Privatization in Poland

Expatriate Project

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Foreword

This report has been written by Bastiaan Langeveld, fourth year student at the Rotterdam University of Applied Sciences. The report is accomplished with the support of the following parties which I would especially like to give special thanks:

- **Professor Maria Anna Karwowska** which gave me the opportunity to work with KarStanS and prepare this report;
- **Apator S.A.** which company helped me with provided me with information about their company during 2 visits.
- **TZMO** which company helped me with provided me with information about their company during 2 visits.
Summary

“A very broad term—but most simply, privatization is the transfer of assets or service delivery from the government to the private sector. Privatization runs a very broad range, sometimes leaving very little government involvement, and other times creating partnerships between government and private service providers where government is still the dominant player.”

With almost 1.000% inflation and foreign debts of 42 billion U.S. dollar in 1989 due to the communist system, Poland started to build up the economy from January 1, 1990. There were many problems due to the defects of the socialist planned economy.

During the period of president Lech Wałęsa (1990-1995), the economy of Poland needed to be changed from a planned economy to a market economy, it was one of the biggest economic projects ever faced. Leszek Balcerowicz, the first Finance Minister, designed a economic reform program that nowadays is famous under the name ‘Balcerowicz Plan’.

Due to the Balcerowicz Plan it was possible to carry out very fast privatization processes. Initially many Polish people were against privatization, it was a very controversial topic. There was social mistrust for several reasons like huge increase of unemployment, bankruptcies and huge decrease of production initially. This group became very powerful, because more and more influential groups joined them.

Present-day a privatization plan, proposed by Prime Minister Donald Tusk, is running in Poland. This plan has a duration of 4 years and within the plan, there had been specified precisely a list of companies which shall not undergo privatization and shall be transferred to the local government.

Apator was founded in 1949 in Torun, Poland as a state-owned company due to the communist government. The production was focused on switchgear and mining equipment and the Soviet Union was the biggest client (around 90% of the production was aimed for the Soviet Union and several communistic countries). Apator is a Polish company for the production of electronic applications and devices like switchgear- and metering equipment, surge protective devices, mining equipment and “LEWsystem Apator solutions”.

The company was founded to deliver particularly mining equipment to the Soviet Union. Nowadays the sector of mining equipment is not the most important anymore, but the focus is on the sector of switchgear- and metering equipment, “LEW Apator solutions” and AMR remote data read out systems.

Russia is still one of the most important clients, but not as important as during communist times. Especially for switchgear equipment, Russia is still the leading client.

TZMO was founded in 1951 as a state-owned company for medical supplies. They focused on the production of medical supplies. Production of bandages, sterilization products and plasters with medical purposes. From these products a lot of unusable remains for the current market at that time remained at the end of the production line. So during the 1960S the company came up with the idea to use the remains of the production process to produce tissues and several cotton products (for instance sanitary pads). This is one of the most successful decisions in history of TZMO.

The extraordinary aspect of TZMO during Communism was that they kept up technology during the 1970S and 1980S. As is written in the case about Apator, many companies during Communism failed to keep up with modern technology due to large inefficiency and a lack of competition, but not in the case of TZMO. So in 1989 when Poland broke away from Communism, they were laying not so far behind as many Polish companies. From 1989 TZMO started directly with preparations for the privatization process.

1 Source: http://www.privatization.org/database/whatisprivatization.html ; Date of consult: 10-12-2009
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Introduction

This report was commissioned by KarStanS Sp. z o.o. located in Toruń, Poland. KarStanS was founded in 1990 as a consulting company to privatization and restructuring processes. KarStanS started with 3 participants, namely: Professor Karwowska, Professor Stankiewicz and Professor Sojak. In 1993 Stankiewicz and Sojak left the company for jobs at the University Mikołaja Kopernika, Torun. Professor Karwowska remained in KarStanS and built this to a known company in Poland.

The structure of the report is as following:

- Because of my poor knowledge about the history of Poland. Firstly I needed to investigate the history, economy and political system of Poland in the first week of my internship (which report you can find in Appendix 3).
- The most important aspect in the history of the economy of Poland, is the Balcerowicz Plan. Very important as well for the business of KarStanS is the policy of the government of Poland. I finished some investigation to this policy and found out that you can divide the government policy in 3 periods concerning privatization, namely: 1990 – 2005: very fast privatization, but stagnation at the end; 2005 – 2007: no privatization, during the period of twin brothers Kaczyński; 2008 – 2011: recent implementation of a Privatization Plan, proposed and prepared by prime minister of Poland, Donald Tusk.
- I will conclude my report with the 2 cases which I will explain:

  - Since 1990 many companies, large and small, famous and non-famous in and around Toruń had been privatized with support of KarStanS. Since the accession of Poland to the European Union in 2004, KarStanS has changed focus to projects concerning EU-grants and finance & controlling. The aim of this project is to do some more research to projects which are accomplished by KarStanS in the past. The current workers in KarStanS don’t have enough time (and focus, because their tasks concerning other skills) to accomplish such research and their English language skills wouldn’t be sufficient either.

  - KarStanS has a website, a Polish and an English version, with brief information about the offer, their experience and references. Now Professor Karwowska would like to have 2 cases on the website about some large projects KarStanS had accomplished in the past. These 2 cases concern the following companies:

1. Apator S.A: a large producer of switchgear, metering equipment, surge protective devices and mining equipment.
2. TZMO: a large producer, of hygienic products, medical products and body care products.
Privatization: general information

“A very broad term - but most simply, privatization is the transfer of assets or service delivery from the government to the private sector. Privatization runs a very broad range, sometimes leaving very little government involvement, and other times creating partnerships between government and private service providers where government is still the dominant player.

Merely defining "privatization" is difficult. In its purest form, the term refers to the shifting of the production of a good or the provision of a service from the government to the private sector, often by selling government-owned assets.

Most definitions of privatization, though, are more expansive, covering virtually any action that involves exposing the operations of government to the pressures of the commercial marketplace. That would include everything from contracting out janitorial services at a federal building to selling off the Naval Petroleum Reserve.

The broader definition of privatization also includes a wide range of public-private partnerships, such as voucher systems. Even the creation of federal corporations, quasi government organizations and government-sponsored enterprises is often filed under the general category of privatization. In such organizations, though, it is often difficult to tell where government ends and the private sector begins."

Privatization is a very controversial topic. There are many examples of successful privatization processes, but also many less successful examples. The main aims of privatization are the following:

- Competition among companies is in favor of the interests of consumers. Private companies are much better in the estimating the needs of consumers.
- Competition force companies to be careful with costs and to be innovative.
- The society will not be responsible for debts and malfunction of companies.
- The society possesses the power to be influential, because without sales, the companies will not be able to survive anymore.

Because of several bad privatization processes, there are arguments against privatization as well. A few of these arguments are the following:

- Private companies are too much aimed on making profit, making profit could become more important than the service to the consumers.
- It could be too risky to let private companies provide basic needs of people like water and energy products.

Economic history of Poland

With almost 1.000 % inflation and foreign debts of 40 billion U.S. dollar in 1989 due to the communistic system, Poland started to build up the economy from January 1, 1990. There were many problems due to the defects of the socialistic planned economy, for instance:

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2 Source: [http://www.privatization.org/database/whatisprivatization.html](http://www.privatization.org/database/whatisprivatization.html); Date of consult: 10-12-2009
- Deficits in currencies and goods.
- Long rows with people for empty stores.
- Rationing of food.

During the period of president Lech Wałęsa, very strong economic reforms took place. The economy of Poland had to be changed from a planned economy to a market economy, it was one of the biggest economic projects ever faced.

Leszek Balcerowicz, the first Finance Minister, designed a economic reform program that nowadays is famous under the name ‘Balcerowicz Plan’. The Balcerowicz Plan consisted of the economic strategy ‘Shock Therapy’. Shock Therapy is the name of an economic strategy and refers to one of the most ambitious and daring strategies for economic reforms. Leszek Balcerowicz concluded after some investigation that a mix of a planned economy and market economy is not possible, inefficient state-owned companies would have a chance to survive and only half of the problems would be solved by then.

Shock therapy refers to the sudden release of price and currency controls, withdrawal of state grants and immediate trade liberalization within a country, usually also including large scale privatization of previously private assets. The essence of Shock Therapy is that all these measures are without any introduction period and in once.

The giant successes of the new government were overshadowed by an unavoidable decrease of production and increase of unemployment. The increase of unemployment within the new market economy is explainable, because in a communistic system, unemployment does not officially exist.

“The Balcerowicz rule helped break the chokehold of Communist-dominated, state-owned enterprises and Government bureaucracies over economic activity. Also, encouraging small start-ups denies organized crime opportunities for large prey.

When Poland broke away from communism, Western economists had wrung their hands trying to figure out what to do with its sprawling state-owned factories, which operated more like social welfare agencies than production units. The solution, it turned out, was benign neglect. Rather than convert factories, the Poles allowed them to shrivel. Workers peeled away to set up retail shops and other small enterprises largely free of Government interference.

The second major decision was scarier. Poland forced insolvent firms into bankruptcy, preventing them from draining resources from productive parts of the economy. That also ended a drain on the Federal budget by firms that had to be propped up by one disguised subsidy or another.”

According to the Constitution, the Sejm is composed of 460 Deputies chosen for a 4-year term of office. There are 100 Senators who are also elected for 4 years. Terms of offices of the Sejm and the Senate begin on the day on which the Sejm assembles for its first sitting and continue the day preceding the assembly of the Sejm of the succeeding term of office. Elections to the Sejm are ordered by the President of the Republic no later than 90 days before the expiry of its term of office.

Because of the duration of the period of the parliament in Poland, new elections took place in 1993 and Leszek Balerowicz was forced to leave his post of Finance Minister. It became obvious that the huge problems concerning unemployment and bankruptcies in the first years after Communism were

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needed to take the large profits in the following years. The new government continued the policy of the Balcerowicz Plan and took the profit from 1993 until 1997.

**Approach**

Privatization has to be tackled in a 3-step approach. The 3-step approach is a very global view on the privatization process and it is not necessary to complete all steps, but if a transfer of assets or service delivery from the government to the private sector appears, then the following 3-step approach must be completed:

1. Substantial deregulation of law and regulation within the involved sector. Most important is to finish the direct government interference in the policy of the company.
2. Building up a sufficient market and competition. The market discipline will have the task to take over the direct government interference in the market.
3. Final step is to transfer the company from the public sector to the market sector.

**Privatization in Poland 1990 - 2005**

Due to the Balcerowicz Plan it was possible to carry out very fast privatization processes. Initially many Polish people were against privatization, the topic was very controversial. There was social mistrust for several reasons like huge increase of unemployment, bankruptcies and huge decrease of production initially. This group became very powerful, because more and more influential groups joined them. However, during the 8 years of reforms the public opinion on privatization changed slowly. Experience with privatization taught many people that privatization results in benefits to the enterprises and employees and to the economy as a whole. Privatization was unavoidable. The society nowadays is much more aware of the necessity of deep restructuring of each enterprise and of the economy as a whole in order to compete on the domestic market and the European market.

After 8 years (1998), Barbara Blaszczyk and Richard Woodward completed a research within the project entitled: “Company Adjustment and Restructuring during Economic Transformation in Central- and Eastern Europe”. The main topics were the following:

- What happens after privatization?
- The way how privatization affects the economic performance of privatized companies.
- The way how privatization affects the economic performance of the economy as a whole.

Their conclusions were phenomenal in favour of privatization of state-owned enterprises. Especially the enterprises with foreign investors, their conclusions were the following:

- The best financial standing or the fastest growth rate was recorded by privatized companies, especially foreign-owned companies during the first years.
- The condition and dynamics of financial indicators constitute a composite measure for adjustment strategies.
- Financial transfers by investors and/or new issues of shares contributed to a positive change in efficiency ratios of restructured or financial stabilization of viable firms, especially those which have been operating for a relatively long time as privatized companies.
- Indicators for state treasury companies and firms from the Polish privatization group within the research were similar through 1995, at which point these tendencies became divergent: privatized firms have stabilized, while state-owned have been hit by a dramatic decline caused by the capital shortage barrier.
- In the first years firms which had foreign investors during the privatization showed a fast growth rate thanks to financial contributions from foreign investors, while the fall in
efficiency ratios at the end of the analyzed period points to an increase in costs of adjustment to growing competition.

**Privatization 2005 – 2007**

Between the years 2005-2007, the privatization process in Poland stood completely still. The Sejm during that time consisted of a minority government with the party of Jarosław Kaczyński, the PiS (the Party of Rights and Justice), the Samoobrona (Self-Defense) and the League of Polish Families. The twin brother of Jarosław, Lech Kaczyński was during the same period the president of Poland. The policy during that period was conservative and there was no more privatization.

In 2007 new elections for the Sejm were proclaimed by the coalition. Jarosław Kaczyński expected to get a majority in the Sejm, but misjudged the elections, because the Civil Platform won the elections with 208 against 164 seats and instead of Kaczyński, Donald Tusk became prime minister of Poland. Since the ministry of Donald Tusk is Poland far more open to Europe and has been using her veto right in the European Council far less than during the period of Jarosław Kaczyński. Also the -for Poland in trade business very important- relationship with Germany grew better again since the appearance of Donald Tusk.

**Privatization plan for the years 2008 – 2011**

These times a privatization plan, proposed by Prime Minister Donald Tusk, is running in Poland. This plan has a duration of 4 years and within the plan, there had been specified precisely a list of companies which shall not undergo privatization and shall be transferred to the local government as well as the list of those companies which shall be treated strategic by the state, which means that they shall not undergo privatization.

In order to carry out the privatization within the years 2008 – 2011 some changes are necessary in the act concerning commercialization and privatization prepared by the Ministry of Treasure, which implies the following goals:

1) Increasing the openness and transparency of privatization processes.
2) Extending the possibilities – on all companies holding the Treasury-shares – of making free transfers of stocks and shares, which belong to the Treasury, to the units of the local government.
3) Adjusting the rules of remunerations of the members of the Treasury Companies Boards to the market reality.
4) Sale of stocks/shares of companies by means of an auction announced publicly.
5) Simplification of privatization procedures.
6) Lowering privatization costs.
7) Shortening the duration of privatization processes.
Projects accomplished by KarStanS

Grupa Apator S.A.

General Information

Address details:
ul. Żółkiewskiego 21/29
87-100 Toruń
Poland

Information
Name: Grupa Apator S.A.
Sector: Switchgear- and metering equipment, surge protective devices, mining equipment and LEW Apator Solutions.
Number of employees: 1,700
Turnover: EUR 84,807,381,- (2008)
Locations:
- Apator - Toruń
- Apator Control - Toruń
- Apator Mining - Katowice
- Metrix - Tczew
- Apator Rector - Zielona Góra
- Pafal Grupa Apator - Świdnica
- Apator Powogaz - Poznań
- Apator Gmbh - Berlin, Germany
- Apator Elektro - Moscow, Russia

Company details
“Grupa Apator is a Polish capital group operating on switchgear and metering markets. It consists of 9 entities - 7 domestic and 2 foreign. Apator S.A. plays the leading role in Grupa Apator, managing and coordinating the cooperation between the several entities.

Products:
- Switchgear;
- Metering equipment;
- Mining equipment;
- Surge protective devices;
- “LEW Apator Solutions – prepayment systems
- AMR – remote data read out systems.”

Author: Apator ; Date of consult: 21-01-2010
History of Grupa Apator S.A.
From the establishment of the company, the production was focused on switchgear and mining equipment. The Soviet Union was the biggest client (around 90 % of the production was aimed at the Soviet Union and several communistic countries). The company was state-owned but nevertheless realized profit and was quite successful. The reality, in fact was that the Soviet Union bought enough products from Apator to keep the company alive. In this way the outside world would never get to know the real situation about the economy, it was a system which was kept up by these sorts of business economic policy. It was absolutely disastrous for the financial situation of the former country. Afterwards it became obvious that the bad business economic policy was one of the main reasons of the Fall of the Communism. Russia is still one of the most important clients, but not as important as during communistic times. Especially for switchgear equipment, Russia is still the most important export country.
Apator has been privatized in 1993 with the support of KarStanS Sp. z o.o.

Development of Apator since 1993

Highlights of development:
In 1993 Apator was one of the first of a stream companies which were privatized under the Balcerowicz Plan. For Apator it was needed. There was large inefficiency and the largest client of the company: the Soviet Union and several communistic countries, had been fallen away due to heavy economic problems. The privatization process, which was supported by KarStanS Sp. z o.o., had been accomplished and the world was open to Apator.
In 1995 Apator received the ISO-9001 certificate, the international standard for Quality Management. This was the first step of a successful journey until nowadays.
In 1997 Apator accomplished a first time quotation on the Warsaw Stock Exchange. The most special aspect of the quotation of Apator is the fact that no foreign investors were involved in the process, but only domestic. This fact ensured that Apator nowadays is a proud, Polish national company.
In 1998 Apator received the ISO-14001 environment-certificate, this is very important for the Apator history, because many more parties could be interested in the products of Apator from that moment. With an environment-certificate from the ISO many parties would estimate the products of Apator as more trustworthy and important investment for the future.
During communistic times, the production of mining equipment was the most important segment of the company. But times were changing after communism and the largest clients of mining equipment fell away. This development is the reason that Apator changed its focus from mining equipment to switchgear- and metering equipment and later LEW Apator Solutions.
With its head office in the centre of Poland, in Toruń and the client of mining equipment in the south of Poland, a very costly and difficult situation arose. Certainly with the decreasing sales in mining equipment and the increasing sales in other segments, Apator needed to make decisions in this case. In 2004 they decided to relocate the production of mining equipment to Katowice, near to the mining industry. Because of the size of this operation, this relocation took 4 years to accomplish. In 2008, the relocation of the production of mining equipment had been accomplished.

During communistic times, the headquarter of Apator in Toruń employed 2.300 people. Due to 4 re-organizations, the workforce had been restructured to 400 employees in the headquarter and 1.700 employees in Grupa Apator S.A.
The main reason for this cut in the workforce was improvement of efficiency, but the change of focus from mining equipment to switchgear and metering equipment was very influent as well. Due to the
relocation of the factory for mining equipment, Apator could sell a huge part of their site in Torun to the local government in 2004. Nowadays on the old site a large shopping mall arose, the Copernicus Gallery.

**Organisation description: 7 S-model**
For the description of Apator I prefer to use the 7 S-model of McKinsey, the 7 S-model consists of 7 factors which can be separated in a hard (strategy, structure and systems) and a soft (skills, staff, style and shared values) part of the organization. In a successful organization these factors can be seen as compasses, all aiming in the same direction.

![Image 1](image.png)

**Shared values**
- Eastern- and Central Europe: market leader in the comprehensive metering systems & equipment and switchgear.
- Establish the Polish technological group based on strong Apator brand and oriented towards the increase in sales on foreign markets. In the foreign markets Eastern and Central Europe and particularly Russia, Czech Republic, Hungary and Romania are the targets for Apator.

**Strategy**
The challenge of Apator is to create advanced technologies for efficient management of any kind of utility services. The safety of customers and taking care of the environment determine the actions.
In 2012, Apator aims to be on one of top-3 places of leading manufacturers of switchgear in EMEA (Europe, Middle East, Africa). For metering equipment, Apator aims to be on one of the top-6 places of suppliers, manufacturers and integrators of metering systems of "smart meters" (for all utility services water, gas, electricity and heat) in 2015. The goals to be achieved by implementation of world top high technologies. The technologies to be implemented as the first company.

**Structure**
The design of Apator is a line- staff organization, with a strong focus on the staff-department Research & Development. There is in the organization a high rate of standardization of work. The company is dependent of the factory, where the majority of the workforce is employed. In the factory is a highly developed form of standardization.
According to the Mintzberg configurations Apator is a machine-organization, with strong horizontal decentralization. The core elements of the organization are the techno structure and the factory, where the products are produced and assembled. In the factory, people are working in ‘nets’. Until 2005, people were working on the assembly line, but after some research the management decided to change procedure in ‘nets’. ‘Nets’ means that every employee is working in his own workplace to assembly with his own tools. So all the assembly-handlings of the product will be done by one employee instead of every employee one piece of the product. The goal of Apator in this change was to increase independency. The next schedule will make it more clear:

<table>
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<tr>
<th>Assembly line</th>
<th>Nets</th>
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<tr>
<td>- Every employee assembles 1 piece of product.</td>
<td>- Every employees assembles 1 product.</td>
</tr>
<tr>
<td>- Employees standing in rows.</td>
<td>- Employees standing in own workplaces.</td>
</tr>
<tr>
<td>- Employee needs only 1 tool.</td>
<td>- Employee needs several tools.</td>
</tr>
<tr>
<td>- Top of standardization of work.</td>
<td>- Less standardization of work.</td>
</tr>
<tr>
<td>- People’s work rate dependent on the speed assembly line.</td>
<td>- People’s work rate can be decided by themselves.</td>
</tr>
</tbody>
</table>

**Systems**

In 2000 Apator purchased a new computer integrated management system for the factory called BANFOR. This new management system takes care for the administration and regulation of the following aspects in the company:
- Procurement of new projects;
- Design of the production hall;
- Purchasing;
- Processing.

**Style**

Between 1989 and 1993, the management of the company needed to change several things, because otherwise bankruptcy would be unavoidable. The first decision the management made, was to cut in the workforce, because of high inefficiency and high costs as well. In 4 years, the workforce decreased from 2,300 to 1,200. This way of cutting in the workforce is extremely difficult, sensible and demands a special approach. Since that moment, people management is very important in Apator. Communication with the personnel, involvement of the personnel in decision making and making everyone feel important are key values in Apator. Before and during privatization it was for the management extremely important to have good communication with the workforce. It was important, because whole Poland was on strike due to mass lay-offs. The management of Apator was very eager to avoid strikes, but mass lay-offs were needed. That was the reason to stay in very close contact with the workforce to survive the privatization. A further explanation with a few examples will be described in the text about the privatization process of Apator.

**Staff**

Apator will always try to employ new personnel which are able to be creative and innovative. In the strategy is to read that the challenge of Apator is to create advanced technologies for efficient
management for any kind of utility services. The goals are to be achieved by implementation of world
top high technologies and these technologies to be implemented as the first company.
These goals requiring a high-educated, creative and quick handling Research & Development.

Skills
Nowadays, Apator is one of the most successful post-communist companies in Poland. Its core
business is focused on switchgear, metering equipment and LEW Apator Solutions:

- **Switchgear**: There are several sorts of switchgears and Apator produces a few of them. *Switch
disconnectors* are used to distribute electric energy and protect against short circuits and
overloads effects in three phase alternative current mains. *PBD type fuse bases* are the integral
parts of industrial fuses adjusted to the fuse links of knife type to be installed and to integrate
them with current circuit of power distribution equipment. *ZK cable service box* called
distribution box for a household is designed to protect against short circuit and overloads
effects in power lines. *4G series rotary cam switches*, they can be applied as switches with a
hand operation in transformer stations, cabinets and control panels, cast iron and metal
switchboards, welding machines and other similar equipment;

- **Metering equipment**: Metering equipment can be divided in 2 sorts: pre-payment and post-
payment electricity-meters and could be used for water, heat, gas and electricity. The
difference between the 2 sorts of metering equipment is in the way of payment. The metering
equipment are products aimed for instance for campings, supermarkets and rental
flats/apartments. Pre-payment is aimed at customers which would like to use services, but the
payment is before usage, for instance for a shower at campings. Post-payment is aimed at
customers which would like to use services, but the payment is afterwards, for instance the
rental payment for an apartment.

- **LEW System Apator**: Apator also offers a modern billing system for utility services
(electricity, water, gas, heat) named LEWsystem and offered by Apator. The basic elements of
LEWsystem are LEW type electronic-multitariiff electricity meters, PEGAZ type prepaid gas
meters and other prepaid metering equipment like heat meters.

According to the mission of Apator, the company should excel in the production of switchgear
equipment and in the production of LEW System Apator, because they are aiming to become market
leaders in those 2 markets.

Privatization process Apator

Poland broke away from communism in 1989. Apator was during communism one of the most
successful Polish companies with huge production and huge exports to the Soviet Union and other
former communist countries. But after communism it became obvious that the equipment of Apator
was extremely old-fashioned and inefficient. The reality in 1989 was that Apator was near bankruptcy
and needed reforming.

The situation in 1989 was as following:

- Apator was near bankruptcy.
- Large bank loan.
- There were 2.300 people employed in the headquarter.
- Huge costs.
- Large inefficiency.
- Extremely old-fashioned equipment.
Between 1989 and 1993, the management of the company needed to change several things, because otherwise bankruptcy would be unavoidable. The first decision the management made was to cut in the workforce, because of high inefficiency and high costs as well. In 4 years, the workforce decreased from 2,300 to 1,200. This way of cutting in the workforce is extremely difficult and demands a special approach to avoid strikes. The management dealt with this problems in 2 ways:

1. Every decision concerning lay-offs was discussed with the labour union. In case of lay-offs an agreement with the labour union was needed to give Apator a stronger position.
2. Very direct “day-to-day” communication with the personnel. They spoke with every single employee and despite of the high number, the lay-offs were made very secure. The management offered the personnel several solutions, for instance:
   - People addicted to alcohol or drugs were laid off as first.
   - People were asked to work less hours to divide work over more people.
   - Apator tried to find partnerships with other companies in Toruń to find solutions together. They exchanged personnel or took personnel over from each other, for instance.
   - Couples who were working in Apator, couldn’t be laid off together at the same time.
   - The policy of Apator was to lay-off people in every line and every department of the company, so there couldn’t arose a feeling of unfairness.
   - Work as hard and efficient as possible, inefficiency is deadly in a free market economy.

The second problem in 1989 besides the personnel problem was the problem of old-fashioned material. Apator needed to innovate quick, because since the free market economy, many western competitors had been added to their market. So the management of Apator started to bring visits to companies in Western Europe to find modern equipment these companies were using. They bought licences from western companies, so they were able to use the same technology. Western companies were eager to provide Apator from licences, because in Poland opened a very interesting new market. Apator started to employ new personnel which were able to be creative and innovative and could handle with the new situation in the free market economy. For instance business economists, engineers and market analysts were employed to support Apator.

KarStanS was during that time just founded and had already accomplished 2 successful projects in Toruń. After 4 hard years in a free market as a state-owned company, the management of Apator decided to consider the option of privatization together with KarStanS. It became obvious that after heavy restructuring in the past 4 years, privatization was the only way to survive. Together with Professor Karwowska they spoke with the personnel and the labour union for 3 months to consider their options. KarStanS succeeded in convincing the workforce to support privatization, because of the 2 examples of privatization processes in Torun which were supported by KarStanS.

With around 85 % employees as shareholder, Apator started the privatization process at January 13, 1993. The privatization took 3 months, the support of KarStanS to Apator 1,5 year. Present-day Apator is one of the biggest European competitors in switchgear and metering equipment.

**TZMO**

**General Information**

**Address details:**
ul. Żółkiewskiego 20/26
87-100 Toruń
Information:

Name: Toruńskie Zakłady Materialów Opatrunkowych Spółka Akcyjna
Sector: Hygienic products for women and children, medical products, incontinence products, household care products, body care products

No. of Employees: 7,300
Turnover: EUR 357,142,900,- per year
Profit: EUR 23,809,500,- per year

Locations:
- 16 manufacturing facilities in Poland.
- 3 manufacturing facilities abroad: Russia, Ukraine and India.
- 7 modern logistic centers in Poland, 3 in Russia, 1 in Ukraine, Germany and Romania
- 24 trade companies in Poland and abroad.
- 1 private hospital with clinic in Poland
- 4 sterilisation service centers in Poland.
- 5 companies providing services.

Company details

TZMO is in Europe a producer of medical supplies, hygienic products and body care products which are sold worldwide. TZMO had been established in 1951 as a state-owned organization in Toruń. The company had been privatized in 1991 and was one of the first successful privatization processes in Poland. The group of shareholders consists of individuals and Polish civilians: employees of the company and representatives of the Polish medical sector. TZMO aims to sell timeless products and is investing in its products continuously.

The market in which TZMO is operating in a market with very tough competition, for instance:
- Procter & Gamble (Brands: Pampers, Always, Olaz; world market leader);
- Johnson & Johnson (Brands: OB, Compeed plasters; one of the biggest competitors);
- SCA (Brands: Libresse, Libero, Tork; one of the biggest competitors);
- Kimberley-Clark (Brands: Huggies, Kleenex; one of the biggest competitors).

Products TZMO:
- Surgery sets;
- Sterilization supplies;
- Disinfection supplies;
- Bandage
- Plaster
- Sanitary napkins;
- Tampons;
- Tissues;
- Soap;
- Shampoo;
- Cream products;
- Medical dressing materials.

History of TZMO
TZMO was founded in 1951 as a state-owned company for medical supplies. They focused on the production of medical supplies. Production of bandages, sterilization products and plaster with medical purposes. From these products a lot of unusable remains for the current market at that time remained at the end of the production line. So during the 1960s one person the company came up with the idea to use the remains of the production process to produce tissues and several cotton products (for instance sanitary pads). This is one of the most successful decisions in history of TZMO.

The extraordinary aspect of TZMO during Communism was that they kept up technology during the 1970s and 1980s. As is written in the case about Apator, many companies during Communism failed to keep up technology due to large inefficiency and a lack of competition, but not in the case of TZMO. So in 1989 when Poland broke away from Communism, they were laying not so far behind as many Polish companies. From 1989 TZMO started directly with preparations for the privatization process.

In 1991 the company has been privatized with KarStanS Sp. z o.o. as the consulting company.

Development of TZMO since 1991
In Europe TZMO is the biggest producer and supplier of medical dressing materials, hygienic products and body care products, which are sold worldwide. TZMO aims to sell timeless products and is investing in her products continuously.

TZMO had been established in 1951 as a state-owned organization in Toruń. The company had been privatized in 1991 and was one of the first successful privatization processes in Poland. The group of shareholders consists of individuals and Polish civilians: employees of the company and representants of the Polish medical sector.
Russia is for TZMO the most important country for the sale of their products (see also: privatization process of TZMO). There are a few important locations in Russia, namely: the manufacturing location in Jegoriewsk and trade offices in Moscow, Rostov, St. Petersburg.

The greatest perspective for the company is India, the grow market. The reason for this aspect is that hygienic standards and the awareness of hygiene in India are far less developed than in the more western markets. India demands another marketing strategy, because of the explained reasons. Not only production and sales are important, but also education to make the people aware of the importance of more high hygienic standards. TZMO also provides Indian people of briefings concerning hygiene in order to increase awareness in the country.

There is still much space on the Indian market for TZMO concerning hygienic products. In 2002 TZMO opened together with a local trade partner a joint-venture company in Gandighram, India. The production there of feminine pads had been started in 2004 and the production of medical products in 2005.

Germany is for TZMO beacon for the rest of the European Union. In Germany is TZMO quite successful with incontinence-products (SENI-line). The panty line (sanitary napkins for daily usage) of TZMO is candidate for introduction in Germany.

The SENI-line is a ‘Star’ (BCG-Matrix: product with great perspective in a growing market) of the company. Incontinence has been a topic of taboo for a very long time, but nowadays the world is trying to break that taboo and with SENI, TZMO free-rides on this development. Another ‘Star’ is the panty line, meant for daily hygiene. This product is not as known as the usage of sanitary napkin, but also a grow market.

**Organization description: 7 S-model**

* See for explanation 7-S model the case of Apator.

**Shared values**

TZMO is a real united company. Every employee is convinced of the shared values of TZMO. This is has been reflected especially during the privatization process of the company.

- Becoming a market leader in Russia and very important player in European Union.
- Treat India as a growing market.
- TZMO would like not to be known only as a producer of products, but due to agents and sales representatives reaching the final clients.
- Hypermarkets only adopt products which have a market share of 20% or more. For every product of TZMO the goal is to reach a market share of 20% or more.

**Strategy**
- Making products of TZMO available all over the world. Creativity, responsibility and professionalism are the core values of the organisation culture.
- European biggest producer and supplier of medical dressing materials, hygienic and body products.
- Production of high quality products and supply which satisfies the desires of consumers.
- Gaining knowledge from the best developed markets and implement them in the less-developed markets.

**Structure**

*Explanation organogram (see also: the map of locations of TZMO).*

The head office of TZMO is located in Toruń, Poland. Manufacturing halls are located in Poland, Russia, Ukraine, India. Trade locations are located in many more countries in the world.
The reason why TZMO prefers not to outsource any activity is cost reduction, production speed and confidential information during the production process.

**Systems**

At March 1, 2010 the Oracle-system will be introduced in the company. This system will cover the total company of TZMO and the brand companies SENI and Bella of TZMO in Ukraine and Russia. The system which will be implemented in TZMO is aimed on logistic centers and connected with every logistic centre of TZMO in the named countries. This system is a database which will take care for the following responsibilities:

- Protects from server failure, site failure, human error, and reduces planned downtime
- Secures data and enables compliance with unique row-level security, fine-grained auditing, transparent data encryption and total recall of data
- High-performance data warehousing, online analytic processing, and data mining
- Easily manages entire lifecycle of information for the largest of databases

The machines in the manufacturing hall of TZMO in Kowalewo (near Toruń) are unique, invented by the Research & Development department of TZMO. That is the reason why it is forbidden to make any pictures in the manufacturing hall and as well why TZMO is quite a closed company, because of the innovation.

**Style**

Decision making in a big company like TZMO seems to be a very slow procedure. But the Board of Directors would like to avoid slow decision making and bureaucracy as much as possible through a high level of independency for manufacturing locations and trade agencies abroad. Responsibilities of every single employee are very strict specified by the HR department in order to make the responsibilities obvious in any situation.

A further explanation with a few examples will be described in the text about the privatization process of TZMO.

**Staff**

In TZMO are nowadays 7,300 people employed over 49 companies.

**Board**

The board is still the same as it was during privatization, all employees have 100% confidence in the administration. Since privatization, every 4 years elections are organized in TZMO and every time again, the board was re-elected. The chair person of the Board of Directors has been nominated many times for prestigious prices in Poland.

The management of TZMO is known in Poland as very skillful. They are known because of their way of people management and successful privatization process and very fast recovery after the process.

**Personnel**

The staff needs to possess a diploma from secondary school for a job in administration as well as production. For functions in the administration, English language skills are required. Without English language skills, applications have no chance to achieve employment. TZMO will make some exceptions for persons who speak fluently Russian/German, but these exceptions will be assessed during every single application.
Since January 1, 2010 English language is required for an employment within TZMO. Many young people within the company already spoke English. The company offered older people (= people which were already employed but didn’t speak any English) financed courses to learn English, but everybody was independent which choice to make.

TZMO offers personnel co-finance in additional related which are related to current employment. The additional clause in this rule is that when employee decides to end studies before graduation or leaves company within 3 years after graduation they will have to pay the money back.

People who would like to become an expatriate employee first needs to have a minimum period of 6 months in the head office in Toruń.

**Skills**

The company excels in the results of the Research & Development department. The company possesses unique machines in the manufacturing hall so they can develop products which are not so easy to copy.

Competences are also created by day-to-day contact with the best clients. For instance the private hospital will try always to remain in close contact with several doctors and nurses to sell medical dressing materials in the best useful sets.

**Privatization process TZMO**

From 1989 TZMO started the preparation for the privatization process. This was very difficult, because there were extraordinary interests for bank loans during that times. TZMO was quite lucky because of the modern technology, which was already part of the company during the 1970S and the 1980S, so the difference with Apator is that they didn’t have to make trips abroad in order to buy product licences and to find trade partners. The board of the company was convinced of taking the following measures:

- They needed to grow further and faster than the Polish market, so immediately after the break-away from Communism they started exports to abroad.
- The Polish market is not big enough, with international business the risk can be spread.
- The biggest advantage of TZMO was the lead on their competitors on the Russian market. It appeared to be that the western competitors of TZMO had a lack of knowledge in cross-cultural management concerning doing business in Russia. The Polish culture is much closer to the Russian than the western cultures. The following of this situation is that TZMO needed some large investments in the Russian market and they are still market leader in the Russian market.

In 1991 TZMO finished its preparations for privatization and started to look for parties who could support them in their privatization process. TZMO was one of the first of a stream companies which could be privatized under the Balcerowicz Plan. The Uniwersytet Mikolaja Kopernika seemed to be a great source of knowledge for privatization. The board found the Professors Karwowska, Stankiewicz and Stoja able to support the company (see also: Introduction). KarStanS was founded and the privatization process could start.

Every decision concerning possible lay-offs would be discussed with the labour union. In case of lay-offs an agreement with the labour union was needed to give TZMO a stronger position. KarStanS was during that time just founded. Immediately after break-away from Communism, it became obvious that privatization was the only way to develop and become a large company. Together with the 3 people from KarStanS they spoke with the personnel and the labour union to consider their options. TZMO did not apply for a quotation at the Warsaw Stock Exchange, the group of shareholders was (and is still) formed only by private shareholders, which were often offering some risky collaterals
(houses, cars, pieces of land, etc) or took risky bank loans. The shareholders consisted of employees of the company and representatives of the medical sector (doctors, surgeons, medics, etc.). The privatization process took a few months. Special aspect is that excellent management ensured that no lay-offs due to privatization were needed. The management of the company is nowadays still very well thought out, investments will only be done with own resources and they try to do business on known markets as much as possible.

The company made profit from the first year in the free market and is nowadays a formidable competitor.

Conclusion
In conclusion, I would like to conclude with my personal development in Toruń, according to the competences of the Management, Economy and Law studies and what I have learned during the minor period.

Results orientation:
Professor Karwowska allowed me to define my own working days to write my report about privatization in Poland. This rule provided me with large freedom, because it was possible for me to go where I wanted and to work when I wanted. I went to the office when it was useful and I worked at home when I wanted. I could only focus on my result and didn’t have to worry about any other tasks.

Reflection skills:
I was almost every day in the office, because it was very hard for me to gain all information about the history and economy of Poland. I needed Polish people to help me with information about the Polish history. And also they needed to check my information sometimes. In January, I asked Maciej Grabowski -consultant within KarStanS- to read my report in order to give me some feedback. I really needed a second opinion for the deeper Polish information. Also Professor Karwowska gave me feedback, but a few more times, because she was my supervisor during this project.
At the end of the total project I asked one of my friends in the students dormitory where I live to read my report and provide me with feedback as some sort of ‘third opinion’. These 3 feedback moments prove that I am not scared for criticism, but the opposite way, I am looking for criticism in order to make my own work better.
During the minor classes I have learned much about cross-cultural management, international economy, European Integration, etc. For my minor project with KarStanS have these classes been very useful, because I had already some background information about how to deal with other cultures and prepared to be much more patient. And above all, not to frustrate about things you can’t change, f.e. lack of language skills (in such a short period), bureaucracy issues in dormitory, lack of knowledge by myself. But sometimes, situations turned surprisingly fast. Due to the power of Professor Karwowska combined with the flexibility from my side, it could appear that situations between 2 days could be totally different.

This project was a great opportunity for me and with my graduation project still to come there is a lot more to accomplish in this country!
Annex 1: Visit reports Apator S.A.

Visit 1
Date of visit: January 15, 2010
Involved persons: Mieczystaw Antonowicz, Bastiaan Langeveld

At January 15, Professor Karwowska had arranged for me an appointment with the Translator of Apator and the administrator of the English website, Zosja. I arrived at the office of Apator at 10.00 a.m. and Antonowicz picked me up by the reception. We walked to the upper floor and entered a meeting room. Here I met Zosja who brought us some coffee and a Polish specialty.
We started our meeting with a chat about the Netherlands, but after 10 minutes it was time to get serious. I had been studying the website of Apator so I knew little about it, a good preparation is always the least you can do. Mr Antonowicz his English language skills were excellent so no problems with that.
He started with a broad explanation about the company Apator: the history of the company, activities, products, recent developments, etc. This conversation took 1,5 hour but then it was time for a guided tour through the factory. We walked through the factory and Antonowicz explained me everything and there was enough space for asking questions either.
After the guided tour, we went back to the meeting room for some questions from my side. I had prepared some questions in advance, to gather the information I required. We spoke for 1 more hour and then it was for me time to leave and collect my information to write my report about Apator.

Visit 2
Date of visit: January 20, 2010
Involved persons: Janusz Marzygliński, Bastiaan Langeveld

At January 20, Professor Karwowska had arranged for me an appointment with the CEO of Apator during the privatization process in 1993, Janusz Marzygliński. Marzygliński is still one of the main shareholders of Apator with 3,02 % of the total of shares. Nowadays he fulfils the function of President of the Supervisory Board.
With the knowledge that I had gathered during the meeting with Mr Antonowicz. This meeting was planned for me to focus on the period before, during and after the privatization process. I had prepared this meeting very well, because this is a very important man in Poland and this meeting was important for my report.
We spoke about the production of Apator before 1989, the several problems during communistic time, the influence of labour unions during the privatization process and the many difficulties he had during the privatization process as the CEO.
Annex 2: Visit reports TZMO

Visit 1
Date of visit: February 3, 2010
Involved persons: Agnieszka Sobowiak, Bastiaan Langeveld

At February 3, Professor Karwowska had arranged for me and appointment with the PR-Director of TZMO. Agnieszka is a former employee of KarStanS (1997-1999) and still in close contact with Professor Karwowska.

At 10.00 a.m. I arrived at the office of TZMO and Agnieszka picked me up at the reception. We sat down for some social talk and after 10 minutes she started up a presentation and explained me everything about TZMO, topics that passed are: history, main activities, countries where TZMO is active and societal activities.

Then we spoke about the most important subject for me, namely the privatization process of TZMO. It was unfortunate that Agnieszka wasn’t employee of TZMO during privatization but of KarStanS, so for some of my question it was hard for her to provide me of a proper answer. But in the end I gained enough information to write my report and I left the office at 13.30 p.m. We promised to see each other again very soon because I will do my graduation project with TZMO as well, with Agnieszka as my supervisor.

Visit 2
Date of visit: February 8, 2010
Involved persons: Aleksandra Kabawra, Bastiaan Langeveld

At February 8, 2010 the first day of my graduation internship started. Professor Karwowska took me this morning to TZMO, because she had an appointment with the CEO of TZMO about my project.

At 10.00 a.m. we arrived at the office of TZMO and Agnieszka met me again. Professor Karwowska was already in the room of the CEO.

In the room of Agnieszka I met Aleksandra. Aleksandra is sales manager and responsible for the countries where products are sold by external distributors, with no further involvement of TZMO.

The meaning of this day was to have some guided tours through the several locations of TZMO in Toruń, to let me gather some more knowledge about the production of TZMO-products.

First, I went with Alexandra to ‘Bella Line’, a fitness centre in Toruń with TZMO as the biggest investor. This fitness centre has been established 3 years ago and is extremely modern with several attributes, sauna’s, aerobic classes, pregnancy gymnastics classes, etc.

Then we got in Alexandra’s car and drove to the private hospital of TZMO. This private hospital is for smaller surgeries, with short recovery time. The hospital is private, so efficiency and short waiting times are essential to distinguish itself. In the hospital they showed me a rest room, a surgery room and some doctor’s/specialist’s offices. What felt into me was that they were so careful about the privacy of people, when a patient entered the corridor by the surgery room, we immediately had to leave and were not allowed to stay there.

From the hospital we drove for 40 minutes to the manufacturing halls. What I saw there was absolutely impressive. From the packages to the sanitary napkins, and from the diapers to the sterilization of surgery tools, TZMO produces everything by them self. It was impressive to see all those machines working so innovative and it felt into me that there were so less people working in
such a big manufacturing hall, the efficiency is incredible. The manufacturing halls in Toruń is quite comparable to the one in Jegoriewsk, Russia but the one in Toruń is bigger. What I have seen during this afternoon in the manufacturing halls is the following:

- Production of packaging, the substance which is used for this is called film, very thin plastic packaging (for instance diaper packaging).
- Then we were transferred to the most impressive part of the manufacturing hall, namely the sterilization department. Everything in this hall was clean, even the air was refreshed 4 times per minute. We were not allowed to touch anything with our hands even after we had washed them. The floor was totally flat, without any holes and spaces and there was no plint to the wall. We were obliged to wear surgery clothing over your body, hair and shoes. But the machines and the working process was impressive. The manufacturing hall in Toruń is only for tools, which are able to be used once. These products are sold private consumers via pharmacies, supermarkets, etc.
- In Bydgoszcz is the manufacturing hall located for the cleaning of sustainable tools, which are used in for instance the private hospital of TZMO.
- Production hall, the core business of the company.
Annex 3: Introduction report about Poland

Introduction report Poland

Author: Bastiaan Langeveld
University: Rotterdam University of Applied Sciences
Date: December 2009
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History
During “the Partitions of Poland” (1772, 1793, 1795) Russia, Austria-Hungary and Prussia divided the strongly weakened “Polish Lithuanian Commonwealth” in 3 parts. The implementation of the partitions officially started in August 1772 and ended in 1795 when the whole country of the Polish Lithuanian Commonwealth was vanished from the map. The “Partitions of Poland” took place in 3 rounds:

- “First Polish Dividing” (1772);
- “Second Polish Dividing” (1793);
- “Third Polish Dividing” (1795).

The reason for the dividing is quite difficult. During the “Russo-Turkish War” Austria-Hungary was worried about the advances of Russia in their direction, there was a little conflict between these 2 countries. Prussia came up as a negotiator between the 2 countries and proposed that Russia should forget their plans for expansions of the Danube-area. Instead of the Danube-area Russia should be compensated with parts of land of the Polish Lithuanian Commonwealth. Russia accepted the proposal and to satisfy Austria-Hungary as well, this country should receive also some pieces of the country. This Convention in February 1772 formed the base of the Partitions of Poland between 3 countries.

The Dividing would have a duration until the Congress of Vienna OR the First World War. In any case, Poland would turn independent again during the First World War. After the First World War (1918), Poland declared their own independency against the Soviet Union, which was defended successfully during the Russo-Polish War (1919-1921). Between 1921 and 1939, Poland was an independent state named: The Second Republic of Poland.

In 1939, at the start of the Second World War, Poland was divided between the Soviet Union and Germany. From 1945 until 1989 Poland was under control of the Soviet Union and had the name People’s Republic of Poland. In 1989 the first free elections were held and at January 1, 1990 Poland started to build up a new country.

Culture
According to the 2002 census, 36,983,700 people, or 96.74% of the population, consider themselves Polish, while 471,500 (1.23%) declared another nationality, and 774,900 (2.03%) did not declare any nationality. The largest minority nationalities and ethnic groups in Poland are Silesians (about 200,000), Germans (152,897 according to the census, 92% in Opole Voivodeship and Silesian Voivodeship), Belarusians (c. 49,000), Ukrainians (c. 30,000), Lithuanians, Russians, Roma, Jews, Lemkos, Slovaks, Czechs, and Lipka Tatars. Among foreign citizens, the Vietnamese are the largest ethnic group, followed by Greeks and Armenians.

Nowadays 5,000 Jews living in Poland. They are remainder of 3,5 million Jews in 1939.

Until “the Partitions of Poland”, the Polish and Jewish people were living quite peaceful with each other. But after the attack at Tsar Alexander in 1881, millions of Jews migrated from the Soviet Union to Poland. Polish people were afraid of the social and economic followings of this massive immigration and started to react with anti-Semitism. The Jewish people were also not very interested in the recovery of the independency of Poland.
During the German occupation life was horrible for Jews in Poland. The Germans created a neighborhood in Warsaw to put all the Jews of Poland: the Warsaw Ghetto. After the uprising in the ghetto in 1943, the Germans destroyed the ghetto completely. The uprising in the ghetto of Warsaw is different from the more famous “Warsaw Uprising” in 1944.

The Warsaw Uprising in 1944 took place from August 1 until October 2. Originally the idea of the Armia Krajowa was to create a national uprising. But plans changed when it became clear that the Soviets would purify Poland from Germans. The Soviet Union was busy with transporting just made Polish prisoners to Siberia if they didn’t want to join the Red Army. It became obvious that Stalin wanted to create a new communistic state after the war. This was for the Armia Karjowa the sign that they had 2 choices:

1. Start an uprising in a difficult political situation with the risk of no support of any friendly army
2. Do not start an uprising and the risk of being occupied by the Soviet Union again after the war.

The plan was to release the city for a couple of months and waiting for support of the Red Army. If the city was made free, the Armia Karjowa should try to get in contact with the allies and Poland should turn into a Western country.

But the whole plan failed at 2 points, namely:

1. The Red Army never reached Warsaw, because Stalin wanted them to stand still before the river the Weichsel, because he was interested in taking over Poland and turn it into a communistic state. So the Red Army waited until the 2 parties had each other;
2. The allies weren’t able to do something, because they had to fly from the bases in Italy. Furthermore the Soviets didn’t give any permission to make use of the Soviet airfields.

After the Warsaw Uprising, Germany evacuated every single people from out the city and after that evacuation, they destroyed the city totally to remove all buildings and monuments with a cultural value.

About 370,000 Jewish people survived the Nazi occupation.

**Economy**

**Past**

With about 1,000 % inflation and foreign debts of 40 billion U.S. dollar in 1989 due to the communistic system, Poland started with building up the economy from January 1, 1990. There were many problems due to the defects of the socialistic planned economy, for instance:

- Deficits in currencies and goods;
- Long rows with people for empty stores;
- Rationing of food.

During the period of the first president of Poland (Mr Lech Walesa, further information in “political system”) very strong economic reforms took place. The economy of Poland had to be changed from a planned economy to a market economy, it was a big project.

Due to the foreign competition which was far more modernized than the Polish companies the production decreased and the prices and the unemployment increased. The increasing of the unemployment within the new market economy can be explained, because in a communistic system, unemployment does not exist.
In the following graphic I show the development of the GDP in the years 1990 – 2007. What you can see is that between 1990 and 1991 there was a little decrease. The reason for that decrease is my earlier explanation about the transfer from a planned economy to a market economy. In the period from 1991 till 1995, the GDP increases slowly. After 1995, the GDP increases faster and faster.

The reduction of the inflation between 1991 and 2007 is very impressive. From a inflation percentage of 55 % in 1991 until a very healthy percentage of 3 % in 2007. In 2008 the inflation was 4,5 % and in 2009 it is expected at 2,5 %.

**Current situation**

In 2008, Poland the economy grew with 5 %. The expectation is that this percentage will decrease in the upcoming years. The introduction of the Euro is not feasible on a short term. The expectation is that this will not take place before 2012.
Export of Poland

Significant of the exports of Poland is that most of the time it has the function of a transition country. The Baltic states and Russia using Poland very much for transition of goods. The cooperation between Russia and Poland is under pressure, because of the direct gas connection between Germany and Russia. When this gas connection will be finished, the position of Poland as a transition country for Russia could be threatened.

Poland has a chronic shortage on the trade balance, Poland has more exports than imports. The most important export products from Poland are: coals, chemical products and food/drinks. The most important trade partners are Germany, Italy, France, the Netherlands and the UK.

Political system

The political system in Poland has not been the same system through all the years. It has been changed a lot in the past 200 years from now.
The "Partitions of Poland" (1795 – 1918)
During the partitions of Poland there were 3 political systems in the Polish Lithuanian Commonwealth, namely:
- Russia: the Tsar of the Russian Empire (1795 -1917), president of the Soviet Union (1917 – 1918);
- Prussia: king, duke or grand master;
- Austria-Hungary: emperor or prime minister.

The Second Republic of Poland (1918 – 1939)
Between the First- and the Second World War, Poland was a free country with its own government.

Second World War (1939 – 1945)
During the Second World War Poland was separated again, but this time between Germany and Russia due to the agreement between both countries (Molotov-von Ribbentrop agreement).

After the Second World War (1945 – 1990)

Period of Stalin
After the Second World War Poland was not independent anymore. The Soviet Union took the government over and made Poland a satellite state. A satellite state is a political term that refers to a country which is formally independent, but under heavy influence or control by another country.
Initially, the Soviet Union wanted to turn Poland into a communistic state, but that was too difficult because Poland had never been communistic.
During the period of Stalin, the Soviet Union installed a communistic-friendly government and interfered in the decision making of Poland continuously. The characteristics are the collectivization of the agriculture and the openly fight with the Catholic Church.

Solidarność
In 1980 17,000 Polish workers of the Lenin Shipyard in Gdansk started with a strike, it would turn in a few weeks in one of the biggest strikes that ever taken place. They formed together with some other shipyards and some factories a strike committee with Mr Lech Wałęsa as chairman. In a few weeks whole Poland was on strike and the government of Poland had to do something about it.
The government came to an agreement with the strike committee during the historical Round Table conference on August 17, 1980 where the board of the strike committee was invited to speak about the current situation of Poland at that time. The result of the Round Table conference in 1980 is historical, named ‘the Agreement of Gdansk’, which was live on television and radio. The board of the strike committee achieved the allowance of self-governing labor unions and strikes. From that moment many labour unions were established in Poland and on December 17, 1980 they merged into one big organization, Solidarność. Solidarność had even access to broadcasts on television and radio.

In the following months after the establishment of the Solidarność there was always a power struggle between the labour union and the government. This ended very abrupt in 1981 when the ‘state of emergency’ and great pressure of the Soviet Union was proclaimed by general Jaruzelski and the Solidarność became prohibited again. Many important people within Solidarność had been arrested.
In 1988 huge strikes broke out again. Workers from several big cities in Poland were demonstrating for pay rising and legalization of Solidarność. The government closed the Lenin Shipyard in Gdansk, this caused massive strikes through the whole country.
On February 6, 1989 there was a big conference between delegates of the government, the church and the Solidarność about a new political system. At the end of this conference they reached an agreement about a peaceful transformation from a political democracy to a market economy. The first semi-free elections took place in June 1989. “Semi-free” means that the communistic government kept majority in the parliament (minimum of 51% of the seats in the Sejm), but free elections for the created senate. During the elections the Solidarność received almost 100% of the votes.

After the fall of the Berlin Wall on November 9, 1989 the communism ended officially in Poland. In 1990 Lech Walesa was elected as the first democratic chosen president of Poland. In 1994 last Russian troops left Poland and ended the military occupation of the Soviet Union from 1945 until 1994. In 1998 the European Union promised Poland that the country could start with a special program in order to reach accession to the European Union. In 1999 Poland became a member of the NATO together with Austria and Hungary. Poland had prepared the membership since the end of the communism in 1990. Since 2004 Poland is officially a member of the European Union.

**Political system nowadays**

Nowadays there is a bicameral system in Poland: Sejm (legislature) and the Senate (advisory). The executive power is with the president (+ staff) in Poland. The president of Poland is Lech Kaczyński and the prime minister (chair person of the Sejm) is Donald Tusk.

Lech Kaczyński is a very conservative person. He is in favor of the reintroduction of death penalty and is very skeptical against the introduction of the Euro in Poland. He is also very negative about further privatization of state-owned companies and cutting in social facilities.

**My opinion about Poland**

I think that Poland is very developing. The inflation-graphic and the GDP-graphic in my report about the economy of Poland are impressive. What I knew a little, but not as good as I do now, is that the history of Poland is one and all tragedy until 1990. Poland have always been occupied by other countries and can decide for herself from 1990, so that is just 20 years.

What I also think is that Poland is very interesting for foreign enterprises for doing business. Within 15 years the Euro will be introduced, many companies will be privatized and salaries will be increased. If you are going do some investing in the country now, I expect that you will receive the profits of that investments will come automatically. Especially the construction industry and the transport industry could be very interesting.

Poland have always been occupied, but had always been fighting for her freedom. I think that during the period of communism (1945 – 1990) many people didn’t knew what exactly freedom is, but freedom seemed to be always the ultimate goal for Poland. The history of Poland indicates that freedom is one of the most important possessions in the world. Without freedom you can’t do anything by yourself: no decision making for yourself, maybe no freedom of expression, maybe no freedom of travelling, anything in your country depends on what your occupier decides for you.
I think there is still a long way to go, especially a few aspects within the country having to be developed if the country wants to become a significant country within Europe. The infrastructure is very bad for a country with ambition. Poland has to work on the improvement of the roads and has to develop more and wider highways. Also the prevention of traffic jams is very important, especially around business cities like Warsaw, Poznan and Gdansk.
The harbours have to be developed. Poland is useful for many countries for the transport of goods inland. Especially for the Scandinavian countries Poland could be very useful. But the Wisla river is only accessible for ships with not much draft. In my country every important river is deepened, so we can carry heavy transports on it. Beside these deep rivers, we also only have bridges which can be opened, so ships can always go through.

I have read some articles about the political situation in Poland now and it is quite frightening that from 1990 until 2005 Poland was following a Western direction. But since the conservative Lech Kaczynski is President, Poland is very reluctant again. I think that is not the way how it works. A country should choose a direction for her policy and then following that direction in general. Nowadays Poland is too reluctant. Poland should be more open to the European union, that will bring in new business and more opportunities.
I think that the election of Jerzy Buzek as the chair person of the European Parliament is the best development Poland could have. Now it is time for Poland to show her skills to the rest of Europe and make the final link with Western Europe.
Acknowledgement of Sources

http://www.privatization.org/database/whatisprivatization.html
Website for basic information about privatization.

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Homepage Apator S.A.

Inside information Apator
All the information of Apator has been checked by the translator and by the strategic officer of the company.

Inside information TZMO
All the information concerning TZMO has been checked by the Director Public Relations of the company.