





Doing Business in Poland (Socio-Cultural Aspects)



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Outline of the Lecture

1. investment climate
2. cultural dimensions
3. Poland and classifications of cultures
4. historical influence
5. useful tips

- appendix 1: **business legal forms**
- appendix 2: **starting up procedures**

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Part 1

Investment Climate in Poland





Poland - Economic facts



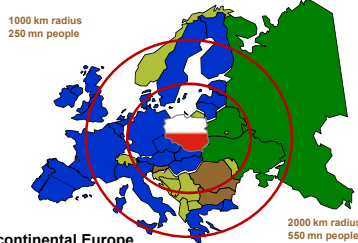
Area:	312 000 sq km – 6th in the EU (68th)
Population:	38.12 million – 6th in the EU (34th)
Currency:	Polish Zloty, PLN (EUR 1 ~ PLN 3.90, USD 1 ~ PLN 2.85)
GDP per capita:	ca. 18 000 USD
GDP growth:	6.7% (2007) 5.0% (2008) 1.7% (2009) 2.6% (2010 - EC forecast, Feb 2010)

Largest Cities of Poland:

- Warszawa (Warsaw) 1.7 mln inhabitants 
- Kraków (Cracow) 0.75 mln inhabitants 
- Łódź 0.74 mln inhabitants 
- Wrocław (Breslau) 0.63 mln inhabitants 
- Poznań (Posen) 0.55 mln inhabitants 
- Gdańsk (Danzig) 0.45 mln inhabitants 

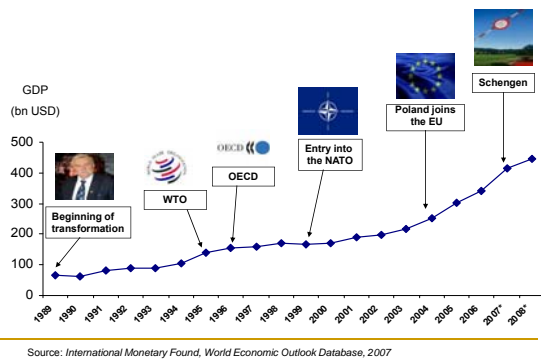
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Strategic location between West and East

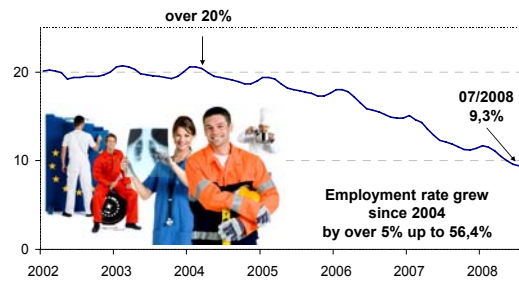


- located in the heart of continental Europe
- the part of the single market of 500 million
- the springboard to the East
- population of 250 million within a 1000 km radius
- competitive cost base offers significant location benefits

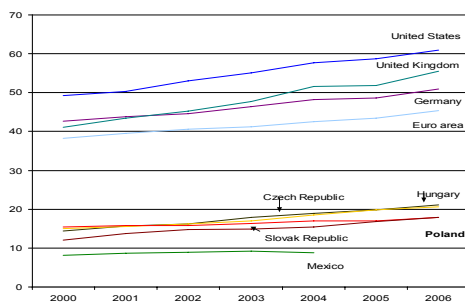
Polish Membership in International Organizations Stable Political Environment and Fast Economic Growth



Since EU accession unemployment declined from over 20% to less than 10%

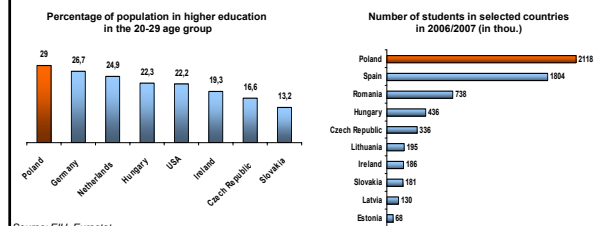


Labor cost in Poland and OECD countries (PPP adjusted, in thousands USD)



Poland offers 20 million entrepreneurial and multilingual young people

- 87% of students can communicate in a foreign language
- 50% of the population is less than 35 years old, 35% under 25
- a nationwide network of 448 universities and polytechnics



Quality of Polish Employees

Comments by one of my UK clients regarding the quality of Polish applicants:

- "I am increasingly amazed at the quality of applicants we are getting to the advertisement. We have never had such a high quality, well-educated response from the UK."
- "Another really highly qualified candidate! Why can we never find this quality of employee in the UK?"

Nigel Adams & Company Ltd

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Taxation

income tax

juristic persons

- CIT: 19%

natural persons & persons without legal entity

- PIT: 18% and 32%

or
19% (flat rate)

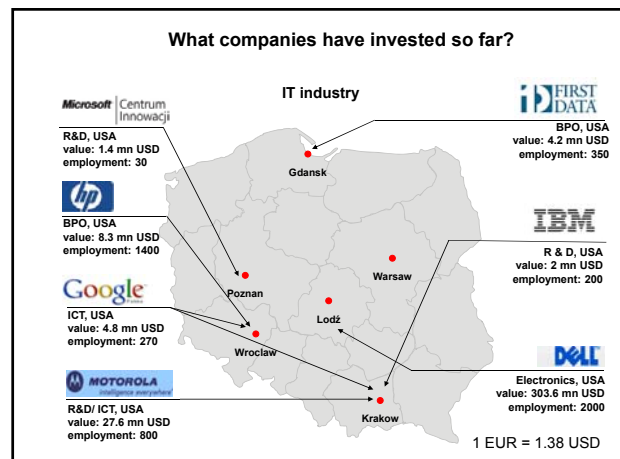
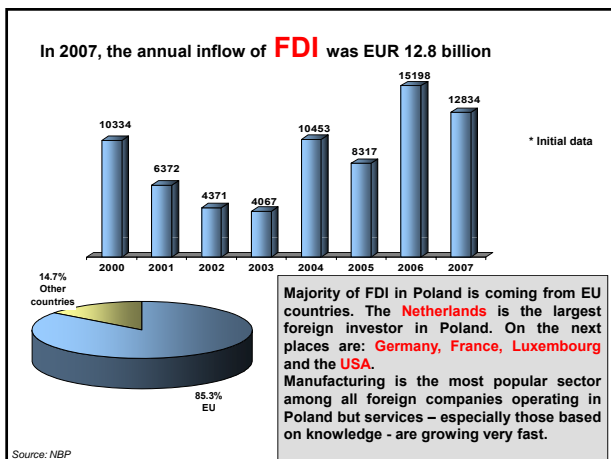
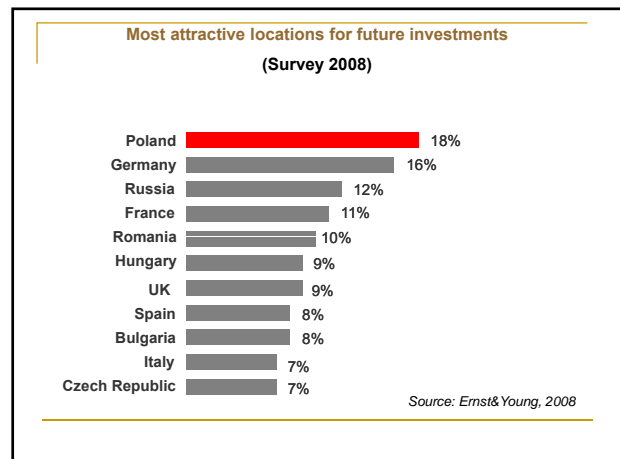
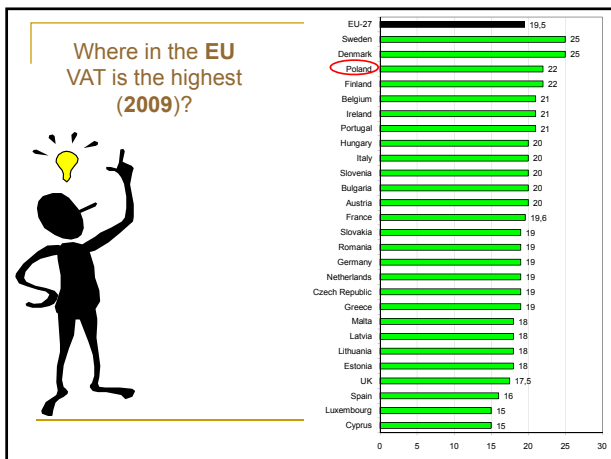
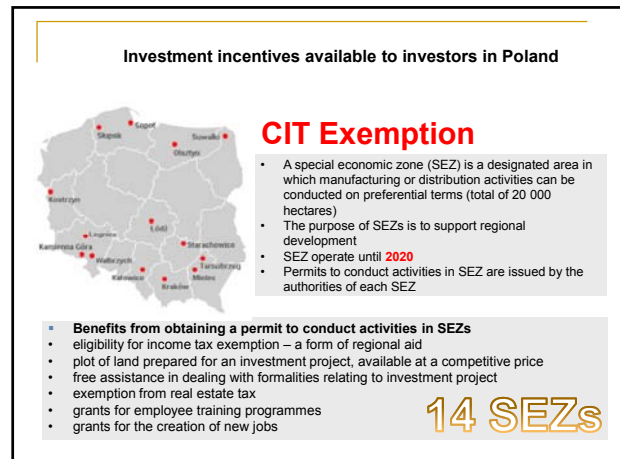
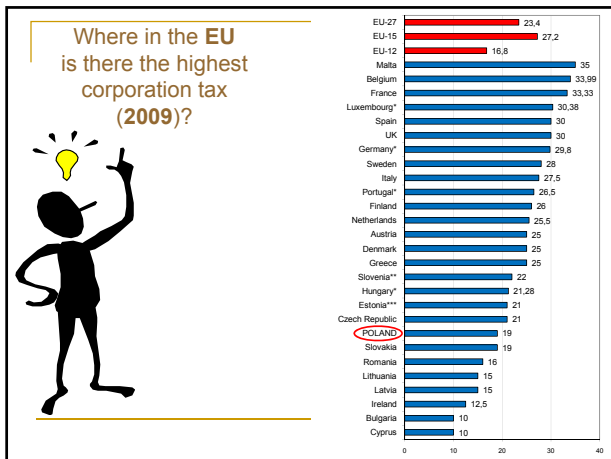
VAT

- standard: 22%
- reduced: 7%, 3%
- export: 0%



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What companies have invested so far?

Aviation



BPO



R & D



What companies have invested so far?

Automotive



Machinery



Electronics



Part 2

Cultural Dimension of Doing Business in Poland



Socio-Cultural Dimension

- hospitable, friendly for foreigners
- status, seniority and title important
- initially rather formal (Mr. Kowalski – not Jan)
- The Poles are known for their **flexibility** !!!
- united in bad times, divided in good times
- English is a second language for under 40's
- Young are very keen to succeed
- Well educated and technically very skilled
- Tough negotiators: right of final say

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Sociolazing in Poland

- accept 'Polish' invitations
- offer/accept a present
(depends on circumstances)
- can exchange personal information
- accept physical contact
- Poles are relaxed about time, but not necessary unpunctual

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Religion

- independence but like national religion
 - right wing parties
 - left wing parties (post-communistic)
- faith / religion has always been a source of identity and power
- ca. 90-95% are Roman Catholic
- This doesn't mean they all go to church
- Don't make jokes about the Pope

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Views and Values (1)

- Poles are romantic idealists and believe they are imbued with many virtues.
- Honour („doing what is right”) and revenge are still living concepts in Polish minds.
 - often compared with Spaniards and the Irish
- Great sense of humour but not on their expense.
- Respectful attitude towards women (old fashioned gentlemen, hands kissing)
- „They are not afraid to confront and don't hesitate to speak their mind even to strangers, no matter the consequences”

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Views and Values (2)

- The family is the basic unit of Polish life!
- Two-sided personality:
 - A **fierce crusader** in public, reserved, grim and formal
 - A **soft touch** at home and in private showing great warmth and hospitality
- „The Polish communication style is mysterious. They can ring all the changes between a matter-of-fact pragmatic style and a wordy, sentimental, romantic approach to a given subject.”

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Part 3

Classifications of Cultures and Poland



Hall's Context of Cultures

- high context
- low context

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high context

- Asian (Japanese, Chinese)
- Arabs
- Hispanics
- **Greeks, Spaniards, Italian, French**
- **Brits**
- Australians
- Americans
- **Poles**
- Scandinavians (Danish, Swedish, Finns)
- Austrians
- Germans
- Swiss

low context

Source: Copeland & Griggs (1985, p. 107)

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Hall's Context

Gesteland's Cross-Cultural Business Behaviour

relationship-focused ⇔ deal-focused

formal ⇔ informal

polychronic ⇔ monochronic

reserved ⇔ expressive

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deal-focused	relationship-focused
<ol style="list-style-type: none"> 1. UK 2. Denmark 3. Finland 4. Germany 5. Netherlands 6. Czech Republic 	<ol style="list-style-type: none"> 1. Greece
moderate deal-focused	moderate relationship-focused
<ol style="list-style-type: none"> 1. France 2. Belgium 3. Italy 4. Spain 5. Hungary 6. Estonia 7. Latvia 8. Lithuania 	<ol style="list-style-type: none"> 1. Poland 2. Romania

formal	informal
<ol style="list-style-type: none"> 1. Austria 2. Germany 3. Greece 4. Poland 5. Romania 6. France 7. Belgium 8. Italy 9. Spain 10. Hungary 11. Estonia 12. Latvia 13. Lithuania 	
moderate formal	
UK, Denmark, Finland, Netherlands, Czech Republic	

polichronic	monochronic
<ol style="list-style-type: none"> 1. Greece 2. Poland 3. Romania 	<ol style="list-style-type: none"> 1. Germany 2. Austria 3. UK 4. Denmark 5. Finland 6. Netherlands 7. Czech Republic <p>rather monochronic:</p> <ol style="list-style-type: none"> 1. Estonia 2. Latvia 3. Lithuania
variably	
France, Belgium, <u>Italy</u> , Spain, Hungary	

expressive	reserved
<ol style="list-style-type: none"> 1. Greece 2. France 3. Belgium 4. Italy 5. Spain 6. Hungary 	<ol style="list-style-type: none"> 1. UK 2. Germany 3. Ireland 4. Denmark 5. Finland 6. Netherlands 7. Czech Republic
variably expressive	
Poland, Romania	

Part 4

Historical Influence on Doing Business in Poland

be familiar with Polish history
(Norman Davies, UK)

Invest in Poland

Polska

Invest in Poland

Poland Balancing Through Centuries

- Poland has been always balancing between **Russia** and **Germany** through centuries (geopolitics).
- The Western countries (especially USA, UK) can't understand Polish attitudes to Germany and Russia).
- Germany is a country, which can understand us the best and did a lot for bilateral relations.
- Russia is the opposite (2010 change?)

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History

- After the Nazi suppression and 45 years of Communism, Lech Walesa's Solidarity broke the Communist siege of Central Europe → domino effect in Hungary, the former Czechoslovakia, Slovenia, Croatia and elsewhere.
- Poles with their historical buffer role between expansionist Russian and German Empires, have shown themselves to be superb fighters down the centuries.
- Polish history is full of rebellions and revolutions against foreign rulers.
- For them history is essential and they show a very strong romantic nationalism and noble pride.
- Polish literature is rich and original and they are very proud of it.

Johannes Beichel & Stefanie Sohm Intercultural Communication in Eastern Europe 22/12/2004

History – Part 1

- ca. 870 – 930 - Polish tribes unification
- The historically recorded **Polish state** begins with the rule of Mieszko I in the second half of the 10th century (baptism of Poland in **966**).
- In 1386 the Polish-Lithuanian Commonwealth had encompassed (except for Poland) Lithuania, Latvia, Ukraine, Belarus and large parts of Russia.
- In 1683 Polish armies were called upon to break Turkish Siege of Vienna (to save Europe).
- Polish came close to perishing several times.

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History – Part 2

- The partition of Poland
 - 1772, 1793, 1795
 - Russian Empire, Kingdom of Prussia, Habsburg Austria
- The independence after 123 years only for 2 decades.
- 1939 – 1945 WW II
 - 1 September, 17 September (4th Partition)
- 1945: Western Betrayal
the „Big Three” at Yalta Conference
Winston Churchill, Franklin D. Roosevelt and Joseph Stalin

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Poland before and after the Yalta 1939 / 1945

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History – Part 3

- **1945 – 1989 Communism**
weaker and weaker economy:
 - in 70s – loans from Paris Club
 - in 2009 Poland paid whole 70s governmental debt
- *protests:*
 - March 1968, December 1970, June 1976, August 1980
 - Martial Law 1981-1983
- **1989 The Polish Round Table Talks**
 - **First Country to Abolish Communism (national pride)**
 - 1989 First Free Parliamentary Election
- **1989 economic transformation**
 - 1981(Polish-foreign joint ventures)
 - 1988 (business freedom)
 - 1989+ (Balcerowicz's Plan)
 - 990 First Free Presidential Election

4 June 1989 Poland The Vote That Broke The Wall

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Index of Initial Conditions

Country	Index
Czech Rep.	3.5
Hungary	3.3
Slovenia	3.2
Slovakia	2.9
Macedonia	2.5
Croatia	2.5
Bulgaria	2.1
Albania	2.1
Poland	3.5
Lithuania	1.9
Latvia	0.2
Estonia	-0.4
Russia	-1.1
Georgia	-1.1
Ukraine	-1.4

Source: (EBRD, 2002) © Dr Krzysztof Wach - Kraków 2010

Conclusions, Implications and Recommendations



Doing Business with the Poles

- Design products for Poland and use a Polish advertising agency.
- Do your homework. Poles are often shrewd negotiators.
- Be prepared to provide data. People are not impressed by "sales talk".
- Be prepared to make a long-term commitment. Be willing to "give something back" to the community.
- Local governments have a large role in business regulation. Some areas are more conducive to business than others.

Doing Business in Poland USEFUL TIPS (1)

- Don't be afraid to ask questions about things that you **don't understand**.
- It's okay to ask **sensitive questions**, but be polite.
- If a question is important, **keep asking** until you get an answer. You may have to ask the question differently.
- Polish „NIE” is not firm „NO”, but more „maybe” or „perhaps” (depends on the intonation).

Doing Business in Poland USEFUL TIPS (2)

- Take time to build relationships and gain trust.
- **Avoid referring to the Poles as Eastern Europeans !!!**
- When dealing with older Poles, use professional titles (example: engineer), and do not call people by their first names until you are invited to do so.
- Be patient. Establishing a business will take longer than it would in the U.S. or the UK

Doing Business in Poland USEFUL TIPS (3)

- The Poles are willing **risk takers** and cannot be intimidated by rules and regulations too easily – **rules breakers** (WWII, communism, at present).
- The secret to diplomatic success is warmth and responsiveness as human dimension is the most important aspect.

Any Questions?



Any question is more than welcome!

Thank you for your attention ...



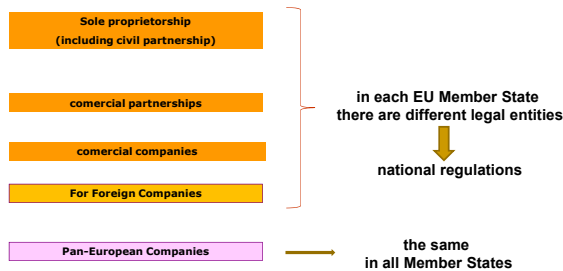
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Part 5 (Appendix 1)

Business Legal Forms



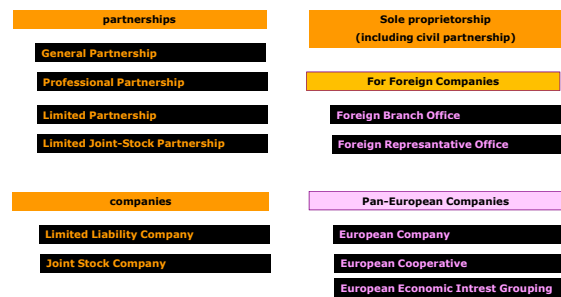
Types of Business Units in Poland



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Types of Business Units in Poland



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Legal Entities

Private partnerships include:

Limited Partnership Spółka komandytowa, sp.k.

A limited partnership is a partnership which conducts an enterprise under its own business name, where at least one partner (shareholder) is liable to the creditors for the obligations of the partnership without limitation (general partner), and the liability of at least one shareholder (limited partner) is limited.

Limited Joint-stock Partnership Spółka komandytowo-akcyjna, SKA

A limited joint-stock partnership is a partnership which conducts an enterprise under its own business name, where at least one partner is liable to the creditors for the obligations of the partnership without limitation (general partner), and at least one partner is a shareholder. The initial capital of a limited joint-stock partnership should amount to at least **PLN 50,000.00**.

General Partnership Spółka jawna, sp. j.

A general partnership is a private partnership which conducts an enterprise under its own business name and does not constitute a commercial partnership. Each shareholder is liable for the obligations of the partnership with all personal property together with all remaining shareholders and the partnership.

Professional Partnership Spółka partnerska, sp. p.

A professional partnership is a private partnership established by shareholders (partners) for the purpose of practising a liberal profession in a partnership which conducts an enterprise under its own business name. The partnership may be established in order to pursue more than one liberal profession unless stated otherwise in a separate act. In this partnership partners are authorised to practise the following professions: advocate, pharmacist, architect, civil engineer, certified accountant, insurance broker, tax advisor, stockbroker, investment advisor, accountant, physician, dentist, vet, notary, nurse, midwife, legal advisor, patent agent, real estate appraiser, sworn translator.

Legal Entities

Private companies include:

Limited Liability Company Spółka z ograniczoną odpowiedzialnością, sp. z o.o.

A limited liability company may be established by one or more persons for any purpose allowed by law unless the act states otherwise. The shareholders in a limited liability company are not liable for the company's liability. The initial capital should amount to at least **PLN 5,000.00**.



Joint-stock Company Spółka akcyjna, S.A.

A joint-stock company may be established by one or more persons. However, a joint-stock company may not be established by a single-shareholder limited liability company. The initial capital should amount to at least **PLN 500,000.00**.

Major differences between limited liability companies and joint-stock companies		
Shareholders	Limited liability company	Joint-stock company
Number of founding members	One or more shareholders. A limited liability company cannot be formed solely by another limited liability company with one shareholder.	One or more founding members. A limited liability company with one shareholder cannot be the sole founding member of a joint-stock company.
Minimum amount	PLN 5,000	PLN 100,000
Minimum value of one share	PLN 50	PLN 0.01 (1 grosz)
Contributions	In cash or in kind. The full amount of the share capital must be paid up before registration.	In cash or in kind. Shares acquired through a contribution in kind should be fully paid up no later than one year after the registration of the company. Shares acquired through a cash contribution should be 25% paid up prior to the registration of the company. If the shares are acquired solely through a contribution in kind, or through a contribution in kind plus a cash contribution, 25% of the nominal share capital should be paid up prior to registration.
Valuation procedure in case of a contribution in kind	No valuation report needs to be drawn up by the shareholders.	Founders must prepare a special valuation report to be examined in the course of a registration process by auditors appointed by the registration court.
Additional payments	The company's Articles of Association may oblige shareholders to make additional payments up to a specified amount in proportion to their shares.	Shareholders may be obliged to make additional payments only in exchange for additional privileges granted for their shares.

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Shareholders	Limited liability company	Joint-stock company
Exclusion of a shareholder	Regarding an individual shareholder, the court may decide on the exclusion thereof on request of all the remaining shareholders, provided that the value of the shares held by the shareholders requesting the exclusion exceeds one half of the initial capital.	The law does not provide for the possibility of excluding a shareholder. However, the possibility of a compulsory buyout of shares (a so-called "squeeze-out") exists.
Responsibility	Management Board members are liable jointly and individually with all their assets for the company's liabilities towards its creditors and for the company's tax arrears. If enforcement against the company proves ineffective, unless members of the Board show that bankruptcy was declared or arrangement proceedings were initiated in due time, or that the lack of such declaration or arrangement proceedings was not their fault, or if they indicate a property on which the enforcement can be effected.	Management Board members are liable jointly and individually with all their assets for the company's tax arrears if enforcement against the company proves ineffective, unless members of the Board show that bankruptcy was declared or arrangement proceedings were initiated in due time, or that the lack of such declaration or arrangement proceedings was not their fault, or if they indicate a property on which the enforcement can be effected.
Authorised capital	The law does not provide for such a possibility.	The Articles of Association may authorise the Management Board to conditionally increase the share capital for a period not longer than three years.
Supervision	Each shareholder has the right of inspection. A Supervisory Board or Audit Commission is optional, unless the company has share capital exceeding PLN 500,000 and there are more than 25 shareholders.	Shareholders have no right of inspection. A company must appoint a Supervisory Board.

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Part 6 (Appendix 2)

Starting a Business



Dualism in Registration

Sole proprietorship Civil partnerships

- Municipality
- **EDG: Economic Activity Register**

2-3 days
maybe longer even 14 days

Commercial partnerships Commercial companies

- Local Court
- **KRS: Business Register**

32 days

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One-Man Business Registration

1. Municipality: Economic Activity Register
2. Inland Revenue: VAT + Taxation Form
3. Social Insurance Institution: SCs
4. Bank account
5. Seal
6. National Labour Inspectorate (PIP)
7. State Sanitary and Epidemiological Station (SANEPID)
8. **Permissions – if applicable?**

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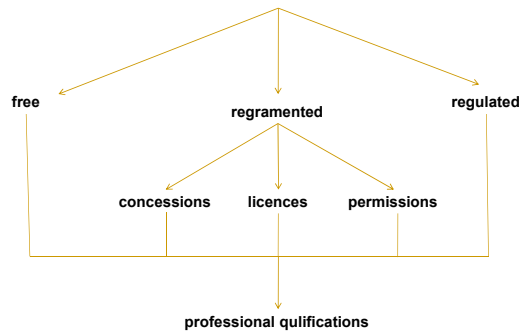
Companies Registration

1. **Notary: deeds, articles**
2. Bank account
3. **Court: Business Register**
4. **National Court Gazette: Announcement**
5. Inland Revenue: VAT
6. Seal
7. Social Insurance Institution: SCs
8. National Labour Inspectorate (PIP)
9. State Sanitary and Epidemiological Station (SANEPID)
10. **Permissions – if applicable?**

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Business Activities in Poland



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Doing Business in Poland World Bank Ranking 2010

Poland

- Region: Eastern Europe & Central Asia
- Income category: Upper middle income
- Visit the law library
- Population: 38,122,972
- GNI per capita (2008): 11,883.50
- View local partners
- Download country report
- Enterprise Surveys snapshot

Ease of...	Doing Business 2010 rank	Doing Business 2009 rank	Change in rank
Doing Business	72	72	0
Starting a Business	117	145	+28
Dealing with Construction Permits	164	167	-3
Employing Workers	76	69	-7
Registering Property	88	86	-2
Getting Credit	15	27	+12
Protecting Investors	41	38	-3
Paying Taxes	151	147	-4
Trading Across Borders	42	41	-1
Enforcing Contracts	75	71	-4
Closing a Business	85	85	0

Note: Doing Business 2009 rankings have been recalculated to reflect changes to the methodology and the addition of two new countries.

"Ease of Doing Business" rank (out of 183 economies)

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Starting a Business 2010 Standard Limited Company

Region or Economy	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
United States	6	6	0.7	0.0
OECD	6	13	4.7	18.5
EU-26	6	15		
Australia	5	28	5.1	52.0
Austria	3	4	5.3	19.4
Belgium	4	18	1.7	20.7
Canada	5	8	13.5	0.0
Czech Republic	8	15	8.2	39.5
Denmark	4	5	0.0	26.5
Estonia	5	7	1.7	23.2
Finland	3	14	0.0	7.2
France	5	7	0.0	0.0
Germany	9	18	4.7	0.0
Greece	15	19	10.0	20.4
Hungary	4	4	8.5	10.2
Ireland	4	13	0.3	0.0
Italy	6	10	17.0	14.7
Japan	5	10	2.1	14.2
Lithuania	7	28	2.4	31.1
Luxembourg	6	24	1.8	19.0
Netherlands	6	10	5.6	49.4
Netherlands	6	10	5.6	49.4
Portugal	6	30	17.0	16.3
Romania	6	9	8.4	39.5
Romania	6	10	2.8	0.9
Slovakia	6	16	2.0	23.8
Slovenia	3	6	0.0	43.3
Spain	10	47	15.0	12.8
Sweden	3	15	0.8	28.6
United Kingdom	6	13	0.7	0.0

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Any Questions?



Any question is more than welcome!

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Thank you for your attention ...



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