

Description for the general public

Foreign direct investment in the business services sector

The primary objective of the research project is to provide systematic and up-to-date knowledge about the determinants and implications of foreign direct investment (FDI) in the business services sector. The sector includes: business process outsourcing, shared service centres, information technology outsourcing and research and development centres.

Implementation of the main goal will take a form of development of an innovative economic model of multinational corporations (MNCs) comprising advanced business services. Afterwards, the theoretical assumptions will be verified using quantitative methods based on a unique dataset. The empirical research will be conducted on the population of companies providing modern business services and, at the same time, being foreign subsidiaries of MNCs in Central and Eastern European countries. The selection of these economies is justified by a significant increase in number and value of investment projects in the analysed sector in the last decade.

Research on inflows of FDI to the business services sector is justified by the major gaps in theoretical and empirical knowledge on the one hand, and significance and relevance of the identified economic phenomenon on the other hand. The proposed issue requires thorough examination due to the increasing role of the business services sector in many countries, including the economies of Central and Eastern Europe, with particular emphasis on Poland. One of the measures of the significance of business services sector is the level of employment, which had reached 150,000 in Poland in year 2015, including 130,000 in enterprises with foreign capital. Approximate numbers of jobs in other countries in the region are as follows: Hungary – 50,000; Czech Republic – 40,000; Slovakia – 30,000. According to some estimates in the coming years, this level may rise to about 1 million throughout the region.

Determining the impact of FDI on the host economy is a difficult task demanding application of advanced research methods. In previous studies the tendency to apply a broad sectoral approach (which did not allow to define specific relationships) and to use an inadequate testing apparatus (what resulted in low precision of the findings) was prevailing.

It is also necessary to carry out an objective assessment of the merits and effectiveness of the actions taken by the authorities of Poland and other countries, which are aimed at building a system of incentives for investors interested in locating such investments.

The result of this research project will be broadening knowledge in the area of international business and international economics. This project is meant to expand knowledge regarding the functioning of MNCs with regard to the services sector, provide new research tool in the form of an economic model, and to determine the impact of the activities of this sector on selected elements of host economies.

The dissemination of results of the proposed project will be directed to reach the international research community. The primary measurable result of the project will be a monograph in English. The author of the project intends to publish this work in a prestigious international publishing house.