

## POLAND POISED TO DRIVE ADVANCEMENT IN THE GLOBAL ECONOMY

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### ABSTRACT

*Historically, Poland has proven to be a nation with tremendous tenacity, and a nation that has shown tremendous courage to fight against dominators, rulers, and oppressors. Today this nation operates as a viable player in the global economy and is a heralded example for democracy. This paper examines Poland's position in the global economy and it synthesizes the political, cultural, and economic factors relevant to Poland's advancement in the global economy by driving co-created value through global networks in the new age of innovation.*

**Keywords:** *Synthesis, Global Economy, Innovation, Poland*

### 1. INTRODUCTION

For centuries Poland was a nation of victories and defeat. While its culture and economy flourished, its political and military might succumbed to ruling factions from its neighboring nations (Morrison, Conaway, & Borden, 1994, p. 297). In 1386, Poland opted for unification with Lithuania but political decline set in and the country was partitioned three times between Germany, Russia, and Austro-Hungarian Empires until Poland completely disappeared. In 1815, the Congress of Vienna decreed the Kingdom of Poland existence. However, Poland's return as a nation was within the confines of the Russian Empire. It was the result of World War I that Poland reemerged as an independent state with the Treaty of Brest-Litovsk in 1918. But World War II and the invasion of Poland by Nazi Germany returned this country to an occupied land until the Soviet army pushed the Germans out in 1945. But this did not mean freedom for the Polish people; instead they were ruled by Russian overlords until 1981. It was at this time the organization of the Solidarity labor union helped to unify Poland's people (Morrison, Conaway, & Borden, 1994, p. 298). Today, Poland is a multi-party democracy with a president and two legislative houses.

However, since the end of Communism, Poland has been in a state of flux shifting within ideologies of Communism to nationalism and democracy. While post-Communist democracy is a welcome change for many, inequalities and insecurities are prevalent for others (Morrison, Conaway, & Borden, 1994, p. 299).

### 2. POLAND AND THE GLOBAL ECONOMY

Since 1981 Poland has experienced tremendous change including accession to the European Union (EU) and the Organization for Economic Co-operation and Development (OECD). Once dubbed the "soaring eagle of Europe" (Koen, 2006), Poland has managed to pay down its fiscal deficit faster than expected, dramatically reducing unemployment, and increasing industry privatization. In fact, "Poland graduated from the U.S. Agency for International Development assistance in 2000 and paid the balance of its U.S. held Paris Club debt in 2005" (ECONOMY, 2007).

Along with the European Union (EU), Poland is also a member of the World Trade Organization (WTO) and the Central European Free Trade Association (CEFTA) which includes the Czech Republic, Hungary, Slovakia, and Slovenia. As the chief architect, CEFTA is responsible for developing a general market economy framework for its members (Rusek, 2001). And according to Zorska (2005) the CEFTA and EU have probably done the most to boost Poland's economic stability. Zorska (2005) states that between years 1993 and 2000, the value of foreign direct investments rose dramatically in Poland, largely due to economic stabilization, increased privatization, and (Foreign Direct Investment) FDI-friendly legislation spawned by the Central European Free Trade Agreement and the European Union. To illustrate, by the beginning of year 2000, Poland was the host country for almost one thousand foreign companies from 35 countries. To stimulate its new position, The National Bank of Poland tightened the country's monetary policy in mid-2004 around the time of accession into the European Union. In just the previous year, Poland's growth was considered sluggish compared to other Eastern European markets like Czech and

Hungarian (Convergence focus: Poland, 2003). Of course this analysis was pre Poland's accession into the European Union which occurred in 2004. By 2005, the country was experiencing increase exports into Western Europe, increase in investments, and consistent economic growth (Business Eastern Europe, 2005).

In the first half of fiscal year 2006, Emerging Markets (2006) reported that even with political uncertainties the Polish economy would flourish. From an economic perspective, rising corporate wages, employment levels, and the indexation of pensions all contributed to Poland's consumer confidence. It was reported that Poland's unemployment, in all of its provinces, moved from 18% to 16% in just six (6) months. Western competition forced local businesses to become more competitive which increased corporate investments. Consequently, the Polish people responded to the open labor markets of the European Union generating an increase in EU funding, and a reduction in interest rates to a near all-time low.

However, two of Poland's economic sectors, real estate and information technology are grossly lagging behind. In Poland, the volume of real estate transactions and prices remain below Western European levels. One reason for this lag is because a substantial portion of Poland's prewar territory was annexed by the Soviet Union in 1945. Consequently, millions of people were uprooted and moved as a result of border shifts. Substantial state ownership replaced private ownership of property and of enterprises. Some private property ownership remained, mainly residential property and small holdings of farmland, but state ownership of property increased tremendously from prewar levels.

Currently, about 40% of the country's fixed assets are privately owned. Of this total, about three-quarters of the value is real property excluding land values. Unfortunately, there are no accurate estimates of the current market value of Poland's privately held land. However, private ownership of real property is gradually increasing, as more government owned assets are being privatized (Belniak, & Schwartz, 2000).

In a 2005 report written by Datamonitor, a business information company specializing in business analysis, data shows that Poland's Internet market is forecast to have a value of \$1.4 billion, representing an increase of 20.8% by 2009. In 2009, the market is forecast to have a volume of 22.4 million users, representing an increase of 115.7% since 2004; accounting for 2.9% of the European Internet access market. However, the majority of Internet access in Poland is narrowband. Datamonitor contributes this factor to the lack of broadband competition (Internet access Industry Profile: Poland, 2005).

Additionally, the lack of infrastructure space (real estate) to build out information technology capabilities will continue to hamper Poland's ability to innovate and compete beyond low-cost labor. For example, Romania and Bulgaria's lower wage costs may erode Poland's attractiveness to multinational corporations looking to save labor and operating cost by off-shoring work to emerging markets.

Poland's global economic challenges are also found in the country's policy of social protectionism such as early retirement schemes, payment to farmers and disability pensions, and political uncertainties which interfere with the country's focus on economic growth. However, Standard & Poor (S&P) stated that even though the outcome of the most recent general election would have no immediate impact on Poland's 'A-' foreign currency rating, the reformist approach of the new government, particularly towards fiscal and economic policy, could prompt S&P to increase its ratings. The new government's commitment to fiscal and structural reforms combined with increasing foreign direct investment (FDI) indicates that Poland's economic growth is set to continue (Risk summary: POLAND, 2007).

An example of this commitment is Poland's strong position as a major exporter of confectionary products. Cadbury Schweppes is a global manufacturer and marketer of branded beverage and confectionary products with Poland at the center of its regional supply chain. In fiscal year 2004, approximately 43% of Cadbury Schweppes revenue came from Europe, the Middle East, and Africa; the Americas accounted for 42%; while Asia Pacific accounted for approximately 16% of the company's revenue. As a significant participant in Cadbury Schweppes supply chain, Poland has positioned itself as a "low-cost destination", and thus has the opportunity to position itself even further as a prominent player in the global economy (Market Watch, 2006).

Besides confectionary products, Poland can boost its Gross Domestic Product through tourism. Hegarty and Przeborska (2005), state that in the European Union, tourism employed approximately eight million people. If transportation and other industries directly and indirectly associated with tourism is taken into consideration this number can easily grow to 20 million. For rural Poland, this means tourism has the potential to present opportunities for revitalization and continued economic growth.

Even though the commitment to Poland's growth is evident, Poland's ruling party will still need to make additional advances with regards to structural reforms and European Union relations. Similarly, much of the government's success will depend on its ability to build a large enough coalition in parliament to overcome any political threats to reform and economic growth.

Externally, Poland is forging relationships with its neighbors including signing friendship treaties replacing the links that were severed by the collapse of the Warsaw Pact. This includes special relationships with Lithuania and Ukraine, and becoming a full member of the North Atlantic Treaty Organization (NATO).

Additionally, Poland's top national security goal is to further integrate with NATO and other western European defense, economic, and political institutions while modernizing and reorganizing its own military. In the meantime, Poland has maintained a sizable armed force currently numbering about 140,572 troops divided among an army of 87,877, an air and defense force of 31,147, and a navy of 21,548. To that end, Poland continues to be a regional leader in support and participation in the NATO Partnership for Peace Program and has actively engaged most of its neighbors and other regional parties to build stable foundations for future European security arrangements (Foreign relations and national security, 2007).

### **3. ENTERING A NEW AGE**

For Poland's economic future and competitive position to continue to flourish in the global economy, Poland will need to continue on the path consistently transforming itself as a nation advancing in the global economy in the new age of *innovation*. Transforming aimed at modernization, marketization, and regional integration are gateway processes in the regional and global environment that facilitate emerging business opportunities (Zorska, 2005). Even though the country has made tremendous progress; globalization with the influence of communications and information technology will require Poland to make additional advancements in education and social reform in particular. Poland will have to move beyond using high levels of subsidy for farmers and their dependents which creates a disincentive to leave the agricultural sector despite low productivity. Consequently, without additional transformative change and incentives to improve this condition, the country will continue to relegate itself to low and mid-level information and communications technology.

It was Huber (1984) who stated that "post-industrial society will be characterized by more and increasing knowledge, more and increasing complexity and more and increasing turbulence" (p. 931). These societies must innovate more frequently and more rapidly. Rapid advancement and accessibility in communications and information technologies are driving innovation demands for internal and external use as the world now moves into the new age of innovation in the 21<sup>st</sup> century.

And it was the Organization for Economic Cooperation and Development (2006) that stated that entry into the European Union improved Poland's outcomes and prospects for continued growth. However, to spur economic growth, Poland must energize a number of economically inactive people. Currently, more than continued foreign direct investments and EU contributions to Poland's economy are essential to propel all of Poland into the global economy. However, Prahalad and Krishnan (2008) see the key to creating value and future growth of every business depends on accessing a global network of resources to co-create unique experiences with customers, *one at a time* (emphasis added). For the authors noted, this is the critical step into the new age of innovation.

#### **4. A NECESSARY SHIFT TO ACCESS THE GLOBAL NETWORK**

Prahalad and Krishnan (2008) describe how to accomplish this shift, a shift where IT and the management architecture form the corporation's fundamental foundation through strategies for:

- Redesigning systems to co-create value with customers and connect all parts of a firm to this process
- Measuring individual behavior through smart analytics
- Ceaselessly improving the flexibility and efficiency in all-customer-facing and back-end processes
- Treating all involved individuals – customers, employees, investors, and suppliers – as unique
- Working across cultures and time zones in a seamless global network
- Building teams that are capable of providing high-quality, low –cost solutions rapidly

It is clear that Poland may be to a new stage where advancement defines reinventing their processes and culture in order to sustain innovative solutions. What is exciting in pursuing advancement now is that there is a strategic plan for achieving this necessary transformation to meet the needs of the customer of the future.

#### **5. CONCLUSION: SUCCESS FOR POLAND IN THE GLOBAL ECONOMY**

Historically, Poland has proven to be a nation with tremendous tenacity, and a nation that has shown tremendous courage to fight against dominators, rulers, and oppressors. Today this nation operates as a viable player in the global economy and is a heralded example for democracy. It is important to note that historical position is a tremendous foundation to move into the future – especially into the new age of innovation as described by Prahalad and Krishnan.

Basically, Poland's transformative efforts to advance in the global economy must take a 180 degree shift to focus on driving co-created value through global networks reinventing their processes and culture in order to sustain innovative solutions with customers *one at a time*. For Poland, what may be the toughest part of this reinvention is focusing the value of the co-creating process, thereby heightening the success of individuals – all consumers in the global network, at home and abroad. This is the challenge of success for Poland advancing in the global economy. Historically, Poland is up to addressing and meeting the challenge; however, the Polish people – one-by-one – must believe this first in the energizing time of the new age of innovation.

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