

Does Location Really Matter? The Influence of the FDI Location on Enterprise Competitiveness: The Evidence from Polish Enterprises

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A company's competitiveness depends on the linkages between its resources and capabilities and location-specific factors where the company runs its activities. Companies combine the advantages of particular geographic locations with their resources and capabilities to enhance existing and develop new competitive advantages. The aim of this paper is to evaluate the impact of international operations in the form of foreign direct investments on the competitiveness of the investing companies as well as to identify areas of greatest benefits derived from international involvement based on the location of their foreign affiliates. The paper presents results of a field survey carried out in 2012 through direct interviews among Polish companies – foreign direct investors. The research results revealed that the foreign activities of Polish enterprises have a positive influence on their competitiveness; however, the FDI impact is not so clear as it was expected. The empirical findings also proved that the location of their foreign affiliates did not influence significantly the scale and nature of benefits from international activities in terms of the Chi-square analysis applied. However, we observe some tendencies, based on the impact index, indicating some dependencies between the location of foreign affiliates and the fields of the FDI impact identified in the competitive potential of investing companies.

Key Words: foreign direct investment, location advantage, competitiveness, developed countries, developing countries

JEL Classification: F21, F23

Introduction

International expansion has received a lot of attention from international business research in recent decades. Rapid globalisation of economic activities has greatly expanded the opportunities for company development and growth. This is illustrated by the experience of multinational enterprises (MNEs). MNE business practices confirm that globally dispersed

value adding activities may provide the company with a competitive advantage not available in the home country or in a single country, and subsequently significantly increase the company's competitiveness. It makes the decision to go abroad one of the most critical strategic decisions (Wind and Perlmutter 1977; Hill, Hwang, and Chan Kim 1990; Agarwal and Ramaswami 1992).

The MNE activity in the form of foreign direct investment (FDI) has registered rapid growth over the past three decades. This trend reflects the major importance of FDI in building and enhancing a company's competitiveness. FDI offers companies the opportunity to fully exploit the benefits of internationalisation, such as gaining access to new customers, spreading business risk across a wider market base, obtaining access to valuable natural resources, achieving lower costs or exploiting better-possessed resource. Both theory development and empirical studies strongly support a positive relationship between FDI and competitiveness of the company. However, most of them have focused on defining and investigating motives and the fundamental factors that drive FDI behaviour. There are not many empirical studies that directly investigate the FDI impact on the firm's competitiveness, illustrating areas where the impact was identified as a result of the investments made abroad (Dunning 1996; Dunning and McKaig-Berliner 2002; Szałucka 2008; 2009; 2010; 2014; Gibb and Szałucka 2012). We assume that the impact areas will vary depending on the location of foreign affiliates.

Most of the empirical studies on MNEs have focused on large and mature corporations from Western countries and Japan. MNEs from Central and Eastern Europe have attracted limited attention of empirical researchers, mostly due to its quantity, scale and relatively short history (Svetličič and Rojec 1994; Andreff 2002; Stare 2002; Svetličič and Jaklič 2003; Antalóczy and Éltető 2003; Bohata and Zeplinerova 2003; Rosati and Wilinski 2003; Varblane, Reiljan, and Roolah 2003; Kalotay 2004; 2005; 2008; Karpińska-Mizelińska and Smuga 2007; Rugraff 2010; Karaszewski 2009; Gorynia et al. 2013; Karaszewski et al. 2014). Polish companies doing business abroad in the form of FDI are still a recent phenomenon. However, their interest in foreign markets is growing steadily, and is reflected in a significant increase in Polish outward FDI from the perspective of flows and stocks.

The principal objective of this paper is to empirically investigate the impact of FDI by Polish MNEs on their competitiveness as well as to identify those areas that benefit most from the internationalisation of

economic activity in the form of FDI, depending on the location of their affiliates. The paper presents some of the results of a field survey of 64 Polish companies investing abroad via FDI. It proceeds as follows. It begins with a brief discussion of the theoretical approach to FDI and its location. Next, the authors present the empirical methodology and results of research carried out in 2012 among Polish companies investing abroad. The research focuses on differences in the FDI impact on the firm's competitive potential between companies locating their foreign affiliates mainly in developed countries and those with the majority of affiliates in developing countries. The paper attempts to identify the relative impact of the FDI location on the competitiveness of investors.

Location Advantages: The Theoretical Framework

In order to better understand the relation between FDI location and the competitiveness of MNEs we have to refer to the concept of location advantages. The interaction between location advantages and the competitiveness of MNEs has been widely discussed in academic literature. Due to the complex nature of location advantages, they may be analysed from different conceptual perspectives. Most explanations of the location advantage are based both on conventional international trade theory and FDI theory (Rugman 1980; Rugman and Verbeke 2001; Dunning 1993; Misala 2003; Rymarczyk 2010). The theoretical base for the relation between location and the competitiveness can also be found in the new economic geography (Krugman 1991; 2000; Clark, Feldman, and Gerther 2000; Scott 2000). However, it is the conventional trade theory that formulates the first framework for location advantages by introducing the concept of the absolute advantage by Adam Smith extended into the comparative advantage in the Ricardian model. The issue is discussed further in the Heckscher-Ohlin model.

Rugman and Verbeke (2001) emphasise the need to distinguish different conceptual perspectives of analysing location advantages because they can vary significantly from each other. They write 'the distinction (between trade and FDI) is critical because the location advantages instrumental to exports or imports may be very different from the location advantages conducive to outward or inward FDI.' This paper provides a theoretical approach to the issue from the perspective of FDI theory, explaining the location advantage in relation to the foreign activities of multinational enterprises.

The economic paradigm of the activities of MNEs has long and exten-

sive history. A number of theories have been formulated to explain the phenomenon of FDI and the activities of MNEs. Authors proposing wide explanations of FDI include Hymer (1960), Kindleberger (1969), Vernon (1966), Buckley and Casson (1976) and Rugman (1980). However, they were perceived as fragmentary and not capable of fully explaining both the location of foreign activities of MNEs and the ownership and organisation of those activities. The eclectic theory of international production presented by Dunning (1977) and also known as OLI paradigm (an abbreviation from ownership, location, internalisation), has become the dominant analytical framework for explaining the foreign activities of MNEs over the last three decades. The OLI paradigm builds on the achievements of pre-existing FDI theories (the theory of monopolistic advantages, the location theory and the internalisation theory), attempting to formulate a comprehensive explanation of the international expansion pattern of enterprises (Dunning 1977; 1988; 1993; 2000).

The theory formulates three conditions that must be satisfied if the company is to engage in operations in the overseas market in the form of FDI (firstly the investing company must possess advantages specific to the ownership which can be exploit on foreign markets; secondly, it should be more beneficial for the company to make use of the ownership-specific advantages as part of its own activities rather than to sell or lease them to other companies; finally, there must be at least some location-specific advantages in a foreign location to attract the company to serve the market with the investment mode). The fulfilment of all conditions determines the ownership-specific, internalisation and location-specific advantages arising from foreign production which all simultaneously contribute to the competitive advantage of the company.

The OLI paradigm directly refers to location as a source of competitiveness and indicates an essential role of location advantages in the process of making FDI and strengthening the competitiveness of the investing company. The ability of the investing company to exploit location assets of a foreign market gives the company an opportunity to better deploy and protect the ownership-specific advantages on the one hand, on the other it also enables the company to develop new ownership-specific advantages based on different host country location assets.

The analysis of the academic literature on location advantages at the individual company level indicates that the location advantage is a result of the company's access to various factor endowments and capabilities spatially distributed within the world economies (Dunning 1993; Rug-

man 1980; Porter 1990; Misala 2003; Zorska 2007). The statement directly refers to location-related theories that seek to explain the location of value-added activities and the relationship between the spatial dimension and the competitiveness of the investing company. The theories assume that there is a geographical diversification of the spatial distribution of factor endowments and capabilities. Some of them might be specific to a particular location in origin and can only be deployed by a presence in a foreign location. We can conclude that the location advantage occurs if the location (a home or host country) is well endowed with factors and capabilities, particularly valuable for the company, which cannot be easily moved and deployed in another location. The advantage is based not only on Ricardian type endowments such as labour, land or capital, but also on networks, market structures, demand conditions and institutional factors such as the legal, political and cultural environment. The importance of particular resources and capabilities located in the host country varies in accordance with changing conditions of the global economy. In this context, Dunning (1998) currently stresses the critical role of knowledge as a 'key wealth creating asset,' while Porter (2000) emphasises the growing importance of spatial clustering and network linkages. Not all resources and capabilities located in the host country will create a location advantage. At the individual company level, we discuss only those location-specific factors and capabilities that truly contribute to the competitive advantage of a company.

The foregoing considerations might lead us to two important conclusions. Firstly, the location advantage is assigned to a particular location and its uniqueness stems from the immobility of certain factors and capabilities located there. Porter (1998) argues that anything that can be moved or sourced from a distance cannot be longer a competitive advantage. Consequently, we should seek sources of location advantages in immobile, natural or created factors and capabilities characterised by causal ambiguity, social complexity and unique historical conditions which can be deployed primarily by a presence in a foreign location (Barney 1991).

Secondly, location advantages may be different for each company, and what can contribute to the location advantage for one company may be unattractive and unimportant to another. They are subjective and vary between companies because they depend on characteristics of company's strategic objectives and ownership-specific advantages. Thus, the attractiveness of a location (of a host country) varies from one company to another. The location preferences of foreign direct investors and cor-

responding criteria for the overall attractiveness of various geographic locations are defined by the motives influencing international expansion that are directly related with the company's strategic objectives and ownership-specific assets (Baumann 1977; Daniels and Radebaugh 1989; Dunning 1993; Shenkar and Luo 2004). It allows us to conclude that the location advantage (at the level of the company) will be determined not only by factor endowments offered by the location (external variables) but also by the investing company's resources and capabilities (internal variables) that are reflected in its ownership-specific advantages.

Ownership-specific advantages originally defined by Hymer (1960) play an essential role in explaining why firms engage in international operations. They are a prerequisite for FDI to take place, but not a sufficient condition (Dunning 1993). However, this precondition has become less obvious nowadays, in the context of FDI from emerging market economies (Moon and Roehl 2001). Ownership-specific advantages are usually represented by such elements as product differentiation ability, marketing, logistic and management skills, trade marks and brand names, access to raw materials, economies of scale, access to capital, technology, patents, etc., which are unavailable to other companies and difficult to imitate. Recently, the literature also includes business relationships and networks within a company and between companies as an essential firm-specific factor that can lead companies to superior performance in foreign markets (Johanson and Vahlne 2009). They may be crucial in the case of country-specific factors located in the host country, under the control of host country firms and as a result not freely accessible. In this case, the development of a relationship with those companies is often a precondition to obtaining access to the desired factor endowments (Hennart 2009).

Itaki (1991) emphasises ownership-specific and location-specific advantages inseparability and argues that they are simultaneously determined. On the one hand, ownership-specific advantages must be combined with suitable location factors in the host country and they influence the location decision. On the other hand, the same ownership-specific advantages are affected by location factors. Consequently, FDI creates an option not only for exploiting and protecting existing ownership-specific advantages, but also for developing new ones by combining the company's resources and capabilities with advantages of those locations where affiliates are established.

The relationship between ownership-specific advantages and location-

specific advantages is also broadly illustrated by the concept of the diamond of competitive advantage suggested by Porter (1990) and later developed by Rugman and D'Cruz (1993) into the 'double' diamond of competitive advantage. Porter suggests in his work that the company's competitive advantage is determined by the economic environment in which it is embedded and it is location-bound resources that define the company's advantage over competitors.

In this paper we argue that the competitiveness of the company is created and shaped by a myriad of country- and firm-specific factors which find their reflection in a company's competitive potential. The competitive potential is a fundamental factor determining the ability to obtain and strengthen the competitive advantage. It is created by resources controlled by the company which enable it to compete effectively in the marketplace (Szafucka 2009). The advantage-generating resources have been widely described in the resource-based view literature which focuses attention on resources endowments of the firm as a factor explaining performance heterogeneity at the firm level (Peteraf 1993; Grant 1991; Barney 1991; Hall 1992; Amit and Schoemaker 1993). The competitive potential is deeply embedded in the economic environment which not only shapes it by verifying the value of the particular resources from the perspective of market but also by being the source of new resources. In this context, FDI with its internal transfers of resources between units in the organisation has merged as a tool enabling better exploitation and protection of resources already controlled by the company on the one hand. On the other hand, FDI allows to obtain and develop new resources based on various location endowments offered by foreign markets. The companies entering foreign markets via FDI gain access to a large and diverse resource pool located in the host countries which can be transformed by obtaining, developing, combining, and leveraging into the competitive advantage.

To summarise, the geographical distribution of value-added activities determines the scale and the nature of the benefits that accrue from international expansion in the FDI form. The theoretical approach allows us to assume that if all OLI conditions are satisfied, regardless of the location of the affiliate, theoretically the foreign involvement should contribute to competitive advantage. However, because there are significant differences in location-specific assets offered by various host countries, we can assume that there are differences in the fields of the FDI impact and the nature of benefits derived from affiliates located there.

In the paper we decided to group countries based on shared features of note into two categories – developing and developed countries. We assume that the benefits from internationalisation may be different in the case of these two categories of countries, due to their specific, structural conditions and their distinguishing features. Key features of developed and developing countries differ in terms of growth rate and prospects for markets expansion, needs of customers, level of income, economic development, labour productivity, technology level, competition intensity, market structure, infrastructure etc.

Based on the discussion above, the following hypothesis is suggested:

H1 *There are significant differences in the fields of the FDI impact on competitive potential of the investing company depending on the FDI location.*

Methodology

The research was carried out in 2012 among Polish companies that had already established direct investment activity abroad. The research covered the group of companies headquartered within the Republic of Poland with operations abroad in the form of FDI. The database developed by the research team included 622 companies. A non-random sampling method was applied which limited the extent to which findings can be statistically representative. Additionally, a small sample size was a limitation of the study. Therefore, the findings cannot be generalised to the entire population and we can test the hypothesis only in terms of initial indications.

The main research was carried out using direct interviews conducted by professional interviewers from Pentor Research International SA who used a standardised questionnaire developed by the research team. In most cases, the information was received from finance managers within the companies surveyed. The direct interview questionnaire, referring to the part of the research presented in this paper, contained only closed questions allowing companies to add their own responses. During the analysis of the research results, the number of respondents that had answered a specific question was always taken as the basis for any calculations.

We used frequencies and the Chi-squared test of independence at the significance level $p = 0.05$ to analyse the data. Where questions required the respondent to establish a certain hierarchy by indicating his evaluation based on the impact criterion, we applied also the impact index in the following form:

TABLE 1 Number and Structure of Companies Surveyed and FDI Projects by Location

Location	(1)	(2)	(3)	(4)
Developing countries	143	49.3	25	39.7
Developed country	147	50.7	22	34.9
Developed & developing countries	-	-	16	25.4
Mainly projects in developing countries	-	-	32	50.8
Mainly projects in developed countries	-	-	30	47.6
Parity of projects in developing and developed countries	-	-	1	1.6
Total	290	100	63*	100*

NOTES Column headings are as follows: (1) number of projects, (2) percentage of total projects, (3) number of companies, (4) percentage of total companies. * The results do not add up to 100% because two different categories of respondents are presented in a single table.

$$W = \frac{\sum_{i=1}^k n_i w_i}{k \cdot N}, \quad (1)$$

where W is the impact index, i is the evaluation index, n_i is the number of indications of a factor in the i -position; k is a maximum mark on the scale ranging from 1 to k (indicating the order of factors meant giving them marks in the reverse order), N is the number of respondents who have answered this question, and w_i is the evaluation reflecting the position of the i factor.

Overall 64 correctly completed questionnaires were received, representing an overall return rate of 10.3%.

Out of 64 Polish companies participated in the survey 51% of them had located the majority of their projects in developing countries (32 out of 63).¹ 25 companies undertook FDI in developing countries only. The developed countries as a FDI location predominated in the case of 30 companies surveyed (48%). 22 companies located their FDI projects only in developed countries (table 1).

The correctly completed questionnaires represented companies engaged in a total of 290 FDI projects. 147 out of 290 FDI projects were located in developing countries (51%), and the remaining 143 in developed countries (table 1). Respondents tended to locate their investment projects relatively close to the home market. Europe was the primary location for the surveyed companies, where they located 95% of their affiliates (figure 1). The companies chose mainly European Union member countries (67%). Other Central and Eastern European countries were



FIGURE 1 FDI Projects Surveyed by the Geographical Zones

another popular choice for locating FDI projects. This group of countries was host to almost 23% of the projects reported in the survey. The countries that were chosen most frequently among the developed countries were Germany (53 projects), followed by France (33) and Switzerland (10). Among the developing countries Russia predominated (30 projects), followed by the Czech Republic (29), Ukraine (24) and Slovakia (12).

Research Results

In 48% of the surveyed companies with the majority of projects located in developing countries FDI contributed to improving their competitive potential, whereas for companies with projects predominantly located in developed countries the figure was 43% (table 2). Positive changes identified by both groups of respondents were mainly of a moderate nature. Only 7% of investors engaging in FDI located mainly in developed countries declared significant positive change in their competitive potential relative to major competitors on the domestic market. The investors with the majority of projects in the developing countries seem to benefit highly from FDI more often than the others (19%). However, all investors, irrespective of the FDI location, most frequently did not observe any changes in potential relative to their main competitors (52% in the case of companies investing principally in developing countries vs. 57% in the case of those investing predominantly in developed countries). In addition, none of the companies surveyed identified any deterioration in their potential. Small differences in percentages between the two groups of respondents are confirmed by the Chi-squared test ($\chi^2 = 0.156$, $df = 1$, $p = 0.05$). The impact of FDI does not vary significantly between the two categories of companies. This confirms the general assumption that if the host country selection process is optimal and the company correctly combined its ownership-specific advantages with location assets, the locations selected should contribute to the competitive advantage of the companies irrespective of their geographical distribution.

In the case of the impact of FDI on the competitive potential relative

TABLE 2 The Impact of the Surveyed Companies' Foreign Direct Investment on Their Competitive Potential Relative to Major Competitors on the Domestic Market by FDI Location (%)

A majority of affiliates	(1)	(2)	(3)
in the developing countries	19.4	29.0	51.6
in the developed countries	6.7	36.7	56.7

NOTES Column headings are as follows: (1) significant improvement, (2) moderate improvement, (3) no change.

TABLE 3 The Impact of the Surveyed Companies' Foreign Direct Investment on Their Competitive Potential Relative to Major Competitors on the Foreign Market by FDI Location (%)

A majority of affiliates	(1)	(2)	(3)	(4)
in the developing countries	22.6	45.2	32.3	0.0
in the developed countries	13.3	30.0	53.3	3.3

NOTES Column headings are as follows: (1) significant improvement, (2) moderate improvement, (3) no change, (4) moderate deterioration.

to the main competitors operating on foreign markets, a more significant difference was identified between the two categories of companies surveyed (table 3). The percentage statistics point to a more explicit relationship between changes in competitive potential and the location of affiliates. Those respondents with affiliates mainly in developing countries more frequently identified positive changes in the competitive potential relative to major competitors in foreign markets than those that operate primarily in developed countries. Almost 68% of the former group evaluated the changes in their potential as positive and 23% of them described the improvement as significant. In contrast, companies that opted for affiliates in developed countries seemed to recognise lower benefits from FDI. In only 43% of cases, a positive change was identified and significant improvement was observed by 13% of respondents.

Although we can observe some differences between the two groups of respondents based on percentage statistics, and higher benefits seem to be declared by companies with the majority of FDI projects located in developing countries, the Chi-squared test did not confirm the association ($\chi^2 = 3.682$, $df = 1$, $p = 0.05$). There is no significant difference between the frequencies in these two categories of respondents. We can say that the changes observed in the competitive potential as a result of FDI were independent of the FDI location.

TABLE 4 FDI Impact on the Competitive Potential Components among the Surveyed Companies by FDI Location (The Impact Index) and the Results of the Chi-Squared Test of Independence at the Significance Level $p = 0.05$ for the Components of the Competitive Potential

Specifications	(1)	(2)	(3)	(4)
Research and development	0.36	0.26	<i>x</i>	<i>x</i>
Research and development facilities	0.29	0.18	0.31863	3.84146
Knowledge and skills in the area of creating innovations	0.36	0.29	1.19180	3.84146
Innovations in products and services	0.45	0.37	1.53822	3.84146
Innovations in production processes	0.33	0.19	2.35070	3.84146
Production/services	0.40	0.41	<i>x</i>	<i>x</i>
Production (service) facilities	0.38	0.34	0.80636	3.84146
Ability to gain advantages of scale	0.42	0.50	0.01378	3.84146
Level of technological advancement	0.48	0.32	5.03759	5.99146
Knowledge and skills in the area of technology	0.53	0.37	2.32481	5.99146
Employee competences	0.47	0.44	0.58518	5.99146
Access to labour resources	0.40	0.41	1.65618	5.99146
Access to natural resources	0.13	0.33	0.99467	3.84146
Access to raw materials and semi-products/ supporting services	0.21	0.37	1.14865	3.84146
Knowledge and skills in the area of logistics	0.43	0.53	1.24320	5.99146
Relations with suppliers	0.46	0.50	0.30492	5.99146
Quality assurance system	0.50	0.38	1.45022	5.99146
Knowledge and skills in the area of quality	0.38	0.39	0.05594	5.99146
Sales and marketing	0.50	0.56	<i>x</i>	<i>x</i>
Access to markets	0.50	0.75	4.13333	3.84146
Understanding customer needs and preferences	0.59	0.67	1.41432	5.99146
Understanding competitor behaviour	0.52	0.63	1.84153	5.99146
Ability to ensure reliable deliveries	0.47	0.33	1.71491	5.99146
Knowledge and skills in the area of marketing	0.50	0.45	0.91848	5.99146
Relations with customers	0.48	0.53	1.25156	5.99146
Ability to quickly respond to market changes	0.48	0.53	0.88686	5.99146

Continued on the next page

A detailed analysis of the FDI impact on the competitive potential based on the impact index revealed some differences in benefits from

TABLE 4 Continued from the previous page

Specifications	(1)	(2)	(3)	(4)
Finances	0.36	0.28	<i>x</i>	<i>x</i>
Equity capital	0.36	0.39	0.36504	5.99146
Access to debt capital	0.31	0.32	0.00007	3.84146
Cost level	0.33	0.19	1.89904	3.84146
Knowledge and skills in the area of finance management	0.42	0.23	4.77799	3.84146
Degree of risk diversification	0.36	0.28	0.27619	3.84146
Intangible assets	0.38	0.42	<i>x</i>	<i>x</i>
Enterprise reputation	0.47	0.45	1.02062	5.99146
Brand of products and services	0.47	0.47	0.21778	5.99146
Intellectual property rights	0.20	0.34	0.06889	3.84146
Organisation and management	0.39	0.36	<i>x</i>	<i>x</i>
Enterprise size	0.45	0.50	3.72117	5.99146
Organisation's culture	0.48	0.39	1.92488	5.99146
Organisation's structure	0.42	0.41	1.55615	5.99146
Knowledge and skills in the area of organisation	0.50	0.45	1.29777	5.99146
Interpersonal relations within the enterprise	0.37	0.34	1.00627	5.99146
Ability to allocate resources effectively	0.36	0.31	1.41432	3.84146
Ability to coordinate resources effectively	0.33	0.34	0.02568	3.84146
Location advantages resulting from legal norms and economic conditions for business activity	0.28	0.23	0.24295	3.84146
Other relations with the external environment	0.33	0.28	0.25833	3.84146

NOTES Column headings are as follows: (1) a majority of affiliates in the developed countries, (2) a majority of affiliates in the developing countries, (3) χ^2 statistic, (4) $\chi^2\alpha = 0.05$, *s*.

The impact index adopts the value from -1 to 1 , whereas the index value $-1 \leq w \leq 0,5$ signifies a negative influence, $-0,5 \leq w < 0$ signifies moderate negative influence, $w = 0$ signifies no influence, $0 > w \geq 0,5$ signifies moderate positive influence, and $0,5 > w \geq 1$ signifies positive influence.

internationalisation, depending on the location of the affiliates (table 4). These findings correspond to the theoretical approach presented earlier and provide empirical support for our hypothesis concerning differences in the areas of the FDI impact on competitive potential of the investing company, depending on the FDI location. The research results indicated that the affiliates located in the developed countries contributed most to

a better understanding of customer needs and preferences (0.59 – the impact index; ranked 1st), a higher level of knowledge and skills in the area of technology (0.53) and a better understanding of competitor behaviour (0.52). The findings are presented in figure 2. Strong benefits were also identified in knowledge and skills in the area of organisation and marketing as well as in access to markets and quality assurance systems (0.50). All components of the competitive potential were ranked 4th. FDI also contributed substantially to the improvement of organisational culture, the ability to quickly respond to market changes, relations with customers and the level of technological advancement. Significant differences between the two categories of respondents based on the impact index were noted primarily in the area of production, organisation and management. The affiliates located in developed countries in comparison to those located in developing countries contributed relatively more to improving knowledge and skills in the area of technology (2nd vs. 12th place in the ranking), quality assurance systems (4th vs. 11th place), the level of technological advancement (5th vs. 15th place), the ability to ensure reliable deliveries (6th vs. 14th place) and knowledge and skills in the area of finance management (9th vs. 19th place). Furthermore, the respondents with the majority of FDI projects located in developed countries also identified relatively higher benefits from their international operations compared to those respondents running their affiliates mainly in developing countries to knowledge and skills development in the areas of marketing and organisation, organisational culture and innovations in products and services.

Based on the analysis of the responses, companies with the majority of FDI projects located in developing countries manifest slight differences in the areas of FDI impact (figure 3). The most positive FDI impact was noted in access to markets (0.75), an element that was ranked lower by the companies running international operations mainly in developed countries (0.50, ranked 4th). Understanding of customer needs and preferences and competitor behaviour were ranked 2nd and 3rd respectively. Interestingly, the affiliates located in the developing countries led to a relatively high improvement in respondents' knowledge and skills in the area of logistics. This was ranked an equal 4th with the ability to quickly respond to market changes and relations with customers (0.53). The investors also evaluated higher the FDI impact on the size of the company, on relations with suppliers and on the ability to gain economies of scale (ranked an equal 5th) when compared to those running their foreign ac-



FIGURE 2 Foreign Direct Investment Impact on the Components of Competitive Potential among the Surveyed Companies with the Majority of Affiliates Located in Developed Countries (The Impact Index)

NOTES The impact index adopts the value from -1 to 1 , whereas the index value $-1 \leq w \leq 0,5$ signifies a negative influence, $-0,5 \leq w < 0$ signifies moderate negative influence, $w = 0$ signifies no influence, $0 > w \geq 0,5$ signifies moderate positive influence, and $0,5 > w \geq 1$ signifies positive influence.

tivities mainly in developed countries. In addition, higher scores were assigned to improvements in access to labour resources (ranked 9th), knowledge and skills in the area of logistics and equity capital (both ranked 10th). Finally, contributions to improving brand products and services as well as the reputation of the company were reported irrespective of the geographical location of the affiliates.

Although, based on the impact index, we can observe some differences in the benefits from FDI, the statistical analysis did not confirm these findings. We used the Chi-square test for independence to determine whether the areas of FDI impact are related to the location of the affiliate. Unfortunately, the Chi-square test did not reveal any significant differences in the fields of the FDI impact between the two categories of respondents (table 4). A significant association was observed only in 2 out



FIGURE 3 Foreign Direct Investment Impact on the Competitive Potential Components among the Surveyed Companies with a Majority of Affiliates Located in the Developing Countries (The Impact Index)

NOTES The impact index adopts the value from -1 to 1 , whereas the index value $-1 \leq w \leq 0,5$ signifies a negative influence, $-0,5 \leq w < 0$ signifies moderate negative influence, $w = 0$ signifies no influence, $0 > w \geq 0,5$ signifies moderate positive influence, and $0,5 > w \geq 1$ signifies positive influence.

of 39 components of competitive potential evaluated. Significant differences between the two categories of respondents were identified in the case of access to markets ($\chi^2 = 4.133$, $df = 1$, $p = 0.05$) and knowledge and skills in the area of finance management ($\chi^2 = 4.778$, $df = 1$, $p = 0.05$). The affiliates located in developed countries, when compared to those located in developing countries made a significantly higher contribution to improving knowledge and skills in the area of finance management, whereas the affiliates located in developing countries contributed significantly more to increasing market access.

Discussion and Conclusions

A firm's international competitiveness is a complex phenomenon which is shaped by both firm-level advantages and country-level advantages. This suggests the direct link between geographic location and the competitive advantage of the firm. An international activity via FDI gives the com-

panies the possibility of exploiting advantage-generating assets from variety of locations around the world. Resources and the competitive potential directly linked to them seem to play an essential role in creating and maintaining the competitive advantage. Both elements are shaped and created by the environment, which shifts the central focus to location. There is no doubt that widely understood location assets assist the international competitiveness of the companies. What seems to be particularly important are these location assets which are location-bound, wealth creating and deeply embedded in the economic, cultural and institutional environments of the host country.

The findings reported in this research indicate that FDI made by Polish investors contributed to their competitiveness. Nevertheless, the impact is not as explicit as we expected. Furthermore, the research results proved that the location of their foreign affiliates did not significantly influence the scale and the nature of the benefits from international activities based on the Chi-square analysis applied. However, we can observe some tendencies based on the percentage statistics that suggest the presence of some dependencies related to the FDI location.

According to the research results based on the percentage statistics, the FDI projects undertaken by the surveyed companies improved their competitive potential, however the impact was rather low. In fact, we can say that in many cases FDI projects contributed to maintaining the competitive potential, which may prove a relatively low effectiveness of FDI as a tool for developing the company's competitiveness. However, it must be noted that maintaining the status quo in relation to the competition these days should also be recognised as a success.

Our findings also suggest that there were no statistically significant differences in the FDI impact as a result of the location of the affiliates. All locations, no matter whether developed or developing countries, contribute to the competitive advantage in a relatively same scale. However, based on the percentage analysis, we can observe a slightly higher positive impact in the case of companies that decided to locate their affiliates predominantly in developing countries. The explanation for these findings should be sought in the nature of competitive advantages represented by Polish MNEs and the geographical distribution of their FDI in developing countries. An in-depth analysis of the FDI projects in developing countries reveals that nearly 90% of them were located in Central and Eastern Europe, where Polish MNEs probably can build a competitive advantage more effectively than in the Western European markets

that constituted the bulk of the category of developed countries. The reason for this is the nature of the ownership-specific advantages of Polish companies, which are based to a large extent on home country advantages and are perceived to be more appropriate to Central and Eastern European markets than Western European ones. One of these specific advantages might be better political capabilities as they are used to operate in weak institutional environments with unstable governments (Cuervo-Cazurra and Genc 2008). These capabilities might very valuable for Polish companies especially in other European transition economies (Bevan, Estrin, and Meyer 2004; Marinov and Marinova 2000). Furthermore, the size of Central and Eastern European markets and their growth potential, the cultural and geographic proximity and the shared history and experience may favour Polish MNEs, for whom local access to markets and networks appears more straightforward than in developed markets (Jaworek 2013; Meyer 2001; Marinov and Marinova 2000). Additionally, the relatively undeveloped structures of those markets (particularly in Eastern European countries), the limited brand penetration in the minds of local customers (due to the relatively short history of the open economy) as well as the lower level of competition from local companies may also be essential factors that contribute to the better position of Polish MNEs in these markets and consequently greater benefits from the affiliates located there (Meyer 2001). In contrast, the position of Polish MNEs in Western European markets (which constitute almost 98% of the FDI projects located in developed countries) may be worse than that of local firms, the competitive advantages of which are based on advanced home country advantages. Developed markets of Western Europe are characterised by a high level of economic development, a lower growth rate, an intensive and demanding competition, a high focus on advanced technology and innovation, and strong local brands. Additionally, the image of Poland in Western countries does not always support Polish MNEs in those markets, although this has significantly improved in recent years. Consequently, Polish MNEs may face more difficulties entering Western markets as opposed to Central and Eastern European ones. This may result in higher costs and a higher probability of failure. As a result, the positive impact of the affiliates located in Western Europe may be lower than that of the affiliates embedded in Central and Eastern Europe.

The research results also indicate that generally there are no statistically significant differences in benefits from FDI between companies with the majority of FDI projects located in developed and developing countries.

Out of 39 components of competitive potential, the FDI location was statistically significant in only two instances. The results did not provide empirical support for the hypothesis, that there are significant differences in the fields of FDI impact on competitive potential depending on the FDI location. The Chi-square analysis did not allow us to confirm that the geographical distribution of foreign activities determines the nature of benefits from FDI. However, based on the impact index we can observe some trends that may indicate a slight dependency between the FDI location and the field of the FDI impact. The affiliates located in developed countries seem to contribute more than those located in developing countries to improving components of the competitive potential related to intangible resources, such as knowledge and skills in the area of technology, marketing, organisation or finance management, the level of technology advancement, quality assurance systems and organisational culture. It is a consequence of the economic environment offered by the developed economies, characterised by large ready markets, high levels of local competition, demanding customers, high expenditure on R&D, the presence of developed and modern infrastructure, and high technological development (Jaworek 2013). In contrast, benefits from the affiliates located in developing countries mainly reflect their size and rapid growth rates, as well as their cultural and geographical proximity, factors that contribute to improving access to markets, knowledge and skills in the area of logistics, relations with suppliers and the ability to gain advantages of scale (Meyer 2001; Marinov and Marinova 2000).

Although this study does not indicate a relationship between location and the nature of benefits derived from international activity we believe that our findings offer interesting insights for future research. An integrative approach to motives, ownerships-specific advantages and location advantages is needed to better understand the findings of this study. This issue was indirectly signalled in the paper, but it requires the further empirical research. Future research should also try to explore more deeply the location as a variable affecting the company's global competitive advantage from resource-based view of the firm. Moreover, international business research could benefit from cross-country comparison studies to identify the differences in the nature of FDI benefits between the companies from CEE region or developed and developing countries. Finally, the interpretation of this study's findings needs to be done in consideration of several limitations. Due to the small sample of companies surveyed and the non-probability sample selection applied in the study, the findings

should be interpreted with caution and described only in terms of some initial indications. The research hypothesis can be conceived as a pointer for future research based on larger and more representative sample where more objective based measures could be applied.

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Notes

- 1 The division of the countries into developed and developing countries was made according to the classification used by World Investment Reports published by UNCTAD (2013). However, for the purpose of this article we decided to slightly modify the two categories of countries to better reflect two different directions of Polish FDI that are mainly located in Europe. We decided to include in the category of developing countries the new member states of the European Union: Bulgaria, Cyprus, Czech Republic, Estonia, Lithuania, Latvia, Malta, Romania, Slovakia, Slovenia and Hungary (as IMF still does in its classification). On the other hand, the group of the developed countries was expanded to include Singapore and South Korea.

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