9.4	100.0
2	ensure environmental protection (build sewage treatment plants, enact environment-friendly regulations)	26.4	35.9	-	2.8	25.5	9.4	100.0
3	develop infrastructure services (raise standards of telecom services, public roads etc.)	25.5	25.5	2.8	5.6	30.2	10.4	100.0
4	develop public services (provide vocational retraining courses, jobs brokerage services, better education and health service)	18.9	27.4	0.9	5.7	29.2	17.9	100.0
5	grant tax allowances (e.g., cut real estate tax)	6.6	16.0	-	5.7	38.7	33.0	100.0
6	help find business partners	5.7	13.2	0.9	5.7	50.0	24.5	100.0

Legend:

- 1 - indicated by investors and one local representative
- 2 - indicated by one investor and one local representative
- 3 - indicated by investors only
- 4 - indicated by one investor only
- 5 - indicated by one representative of local authorities
- 6 - indicated by nobody

5. What actions should local authorities take to support activity of companies with foreign participation

5.1. Foreign investors' opinions

The empirical material gathered in replies to this question showed respondents believed some actions to be more desirable than other ones. Infrastructure services development (88.7% mentions) was the top runner there. Nearly three in one foreign investors (72.1%) named granting tax allowances; designing local or regional development plans (72.6%); public services development (73.1%); or environmental protection actions (70.3%). A summary of replies

to the query, *What actions should local authorities take to support business activity of foreign investors?*, is given in Table 21.1.

Table 21.1. What actions local authorities should take to support activity of companies with foreign participation

FOREIGN INVESTORS' OPINIONS (N = 212)

No.	Action to take	% indications <sup>*)</sup>
1	develop infrastructure services (raise standards of telecom services, public roads etc.)	88.7
2	grant tax allowances (e.g., cut real estate tax)	73.1
3	develop local or regional develop plans	72.6
4	develop public services (provide vocational retraining courses, jobs brokerage services, better education and health service)	71.2
5	ensure environmental protection (build sewage treatment plants, enact environment-friendly regulations)	70.3
6	help find business partners	56.6

\*/ The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

5.2. Local representatives' opinions

Nearly all local representatives (92.5%) named infrastructure services development as the most important action for local authorities to take. Environmental protection actions came in second (89.6%). Closely behind followed the design of local or regional development plans (87.7%); and public services development (83.0%). Table 21.1 shows a summary of replies to the query, *What actions should local authorities take to support business activity of foreign investors?*

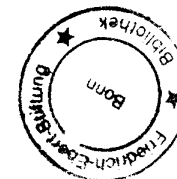


Table 21.2. What actions local authorities should take to support activity of companies with foreign participation

LOCAL REPRESENTATIVES' OPINIONS (N = 106)

No.	Action to take	% indications <sup>*/</sup>
1	develop infrastructure services (raise standards of telecom services, public roads etc.)	92.5
2	ensure environmental protection (build sewage treatment plants, enact environment-friendly regulations)	89.6
3	develop local or regional develop plans	87.7
4	develop public services (provide vocational retraining courses, jobs brokerage services, better education and health service)	83.0
5	help find business partners	72.6
6	grant tax allowances (e.g., cut real estate tax)	71.7

\*/ The percentages do not add up to 100, because some respondents pointed at several factors at the same time.

### 5.3. Comparing foreign investors' with local representatives' opinions

Comparison on national scale of both respondent groups' suggestions disclosed their opinions basically to converge as to the question what actions local authorities should take to stir up foreign companies' business activity, as shown in Table 21.3.1.

Table 21.3.1. What actions local authorities should take to support activity of companies with foreign participation

COMPARISON ON NATIONAL SCALE

No.	Suggested action	Foreign investors	Local representatives	Difference (percentage points) A - B
		% indications = A	% indications = B	
1	develop infrastructure services (raise standards of telecom services, public roads etc.)	88.7	92.5	(-)3.8
2	grant tax allowances (e.g., cut real estate tax)	73.1	71.7	(+)1.4
3	develop local or regional develop plans	72.6	87.7	(-)15.1
4	develop public services (provide vocational retraining courses, jobs brokerage services, better education and health service)	71.2	83.0	(-)11.8
5	ensure environmental protection (build sewage treatment plants, enact environment-friendly regulations)	70.3	89.6	(-)19.3
6	help find business partners	56.6	72.6	(-) 16.0

Comparison of both groups' opinions on gmina scale yielded much the same pattern (Table 21.3.2).

Table 21.3.2. What actions local authorities should take to support activity of companies with foreign participation

COMPARISON ON GMINA SCALE

No.	Item	Convergence and divergence area (in %)						Total
		1	2	3	4	5	6	
1	develop infrastructure services (raise standards of telecom services, public roads etc.)	75.5	10.1	3.8	3.7	1.9	5.0	100.0
2	grant tax allowances (e.g., cut real estate tax)	47.2	17.0	14.2	6.6	7.5	7.5	100.0
3	develop local or regional develop plans	58.6	9.8	0.9	6.6	9.4	14.7	100.0
4	develop public services (provide vocational retraining courses, jobs brokerage services, better education and health service)	53.8	15.7	3.8	6.6	8.5	11.6	100.0
5	ensure environmental protection (build sewage treatment plants, enact environment-friendly regulations)	53.8	20.3	0.9	3.8	8.5	12.7	100.0
6	help find business partners	32.1	14.5	5.7	13	16	18.5	100.0

**Legend:**

- 1 - indicated by investors and one local representative
- 2 - indicated by one investor and one local representative
- 3 - indicated by investors only
- 4 - indicated by one investor only
- 5 - indicated by one representative of local authorities
- 6 - indicated by nobody

## Chapter V

### FOREIGN COMPANIES' DEVELOPMENT PROSPECTS

#### 1. Foreign investors' opinions

The foreign investors on the poll were also asked to say what prospects they saw for their companies in the next few years. Their opinions are summed up in Table 22.1.

Table 22.1. Prospects of companies with foreign participation

FOREIGN INVESTORS' OPINIONS

No.	Opinion description	% indications
1	Very optimistic	11.8
2	Optimistic	61.3
3	Hard to say	21.3
4	Pessimistic	4.2
5	Very pessimistic	1.4
total		100.0

A clear majority of investors on the poll were encouraged by their companies prospects in Poland. Nearly three in four (73.1%) described their future as *optimistic* or *very optimistic*. Only 5.6% of those asked failed to see a future for their companies in Poland. One in five (21.3%), however, refused to answer that query.

#### 2. Local representatives' opinions

Local representatives also answered the query about prospects companies with foreign participation had in Poland (Table 22.2).

Table 2.2. Prospects of companies with foreign participation

LOCAL REPRESENTATIVES' OPINIONS		
No.	Attitude description	% indications
1	Very optimistic	5.7
2	Optimistic	68.9
3	Hard to say	22.6
4	Pessimistic	2.8
total		100.0

Most of the local representatives on the poll were confident companies with foreign participation would face favourable conditions for development in their local communities. Nearly three in four (74.6%) said foreign investment was welcome in their gminas. *Optimistic* ratings outweighed *very optimistic* ones though. More than one in five local representatives (22.6%) preferred not to answer the question about prospects of foreign investment growth in local communities. Their reluctance to talk is perhaps evidence of a great deal of scepticism on the part of many local authorities as to the future of foreign companies in their gminas. On the other hand, however, *pessimistic* opinions were expressed very rarely. Only 2.8% local representatives actually used the word to describe their views of foreign companies' future in their gminas.

### 3. Comparing foreign investors' with local representatives' suggestions

Comparison of both respondent groups' replies disclosed high convergence on the question of changes to cooperation between foreign investors and local authorities (Table 19.3.1). Streamlining procedures and cutting red tape (60.8% of foreign investors, 53.8% local representatives); streamlining information flows both ways (58.5% and 81.1%, respectively); and raising local office staff's qualifications (52.4 and 55.7%, respectively), were the most frequently named items.

Table 22.3. Foreign investors' and local representatives' views of foreign companies' prospects for development

COMPARISON ON NATIONAL SCALE			
Opinion description	Foreign investors	Local representatives	Difference (percentage points) A - B
	% indications = A	% indications = B	
Very optimistic	11.8	5.7	(+) 6.1
Optimistic	61.3	68.9	(-) 7.6
Hard to say	21.3	22.6	(-) 1.4
Pessimistic	4.2	2.8	(+) 1.4
Very pessimistic	1.4		(+)1.4

Comparison of both reply patterns showed that foreign investors and local representatives by and large held the same views on the question of development prospects for companies with foreign participation. In both groups, optimism was the predominant attitude.

So, companies with foreign participation seem to face encouraging prospects. Foreign investors and local representatives alike generally held an optimistic view of the future. The optimism and the declared encouraging prospects for foreign investment are important factors likely to contribute to the development of local communities and their population. Apart from that, such a situation also sets the stage for Poland's integration with other European countries, especially the advanced countries of Western Europe.

Comparative analysis of opinions expressed by foreign investors and local representatives justifies the conclusion that both groups of respondents' views are actually similar to a high degree. Such convergence of opinions was found in well over a half of all studied local communities (in 64%). Usually the convergence held for optimistic opinions voiced by both investors and the local representative (42.4%). Divergent opinions were observed in 36% of studied gminas. Yet the respective groups' replies are not diametrically apart. What was observed was a wide differentiation of opinions, which showed in the fact that each of the surveyed respondent held their own opinions (investors actually differed from one another on that matter too). A substantial proportion of those reply patterns were different configurations of ratings as *optimistic - pessimistic - hard to say* being expressed along one another at the

same time. Such a medley of inconsistent opinions at local level was found in many gminas. This alone should caution students against taking too optimistic a view of foreign companies' capacity for development.

## Thinking Investment... Think Poland!

The Polish Agency for Foreign Investment (PAIZ) is a professional organisation whose aim is to help foreign businesses considering investment in Poland.

The Agency is a joint stock company, fully-owned by the State Treasury. PAIZ was established to actively promote Poland's investment opportunities and encourage foreign companies to choose Poland as their investment location.

We can help by:

- providing information, advice and guidance to foreign investors and facilitating the initial stages of their investment process;
- providing legal, technical and financial information;
- assisting foreign investors in identifying potential business partners;
- maintaining a link between foreign investors and the appropriate government and local authorities.

Through maintaining an on-going dialogue with the government authorities we contribute to a local environment in which foreign investment can flourish. We serve individual and corporate foreign investors, seeking both direct investment, or cooperation with Polish partners. PAIZ serves as a link in the process, remaining objective and always at the disposal of both parties involved.

PAIZ has years of experience in helping foreign companies successfully invest in Poland. That expertise is available to you.

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