

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the Faculdade de Economia da Universidade Nova de Lisboa

# **Portuguese investor profile in Poland, a managerial approach**

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## **Abstract**

The objective of this Work Project was to study the profile of Portuguese investor in Poland. My qualitative and quantitative research was performed in order to understand more in detail their insights and their decisions' motives. Consequently, I further studied the following questions: “(1) *What is the profile of Portuguese investor in Poland?* (2) *Which are the characteristics that would distinguish the style that defines individuals' preferences in investments decisions?* (3) *How to understand the motives of managerial decisions that are undertaken by these investors?* (4) *What are the contributions of these business decisions to the Polish market?* (5) *Which advices can be given to Portuguese investors?*”

Having all these information, I concluded and named the two strongest components that represent the searched profile characteristics. Analysis of this data gave the understandings of keys to success, motives of choices, achievements of Portuguese companies in Poland and overall searched profile of Portuguese investor in Poland.

**Keywords:** Portuguese Foreign Investment, Poland, Profile, Polish Market.

## 1. Introduction

Since its political transformation, Poland has been demonstrating to be a country plenty of opportunities. The constant economic growth after the Communism time, as well as high demand for a new kind of products and services, led to an increase of foreign investment in that country. Portuguese investors took advantage of the situation and started entering in the Polish market, mostly after accession of Poland to the European Union.

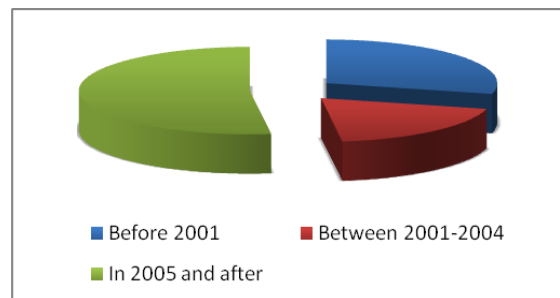


Chart 1 – Entrance years of Portuguese companies in the Polish market (Source: PPCC)

A growing share of foreign trade in Polish GDP reflects the progressive process of opening of the Polish economy and the resulting increased interrelation with the trade dynamic taking place in the global economy. Companies with foreign participation in Poland contributed to speeding up its foreign trade turnover. According to Banco de Portugal in 2006, Poland was the 4<sup>th</sup> foreign most attractive destination for Portuguese investors (Michalski *et al.*, 2007). Poland's rising position in international markets is a result of the high dynamics of foreign trade turnover, much higher than the world trade dynamic.

## 2. Literature review

Accelerated economic growth contributed to Poland being perceived as a successful country, economically and politically stable, with good development prospects. That is how Ryszard Michalski, Director of the Institute for Market, Consumption and Business Cycles Research, assumes Polish situation towards foreign investment (Michalski *et al.*, 2007). Polish business

has proved to be competitive, operating effectively on the Single European Market. An intensive flow of foreign direct investment to Poland has been observed, both from EU and from third countries (Michalski *et al.*, 2007). Additionally to these positive prognostics, experts of The World Bank maintain that Poland experiences a rapid and secure development and will continue in this direction (Michalski *et al.*, 2007). This makes the Polish economy different from small economies of the region which are developing more rapidly (Michalski *et al.*, 2007). Ratings assigned by reputable firms, like Standard&Poor's, Fitcg IBCA and Moody's Investor Service, are giving considerable importance to the evaluation of creditworthiness and investment risk of Poland (Michalski *et al.*, 2007). With the inflow of foreign direct investment to Poland and the role of foreign investors in the economy, as well as their position "*vis-à-vis*", the national sector has entered a new stage (IMCBCR, 2008). It is an extremely important moment for Polish economy (Michalski *et al.*, 2007). Furthermore, several positive opinions of people like the president of AICEP which states: *A Polónia é a Espanha do Leste* (Horta, 2008), emphasize great market opportunities and positive predictions for the future. He adds that there is also much more to do accentuating new opportunities in Poland (Horta, 2008). All the ranks and opinions show that encouraging conditions created to entrepreneurs as well as good development prospects make Poland an attractive partner for various forms of business cooperation.

There is also a governmental policy for Poland to encourage foreign investors due to the membership of European Union. "The National Development Strategy, while focusing on growth and employment, pursues the objectives and challenges set in the Lisbon Strategy, the key strategic document of European Union" (Michalski *et al.*, 2007).

After the analysis of economical circumstances, there is a moment for companies' managerial choice. Good judgements drive positively the organization, but they also consist of uncertainty, multiple objectives, choices and different attitudes towards risk. Decision analysis

will not solve all these problems. Its purpose is to produce insight and promote creativity to help decision-makers making better choices (P. Goodwin et al., 2009). In addition, if there is one quality that distinguishes a good manager from a poor one, it is decisiveness and careful judgments (Bazerman *et al.*, 2008). Managers are individually responsible for the effects of their choices, so it is important to understand and stay within the boundaries of their authority; they also desire to make adequate decisions, which are those that allow the company to grow and succeed, reaching its goals and objectives (Bazerman *et al.*, 2008). That is why investors are very concerned about the decision procedure and factor's evaluation (Drucker *et al.*, 2001). Concentration in the early stage of the choice is one of the keys of success. This is an extremely important moment for business, which can contribute much more to the further success of an investing company.

### **3. Marketing Research**

#### **3.1 Problem**

To obtain the profile of Portuguese investor in Poland I started my work having in mind four broad questions:

- (1) *What is the distinctiveness that would differentiate the approach of individuals' preferences in investments decisions?*
- (2) *How to comprehend the purposes of managerial decisions that are presently undertaken by these investors?*
- (3) *What are the contributions of these business decisions to the Polish market?*
- (4) *What are the explanations for business success?*
- (5) *Which advices can be given to potential Portuguese investors?*

These broad topics were studied in two kinds of questionnaires. One kind was qualitative, which helped to understand more in detail Portuguese investors in Poland. The other one, quantitative, was designed for statistical developments, namely Principal Component Analysis, as an application to primary data.

### **3.2 Methodology**

In the early stage of my Work Project I used resources like Internet, Embassies Information, Polish-Portuguese Chamber of Commerce and Statistical Offices. Information was also obtained from companies' performance reports. This research on secondary data was the starting point to plan a future study (questionnaires).

The primary data was supported by quantitative and qualitative in-depth interviews with top representatives of Portuguese companies in Poland. To collect the information I used different techniques: personal conversation, telephone conference and email. Quantitative data was gathered and later analyzed in order to perform a statistical study of Principal Component Analysis in SPSS 16.

The qualitative research was designed to revise some common sense of pre-defined ideas:

- Factors which determine the localization for business in Poland;
- Instruments used while making decisions of installing business in Poland;
- Major obstacles experienced while setting up the business;
- General advantages of entering Polish market;
- The importance of investment in Poland comparing with other activities of those firms.

### **3.3 Hypothesis and Predictions**

My predictions for the study contained one general statement: Portuguese investors in Poland are different from other foreign investors in that country. It happens due to the fact that they act in diverse sectors, because of their own entity characteristics, varied strategies and approaches, and also because of their different “investors’ personalities”. I started my work also convinced about some general factors that are common to Portuguese investors in Poland: they were (in the past) and are all capturing big opportunity of the current market situation in Poland. Furthermore they have similar motivations inside of their specific fields like: delivering their services and products to Polish customers using their Portuguese experience, reputation and know how. I was also predicting that there are comparable keys of success and significant restraint in investment due to the time of crisis. These ideas have been the main leitmotif for my Work Project.

#### **4. The Polish Market**

##### **4.1 Short overview of the Polish Market**

Poland is attractive for investors for many reasons, but the most important is its domestic market (the 30th largest market in the world) of 38 million consumers. Polish society is moderately young when compared with other Eastern European countries (although in latest years this structure has been deteriorating, due to low rate of population growth). Every year Polish people are able to afford more luxuries in the area of goods and services. According to the estimates of PAIIZ (Polish Information and Foreign Investment Agency), in 2007 Polish citizens spent 5 billion Euros on cars alone, i.e. 33% more than the year before. Situation in the Polish market also progressed due to the opportunities and funds connected with European Union.

##### **4.2 General topics about Polish economic situation**

Polish economy and the economic system's fundamentals can help to a successful economic performance of new investments. Since 2003 Poland has experienced a constant GDP growth (on average 5%). The country is one of two OECD member states which during last years had GDP growth over 5%. Poland is nowadays having a constant growing number of private firms. At this time, service, education and IT centers are frequently opened by young educated entrepreneurs to make efficient exploit of UE funds and apply pioneering solutions. Polish popular brands and companies with an established position are more and more successful in multinational co-operation projects and investing in effective expansion of their own goods' export.

In the EU 2007-2013 financial framework Poland may profit from a considerable financial support. Out of the overall 307.6 milliards EUR allocated by the EU, Poland is about to receive 80 milliards EUR. The support will help the enlargement of the economy in two ways. On one side, the funds will improve the existing business situation in sectors like transports and IT infrastructure environment protection strategies. On the other side the subsidies will be heading to small and medium-sized firms in order to increase development and implementation of modern technologies.

Variable	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Total Population (in thous.)</b>	38254,0	38242,2	38218,5	38190,6	38173,8	38157,1	38125,5	38115,6	38135,9
<b>GDP (bn ZLOTY)*</b>	744	780	809	843	925	983	1,060	1,175	1,266
<b>Inflation rate (CPI, preceding year=100)*</b>	110.1	105.5	101.9	100.8	103.5	102.1	101.0	102.5	104.2
<b>FDI inflow (EUR million)**</b>	10,334	6,372	4,371	4,067	10,237	8,330	15,741	16,674	10,970
<b>Unemployment rate (%)*</b>	15.1	17.5	20.0	20.0	19.0	17.6	14.8	11.2	9.5
<b>Exports (EUR million)**</b>	39,022	46,537	49,338	53,836	65,847	77,562	93,406	105,893	114,566
<b>Imports (EUR million)**</b>	52,349	55,094	57,039	58,913	70,399	79,804	98,945	118,262	139,329
<b>External trade turnover (EUR million)**</b>	91,371	101,631	106,377	112,749	136,246	157,366	192,351	224,155	259,895

Source: \*Central Statistical Office (GUS), \*\*National Bank of Poland (NBP)

**Table 1 - The relevant statistical information about Poland**

## 5. Portuguese companies in Poland

### 5.1 Major Portuguese companies in Poland

The following companies are some examples of Portuguese firms that I've studied in detail during my research.

Company	Description
<b>Banco Espírito Santo de Investimento S.A</b> 	An investment bank, operating in the following fields: Mergers and Acquisitions, Project Finance and Brokerage.
<b>Millennium</b> 	Bank Millennium was founded in 1989 in Poland and thus its history is as long as that one of the Polish free market and democratic political transformations. It is operating in all segments of the financial market and provides services either to corporate as well as to individual clients.
<b>Edp Renováveis</b> 	Member of EDP Group, started operations in Poland in December 2007. It is currently developing around 20 Wind Farm projects on the Polish territory.
<b>Martifer Group</b> 	It's the 4 <sup>th</sup> leading Steel Company in Europe. In Poland Martifer Group has been present since 2003. Portugal's Martifer Renewables received a \$35-million loan from the European Bank for Reconstruction and Development to build Wind Farms with a total installed capacity of 52 MW in the southeastern region of Poland.
<b>Malo Clinic</b> 	Malo Clinic was established in 1995 by Dr. Paulo Malo and has become the world's leading centre for Implantology and Fixed Oral Rehabilitation. It is also the largest educational centre for the dental professionals. Group "Grupo Mahia", "Maexpa Polska" has been present on the Polish market since 2005.
<b>Jerónimo Martins Distr. Produtos de Consumo</b> 	Jerónimo Martins Dystrybucja S.A. is the owner of Poland's largest chain of retail stores that now operates over 1410 stores and 8 modern Distribution Centers. The stores are located across Poland in both large and small cities, offering high quality foodstuffs, industrial goods, and household chemistry products at low prices every day.
<b>MSF- Moniz da Maia Serra e Fortunato</b> 	MSF- Moniz da Maia Serra e Fortunato, Empreiteiros S.A operates in the field of the civil construction and public works sector connected with dams, tunnels, irrigation systems, viaducts, railways, roads, motorways, property development and road concessions.
<b>SDV - Sociedade de Distribuição de Vestuário, SA</b> 	SDV – Sociedade de Distribuição de Vestuário, SA founded in February 2003, is a Portuguese Company with worldwide projection that operates in Apparel design, manufacturing and distribution under the brand  for the Feira Nova, Pingo Doce, New Code, Recheio and Biedronka symbols.
<b>Safira Polska</b> 	Safira, founded in 1997 develops information technology solutions and offers IT management services to leading financial, insurance companies. Its main customers are: Grupo Banco Espírito Santo, Grupo Millennium BCP, Grupo Caixa Geral de Depósitos and Zon Multimédia.
<b>Raposo Bernardo</b> 	Raposo Bernardo is the first and only Portuguese law firm holding office in Warsaw. This firm is focused on corporate, business and government law. It is specialized in Corporate, Banking and Finance, Energy and Natural Resources, Projects, Food Industry, Biotechnology, EU Law and Competition and Foreign Investment.

Table 2 - Some examples of Portuguese firms that I studied in detail during my research

The biggest Portuguese Companies in Poland	Jeronimo Martins	Mota - Engil	Martifer	SIMOLDES Group	BES Investment
Number of employees	21000	1650	300	300	30

Table 3 - Some of the biggest Portuguese companies in Poland and their labour force

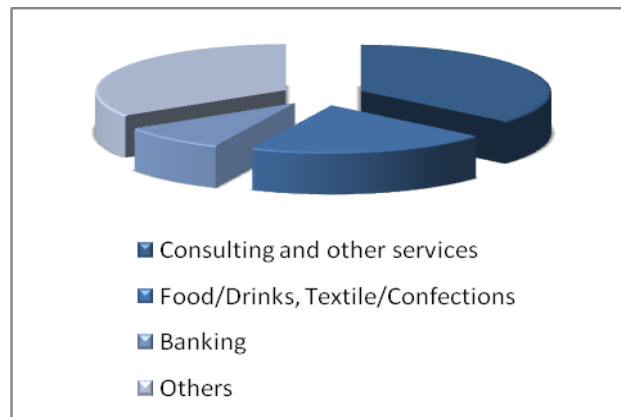
In total there are currently around 50 other Portuguese companies working in Poland with different dimensions.

## 5.2 Major characteristics of Portuguese companies in Poland

In almost 70% of the 35 Portuguese companies based in Poland that I have studied, the social capital is entirely Portuguese. In 64% of the firms the nationality of CEO's and top managers is Portuguese. The dimension of these firms is rather atypical: 58% of them have more than 10 employees and 17% with more than 250 employees, those being considered big companies. The majority of Portuguese companies are located in the center – south of Poland, with main concentration in the regions of Mazowieckie, Małopolskie and Śląskie. Although 65% of these firms are selling services to the Polish market, 24% already trade services to other countries of central and Eastern Europe.



The 71% of the studied companies are acting on the trade or services sectors, while 26% are industrial. From the total of the Portuguese companies in Poland, 27% invested in the construction sector, 18% in consulting and other services, 15% in food/drinks and in textile/confections and 8% in banking. There are also investments in the banking and insurance sector, chemical and pharmaceutical industry, in metallurgic/mechanic and in the new sector of environment and renewable energies.



**Chart 2 - Sectors chosen by Portuguese investors in Poland**

In 2007 the revenues for 16% of the studied companies overcame the expectations, and 48% admit that it corresponded to what they initially predicted.

Finally, for 87% of them, the Polish market is considered important or very important in their global activity (compared with other markets where those firms are present).

### **5.3 Internal Polish reasons for choosing Poland as a country for investment**

According to the general information analyzed, Poland is attractive for investors for many reasons, but on the top of the list is its domestic market, which consists of 38 million consumers. As before said Poland has the 30th largest market in the world, with stronger position every year. The rapid economic growth and the consequent increases in rates of pay

contribute for it. Other very significant factor that determines the choice of Poland is the potential of diversified market.

Poland's suitable location, in the real center of Europe, makes this country an ideal investment destination for firms targeting Western and Eastern parts of Europe. The distance from Warsaw to different major capital cities like Berlin, Prague, Moscow, Vienna, Bratislava, Kiev, Vilnius or Minsk is quite short and can be traveled by car or train in some hours. Poland is a country crossed by the major trade and transport routes going from the North to the South and from the West to the East of the continent. Friendly environment for business is also a significant factor that supports the advantage of central location.

The European Football Championship of 2012, which will be organized by Poland and Ukraine, is clearly among the major stimulating factors, especially for the construction, services and tourism sectors.

Some other important facts can also be pointed, like:

- Poland interest to enter Euro Zone,
- The Fourteen Special Economic Zones, that will remain until 2017
- The need of quality and exclusive services,
- The positive political and economical environment of the Polish market.

These are some of the strongest aspects that attract foreign companies to choose Poland for investment.

Moreover, during the world's last economical crisis, differently from other countries, Poland experienced growth in its economy. In the first quarter of 2009 Polish GDP raised almost 1%

(GUS, 2009). Some specific sectors that were more affected by the financial crisis are now recovering faster, comparing with other countries.

Research and experience shows that Polish market has a lot of perspectives. The approach of the investors has to be objective: must convey not only basic package but also a high value and excellence since the competition in growing and consumer's needs are higher and diverse.

## 6. Outcome from in-depth analysis

I performed 9 in-depth interviews for my research with persons responsible for Portuguese companies in Poland. All of them are top representatives of their companies.

<b>Jerónimo Martins</b>	<b>EDP Renováveis</b>	<b>Millennium</b>	<b>JSL</b>	<b>Bes Investments</b>	<b>Raposo Bernardo</b>	<b>Carfi</b>	<b>PPCC</b>
<b>Pedro Silva</b>	<b>Luis Adão, Bruno Ferreira</b>	<b>Rui Maximino</b>	<b>Carlos Baptista</b>	<b>Rodrigo Carvalho</b>	<b>Alexandra Pereira</b>	<b>Luis Verdasca</b>	<b>Tiago Costa</b>

**Table 4 - In-depth interviews**

### 6.1 Reasons of choosing Poland for investment from Portuguese investors' perspective

Analysing the determinants of choosing Poland from the Portuguese investor's point of view, the most dominant one is the big and diversified Polish market with some undeveloped sectors that have potential (ex: renewable energy, construction sector, banking). This is, for 80% of analyzed Portuguese companies, the most important factor to consider. The second significant reason is the location in Central Europe. Another motivation of Portuguese investors is the insufficient dimension of Portuguese market. Big focus was also placed in the friendly political-economical environment.

### 6.2 How the decision was undertaken

Common activities were performed by Portuguese companies while considering Poland for a destination country of their investment. The first and most frequent action was self research about future business in Polish market. At the same time market studies of professional consultancy companies were performed. After that they collected institutional information. Portuguese investors were also taking advices from their colleagues and friends that were in Poland and had some experience in the market. Two years ago, when Portuguese – Polish Chamber of Commerce was installed in Warsaw, these companies began to count as well on the assistance of this organization.

### **6.3 The obstacles experienced in the early stage of setting up the business**

During the installation of the business many obstacles appeared. The most usual was the barrier of the Polish language. Another difficulty was associated with bureaucracy in many offices and unregulated law in many different areas. Polish mentality towards foreigners (appreciating mostly USA and Germany) and culture was as well hard to be comprehended by Portuguese investors.

### **6.4 Things which were easier to deal with in the beginning of investment in Poland**

Portuguese investors also claimed that there were things which were easier in Poland. The biggest advantage was the professional posture of Poles towards business. They pointed also efficiency of employees. Tax rules, labour and justice law were similar to Portuguese ones, so it was easier to deal with. Finally the environment for opening new business appeared to be friendly and supportive of new investments.

### **6.5 Adaptation of products and services to the Polish market**

Together with their business Portuguese companies wanted to convey some characteristics that were common for their business in Portugal. Efficiency and quality were the most

important ones. Other features like competence and prestige were passed on too. Generally companies want to show their excellence by being better and faster.

On the other side services and products were adapted to the Polish market keeping the best practices as a core. Main characteristics remained unchanged. Approximately only 10% of business was changed in order to adapt to the local businesses, acclimatize to Polish mentality and culture and to adjust to common prices.

### **6.6 Companies' situation during the time of crisis**

Analysing the economical environment inside of Portuguese companies in Poland in the time of crisis, the most noticeable thing is positivity. Poland was not affected by crisis as much as other European states. Furthermore the recovery of some sectors has been faster and dynamic. Although this situation is still present, with some projects being delayed and people not affording as many luxuries as before, firms continue investing, adjusting to the environment, developing, turning it into advantage. Some companies even experienced relevant growth.

### **6.7 Factors that helped to the accomplishment of Portuguese investment in Poland**

There were some common factors that have contributed to the success of these companies. Most common are: well chosen strategy, skilled and motivated human resources and significant support from headquarters. Good execution, quality of products and services and excellent starting point gave also the advantage and consequently helped to the accomplishment of business for Portuguese investors in Poland.

Regarding the future and investors' predictions there are some issues that could assist to the triumph of these companies. The ability to read and anticipate the market's needs, the capacity of adjusting to the current environment and of understanding customers' necessities. Factors

like Poland entering the Euro Zone and the organization of the Euro 2012 will also bring opportunities to Portuguese investors.

### **6.8 Keys of success**

Analysing the factors of success, presented in the interviews, it appears that there are some common ones connected with those companies' experience in Portugal, their knowledge, quality of services and products. They are mostly associated with Portuguese firms' characteristic and attributes. Other keys of triumph are related to the situation of the Polish market while Portuguese companies started entering it (a good starting point). Investing in the accurate moment, due to the previous investigation of the market, allowing understanding its needs and opportunities was essential for the first moments to many Portuguese companies. For many Portuguese investors, understanding the dynamics of the market and adjusting themselves to the environment was crucial for the future growth. Several CEO's of Portuguese companies in Poland stated that some of their keys of success were the modern and appropriate market segmentation process, comprehension of consumers' needs and finally delivery of desired (different) services for different people (as in the case of Millennium BCP). Furthermore qualified and inspired people who were good human resources contributed to later success of Portuguese investment in Poland.

### **6.9 Contribution of Portuguese companies to the Polish Market**

According to the interviews and several reports of Polish market there are plenty of positive contributions connected with the Portuguese investment. Due to the presence of international companies, the competition is fierce and consequently products and services have better quality. The fact of having foreign firms also gives to the Polish market a vision from the outside called "international flavour". It also shows new experiences, skills and knowledge about this distant country – Portugal, giving also an idea for Polish financiers to invest there.

The experience shows that Polish firms, besides competing, are learning innovative practices and gaining know-how. Portuguese investment pressured the development of different segments of the market (labour), infrastructure and employment, contributing significantly to the development of the country. It is fastening law regulations due to arising needs as for instance the development of wind farms (EDP Renováveis, Martifer) required normalization of the current rules. Portuguese investment can also give a chance to Poland to become economically more independent from other countries. Previously mentioned projects of wind energy will provide Poland a larger autonomy from Russia. This is a very important political issue that would allow having more independency on the Polish side in this sector. In general the main advantages of the Portuguese companies' presence in Poland are coming with their investments and are ultimately driving and developing the whole market and Polish economy in the optimistic way. Emphasizing the most important ones:

- Knowledge and new experience for the market
- Law and economy improvements
- “International flavour”

#### **6.10 Expectations for the future**

Most of the Portuguese investors in Poland have positive perspectives for the future. Most of them are very satisfied with their investment. They claim that Polish market is going to develop and modernize and therefore are willing to invest considerable amounts of money in the next years. Definitely sectors like renewable energy, information technology, construction and services will expand in the next years. Polish economy is also recovering faster from crisis and furthermore foreign companies continue to invest more. These facts will bring plenty of opportunities for business in Poland.

According to various statements collected during the in-depth interviews, for many Portuguese companies Poland was only a starting point for a further discovery and exploration of the Eastern Europe market. They also expect to invest more in Ukraine, Czech Republic, Belarus, Slovak Republic, Romania and Lithuania.

### 6.11 Wrap up of the conclusions

Questions	Common observations	Opinions
Reasons of choosing Poland for investment from Portuguese investors' perspective	Big and diversified market Undeveloped sectors Central Europe location Friendly environment	Entering Poland in 2000 gave the advantage due to many gaps in the market sectors and further funds of European Union. <b>"Poland was the future"</b> Rui Maximino, Millennium
How the decision was undertaken?	Self research Consultancy company services Institutional information Advice from colleagues	Better recognition of Polish economy and market helped to understand its needs, indicating which kind of business is needed in this country.
The obstacles that were experienced in the early stage of setting up the business	Polish language Bureaucracy Unregulated Polish law Understanding Polish culture	Although there are clear obstacles, they are not important, can be quickly overcome, they don't scare investors. <b>"They are things that investors meet while they open new business in new country, it is normal"</b> Carlos Baptista, JSL
Things which were easier to deal in the beginning of investment in Poland	Professionalism and efficiency of Human Resources Similar law (Polish and Portuguese) Friendly environment pro-investors	For many Portuguese investors Polish Labour Force has lots of qualities. There are also many institutional facilities for foreign financiers. <b>"Law regulations while starting and maintaining firm are similar to Portuguese ones"</b> Tiago Costa, PPCC
Adaptation of products and services to the Polish market	Best practices, quality and efficiency maintain as a core business Adaptation to the market	Products and services were adapted to Polish culture and market, keeping the best characteristics. However none of these firms presents its products having Portuguese identity. All of them want to be perceived as Polish.
Companies' situation during the time of crisis	Positive future predictions Dynamic recuperation Continuation of investment	Poland was not much affected, thus investment continues, firms are turning this moment into advantage (EDP), forecasting best project for business.
Factors that helped to the accomplishment of Portuguese investment in Poland	Chosen strategy Skilled Human Resources Support from Head Quarters Good starting point	<b>"Market study to find its needs and an adequate approach was our plan"</b> Rui Maximino, Millennium. Best choices for investment and strong contribution from employees also contributed significantly to it.
Keys of success	Knowledge and know how Quality Experience	Connected with long experience, smart managerial decisions and knowhow of the firm. In addition: taking risk and lately entering Poland in the right moment.
Contribution of Portuguese companies to Polish Market	Knowledge and experience for Polish market Stronger economy Law regulation and new working places	Further governmental facilities for new investors, additional law regulations. Polish market is going to modernize and mature. <b>"Biedronka contributes significantly for the Polish employment, we have 21000 LF"</b> Pedro Silva, Jeronimo Martins
Expectations for the future	Continue investing Development of new sectors Expansion for Eastern Europe Countries	Significant growth of Renewable energy, IT and construction sector. Exploration of Ukraine after 2012. <b>"Poland is the future for our business"</b> Luis Adão, EDP

Table 6 - Conclusions from in depth interviews

## 6.12 Relevant quotes

- *“Poland is a country with plenty of opportunities”, “ Sectors like renewable energy, IT and services are the perspectives for the next years”* Tiago Costa, Portuguese Polish Chamber of Commerce
- *“Poland was the place to be”, “Poland is the financial pole of the region”, “Market is recovering fast after crisis and we have positive perspectives for 2010 and 2011”* Rodrigo Carvalho, BES Investment
- *“Poland was the most important destination for an investment”, “Poland is safe country to invest”, “The maturing of the Polish market gives opportunities for the future”* Pedro Silva, Jerónimo Martins

## 6.13 Principal Component Analysis

During my study I performed 35 quantitative interviews (with top representatives of Portuguese Companies in Poland) for further Principal Component Analysis developments. In this descriptive technique the main objective is to reduce the number of variables that characterize Portuguese investors in Poland. After the reduction, a second objective is the interpretation of the results. The departure point of this analysis is a classical set of  $p$  statistical variables and the arrival point consists of two items:

- a reduced number of new variables, say  $r < p$  or even  $r \ll p$ , aiming to describe most of the information contained in the original  $p$  variables;
- the explanation or interpretation of how these  $r$  variables represent, somehow, the initial  $p$  variables.

Some information will be lost, but what we gain with the synthesis (principal components) makes up for what we will lose in the details.

The quantitative questionnaire consisted of the following 14 questions, each one being one of the *p* variables:

Old Variable	Question
<b>Time</b>	In a scale from 1 to 10 please quote your position about time spent for your decision of entering Polish market (1 short term to 10 very long)
<b>Countries</b>	In how many countries you have opened an investment?
<b>Labor Force</b>	How many employees do you have in Poland?
<b>Offices</b>	How many offices you have in Poland?
<b>Predictions</b>	In a scale from 1 to 10 please quote your predictions about the future (1 very good to 10 very bad)
<b>InvestingP</b>	In a scale from 1 to 10 please quote your position about investing more in Poland (1 for sure Yes to 10 No)
<b>InvestingE</b>	In a scale from 1 to 10 please quote your position about investing more in Eastern Countries (1 for sure Yes to 10 No)
<b>Risk</b>	In a scale from 1 to 10 please quote your vision about the risk in Polish Market (1 very low risk to 10 very high risk)
<b>Market</b>	How would you quote in a scale from 1 to 10 your marketing approach being similar to the Portuguese one? (1 very similar to 10 very different)
<b>Facility</b>	How would you quote in a scale from 1 to 10 the facility of establishing business in Poland? (1 very easy to 10 very difficult)
<b>Turnover</b>	Please state the turnover of your polish firm
<b>Share</b>	Please state the market share of your business in Poland
<b>Partners</b>	Please state how many polish partners you have
<b>Support</b>	Please state to how many polish institutions you asked for help

**Table 7 - Qualitative Questionnaire**

Those 35 interviews, as mentioned before, were performed with top responsible persons of these Portuguese companies in Poland: CEO's, directors, financial directors and managers. The complete output of this exercise can be observed in the Annexes (3) to this Work Project. This PCA analysis demonstrates that the first component has a negative correlation with *old variables*: Market, Facility, InvestingE, and positive correlation with: Partners, Turnover, and Labor Force. The second component shows positive correlation with *old variables*: Offices, InvestingE and Time shared with the first one, and also negative correlation with Risk. The third one has positive correlation with variables: Facility, Predictions and Market. From the Variance distribution table we see that first component gathers 34%, the second 27% and the third 16% of the total variance. The first two components embrace more than 61% of the total

variance. It is a satisfactory explanation that anticipates a clear personality of the components.

I decided to retain the two first components for my further interpretation.

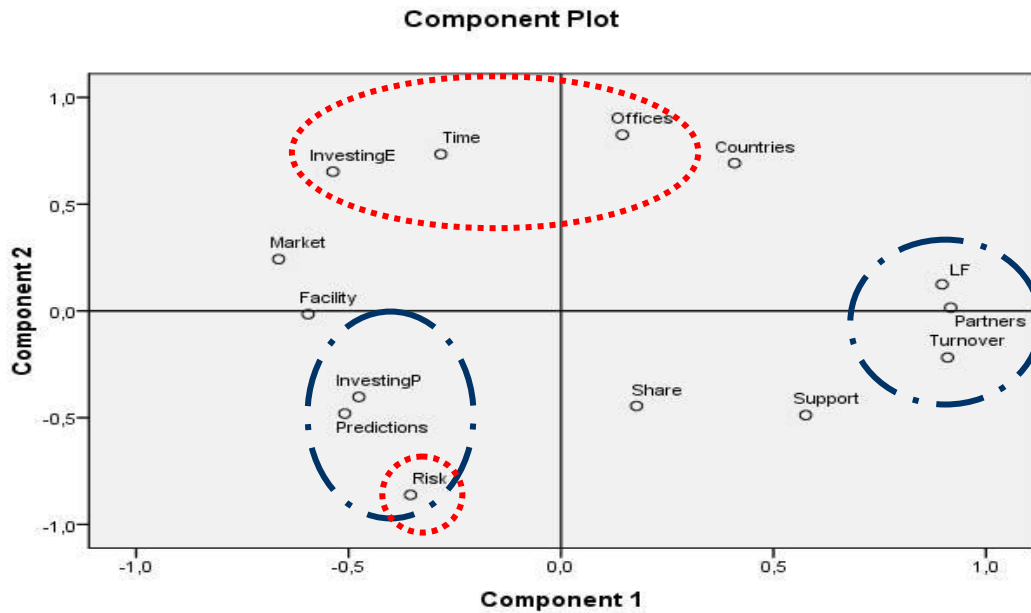


Table 8 - Component Plot

Before starting the proper interpretation of the components it is important to emphasize that the explanation of the second component is a bit fuzzy. Furthermore from the available information it can be recognized that the rotations do not improve the results comparing with non rotated version. The general indication is that the first component collects a good amount of information.

### Interpretation

I interpret the first component in two folders. On one hand we have Turnover, Partners and Labor Force, the **Corporate** issues. On the other hand we observe **Risk in Wide Sense** via the variables Risk, Predictions and InvestingP. I may say that the first congregates matter of the ideal background of the company, and the other one subject of dimension effect. This first component is then a **rational observation of Portuguese investors in Poland**. The investors do not rush, they do not go just because they have friends there; they decide to enter Poland,

because of their coherent decision. The second component as before said is characterized by the variables InvestingE, Offices, Time, the **Logistic issues for investors**. It explains institutional frame of the business in a broad sense. The variable Risk appears here as an isolated variable not easy to interpret. The overall conclusion of PCA is that in fact the content of two components confirms the important issues already detected by Portuguese investors. It was expected after in-depth interviews that issues like Risk in wide sense, Logistic and Corporate would have strong significance to them. Those are the key factors that determine decisions of Portuguese investors regarding entering Poland and expanding their business there. According to the presented (during in-depth interviews) model of doing business, Portuguese investors are very reasonable with their choices towards risk. They give strong importance to the rational analysis of the business concerns. In addition, from PCA developments as well as from in-depth interviews was quite visible that Poland is also a starting point for further development of the investment in Eastern Countries. Overall analysis demonstrates that there is a special profile of Portuguese investor in Poland, which can be described as the **rational risk taker** with **anticipation for further investment** and **spreading out** the business for Eastern Countries.

## 7. Limitations of the study

There are some limitations that need to be acknowledged regarding present study and must be taken into account while evaluating it. This work is dedicated to a topic that is very extensive and it may have some more issues of focus. The first limitation regards the support and attention from organizations and Portuguese companies. It was not easy to obtain in-depth interviews due to logistics problems. Majority of CEO's, directors and managers of Portuguese companies are in headquarters in Poland. These factors were difficult to deal with due to the time pressure of the deadlines. Other limitation was connected with the number of quantitative interviews. The research consisted of 35 interviews, which were not the ideal

number, but the possible one. Still, the developed information was rather interesting. The selection of the cases (Portuguese companies in Poland) was as well a limitation. The choice of firms might be only context of the market phenomena but it can also characterize the whole idea of the present study and convey general proposal for the work. Other limitation is the managerial perspective assumed. Even though the study was narrowed mostly to firm's perspective it took into consideration the Polish market and the Polish points of view.

## **8. Areas for future research**

The limitations and conclusion of my Work Project also bring some possible options for the future research, which would be related to the present work. One of the most important paths for the potential study would be to analyse the attitudes of Polish customers and suppliers towards Portuguese firms and understanding the market from the buyer perspective. An interesting concept for the further research would be to apply the theory of brand management and investigate the identity of Portuguese companies in Poland, which is covered and “hidden” by Polish characteristics. To add more perceptions for the future study, it would be very fascinating to analyse the progress and development of Polish market after the presence of Portuguese firms in Poland. There are no doubts that some sectors of the market experienced considerable growth due to the investment of Portuguese companies.

## **9. Conclusions and advices for future investors**

In my opinion, due to courageous and adventurous business personality, the majority of Portuguese companies achieved their initial objectives and succeeded in the Polish market. Because of their presence, many sectors like services, banking, renewable energy, construction and public works had a significant development in the past years. As the experience shows, Portuguese investors are not afraid to take risks and locate their capital in a distant country like Poland. They show different business experiences and know-how to the

firms established in Poland, which consequently brings an “international flavour” to the Polish market, improving its quality. What makes Portuguese companies different from the other foreign investors is the easiness of establishing new contacts and dealing with partners, which gives them very important advantage.

The present study demonstrates that Portuguese investors prefer to invest in Poland rather than in other Eastern Countries, because of its friendly environment for establishing business, central location in Europe, opportunities inside of the market and big potential of some undeveloped sectors. Other states of this region do not represent the same set of perspectives for the future. As claimed by Portuguese investors, the political environment does not encourage exploring them, giving the example of Ukraine and Belarus. On the other hand, most of Portuguese firms claim that Poland was just the beginning of the further exploration in Eastern Europe and it is a matter of time for new countries to be explored. This work shows that in the Portuguese investor’s point of view the future of Polish market is going to be very positive. They are willing to allocate significant amounts of money for their project and they believe that many market sectors will present plenty of new opportunities.

From gathered information and the gained experience it is possible to construct some indications for Portuguese investors that are investing or are willing to invest in Poland. The biggest advice that can be given is the appropriate preparation and investigation of the Polish market before taking a decision of investment. This would include using help of professional consultants or institutions. This activity will improve a starting point of the business. Other advice would be to contact regularly some entities which help Portuguese investors: PPCC: Polish-Portuguese Chamber of Commerce, AICEP Portugal Global and associates. Those institutions facilitate to overcome many obstacles, update current situations and also give some forecast for the future. One more recommendation that can be suggested to Portuguese investors in Poland would be to contact some firms that are already established in the Polish

market and search for some kind of cooperation. Those emphasised advices can contribute to the better performance of the company and further accomplishment of its goals.

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