

Organising FDI promotion in Central-Eastern European regions

CAPIK, Paweł

Available from Sheffield Hallam University Research Archive (SHURA) at:

<http://shura.shu.ac.uk/5626/>

This document is the author deposited version. You are advised to consult the publisher's version if you wish to cite from it.

Published version

CAPIK, Paweł (2007). Organising FDI promotion in Central-Eastern European regions. *Place Branding and Public Diplomacy*, 3 (2), 152-163.

Copyright and re-use policy

See <http://shura.shu.ac.uk/information.html>

Organising FDI promotion in Central-Eastern European regions¹

Paweł Capik

Paweł is a final year PhD student at the University of Paisley where he also teaches. His research focuses on links between FDI promotion strategies and regional development in Central Eastern Europe.

Paisley Business School, University of Paisley,
High Street, Paisley PA1 2BE, Scotland
e-mail: pawel.capik@paisley.ac.uk, tel: +44 141/ 848 3496

Abstract

Increasing contest for lucrative FDI projects requires national and more importantly regional authorities to actively compete and promote their areas. The issues of organisational settings and networks remain among the most important determinants of successful FDI attraction strategies. The organisation of promotional efforts, especially on the regional level, impacts strategic choices and divides responsibilities allowing for increase in efficiency by effective use of resources and promotional techniques. It also influences the definition of a regional product, choice of target groups, competition perception and the coherence of the region's projected image. Using primary data collected in Czech, Polish and Slovak regions this paper investigates the links between the emerging organisational frameworks and strategic choices of agencies involved in regional promotion. Various levels of authority centralisation, characterising the three identified frameworks, are not clearly reflected in activities of individual agencies.

Keywords: FDI, regional promotion, organisational framework, Central Eastern Europe

Introduction

Regions² in Central Eastern European Countries (CEEC) have increasingly greater powers in determining their development directions (Gorzalak, 2003). Perceiving multinational enterprises (MNEs) as a potential source of capital and employment they are interested in attracting mobile investment. Simultaneously MNEs recognise opportunities offered by Central-Eastern European markets and are interested in efficiency gains they can achieve by locating in the area (Artisen-Maksimenko, 2000; Turnock, 2005). In response regions adopt marketing approaches and become progressively more active in trying to attract foreign direct investment (FDI). Yet academic interest in CEEC place marketing, specifically on the regional level, is only now emerging.

Place marketing, and more recently place branding literature is full of image improvements success-stories (e.g. Morgan *et al.*, 2002; Melbourne 2006) and examples of well planned and implemented campaigns worldwide (Gilmore, 2002; Shir 2006). These are, however, usually general or tourism oriented undertakings without specific FDI perspective. In this context, it is important therefore, to step back and once more get involved with the issue of place promotion. Some regard it already overexploited, but in fact place promotion aimed at FDI attraction remains a largely under-researched phenomenon.

FDI promotion must be understood as interplay of two interlinked set of actions. Firstly "promotion" as support, i.e. policy measures fostering FDI location and MNEs' activities. Secondly "promotion" within marketing framework, i.e. use of advertising, public relations

¹ The paper presents findings of an ongoing research. Comments on general ideas and particular problems are most welcome. Parts of the paper were presented at the CIRM 2006 Conference and appeared in proceedings.

² A region can be defined in multiple ways (for a comprehensive discussion see for example Terlouw, 2001). In context of the research presented in this paper regions are treated as administrative units.

(PR), sales promotion, personal selling and direct marketing (Bressington & Pettitt, 2003) with the aim of securing investment projects. Thorough analysis of all policy areas affecting FDI is far beyond the scope of this paper, however while we chiefly focus on the latter component of “promotion”, where appropriate references are made to the prior one.

This contribution aims to add to the embryonic debate on FDI promotion organisation and mechanisms within the place marketing framework. It particularly focuses on organisational framework of promotional activities and selected aspects of FDI attraction strategies in regions of Czech Republic, Slovakia, and Poland. The paper explores the nature of the organisational arrangements and investigates how are these represented in the operations and strategic choices of individual agencies comprising the identified promotion schemes, i.e. how are the relationships between various agents reflected in their respective activities³?

Presented discussion is a result of initial desk-based research complemented with series of in-depth interviews. The desk based research firstly allowed the selection of countries then the case study regions. These (Jihomoravský kraj, Województwo Wielkopolskie, Košický kraj) were selected on the basis of their socio-economic performance and FDI stock in relation to the rest of their respective countries. Further the preliminary part of the research involved the identification of organisations involved with place promotion and FDI attraction in studied regions, and also their statutory powers and responsibilities. Initially numerous agencies were identified, however further inquiry revealed that despite claiming otherwise, some organisations do not actively perform any of the FDI attraction activities. In May and June 2005 a series of 19 interviews⁴ were conducted with senior management representatives of the identified, active agencies (Table 3).

Regional marketing requires cooperation of various agents on all levels of administrative hierarchy (Young, 2005). Public bodies and private sector actors, be it individual or collective (Kotler *et al.*, 1999), operating on local, regional and national scales⁵ need to be considered. In the initial part of the paper, we identify agencies engaged with regional promotion and FDI attraction in the studied regions. Next by examining their powers and relationships between the agents, the paper investigates the links between the organisational settings and particular strategic choices (including definition of place product, choice of target groups, competition recognition and image staples) made by individual actors. This indicates a number of inconsistencies existing within the identified frameworks.

Regional contexts and issues in FDI attraction

Throughout the 1990s Central-Eastern European Countries became a popular FDI destination. A few years of slowdown after the record year of 2000 were succeeded by considerable growth of FDI flows to the region following the enlargement of the European Union (Table 1). MNEs when deciding where to establish their activities often consider locations in one of the three countries: Czech Republic, Poland and Slovakia (Helinska-Hughes & Hughes, 2003). Once the country has been selected, trends up to now indicate dominance of capital city (and its region) location (Domański, 2001; Young, 2004). This is clearly visible especially in case of Bratislava where almost 70% of all FDI in Slovakia is concentrated. Such circumstances have important implications for other regions within their respective countries. Competition for FDI takes place not only on an international level but

³ Considering the stage of the research project this paper in most parts avoids normative statements, however it is believed its findings will be useful for those involved with foreign investment promotion.

⁴ The interviews lasted between 1 and 3 hours. The issues discussed included the nature of agency’s cooperation networks, FDI promotion strategy and activities performed, selection of target groups

⁵ It is recognised some organisations involved with FDI promotion, both public (e.g. National FDI Agency) and private (e.g. Chamber of Commerce), could have their offices abroad, however as they do not constitute separate entity they are treated as representatives. At the time of this study none of the researched regions was involved in international cooperation for FDI promotion purposes.

also intra-nationally. This requires actions from those responsible for FDI attraction on both country and regional level in order to avoid the situation where some localities are losers in development terms (Young, 2005).

Table 1. FDI flows and percentage of stock in Central-Eastern European regions.

	FDI flows (mln \$)			% of FDI stock in capital-city and case study regions ¹⁾					
	2000	2003	2005	2000		2003		2005	
				Capital-city region	Case-study region	Capital-city region	Case-study region	Capital-city region	Case-study region
Czech Republic (Jihomoravský kraj)	4.9	2.1	10.9	47.6 ²⁾	6.3 ²⁾	46.2	6.1	46.7 ³⁾	7.1 ³⁾
Poland (Województwo Wielkopolskie)	9.3	4.1	7.7	nd	nd	30.0	9.1	nd	nd
Slovakia (Košický kraj)	2.0	0.7	1.3	60.4	9.4	69.2	9.6	67.1	8.5

Source: www.cnb.cz, www.nbs.sk, www.sario.sk, www.nbp.gov.pl, www.paiz.gov.pl, UNCTAD, 2002, UNCTAD, 2005.

1) region's share of country's the FDI stock, 2) flows 3) 2004 data, nd – no data

International and national competition is merely one of many challenges that regions in CEEC have to face while preparing and implementing their promotion strategies. Arguably image construction, as opposed to *reconstruction*, is another demanding task. CEEC lack clear image and often are not distinguished as separate states but merged to constitute a homogenous unit characterised by negative associations largely linked to the post-war history of the area (Instytut Marki Polskiej, 2004). In such circumstances the regions face threefold task – creation of clear and convincing regional image that would be coherent with that of the country but dissimilar to these of other CEEC. Moreover not only do the regions need to overcome the dominating image of capital-city region but also its economic and administrative dominance – all of which constitute obstacles in promoting a region as a highly rewarding FDI destination. The level of precision in defining the actual target group(s) and selection criteria comprise another difficulty for regional promotion in its broad understanding (Metaxas, 2005). The administrative division of powers and responsibilities vested with regional and local authorities (Zmysłony, 2005), as well as their limited experience and competence in promotional activities together with only emerging cooperation between various promotional agencies add to the challenges faced by the regions (Young & Kaczmarek, 1999).

Regional profiles

Jihomoravský kraj, with Brno as its capital city, lies in south-east part of Czech Republic. Occupying over 7 thousand km² it is Czech fourth largest and third mostly populated (1.1 mln inhabitants) region. It produces 10% of Czech GDP (Table 2.), with industry share of 25%, and commercial services 15%. Decreasing unemployment rate still exceeds 11% and varies spatially with Brno showing lowest number of unemployed (Cesky Statisticky Urad, 2004). Numerous industrial parks across the region are meant to assure the equal distribution of economic activity, however FDI, of which Jihomoravský kraj has 7% of country share (Table 1.), tend to locate in Brno and its vicinity – the area named The European City of the Future 2006/07 by the fDiMagazine. Regional capital is a polifunctional city and the growth centre of the region. With its vast academic and scientific potential Brno offers large R&D opportunities, however still largely underutilised. It is also home to world recognised trade fairs (*Zprava o cinnosti...*, 2004).

Poland's third mostly populated region (Table 2.), Województwo Wielkopolskie, is the largest of the studied regions and occupies almost 30 thousand km² in the central-west part of the country. With the unemployment rate reaching 16%, the region contributes 9% in creation of national GDP. Agricultural sector plays important part in the regional economy, and its efficiency clearly exceeds the national average rates. It also serves as basis for the food processing industry, which together with electro-engineering and automotive industries constitutes vital staples of the regional economy (*The Wielkopolska Region...*, 2004). The regional capital, Poznan, comparably to Brno is home to renowned trade fairs and also serves as educational, cultural and administrative centre.

Table 2. Regions within their respective countries – selected statistics for 2003.

	Population			GDP (current prices)			GDP per capita (current prices)			FDI stock- region's position within country
	Country (mln)	Region (% of country)	Region's position within country	Country (mln, national currency)	Region (% of country)	Region's position within country	Country (national currency)	Region (% of country)	Region's position within country	
Jihomoravský kraj (Czech Republic)	10.2	11.0	3	2414669 (CZK)	10.3	3	236714 (CZK)	93.6	2	4
Województwo Wielkopolskie (Poland)	38.2	8.8	3	842120 (PLN)	9.2	3	22048 (PLN)	104.9	3	3
Košický kraj (Slovakia)	5.4	14.3	2	1202687 (SKK)	12.7	2	223564 (SKK)	89.0	4	2

Source: Own compilation of data sourced from national statistical offices and NIPAs.

Košický kraj, in the south-eastern part of Slovakia with the population of under 800 thousands inhabitants and area not exceeding 7 thousand km², is the smallest of the three regions, but the second mostly populated in the country (Table 2.). It borders Hungary and Ukraine and occupies rather peripheral location within the country. Metallurgy, electrical, machinery and food processing industries play important part in regional economy but majority of the GVA (54%) is produced by the service sector, with industry and construction contributing less than 30% (*Statistický urad...*, 2004). For a number of years the region has been suffering from high unemployment and despite recent drop, still one in five economically active persons is without a job. As was the case in Jihomoravský kraj, technological parks and business incubators located across the region are expected to bring development to its disadvantaged parts. The effects of their operations however are still to appear. Kosice, the regional capital, is an important academic centre and home to four universities, including the only veterinary faculty in Slovakia (*The Kosice Region*, 2003).

Exploring the institutions of promotion

Organisation of regional promotion activities, including cooperation networks, responsibilities and duties of particular agencies, stand among the crucial factors determining the success of undertaken actions. Yet those directly engaged with it, regardless on what administrative level, can be difficult to identify (Kotler *et al.*, 1993). Regional marketing – predominantly managerial – is also a political process (Paddison, 1993) involving a variety of actors and agencies, posing questions about their responsibilities, interdependence and coordination of actions. It is a multi-scalar process and as evidence suggest, its organisation differs greatly (Burgess & Wood, 1988; Young & Kaczmarek, 1999; Lever, 2001). While

some place's success comes from institutional capacity, in other places success of inward investment attraction depends on determined and competent individuals (Young, 2004).

A variety of institutions and organisations in CEE regions claim to be involved in FDI promotion. Industrial associations, economic zones and others⁶ amongst their statutory activities all indicate involvement in the process. In fact, as research results indicate, usually their actions are limited to directing interested investors, should any get in contact, to organisations actually responsible for FDI attraction. In the studied regions a number of such organisations exist: regional authorities (promotion department), regional development agency (RDA) and regional branch of national investment promotion agency (NIPA). Additionally in Košický kraj, the involvement of private capital is more visible than in the other two regions in form of Economic Development Centre (EDC) whose sole role is to bring new investors to the East of Slovakia.

Regional promotion requires cooperation with agents on levels above and below in administrative hierarchy. Thus organisations, operating on a national and local level common to the studied regions, can be identified: regional capital city authorities (promotion office) and national investment promotion agency.

Variations in organisations involved in the process⁷ include in the Czech Republic (on national level) a group of internationally renowned consultancies and producers in the form of the Association for Foreign Investment (AFI). In the Polish case, The Institute of Polish Brand (IPB) plays an increasingly significant role in shaping the country's brand image, however does not engage operationally in FDI attraction.

The relationships between the regional and national agents vary considerably across the countries, as do their responsibilities and strategy-setting powers (Table 3).

Emerging frameworks of regional promotion

CzechInvest, focusing on the Czech Republic as a whole, plays the major role in preparation and execution of any promotional actions. Regional and local agents in the Czech Republic are allowed little independence and involvement. Senior authorities' representatives are "used" in AFI series of PR events "Investors' Breakfast with the Governor", but generally their role is reduced to information provision and occasional participation in events organised or attended by CzechInvest, which believes the regions are too small to effectively compete for FDI under their own flag. The regional agents seem content with such situation and univocally name CzechInvest as their best cooperative. Yet as research results suggest they tend to focus on cooperation between themselves. Brno and Jihomoravský kraj authorities engage with occasional external promotion commonly participating in selected trade fairs and exhibitions (e.g. Cannes). Jihomoravský kraj RDA, formerly CzechInvest representative in the region and currently still partly funded by them, supports regional and Brno authorities (the remaining founders) together with smaller municipalities in their promotional efforts and offers full service for the potential investors.

In Slovakia, the national investment promotion agency, Sario, dominates the regional bodies to a lesser extent. Sario is keen on involving a wide range of organisations in its FDI attraction activities as long as "*it's useful for the investors*"⁸. It recognises the need for localities involvement, and its regional offices are responsible for engaging regional and local authorities in the promotional process. Still, as the result of poor organisation, their

⁶ For full list of potential participants and their role in place marketing see Kotler *et al.* (1999).

⁷ To the numerous organisations directly involved in FDI promotion an even larger number of cooperatives must be added. While the number of cooperatives and the nature of relationships between them and any of the main agents vary, the main cooperatives usually are: regional and national chambers of commerce, industrial associations, regional and national tourism boards, local development agencies, national embassies abroad.

⁸ Interview with Sario representative.

contribution remains limited, especially in the case of Kosice city authorities, to meetings with investors for PR purposes. Comparably to the Czech Republic, the cooperation networks on regional level seem to be stronger than links between regional and national levels. The difference however lies in involvement of private capital. While in the Czech region it played only a supportive role, in Košický kraj its importance in FDI attraction is much higher. Regional authorities often use commercial networks of American and Regional Chamber of Commerce for promotion purposes. But the most significant example of private capital involvement in regional promotion, perhaps in the whole of the Central Eastern Europe, is the Economic Development Centre. As a part of US Steel, EDC sustains close links with local and regional bodies, and utilises the company's extensive, international commercial contacts while preparing and performing a variety of promotional activities ranging from promotional material publishing to road-shows organisation. Through its actions EDC fills up a niche caused by poor involvement of Kosice city and a number of regional development agencies predominantly occupied with tourism promotion.

The Polish case differs from both Czech and Slovak solutions in the level of power concentration and regional initiatives. The Polish Information and Investment Agency's (PAIiZ) powers are much more limited than those of Czech and Slovak NIPAs. The agency does not act as a one-stop-shop, but is rather of a free of charge advisory and consultant body guiding potential investors through the investment process. Perhaps for this reason PAIiZ is interested in having good relations with regional and local authorities. Its regional representatives, in the form of a network of Investor Service Centres (ISC), often have been created as a cooperative arrangement between regional authority, regional development agency and local communities' representatives. The ISC provides services on PAIiZ behalf but remains financially and strategically independent from the agency.

Table 3. Regional promotion organisational frameworks

	Jihomoravský kraj (Czech Republic)	Województwo Wielkopolskie (Poland)	Košický kraj (Slovakia)
National Investment Promotion Agency	Country focused promotion; strategy setting & execution; one-stop-shop: complete investor services provider.	Country promotion with regional focus; limited service power; guidance provision.	Country promotion with limited regional dimension; strategy setting & execution; complete investor service provider.
Regional Authorities	Activities chiefly dependant on national FDI agency and RDA; negligible own initiative.	Promotion as a strategic tool in regional development; close, systematic cooperation with regional and local agents.	Increasing involvement in promotion; presently relying on national FDI agency.
RDA	Servicing smaller investors; limited own initiative.	Executing regional authorities strategies.	Local focus; sporadic FDI promotion, rather tourism oriented activities.
NIPA regional representative	Newly established; fully dependent on HQ.	Independent of HQ.	Fully HQ dependant; links with regional and local agents.
Regional Capital City Authorities	Activities fully dependent on national FDI agency, RDA; incidental cooperation with regional authorities.	Active promotion; occasional cooperation with regional authorities.	Initial involvement; reliant on Sario and regional agents.
Private Capital	In form of association acting nationwide; largely dependent on national FDI agency.	Not active; as cooperative networks only.	Individual case of serious involvement; activities complementary to Sario.
Population	Not active.	Not active.	Not active.
OVERALL	CENTRALISED	REGIONAL (DECENTRALISED)	CENTRALISED WITH REGIONAL PERSPECTIVE

Source: Own research

Wielkopolska regional authorities closely cooperate with the RDA in variety of promotional activities including management of extensive investors' tailored regional web-portal, fairs and exhibitions participation and material preparation. While regional authorities are

responsible for strategy setting, the RDA supports its execution. Local authorities are encouraged to undertake promotional activity within the framework designed on regional level. The city of Poznan operates its own FDI attraction policy, however it often cooperates with other regional agents, especially involving participation in international promotional events.

While the involvement of private capital in the Polish case is less prominent, another distinctive feature of this set-up is the willingness of regional and local bodies to undertake active lobbying of PAiIZ trying to ensure FDI inflow to the region.

The question arises if these three differing “institutional frameworks” of regional promotion are reflected in operations, i.e. is this consensus in division of responsibilities and powers visible in operational and strategic choices made by individual agents?

Question of integrity – place product perspective

Presenting the relations and interdependencies, so far the paper explored the organisational framework of Central-Eastern European regional FDI promotion as seen on the surface. The following part of this contribution by analysing place product definition, competition, target groups and favoured images, discusses how those relationships are reflected in operations and strategic choices made by individual agencies comprising the identified framework.

Defining place product is not a straightforward issue (van der Berg *et al.*, 2002; Rainisto, 2003). The differentiation of scales adds to the complexity of the process (Ashworth & Voogd, 1990), however awareness of what it is that an agency actually wants to promote can significantly improve the chances of successful FDI attraction campaign.

The dominant CzechInvest position in strategy setting and execution is less visible in place product definition. While CzechInvest defines country product as the entire business environment in Czech Republic, the regional and local agents are far more precise (with the exception of Jihomoravský kraj RDA). They point out to more tangible assets of industrial parks and Brno city location such as investment incentives in the former case, and skilled labour force and research facilities in the latter. Comparably in Slovakia, Sario adapts mega-product perspective and indeed the same stand as its Czech counterpart, but in addition points out one particular place product facility (van der Berg *et al.*, 2002) – technological parks. Regional actors additionally identify the labour force component. In the Polish case, the findings suggest, PAiIZ's place product hardly differs from the one identified on regional level. All agents as main components of place product recognize the availability and quality of particular investment spots. Additionally the regional agents perceive Poznan as vital ingredient of the Wielkopolska place product.

Question of integrity – target groups perspective

FDI is a target group itself, however it would be naive to consider it homogenous. Targeting and proper recognition of customers needs is crucial for regional promotion activities (Fitzsimons 1995). In context of FDI attraction two generic market segmentation criteria could be identified: geographical (country of origin) and industrial sector (and branch). Apart from directly attracting investors there are numerous agencies, “*the influencers of company moves, investments and developments*”⁹ (Fretter, 1993: 169) having varied levels of region awareness and diverse needs but which also should be considered in regional promotion efforts.

⁹ The estate and relocation agents, the banks, financial institutions, accountancy and consultancy firms, etc.

All Czech agents targeting is industrial sector based. There are albeit minor differences between the agencies regarding sector definition. CzechInvest avoids attracting assembly plants and aims to secure investments in high value added sectors, R&D and strategic services. Jihomoravský kraj RDA and Brno city authorities' activities are additionally targeted at medical equipment producers, precise engineering and electronics. The design and designation of industrial parks is considered an important tool in attraction of desired investment projects. The regional authorities tend not to target their actions at all, claiming they welcome all investors willing to invest in the region.

Slovak national and regional institutions define predominantly divergent target groups, they agree however on the importance of high value added sectors. Sario stresses the importance of whole range of sectors from automotive companies, call centres through leisure and tourism investments to IT and bio-tech. The agency attempts to attract large investments: "*it is better to get one big company than 10 small ones*", because "*you can always better support big company than smaller ones*"¹⁰. Sario regional office is more focused and emphasise the importance of high-tech and high value added sectors. This is in stark contrast with other regional agencies. EDC is the only agency whose promotion is geographically targeted. The Centre conducts majority of its activities, including road-shows in The United States and Canada and aims to bring manufacturing investors who would have positive impact on the regional labour market. Spiska RDA targeting is driven by local situation. Based on tradition, local resources and skill base the agency is interested in attracting wood processing and machinery construction industries.

PAIiZ is the only agency recognising the need of geographical and sectoral targeting. The agency focuses on attracting FDI from countries that already are Poland's largest investors – The United States, France, Germany, The United Kingdom. More recently PAIiZ also focused her activities on Asian investors. Successful performance at the Expo 2005 in Aichi encouraged the agency to develop promotional activities in Japan and open its first overseas office in Tokyo. Agency's sectoral focus is largely similar to her Czech and Slovak counterparts and comprises automotive, IT, bio-tech industries and outsourcing services. Unlike the majority of the studied agencies, PAIiZ together with The Institute of Polish Brand recognises the importance of "*influencing the influential*"¹¹ and attempt to targets her FDI promotion activities also at investment intermediaries.

Hardly any of the agents in Wielkopolska clearly define its targets. Both regional and Poznan city authorities are interested in attracting any kind of investor willing to come to the region. Comparably generally, the ISC emphasises the importance of differentiating between the tourism and FDI target groups. Only Wielkopolska RDA attempts to define target groups more precisely and indicates the need to attract investments creating jobs in technological sectors and IT.

Question of integrity – competition perspective

The level of competition awareness varies across the regions and between the organisations. Perhaps the only common view is that the regions and localities of all three countries compete with other nations in Central Eastern Europe.

The Czech agencies operating on the national level define competitors depending on industry sector. While for some sectors (e.g. automobile industry) the Czech Republic competes with its immediate neighbours, for others (e.g. call centres) the main competitors are located in Asia. CzechInvest, its former associate Jihomoravský kraj RDA and AFI are convinced there is no inter-regional competition within the country, and the authoritarian-like powers of the

¹⁰ Both quotes come from an interview with Sario representative.

¹¹ Interview with The Institute of Polish Brand representative.

national agency serves as a guarantee. That view is contested by regional and local authorities of Jihomoravský kraj and Brno. Both agents identify Praha as their superior competitor, while their opinions vary with regard to peer rivals¹². Plzen and Ostrava constitute main national competition for Brno, while Jihomoravský kraj perceives all other regions in the Czech Republic as its rivals. Regarding international competition the view of regional actors hardly varies from the one presented by national bodies, however there is a persistent lack of specific knowledge and ability to identify particular regional competitors abroad.

Sario, comparably to its Czech counterpart, believes there is no competition between regions. The rationale for such judgment is however not an authoritarian one, but supported by the view that regions in Slovakia are so diverse that each one attracts a specific kind of investment. Infrastructure dependant projects would go to western parts of the country, while efficiency seeking investment would locate in eastern parts where availability of skilled and cost-efficient labour is greater¹³. Such west/east divide is also traceable in other regional and local actors approach. The distinctive feature, however, is that regional and local actors feel that Košický kraj is in, albeit unequal, competition (for investment) with more prosperous and connected regions of western Slovakia, specifically Bratislavský kraj and those in its proximity. EDC presents a contesting view and perceives central parts of the country as main competitors on a peer level.

Other countries of Central-Eastern Europe along with China constitute the main competition for Poland and its regions in view of some regional actors and PAiIZ. The agency also recognises the existence of intra-regional competition within the country but argues it does not adversely affect its actions. This is in contrast with the Investor Service Centre's lobbying activities influencing PAiIZ perception and actions regarding FDI location in Wielkopolska. Such activities result from conviction of existence of strong competition between different parts of Poland. Comparably to their Czech and Slovak counterparts, as the individual superior rival the Wielkopolska agents perceive national capital and its surroundings. Additionally Malopolska and Dolny Slask in the south and south-west of Poland are mentioned as peer competitors. The main actors, Wielkopolska Regional Authority and RDA, despite recognising competition, admit they do not feel rivalry from any regions abroad, as in their view it is the national level where the competition really matters.

Question of integrity - image perspective

Projected place image to be convincing and have chances of succeeding, ideally, should be a result of analysis of place product, competition and target markets. A variety of organisations involved in promotion cause additional difficulty in defining image staples and projection of a coherent place image.

Despite acknowledging the role of country and regional image in FDI attraction none of the agencies in studied regions systematically monitor or have conducted a research attempting to find the image of a particular place held by potential investors. PAiIZ utilises the studies conducted by The Institute of Public Affairs exploring the change of pre and post EU accession image of Poland in selected European states. However those lack the FDI perspective and can only be considered as general guidance.

Lack of knowledge of the current image does not prevent those responsible for regional promotion from having clearly defined features which they use to create the image.

Staple features on which to build the desired image causes the least controversy in the Czech Republic. Both national and regional FDI promotion agents agree on the main positive

¹² For a full discussion of levels of rivalry see Kotler *et al.* (1999).

¹³ This is in conflict with Sario regional branch in Košický kraj which recognises each region of Slovakia as potential competition.

characteristics that should constitute image foundations. As is often the case (Burgess, 1982) centrality, accessibility and connectivity play major role in country and regional image creation. Additionally, industrial tradition and labour force quality and quantity are stressed. “Industrial tradition” serves as a form of guarantee, ensuring a potential investor about the skills and values of industrial organisations embedded in the national mindset. Availability of labour is a negative phenomenon of unemployment turned to the advantage of a location. Future availability is ensured by stressing the numbers of university students. The factor which also supports the “quality of labour” staple, further emphasised by flexibility, technical and language skills, and most importantly labour costs. Interestingly, while CzechInvest presents the cost-efficient labour availability across the nation, Jihomoravský kraj authorities emphasise more competitive labour costs in the region as opposed to Prague, which underlines their attitudes to the competition from the capital.

In the Slovak case the consensus on main characteristics on which to build country and regional image is comparably high. Similar to the Czech example, much emphasis is placed on industrial traditions together with availability and qualitative aspects of labour force such as discipline, skills, willingness to learn and cost-effectiveness. Additionally, Spiska RDA and the EDC stress the importance of previous investments, and use success stories in their regional image building efforts. Sario, on the other hand, adapts a more general approach. It strives to make Slovakia associated with favourable business environment, dynamically reforming and adapting to corporate requirements. Being aware of deficient infrastructure and somewhat peripheral location none of the Slovak agents try to support their image with the accessibility, connectivity and centrality arguments.

PAIiZ argues that the problem with the image of Poland is not that it is bad, but that it is hardly existent, and if it does exist it is both blurred and confused. The agency is convinced this is “*a good starting point*”¹⁴. It bases the investment image of Poland on features used by its Slovak and Czech counterparts: availability of dynamic, well-trained, competitively priced workforce and central location. For the same reasons as Sario it avoids the themes of connectivity and accessibility. Instead PAIiZ puts more emphasis on size of the economy and its recent dynamics.

The Wielkopolska agents use some area specific characteristics and attempt to put a regional dimension on some of the features used by national agency. They emphasise entrepreneurial spirit embodied in the regional workforce, and stress other than centrality location advantages such as German border proximity and location within the transport corridor Paris-Berlin-Warszawa-Moscow. Characteristic economic structure, with prosperous agriculture sector, and better than national average performance according to regional authorities, Wielkopolska RDA and Investor Service Centre constitute the remaining image staples.

Conclusions

The FDI inflow to CEEC is increasing, yet distribution within countries remains biased towards capital city regions. This requires other regions to be more proactive in their promotion strategies, but also indicates the failure of national FDI agencies to ensure equitable spread of foreign capital across the country.

The paper aimed to investigate the organisation framework of FDI promotion in Central-Eastern European regions. While largely avoiding normative claims, in a positive perspective it explored the nature of various organisational settings contributing to the discussion about the complexity of the FDI promotion process (e.g. Wint & Wells, 2000; Loewendahl, 2001).

¹⁴ Interview with PAIiZ representative.

It unveiled the inconsistencies existing between the presumptive frameworks and actual execution of FDI promotion by the component agencies.

The level of centralisation of regional promotion activities in CEEC vary. However, while different frameworks can be identified, the centralisation level is not always explicitly visible in strategic choices made by regional actors. Decentralization does not imply a lack of coherence, but rather indicates bottom-up approach in strategic choice dissemination as Polish example suggest. Yet, even among closely cooperating regional agents there are divergent approaches to place product, target groups, competition and image staples. Also within a single organisation those issues are not necessarily interlinked and promoted image is only loosely associated with a defined product (e.g. CzechInvest, Wielkopolska RDA), which indicates the lack of systematic approach to FDI promotion characterising the actions of majority of the agents, especially, but not exclusively on a regional level.

The organisation of promotion depends as much on the size and economic capacity of the region, as it does on the legal context and empowerment of the regional bodies. The lack of coherence, however, results mainly from fragmented actions and limited vertical and diagonal communication between the process participants, often underpinned (especially in the Czech and Slovak cases) by arrogance of the national investment promotion agency and wasteful competition between regional organisations.

There is a serious deficiency of private capital involvement and citizens' participation in both strategy setting and operational activities. Exception of EDC indicates the possibilities and gains from private capital engagement in regional promotion. Also there is a scope for deeper involvement of regional capital cities, which often are the region's main asset.

The organisation of regional promotion can be crucial for its success. Investors throughout the investment process have to communicate with a variety of actors on various administrative levels, with various levels of authority and powers. They meet the promotion actors in a variety of situations: from fairs to more investor-tailored events, which makes division of responsibilities between different actors crucial in order not to make false promises and speak the same language to create the same good impression and the same image of the place. The variety of regional promotion organisational schemes opens a vast area for further research into their effectiveness. Only then can the argument about the need of coherence and consistency in promotion (Fretter, 1993; Fitzimons, 1995) be defended or defeated, for now the studied regions despite often differing approaches seem to be fairly successful in securing foreign direct investments. Can it thus be argued that being active, even if not coherent, is enough?

Acknowledgements

The author would like to thank all the interviewees for their time and willingness to share information. Thanks are also extended to the anonymous reviewers for their constructive and helpful feedback on the initial version of this paper. The author also wishes to thank his supervisors for their invaluable suggestions and comments on the draft version of this paper. The responsibility for the presented views and ideas remains with the author.

References

- Artisen-Mksimenko, P., 2000, (ed.), *Multinationals in Eastern Europe*, Macmillan Press, Houndmills.
- Ashworth, G.J., Voogd, H., 1990, *Selling the city: marketing approaches in public sector urban planning*, Belheven Press, London.
- Brassington, F., Pettitt, S., 2003, *Principles of marketing*, Prentice Hall, Harlow.
- Burgess, J., 1982, Selling places: environmental images for the executive, *Regional Studies*, vol.16(1), pp.1-17.
- Burgess, J., Wood, P., 1988, Decoding Docklands; Place advertising and decision-making strategies of the small firm, (in:), Eyles, J., Smith, D.M., (eds.), *Qualitative methods in human geography*, Polity, Cambridge.
- Capik, P. 2006, Regional promotion strategies and network models in competing regions - FDI attraction mechanisms in Central Eastern Europe, CIRM 2006 Proceedings, Manchester Metropolitan University, Manchester.
- Česká Národní Banka (Czech National Bank): www.cnb.cz,
- Cesky Statisticky Urad ZSO, 2004, *Statisticka rocenka Jihomoravskeho kraje 2004*, CZSO-Brno, Brno.
- Domański, B., 2001, *Kapitał zagraniczny w przemyśle Polski*, IGiGP Uniwersytetu Jagiellonskiego, Krakow.
- Gilmore, F., 2002, A country – can it be repositioned? Spain – the success story of country branding, *Brand Management*, vol.9 (4-5), pp. 281-293.
- Gorzalak, G., 2003, Economic and social cohesion in an enlarged EU: Comments on the post-socialist transformation, EPRC Symposium materials, Glasgow.
- Fitzsimons, D.S., 1995, Planning and promotion: city reimagining in the 1980s and 1990s, (in:) Neill, W.J.V., Fitzsimons, D.S., Murtagh, B., *Reimagining the pariah city; urban development in Belfast and Detroit*, Avebury, Aldershot.
- Fretter, A.D., 1993, Place marketing: a local authority perspective, (in:) Kearns, G., Philo, C., (eds.), *Selling places; the city as cultural capital, past and present*, Pergamon Press, Oxford.
- Helinska-Hughes, E., Hughes, M., 2003, Joining the competition: Central and Eastern European Challenge to Established FDI Destinations?, (in:), Phelps, N., Raines, P., (eds.) *The New Competition for Inward Investment*, Edward Elgar, Cheltenham.
- Instytut Marki Polskiej, 2004, *Fragmenty Raportu z Realizacji Projektu Marka dla Polski. Diagnoza i Idea Przewodnia*, IMP, Warszawa.
- Kotler, P., Gertner, D., 2004, How can a place correct a negative image, *Place Branding*, vol.1(1), pp.50-57.
- Kotler, P., Apslund, C., Rein, I., Haider, D.H., 1999, *Marketing places – Europe: How to attract investments, industries, residents and visitors to cities, communities, regions and nations in Europe*, Financial Times-Prentice Hall, London.
- Kotler P., Haider, D.H., Rein, I., 1993, *Marketing places: attracting investment, industry and tourism to cities, states and nations*, The Free Press, New York,.
- Lever, J., 2001, *The effectiveness of place imagery in English local authority inward investment promotion – an evaluation*, MPhil Thesis, Manchester Metropolitan University, Manchester.
- Metaxas, T., 2005, Market research and target market segmentation in Place Marketing procedure: A structural analysis, (in) Szulce, H., Florek, M., (eds.), *Marketing Terytorialny – możliwości aplikacji, kierunki rozwoju*, WAE Poznań, Poznań.
- Melbourne, A., 2006, Sustainable promotion of Atlantic area, CIRM 2006 Proceedings, Manchester Metropolitan University, Manchester.

- Morgan, N., Pritchard, A., Piggot, R., 2002, New Zealand, 100% Pure. The creation of a powerful niche destination brand, *Brand Management*, vol.9 (4-5), pp.335-354.
- Národná Banka Slovenska (National Bank of Slovakia): www.nbs.sk
- Narodowy Bank Polski (National Bank of Poland): www.nbp.gov.pl
- Paddison, R., 1993, City marketing, image reconstruction and urban regeneration, *Urban Studies*, vol.30(2), pp.339-350.
- Polska Agencja Informacji i Inwestycji Zagranicznych (Polish Information and Foreign Investment Agency): www.paiz.gov.pl
- Rainisto, S.K., 2003, Success factors of place marketing: a study of place marketing practices in northern Europe and The United States, Espoo, Helsinki.
- Sario: www.sario.sk
- Shir, I., 2006, Place branding in Israel: the case of Holon, CIRM 2006 Proceedings, Manchester Metropolitan University, Manchester.
- Štatistický úrad Slovenskej republiky, 2004, Slovakia in figures, SUSR, Bratislava.
- Terlouw, K., 2001, Regions in geography and the regional geography semiperipheral development, *Tijdschrift voor Economische en Sociale Geografie*, vol.92 (1), pp.76-87.
- Turnock, D., 2005, (ed.), Foreign Direct Investment and Regional Development in East Central Europe and the Former Soviet Union, Ashgate, Aldershot.
- The Kosice Region*, 2003, Sario, Bratislava.
- The Wielkopolska Region – Prospects for Investments*, 2004, Agency For Enterprise Development & Marshal Office of the Wielkopolska Region, Poznan.
- UNCTAD, 2005, World Investment Report 2005: Transnational Corporations and Internationalisation of R&D, United Nations, New York.
- UNCTAD, 2002, World Investment Report 2002: Transnational Corporations and Export Competitiveness, United Nations, New York.
- van den Berg, L., Braun, E., Otgaar, A.H.J., 2002, Sports and city marketing in European cities, Euricur, Rotterdam.
- Young, C., 2005, Place Marketing for Foreign Direct Investment in Central and Eastern Europe, (in:), Turnock, D.,(ed.), Foreign Direct Investment and Regional Development in East Central Europe and the Former Soviet Union, Ashgate, Aldershot.
- Young, C., 2004, From place promotion to sophisticated place marketing under post-socialism: the case of CzechInvest, *European Spatial Research and Policy*, vol.11(2), pp.71-84.
- Young, C., Kaczmarek, S., 1999, Changing the perception of the post-socialistic city: place promotion and imagery in Lodz, Poland, *The Geographical Journal*, vol.165(2), pp. 183-189.
- Zmyślony, P., 2005, Partnerstwo podmiotów warunkiem integracji narzędzi marketingowych w rejonie turystycznym, (in) Szulce, H., Florek, M., (eds.), Marketing Terytorialny – możliwości aplikacji, kierunki rozwoju, WAE Poznań, Poznań.
- Zprava o cinnosti statutarniho mesta Brna w roce 2003*, 2004, City of Brno, Brno.