





# Doing Business in Poland in comparative perspective

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**Krzysztof Wach, PhD**  
**Cracow University of Economics**  
 Faculty of Economics and International Relations  
 Department of Entrepreneurship and Innovation








Part 1

# Investment Climate in Poland


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## Discussion Question #1

What do you know about Polish economy?  
 What is the investment climate in Poland?  
 How Poland is considered?

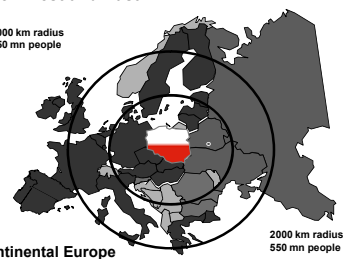
**Is Polish transformation a successful story?**



Movie 1a: 2:47 mins  
 Movie 1b: 6:33 mins

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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

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### 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 4.15, USD 1 ~ PLN 3.15)

**GDP per capita:** ca. 18 000 USD

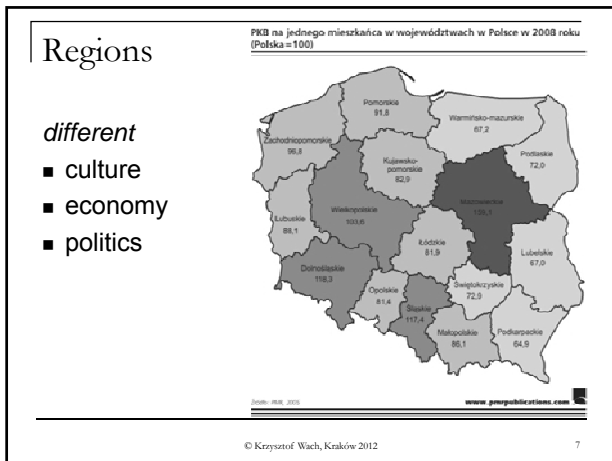
**GDP growth:** 6.7% (2007)  
 4.9% (2008)  
 1.8% (2009 while EU-27 -4.1%)  
 3.8% (2010)  
 4.3% (2011)  
 3.2% (2012 – forecast)

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## Market

- The Polish market is characterized by wide population dispersion with 25% living in rural areas and urban dwellers
- Urban consumers generally have greater purchasing power than their rural counterparts.
- Pricing remains the most critical factor in positioning a product or service for sale in Poland.

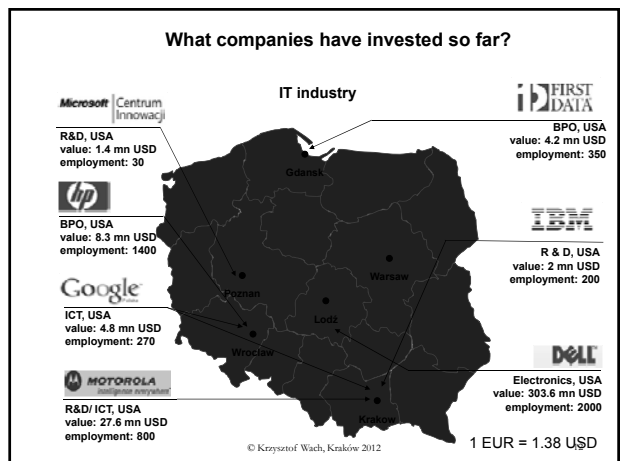
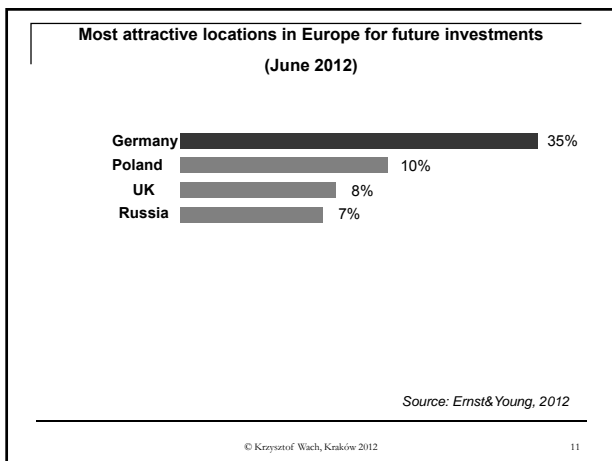
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- ## Political System
- Republic
  - Parliament
    - Sejm (Lower House)
    - Senat (Senate)
  - President
  
  - Forbidden:
    - fascist ideology
    - comunistic ideology
- © Krzysztof Wach, Kraków 2012 8

- ## Political Stability
- Coalition:*
- PO – Civic Platform
  - PSL – Polish People’s Party
- Opposition:*
- PiS – Law and Justice
  - SLD - Democratic Left Alliance
  - RP – Palikot’s Movement
  - SD – United Poland
- 
- © Krzysztof Wach, Kraków 2012 9

- ## Market Challenges
- Poland’s per capita GDP increased from 50 to 59% of the EU average from 2008-2011, the country remains one of the EU’s less developed countries with limited individual purchasing capacity and domestic consumption.
  - Poland has made great strides toward improving the commercial climate, but investors point to an inefficient commercial court system, a rigid labor code, bureaucratic red tape, and a burdensome tax system as challenges for foreign companies.
- © Krzysztof Wach, Kraków 2012 10



## Market Entry Strategy

- Personal contact with the customer is critical and final purchasing decisions typically require a face-to-face meeting.
- Success in this market typically requires an in-country presence such as an agent, distributor or representative office.

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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 *rather* 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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## Religion

- independence but like „national” religion
  - right wing parties
  - left wing parties
- 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 !!!
- Rather don't make jokes about the Pope...

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Part 3

## Classifications of Cultures and Poland



## Hall's Context of Cultures

- high context
- low context

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### Hall's Context

↑

high context

↓

low context

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

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

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### Gesteland's Cross-Cultural Business Behaviour

relationship-focused ↔ deal-focused

formal ↔ informal

time fluid (polychronic) ↔ rigid-time (monochronic)

reserved ↔ expressive

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

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

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polychronic	monochronic
<ol style="list-style-type: none"> <li>1. Greece</li> <li>2. Poland</li> <li>3. Romania</li> </ol>	<ol style="list-style-type: none"> <li>1. Germany</li> <li>2. Austria</li> <li>3. UK</li> <li>4. Denmark</li> <li>5. Finland</li> <li>6. Netherlands</li> <li>7. Czech Republic</li> </ol> <p style="margin-left: 20px;"><b>rather monochronic:</b></p> <ol style="list-style-type: none"> <li>1. Estonia</li> <li>2. Latvia</li> <li>3. Lithuania</li> </ol>
variably	
France, Belgium, <u>Italy</u> , Spain, Hungary	

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

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## Historical Influence on Doing Business in Poland

be familiar with Polish history  
(Norman Davies, UK)



## 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 historical background).
- Germany is (seems to be) a country, which can understand us the best and did a lot for bilateral relations.
- Russia is the opposite .... (2010 change?)

## History – Part 2

- The partitions of Poland
  - 1772, 1793, 1795

Russian Empire  
Kingdom of Prussia  
Habsburg Austria



## History – Part 3

- 1918: The independence after 123 years only for 2 decades.

- 1939 – 1945: WW II

- 1 September, 17 September (4th Partition)
- under the Nazis: **special rules / special respons**

- 1945: Western Betrayal the „Big Three” at Yalta Conference

Winston Churchill, Franklin D. Roosevelt and Joseph Stalin

## History – Part 4

- 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

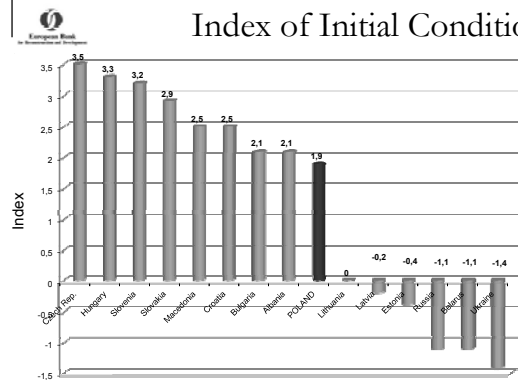
- First Country to Abolish Communism (national pride)
- 1989 First Free Parliamentary Election

- 1989 economic transformation

- 1981(Polish-foreign joint ventures)
- 1988 (business freedom)
- 1989+ (Balcerowicz's Plan)
- 1990 First Free Presidential Election



## Index of Initial Conditions



## ONE-WAY TICKET' .....

Poland – Prudence and Prosperity .....



Movie 2: 11:06 mins

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Part 5

## 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.

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## POLAND

as

## The EU's Success Story



Movie 4: 28:50 mins

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Part 1.

## Fiscal Aspects *in comparative perspective*



## Polish Debt and Deficit

### Public Debt

EU rules: < 60% GDP

- 54.3% (2011)

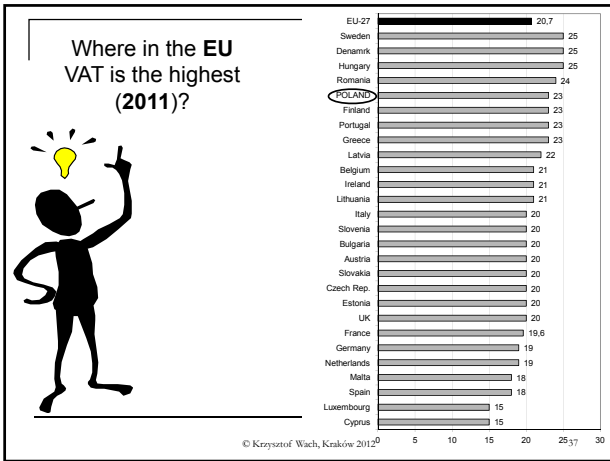
### Budget Deficit:

EU rules: < 3% GDP

- 7.9% (2010)
- 4.9% (2011 – initial data)
- 2.97% (2012 – forecast)

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### VAT in Poland

**VAT**

- standard: 22%
- reduced: 7%, 5%
- zero: 0%

**Up to 2018 the alert solution can be implemented ...**

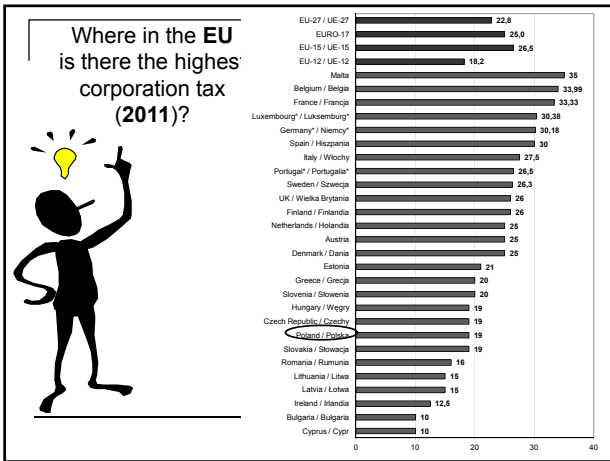
**01.01.2011 - 31.12.2013**

- standard: 23%
- reduced: 8%, 5%
- zero: 0%

... using the rates:

- 23%, 8%, 5%
- 24%, 9%, 6%
- 25%, 10%, 7%

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### Income Taxation in Poland

**income tax**

*Legal (juristic) persons*

- **CIT: 19%**

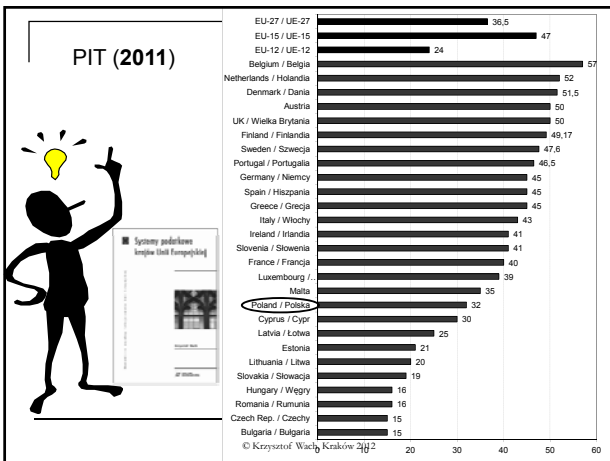
*natural persons & persons without legal entity*

- **PIT: 18% and 32%**

**OR**

**19% (flat rate)**

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### Investment incentives available to investors in Poland

#### CIT Exemption

- A special economic zone (SEZ) is a designated area in which manufacturing or distribution activities can be conducted on preferential terms (total of 20 000 hectares)
- The purpose of SEZs is to support regional development
- SEZ operate until 2020
- Permits to conduct activities in SEZ are issued by the authorities of each SEZ

- **Benefits from obtaining a permit to conduct activities in SEZs**
  - eligibility for income tax exemption – a form of regional aid
  - free assistance in dealing with formalities relating to investment project
  - exemption from real estate tax
  - grants for employee training programmes
  - grants for the creation of new jobs

## 14 SEZs

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Social Contributions 2011			
Type	Employer	Employee	Altogether
<b>Contributions for Social Schemes</b>			
standard pension insurance	9,76%	9,76%	19,52%
unfitness for work pension	4,50 %	1,50%	6,00%
accident insurance	0,97 – 3,86%	-	0,97 – 3,33%
illness insurance	-	2,45%	2,45%
<b>Contributions for Social Funds</b>			
Labour Funds	2,45%	-	2,45%
Fund for Guaranteed Benefits for Employees	0,15%	-	0,15%
<b>Contribution for Medical Care</b>			
Health Care Insurance	-	9,00%	9,00%
<b>TOTAL</b>	<b>ca. 19,2%</b>	<b>22,71% (13,71 + 9,00)</b>	<b>ca. 41,91%</b>

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## Salaries

- 1500 PLN - minimal salary in 2012
- 1600 PLN (2013)
- **3611,56 PLN** – average in enterprises in July 2011

Survey in 2010 (average salaries):

- 1720 zł: housekeeper
- 4500 zł: bank analystist / market analystist
- 5000 zł: company legal advisor
- 5350 zł: account manager
- 5500 zł: GP
- 8750 zł: lawyer
- 11000 zł: CEO of „standard” company

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Part 2.

# Business Legal Forms

## Types of Business Units in Poland

Sole proprietorship  
(including civil partnership)

comercial partnerships

comercial companies

Branches of Foreign Companies

in each EU Member State there are different legal entities

↓  
national regulations

Pan-European Companies

the same  
in all Member States

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## Types of Business Units in Poland

<div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">partnerships</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">General Partnership</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">Professional Partnership</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">Limited Partnership</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">Limited Joint-Stock Partnership</div>	<div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">Sole proprietorship (including civil partnership)</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">For Foreign Companies</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">Foreign Branch Office</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">Foreign Representative Office</div>
<div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">companies</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">Limited Liability Company</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">Joint Stock Company</div>	<div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">Pan-European Companies</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">European Company</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">European Cooperative</div> <div style="border: 1px solid gray; padding: 5px; margin-bottom: 5px;">European Economic Intrest Grouping</div>

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## Classification of Business Legal Forms in Poland

partnerships

companies

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## Pan-European Forms of Business

- 1989: European Economic Interest Grouping, EEIG (own name in each MS)
- 2004: European Company, SE (**Societas Europaea**)
- 2006: European Cooperative, SCE (**Societas Cooperativa Europaea**)

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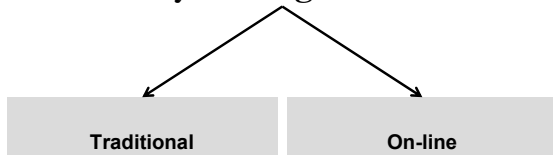
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Part 3.

## Starting a Business



## Ways of Registration

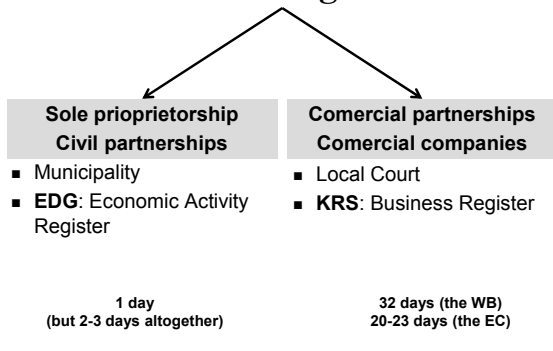


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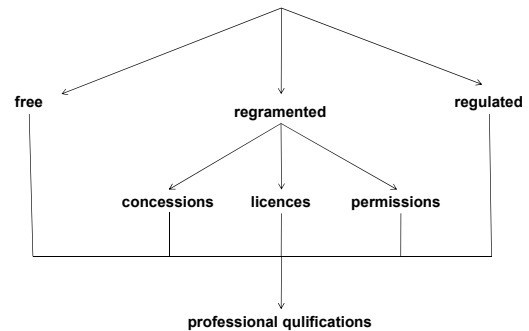
## Dualism in Registration



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## Business Activities in Poland

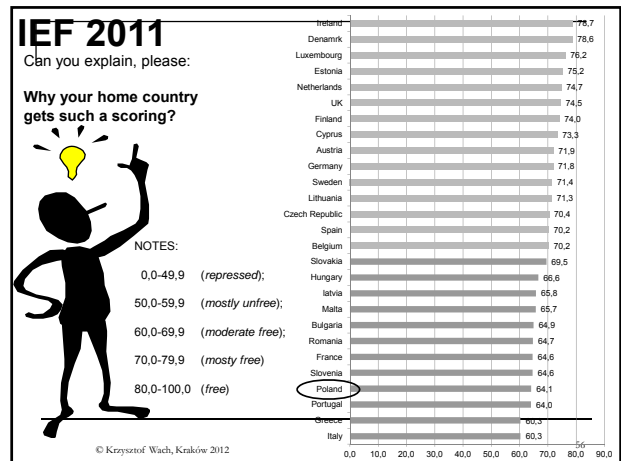


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Part 4.

## Formal Aspects in comparative perspective



## Doing Business in a more transparent world 2012

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### Ease of Doing Business in Poland 2011/2012

This page shows summary Doing Business 2012 data for Poland. The first table lists the overall "Ease of Doing Business" rank (out of 183 economies) and the rankings by each topic. The rest of the tables summarize the key indicators for each topic and benchmark against regional and high-income economy (OECD) averages.

INDICATOR	OECD high income	OECD economies 2011 Rank	OECD economies 2011 Rank	Change in Rank
INCOME CATEGORY	High income	62	59	+ 3
POPULATION	38,177,898			
GDP (PPP) (2011)	13,430,800			

TOPIC RANKINGS	DB 2012 Rank	DB 2011 Rank	Change in Rank
Starting a Business	125	115	+ 11
Dealing with Construction Permits	150	159	+ 9
Getting Electricity	64	64	No change
Registering Property	99	97	+ 2
Getting Credit	8	8	No change
Protecting Investors	46	44	+ 2
Paying Taxes	123	128	No change
Trading Across Borders	45	38	+ 10
Enforcing Contracts	95	98	+ 3
Resolving Insolvency	87	74	+ 13

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

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### Starting a Business 2011/2012 according to the WB

Region or Economy	Procedures (number)	Time (days)	Cost (% of income per capita)	Minimal capital (% of income per capita)
United States	6	6	0.7	0.0
OECD (30)	5.7	13.0	4.7	15.5
EU-26	5.9	15.1	5.2	14.1
Austria	8	28	5.1	52.0
Belgium	3	4	5.3	19.4
Bulgaria	4	18	1.7	20.7
Cyprus	6	8	13.3	0.0
Czech Republic	8	15	9.2	30.5
Denmark	4	6	0.0	38.6
Estonia	5	7	1.7	23.2
Finland	3	14	0.9	7.2
France	5	7	0.9	0.0
Germany	9	18	4.7	0.0
Greece	15	19	10.9	21.4
Hungary	4	4	8.0	10.2
Ireland	4	13	0.3	0.0
Italy	6	10	17.9	9.7
Latvia	5	16	2.1	14.2
Lithuania	7	26	2.4	31.1
Luxembourg	6	24	1.8	19.9
Netherlands	6	10	5.6	49.4
Poland	6	32	17.9	15.3
Portugal	6	8	8.4	33.5
Romania	6	10	2.9	0.9
Slovakia	6	16	2.0	23.8
Slovenia	3	6	0.0	43.3
Spain	10	42	16.0	12.8
Sweden	3	15	0.6	26.5
United Kingdom	6	6	0.0	0.0

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## Be careful!

The methodology of the **World Bank** (Doing Business) is completely different than the methodology of the **European Commission** (Start-Up Benchmarking)!

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# Any Questions?



**Any question is more than welcome!**

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**Thank you for your attention ...**



**Dr. Krzysztof Wach**

**Cracow University of Economics**

Faculty of Economics and International Relations

Department of Entrepreneurship and Innovation

ul. Rakowicka 27, 31-510 Kraków, Poland

tel. +48 12 29 35 327, fax +48 12 29 35 042

e-mail: [wachk@uek.krakow.pl](mailto:wachk@uek.krakow.pl)