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A classic American tale

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AmCham online

American INVESTOR

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what's on

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Calendar

By clicking on red links in the **Calendar** you may visit photo coverage of our past events. Blue links will take you to the announcements of upcoming events.

Events

AmCham Monthly Meetings are one of the flagship events organized by the chamber. While *American Investor* covers each **Monthly Meeting** extensively, including full-page pictorials, you can search through picture archives of past events that include never previously printed material. Just go to **Events and Activities**, pick **Monthly Meetings** and scroll down for links to archived events.

Regions

AmCham may be closer than you think. Apart from Warsaw, AmCham has two regional branches which are active all year long and offer many exciting opportunities to interface with regional business leaders and politicians. To find out more about our activities in **Kraków** and the region of southern Poland, and **Wrocław**, go to **Regions** in the horizontal menu bar, and pick your region of interest.

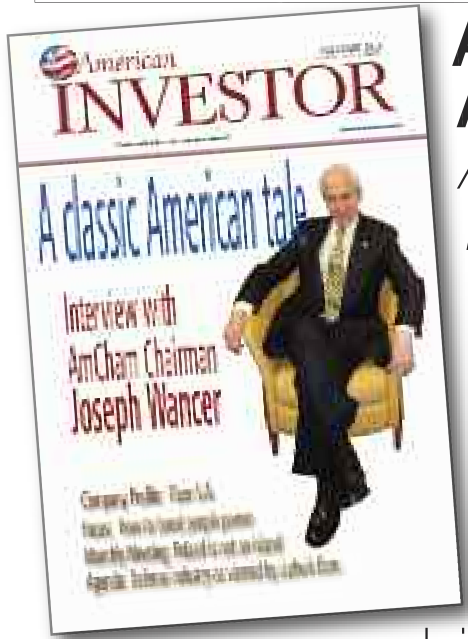
Policy Watch

Intelligence: For AmCham position papers, policy statements, official letters to government ministers and research papers, visit the **Advocacy** link on the horizontal menu to download the latest AmCham position papers.

Other useful sites

U.S. Chamber of Commerce
http://www.uschamber.com
American Chamber of Commerce in the European Union
http://www.amchameu.be
European Council of American Chambers of Commerce
http://www.amchamseurope.com

COVER STORY:



A classic American tale

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Taking a fleecing

In late 2005, Prof. Leszek Balcerowicz, who was then the president of the National Bank of Poland, was in a bitter fight with the populist government about whether NBP should earmark some money to help the state ease the pains of a growing budget deficit in 2006. In fact the debate was not about the condition of the state budget but about a much more fundamental issue: whether the central bank should remain independent of the government or not. When I interviewed Balcerowicz in December 2005, in his final month as NBP president, he told me he was very much concerned about the future of public debate in Poland, because, he complained, populist views were reported by the media as if they held as much merit as the views of experts.

Today public opinion is focused on the issue of pension fund reforms. Working people are required to pay contributions to the state-run Social Insurance Institution (ZUS). ZUS collects the money from workers and pays money out every month to beneficiaries. Under reforms introduced in 1999, however, in case of workers who were born after 1968, 7.3% of the fee goes to a privately owned open pension fund (OFE) of their choosing. This is known as the "capital" leg of the public pension system.

In late 2010 the government announced a plan to cut the portion of ZUS contributions that are allocated to the OFEs from 7.3% to 2.3%. In return, it proposed to create ZUS accounts for OFE participants in which their capital would be accounted for and interest would accrue at a government-defined rate of growth. The reason the government proposed to do this was twofold. First, it was not satisfied with the rate of return generated by the OFEs and by their operating costs. Second, it needed the money to cover growing ZUS expenditures. ZUS is routinely subsidized out of the state budget, but in the aftermath of the global financial crisis such aid would stretch the budget deficit too thin, bringing it close to the redline defined by the Polish Constitution.

The government was blasted for this proposed reform from many sides in the public debate. The accusations of "stealing private money" were on almost all the critics' lips. But, because of what I heard from him before, I was especially troubled to hear Balcerowicz say, in a radio interview, that "Poles are not stupid sheep" and that they "will never forgive the government for taking their money away from them."

I beg to differ. According to an informal poll I conducted on a random selection of people I know, who are all university graduates and all fall within the double ZUS/OFE pension system, only a tiny proportion of them, perhaps 2–3% percent, really know the difference between the ways ZUS and OFE save for their retirement. Most of them appeared not to be aware at all of the financial mechanisms performed by ZUS and OFE. They do not know about the restrictions imposed on the investments that the OFEs can make, and they are unaware of the ZUS reform that is underway. Some took a carefree attitude to the fate of their pension contributions. One person I polled insisted that all of her money goes to ZUS. When asked to check her facts, she did recall selecting an OFE when starting her first job, but she could not recall which OFE she had chosen out of the 14 now on the market today. So while I agree with Balcerowicz that Poles are not sheep, I do not think that their understanding of pension funds differs much from sheep's appreciation of their own retirement plans.

For this reason I welcomed the joint initiative of the Business Centre Club and the Polish Chamber of Pension Funds (IGTE) announcing an educational media campaign, entitled "Protect Your Pension," which the organizers said was aimed at boosting the popular understanding of the importance of thinking in advance about life beyond retirement. The campaign cost about PLN 1 million and was unveiled on television, 130 billboards in the largest Polish cities, and on the Internet.

My enthusiasm for the campaign vanished in a haze of disappointment as soon as I saw it.

The Internet portion, the central part of the campaign, consists of a website where users may sign a petition to the Prime Minister demanding the government's absolute and unconditional withdrawal from the proposed reform. The letter refers in emotional terms to the signatories' right to leave their "hard-earned" money intact with the OFEs, "not to be spent on plugging the holes in the state budget." You can type your name into an online form, indicate your age (up to three digits if needed!), and submit it to the site administrator, who will then pass it on to the campaign organizers so that the petitions can be forwarded to the Prime Minister.

The Internet campaign is neither intelligent nor helpful. It tries to generate responses from people concerning one specific aspect of pension fund reform and one particular government. Since the beginning of the pension reform in 1999, different governments have tinkered with the framework many times, but that never inspired a trade association to put together a mass protest campaign. The form letter also appears to reject any right of the government to adjust the pension reform, even though the reform begun in 1999 has not yet been completed.

But the worst offense of the campaign is that it is negative and government-centered. It only reinforces the incorrect belief of young Poles that their future is in the hands of the government, and the only way they can influence it is by protesting against whatever they think is not to their projected advantage in the future—in this case PLN 300–600 a month as an OFE retirement benefit after 40 years of work at the national average wage, according to estimates by IGTE experts.

I think that BCC and IGTE have overreacted. The message they are sending is definitely not the one that the 15 million people who have entered the labor market in a free Poland and save with OFEs for their retirement need to hear.

Instead, I would propose advocating a different, positive-thinking approach. What the young generation needs is positive thinking that is good for us all and boosts energy, productivity and innovation. Tell them that unlike their parents, they now can save for their retirement independently of the state system. Tell them they have the choice of not being dependent on government policy, which 30 years from now may in fact be focused on quite different problems (pick your favorite: energy crisis, climate change-related poverty, shortages of food or drinking water, or social unrest). The government is only as good as it is able to deliver. The limits of what government can do are many, and are likely to increase in the future.

The real problem—which the BCC/IGTE campaign does not mention—is that there is simply not enough money in the state coffers to finance the state's financial obligations to the growing population of retired people. This problem gets bigger every year.

The business community should take notice of this as well. For years Poland has been advancing its economic development under the standard of a "well-educated and cheap labor force." Cheap labor dwarfs productivity, innovation and entrepreneurship and makes talented people want to emigrate. In addition, as Poland is part of a larger labor market, cheap labor can be maintained only for a limited time going forward.

But cheap labor means that government income is low, and consequently the country should be cheap instead of generous. (If you want to know what I mean by a cheap state, go to Ukraine and venture off the main street to see how retired people make ends meet and how their situation affects the whole society.) Despite having six different systems of social security in Poland—ZUS, OFEs, KRUS for farmers, a separate system for judges, a separate system for the uniformed services (including military and police), and yet another separate system for miners—Poland has never been a cheap state for its retirees and those who rely on state-supported social security. What the government is trying to do is just to stick to that principle.

If the business community has no other message than that sent by the BCC and IGTE, we will all fail miserably. At stake is not whether the future monthly pensions of OFE participants will be PLN 600, more or less, but the attitudes toward personal freedom, social solidarity, entrepreneurship, the economy, and, last but not least, problem-solving, that business leaders display for new generations of working Poles.

Tomasz Ćwiok

What we promise we deliver

I am very honored and proud to have been elected Chairman of the American Chamber of Commerce in Poland. I am grateful to all of my colleagues on the AmCham Board of Directors with whom I have been working for two years now, but I am especially indebted to those directors who supported my candidacy.

For years, and especially under the chairmanship of my predecessor Roman Rewald, AmCham has grown to be known as a firm and influential organization.

Joseph Wancer
AMCHAM CHAIRMAN

Not to mention its splendid community events, AmCham has been successfully engaged in many important lobbying efforts. It has entered into partnerships with other business organizations to enhance the lobbying efforts of the business community in Poland as well as, recently, in the U.S.

Foremost, however, AmCham can boast of a very effective committee structure. Our committees not only organize face-time with influential Polish government members and U.S. government officials, but identify and analyze issues as well as initiate actions with the responsible government agencies and other organizations. As Chairman I feel especially compelled to do my best to reinforce these AmCham functions.

My golden rule of management, well-tested in 49 years of my professional career, is to share the freedom of expression with all people on the team. I welcome your opinions, however divergent they may be. I also believe in sharing the freedom to take different initiatives within our organization, because we are all professionals in our fields of expertise. With well-defined criteria for discussion, I know that the sky is the limit in what we can do. I also welcome the freedom of sharing the responsibility for our decisions, as it is the best way to build our organization's potential to pursue our mission.

The years ahead will no doubt pose new challenges for the Polish-American business community. The aftermath of the world economic crisis, and its effect on business and governments, is still an open question. As an organization, what we promise we deliver, but in achieving this I count on your support and active involvement.

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Newsline

News from AmCham and its members

AmCham Chairman & Board

The new Chairman of the Board of Directors of the American Chamber of Commerce in Poland is **Joseph Wancer** (above). Wancer brings to the post over 40 years of experience in the banking sector, where he served in executive positions internationally on three continents. He is a widely known and respected business professional. Wancer will chair the Board of Directors for a term of two years. Independently of AmCham, Wancer is an advisor to the management board of Deloitte, the international consulting company. **Judith Gliniecki** and **Richard Lada** will continue serving as Vice-Chairs of the AmCham Board. Lada is vice chairman of Telesto and Gliniecki is a partner at Wierzbowski Eversheds. **Peter Kay** of KPMG continues to serve as Secretary to the Board and **Stan Popow** of Finacorp as Treasurer.

AmCham Advocacy

In a letter to the European Commission in response to the commission's proposal to require plain or generic packaging of tobacco products in the new Tobacco Products Directive, AmCham argued against the idea on the grounds that it violates the freedom of business activity guaranteed by the Polish Constitution. The introduction of a regulation that would mandate identical packaging for different tobacco products, the letter said, would be in violation of the principle that individual businesses should be able to differentiate their products from their competitors' products by using packaging with a distinctive graphic design. AmCham also argued that requiring plain or generic packaging is contrary to the Polish Industrial Property Law, which does not provide for excluding the ability to exploit vested rights to registered trademarks, or restricting registered trademarks with regard to any products, including tobacco products.

Requiring plain or generic packaging is also contrary to the Paris Convention on the Protection of Industrial Property, which provides that the nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark, a trademark registered in one country can be registered and protected in the same way it is protected in other countries, a vendor may not be denied the right to register a trademark, and a trademark registration may not be cancelled.

In addition, AmCham said in the letter that it understands and supports the aim of the European Union to promote public health, but the proposed plain or generic packaging rule will have serious legal and economic consequences.

Boeing

In January Boeing celebrated the final assembly of the 1,000th 767 airplane at its Everett, Washington, factory—the last unit to be produced there before the assembly line is moved to a smaller bay. The 1,000th airplane, a 767-300ER (extended range) passenger model, was produced for All Nippon Airways of Japan.

Last year Boeing recorded 462 commercial airplane deliveries, living up to company projections of approximately 460 deliveries during the year. Boeing posted 530 net commercial orders for the year as air carriers transitioned from economic recovery to expansion. The company has a strong order base of 3,443 unfilled orders.

"With 376 deliveries in 2010, the Next-Generation 737 set a company delivery record for the second consecutive year," said **Jim Albaugh**, president and CEO of Boeing Commercial Airplanes. "The 737 is the industry's most in-demand airplane, with 486 net orders, as carriers continue to rely on its superior economics, versatility and continuous performance enhancements."

In 2010, Boeing announced a series of production rate increases throughout its product line to meet increasing airplane demand from carriers worldwide. The Next-Generation 737 production rate will grow to 35 per month in early 2012 and 38 per month in the second quarter of 2013. The 777 production rate will rise from five to seven per month in mid-2011 and 8.3 per month in the first quarter of 2013. The 747-8 Freighter is slated for first delivery in mid-year, and the first delivery of the 747-8 Intercontinental is planned for late 2011. The 787 Dreamliner continues in-flight testing.

CB Richard Ellis

Real estate investment turnover in Central & Eastern Europe reached EUR 5 billion in 2010, a 90% increase on the total turnover in 2009 (EUR 2.6 billion), according to the latest data from CB Richard Ellis, a commercial real estate specialist.

After reaching a cyclical low in 1Q 2009, the CEE region continued its property investment recovery throughout 2010, with over 30 property investment transactions registered in the final quarter of the year, for a total of EUR 1.7 billion.

Investment activity was particularly strong in Russia and Poland during 2010, which together accounted for 74% of CEE investment turnover for the year. Russia overtook Poland to record the highest investment volume of any CEE market. This was largely due to Lenmar Capital's purchase of a large portfolio, including five Moscow office buildings, for around EUR 690 million in 4Q 2010. Despite showing signs of increased investment activity, liquidity has remained low in most other CEE markets. The majority of activity has been focused on the office sector, which recorded a five-year record high in terms of its proportion of overall investment activity, at 46% for the year, partly influenced by limited prime-product availability in the retail sector.

The largest retail deal of the year in Warsaw was the purchase of Arkadia and Wileńska shopping malls by Unibail-Rodamco as part of its European portfolio.

In other news, the CBRE Development Consultancy Team represented residential developer Dom Development SA in the sale of a landmark

property at the corner of Mazowiecka and Traugutta streets in Warsaw. The buyer was Hochtief Development Poland Sp. z o.o.

"This offer was a unique opportunity to purchase a sizable development site in an area of very limited supply," said **Mikołaj Martynuska**, Director of Development Consultancy at CBRE Poland. "The uniqueness of the property definitely attracted the attention of the buyer. In our opinion both the seller and the buyer made a very good deal."

Originally built in 1910, the building was one of the most luxurious residences in Warsaw. The property consists of two plots totaling 3,751 sq. m. and the historic Raczyński Palace (pictured above). It is the tallest building in this prestigious area, overlooking Piłsudskiego and Małachowskiego squares as well as the Saxon Garden.

Cushman & Wakefield

Cushman & Wakefield, a commercial real estate advisory firm, has been appointed exclusive agent for commercialization of the Felicity shopping center in Lublin. C&W is responsible for the leasing process and tenant mix.

Felicity, the largest facility of its type in Lublin, will be developed in the eastern part of the city, on a major traffic artery. The center offers retail, services and leisure space with parking for up to 3,000 cars. Opening is scheduled for the first half of 2013.

Cushman & Wakefield also represented RB Logistic in lease negotiations with Iron Mountain Polska Sp. z o.o. for 4,200 sq. m. of warehouse space and 120 sq. m. of office space at Olkusz Logistics Center, on Route 94 between Kraków and Dąbrowa Górnicza. Iron Mountain will be the third tenant, joining Philip Morris and Kimberly-Clark.

In other news, Cushman & Wakefield acted as agent for a lease signed by LBP Manufacturing, a producer of paper food packaging for the HoReCa sector, for 2,200 sq. m. of warehouse space and 233 sq. m. of office space at Diamond Business Park in Łódź. The project, owned by Harrier Duo Sp. z o.o., is a logistics center on ul. Manewrowa in the Widzew district, with three buildings totaling 60,000 sq. m.

Ernst & Young

Ernst & Young will be the first tenant at Green Towers, an office development by Skanska in Wrocław. The new tenant is scheduled to move into an office space of 1,800 sq. m. in April of next year, housing a new Ernst & Young shared services center which will support several hundred jobs. Green Towers is the first office building in Poland to receive a Platinum rating, the highest LEED certification for sustainable buildings. The first phase of Green Towers is scheduled for completion in March 2012, with 12,000 sq. m. of office space.

Hewlett-Packard

In January HP unveiled new products designed to help retailers meet the needs of shoppers in multichannel retailing environments.

The products and solutions announced at the National Retail Federation convention include the HP Imaging Barcode Scanner, which reads 1-D and 2-D barcodes printed or displayed on mobile devices and captures images, and the HP LD4201, HP LD4210 and HP LD4710 LCD Digital Signage Displays, ranging from 42 to 47 inches diagonally with embedded HP Media Sign Player technology that enables plug-and-play convenience for dynamic digital advertising. HP also introduced a new independent software vendor program for large retailers in the enterprise digital signage and interactive in-store media markets, offered by HP with industry-leading software companies.

"Customers are increasingly sophisticated, and HP's new solutions provide retailers with efficient and compelling ways to engage customers throughout their entire shopping experience—from home, on the go and in the store," said **Ray Carlin**, vice president of the Retail Solutions Global Business Unit at HP. "Our ongoing investments in comprehensive software and hardware solutions enable our customers to differentiate themselves from the competition, build customer loyalty, and ultimately help grow their bottom line."

New Members

Executive search specialist **Stonewell Group** (www.stonewellgroup.pl) has joined AmCham. The business development director is Maciej Gwóźdź.

IBM

IBM and the Gdańsk University of Technology have signed an agreement to establish the University Competence Center at the school's Faculty of Management and Economics. The center will utilize IBM tools in the "Rational" family to manage educational IT projects. Under the agreement IBM will provide both software and experts, while the university will include IBM teaching materials and software in the department's curriculum and enable researchers to obtain certification for selected programs that will support the department's educational strategies.

The center is part of a larger program, Academic Initiative, between IBM and the Gdańsk University of Technology, begun four years ago. It is aimed at empowering talented students and recent graduates to pursue further academic careers.

InterContinental Warsaw

The InterContinental Warsaw was awarded the Torchbearer Award at the annual Hotel Stars Awards in Cairo in December. The Torchbearer Award recognizes hotels that achieve outstanding levels of service as measured by InterContinental Hotel Group's Overall Satisfaction Index.

Christian Henkemeier, general manager of the InterContinental Warsaw, travelled to Egypt to accept the award. He said, "This award recognizes all the hard work and team effort we've put in this year. We're constantly striving to go the extra mile so guests can expect a consistently top-notch experience when visiting our hotel. We'll continue to work together to keep delivering the same experience each year."

In other news, the InterContinental Warsaw is the first hotel in Central Europe to equip all its rooms with Samsung LED interactive TV sets. The new TV sets offer better picture quality with low energy consumption. Guestrooms are equipped with 32-inch sets, and suites have 40-inch sets.

ProLogis

Costs of freight and transportation account for approximately 30% of total supply chain costs in Europe, according to a report published by logistics specialist ProLogis in January entitled "Transport Collaboration in Europe."

According to the report, as a result of growing transportation costs, companies have found ways to reduce freight distance, along with other solutions to help cut transportation costs. Some of these efforts involve collaboration with both non-competitors and competitors.

"What we are interested in exploring in this report is a new twist or variation on transport collaboration, one involving business peers," said **Lisa Graham**, vice president for European research at the ProLogis Research Group. "Aware of the potential benefits, a few companies in Europe have reached out to competitors to collaborate on and improve the efficiency of their distribution networks. Numerous barriers to collaboration must still be overcome, including mistrust, but the potential cost savings and other benefits are so great that third-party organizations, shippers/haulers and logistics parties are induced to continue to find opportunities for forging successful transport collaborations." The report is available online at http://ir.prologis.com/research/TransportCollaborationWinter2011.cfm.

Salans

Law firm Salans Warsaw has successfully closed the settlement ending the EUR 2 billion plus dispute over control of PTC (Era), a leading Polish telecom. The dispute, involving Vivendi, Deutsche Telekom, Elektrim, the Polish State Treasury and other parties, lasted for 11 years.

Salans, as Vivendi's counsel, conducted and hosted the negotiations and the signing. The team was led by **Tomasz Dąbrowski**, Warsaw Managing Partner, with support from **Anna Maria Pukszto**, partner and head of Warsaw Insolvency, and over 15 lawyers from the Corporate, RRI and Tax teams. The final stage of the negotiations involved over 20 law firms in five jurisdictions, including Orrick, Hengeler Mueller, Bingham McCutchen, Clifford Chance, Slaughter and May, and major Polish law firms.

At closing Vivendi received EUR 1.25 billion and withdrew all claims to PTC. Deutsche Telekom group became the sole owner of PTC, for which it paid EUR 1.4 billion to Vivendi and Elektrim. Finally, Elektrim paid off its creditors—the Polish State Treasury and bondholders.

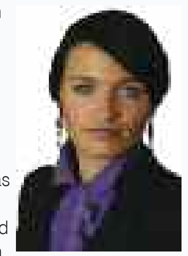
The Salans Litigation & Arbitration team, led by **Wojciech Kozłowsk**i, with **Katarzyna Bilewska**, **Patrick Radzimierski** and other lawyers, conducted wide-ranging litigation related to the dispute over a 48% stake in PTC, involving over 100 judicial and arbitration cases, in Poland, Austria, Switzerland, the U.K., the U.S. and other jurisdictions.

Squire Sanders

In January, law firm Squire, Sanders & Dempsey completed the acquisition of Hammonds, which was recently ranked the number one national law firm in the U.K. in *Legal Week's* 2010 Client Satisfaction Report, a ranking based on feedback from the U.K.'s largest companies. With the acquisition, Squire Sanders has extended its service capabilities to 25 global legal practices, with 1,275 lawyers in 37 offices and 17 countries.

Members on the move

Sheraton Warsaw



Agata Prosińska has been named sales director for the Sheraton Warsaw and the Westin Warsaw, members of Starwood Hotels & Resorts. Prosińska will be responsible for managing the sales departments of the two hotels as well as developing the customer base. Prosińska started her professional career as an intern at the Sheraton Warsaw in 2003. For the next seven years she worked at Le Méridien Bristol, where she climbed the career ladder in sales to reach the position of deputy sales director. Prosińska earned her MBA at the University of Maryland. She is fluent in English and Italian.

AmCham Charity Drive 2010

For the 15th consecutive year, AmCham arranged and executed its holiday Charity Drive in December 2010 to provide assistance in cash and kind to those in need. This year the AmCham Charity Drive delivered assistance to two shelters—the Single Mothers' Shelter in Słomczyn and a shelter for victims of domestic violence in Brochów—and eight foster homes across the country (two in Bochnia and one each in Białystok, Grabinek, Otwock, Rzeszów, Świebodzin and Świebodzin-Chociule).

This year, AmCham also established a relationship with the Children's Heart Foundation (Fundacja Serce Dziecka),
an NGO whose main goal is to help children with heart defects (more information
at www.sercedziecka.org.pl).

AmCham representative Anita Kowalska, along with Adam Tomczak from X-Press Couriers, made a special Christmas visit to the Single Mothers' Shelter in Słomczyn and brought Christmas presents for the children. After returning from the shelter, Kowalska said, "We were particularly moved by the difficult conditions in which the children live. We decided to continue our help also throughout the year and support the shelter continually with basic articles like food, coal and clothing."

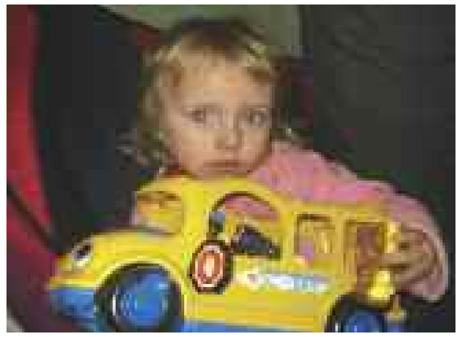
As in previous years, the AmCham office received numerous goods delivered by our generous members. In total, AmCham processed and dispatched over 70 boxes of donated items!

Among many types of aid rendered through the 2010 Charity Drive, AmCham delivered 8 TV sets, one refrigerator and two washing machines to the Single Mothers' Shelter in Słomczyn, repaired the floor at a children's home in Białystok, and funded summer camp for 3 children from the shelter in Słomczyn.

Charity Drive aid wait at the office for shipping to their destinations

Coca-Cola donates juices and soft drinks

Crown Relocations donated shipping power



Some children could hardly believe someone has sent presents for them

Anita Kowalska who coordinated the program, surrounded by some recipients of the aid

PHOTOS COURTESY OF ANITA KOWALSKA

Families living at the Single Mother Shelter with Adam Tomczak of X-press Couriers with his son

The whole community of the Single Mother Shelter gathered to unpack the aid

We would like to thank the sponsors who provided in-kind goods, corporate grants and cash donations from their employees:

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For the AmCham Guide to Committees see inside back cover

HOT DATE
Feb.09.11
Event: 3rd SME Business Forum
Place: Merliniego 5 Restaurant and Winebar
Time: 6:00 P.M.

Defense & Security Commitee

Ludwik Dorn, AmCham Chairman Joseph Wancer and committee co-chair Paul Zalucky

A skeptical view of preparedness

The Polish military procurement process comes in for some harsh criticism from the parliamentary opposition

The volatility and uncertainty of the Polish defense industry reflect the standing of the armed forces in Poland, according to Ludwik Dorn, an independent member of Parliament (affiliated with the opposition Law & Justice party through a cooperation agreement) and a member of the Parliament's National Defense Committee. Dorn made his remarks at a meeting with the AmCham Defense & Security Committee in January.

Dorn said that at first glance the financial standing of the military would seem stable, because defense spending in Poland is governed by an act of Parliament providing that 1.95% of Poland's GDP has to be earmarked for the armed forces. "It is unlikely that this legislation will be changed in the next four years in a way that the military gets more money," Dorn said, "especially since President Bronisław Komorowski, who has veto power over legislation passed by the Parliament, is a strong proponent of the current base."

On the other hand, Dorn noted that there is no reason to expect a decrease in the financing of the military, either: "If there is no major financial crisis in Poland, we can also assume that there will not be any cuts in the defense sector."

Woeful inconsistency

Given this financing model, Dorn said, one might assume that the Polish defense sector has a stable basis to plan procurement and modernization of the military at least a year in advance, but that assumption would not be correct. "Without any gross breach of the law, in 2008–2009 the government nonetheless managed to shave approximately PLN 5 billion from the military budget by such measures as freezing PLN 2 billion of the budget and halting the transfer of money into revolving funds that were not exhausted in previous years," Dorn said. "This shows that the Polish military, and the Polish defense sector in general, are very insecure about their future, which of course is not a good sign for business."

This instability is caused by significant discrepancies between the operational plans of the Ministry of Defense, the ministry's procurement plans, and the actual procurement carried out by the ministry. "It is not a big problem for foreign defense companies, who are active in many national markets," Dorn said, "but for Polish defense companies, who produce for the domestic market, this lack of coordination between planning and executing procurement is a major problem. For instance, many Polish companies in the defense sector were very enthusiastic about the semi-propelled, passive-guided Loara missile system, but it was suddenly dropped by the Ministry of Defense without any warning. This shows that even defense companies that cooperate with the ministry very closely are not free from sudden turbulence."

Another example that Dorn referred to is the modernization of Poland's domestic anti-aircraft defense system. According to Dorn, the Russian anti-aircraft missiles Neva and Krug that Poland operates are outdated and unfit for any upgrade. Therefore, Dorn argued, it was natural to assume that Poland would resort to other systems, but recently Minister of Defense Bogdan Klich hinted that the system will be modernized rather than replaced. "Too bad," Dorn said, "because those are long-term programs. They should not be changed from one day to the next. The business community has to be certain about what comes next in the case of the national anti-aircraft defense system modernization."

Another example: In the immediate future Poland will have to make a decision about its missile shield system. Poland has a choice between the U.S. Patriot anti-missile system and a French one for which the parts can be manufactured in Poland by the radar system producer Radwar. "If the Ministry of Defense decides in favor of the latter," Dorn explained, "Radwar can boast about having a good future. The other way around, Radwar will have to struggle to get by, despite the fact that the quality of its products is very high." Dorn added, however, that Poland may not choose either system because of a lack of financing.

Dorn said that the fate of the navy shipyards, which are currently under bankruptcy protection, is now in the hands of the government. But uncertainty prevails. Because Poland needs to replace two submarines in the next few years, it seems reasonable that the government should consider a French proposal to take over the navy shipyards and build submarines there for Poland and other countries. On the other hand, Dorn noted that the technical specifications of the French submarines do not fit the tactical and technological requirements specified by the Polish Ministry of Defense for the replacement of the current submarine fleet. The U-214 submarine made by Germany meets those requirements, however. But Dorn said that although he did not know the technical details, if that were true it demonstrates a lack of consistency in the ministry's approach to the submarine replacement issue. "Again," he said, "this results in uncertainty for all the companies concerned, including the state-owned navy shipyards but also their subcontractors, which are private companies."

What can business count on?

Dorn argued that such an inconsistent decision-making process at the level of the Ministry of Defense discourages companies in the defense industry from cooperating with the ministry. Nonetheless, they can rest assured that projects that have already been begun by the ministry will be continued—even those, Dorn was quick to add, that "make no rational sense." He said that this is because "nobody in the military would ever admit to making a mistake." An example of such doubtful rationality, according to Dorn, is the Gawron project for building a ship in the corvette class, which Dorn said is the "longest-running project ever, and the most expensive," for building a corvette.

Another thing that the defense industry can be certain about in the way the Ministry of Defense sets its procurement goals is that it will continue to support the F-16 project, because it is pivotal for the Polish Air Force. "Because of that I think there will be money to buy an advanced training aircraft for training F-16 pilots," Dorn said. "Everything that is concerned with maintaining the F-16 project is of the highest priority."

Dorn noted, however, that the ministry may decide to buy an aircraft that is designed for both training and combat, due to the fact that in 2014 the Air Force will have to decommission a number of SU-22 fighters. Dorn argued that by buying training and combat-ready fighters, the Air Force thinks it will kill two birds with one stone, obtaining a training aircraft for F-16 pilots as well as replacing the Russian fighters and thus maintaining the number of combat aircraft at the same level. He said, however, that he was not sure whether an aircraft that meets all these requirements exists. Given that, he said he was sure that Poland will eventually purchase a training aircraft for F-16 pilots, while the issue of the SU-22 replacement may be hanging in the air for some time in the future.

Dorn said that defense contractors should not expect to see more procurement related to Poland's involvement in Afghanistan, because the consensus across the political spectrum is that Poland should withdraw from Afghanistan in 2012. "What was to be contracted for this mission has already been contracted and no major procurement is, I think, intended by the ministry," Dorn said.

The need for the Polish army to sport modern military equipment when on maneuvers with other NATO units is what actually defines the procurement policy, Dorn said. "There cannot be any other reason why PLN 400 million has been earmarked for the technical uplift of the Puławski and Kościuszko frigates, apart from the fact that Poland needs to have something that it can send to NATO naval maneuvers," Dorn said, adding sarcastically, "They cannot fire, but they can remain afloat, so they are good enough." In addition he said that the modernization of the two frigates, which were made in the U.S., has no positive impact on the Polish defense industry whatsoever. At the same time he admitted that Poland cannot afford to buy two new frigates either.

Dorn said that the strategic goal for technical upgrade of the Polish military is to maintain its ability to send troops to foreign theaters of conflict and take part in NATO exercises. "The biggest loser here is the forces that are designed to defend Polish territory, especially the tank units," Dorn said, "and I would not count on any procurement in this area in the future."

IT warfare

War no longer requires tanks and missiles. It can be launched through IT systems and disinformation. Dorn said that there is some money earmarked for electronic warfare in the budget of the Polish Ministry of Defense, but it is an insignificant amount and he could not even remember under what entry the money is listed. He commented: "When you look at the relations between government, politicians and business in Poland, you will see that it is dominated by a relatively hermetic and specific network of businesspeople, who for many reasons do not want to talk about electronic warfare and would like to suppress any conversations about it."

Dorn also noted that the recent WikiLeaks scandal has not prompted any discussion about data security in the Ministry of Defense or among Polish MPs. He said that most communications between government departments and Polish diplomatic posts are made on paper.

Problem-solving

The biggest problem signaled by the American defense sector professionals at the meeting was the difficulty in consulting and interacting with the Polish Ministry of Defense. Although the ministry is the primary purchaser of U.S. defense equipment here, ministry staff do not want to talk to the American suppliers for fear of being accused of corruption. This gives the defense industry the impression that the ministry is more concerned with investigating corruption cases than with implementing best-practice guidance. This is a major obstacle for U.S. producers to provide the best equipment to meet the operational needs of the Polish military.

Dorn admitted that the fear of corruption is great, bordering on irrational, among Ministry of Defense officials, but it derives from real pathologies within their ranks. Dorn said that the best way to break this barrier would be through a joint effort of all defense manufacturers, both Polish and foreign, to petition the ministry to improve its communications with the industry, with a call for dialogue to help solve the problem. "I'm not sure how it will work," he said, "and I am sure it will take a long time to succeed. But such a concerted effort of all the industry players would be a good starting point." Dorn argued that if instead of one company, a wide variety of different players in the defense sector came forth with the same proposition, it would make a difference for the Ministry of Defense and prompt it to present the issue as the ministry sees it. "This, in turn, would naturally lead to efforts aimed at solving the problem."

Reforms necessary

Dorn said that every ministry in the Polish government has a tendency to act irrationally. In the case of the Ministry of Defense, he said, this may change only when civilian control over the military is reinforced, especially when it comes to financial oversight. He said that the ideal model would be that developed in Germany, where the finances of the armed forces are supervised by the federal parliament, and every expenditure of over EUR 25 million has to be approved at a closed session of the Defense Committee of the Bundestag. "In Poland, the National Defense Committee in Parliament does not have such powers," Dorn complained. "Until that is changed, nothing will improve the rationality of military procurement decision-making."

A classic American tale

American Investor's Tom Ćwiok talks with AmCham Chairman Joseph Wancer about his early life, his culture shock on arrival in the United States, the milestones of his professional career, and the wisdom he has gained from it all.

You were born in the Komi Republic, a part of the Soviet Union then, in a gulag. Please tell us something about your family and your early years.
My parents were from Warsaw. My family lived in Poland for generations. When World War II broke out and Warsaw was occupied by the Germans, my parents fled east towards the Soviet Union. Around the city of Białystok, they were arrested, together with hundreds of other families from Poland, by the NKVD, and as "undesirables" they were sent to labor camps in Komi. I was born in one such camp, Zaton Krasny Vodnik.

The family survived the horrible conditions and, at last, returned to Poland in 1946. The repatriates from Soviet gulags were, as a rule, resettled in Poland in Lower Silesia, in areas that had been inhabited mainly by the German population. Our destination was Bielawa, even though my parents were from Warsaw. We managed to come back to Warsaw in 1952, where I went to school and High School No. 14, then named Gottwald, today named Staszic.

In 1961, at 19, I formally emigrated to the U.S. Alone.

American relatives on my mother's side of the family helped me in my early days in New York. Two years later I brought my parents to New York.

What were your first impressions of the U.S.?
This was the very first trip in my life outside of Poland, and I found New York City full of contradictions, amazing and scary. A jungle. But you have to remember that in the 1950s we in Poland were completely brainwashed by anti-American propaganda. Whatever you read about the U.S. was negative, except for the western movies. When I left Poland I was so naïve that the thought of it even today still hurts, realizing how a young human mind can be manipulated. I had been convinced that the Black people were still physically persecuted everywhere in the U.S., and that workers who had been on strike were routinely kicked out of their apartments as punishment, and thus had to live with their families under the bridges without means to support themselves.

So, the arrival in New York was full of excitement, fear and hope. Tears were in the eyes of all immigrants on that boat, the *Flandre*. When the Statue of Liberty came into sight it whispered to me: "This is it! You are now in America!" After that even the physical and immigration inspection was not as fearsome as I had anticipated.

The first shock was delivered to me when I was still being processed at the pier. I suddenly saw Black people in the uniforms of the immigration service. How was that possible? How could they, themselves persecuted under American law, decide on whom to accept into the States? It was simply irrational, I thought.

The second shock came when I noticed that they were armed. Within seconds Spartacus came to my mind. Why were the Blacks not in revolt, fighting for their freedom, led by Paul Robeson and his music?

The third shock took place when I was already working, but shortly after my arrival in the U.S. New York electricians went on strike. It was a big strike. In my mind I immediately formed a scenario in which the strikers and their families were roughly evicted from their homes and apartments and left without any pay or food. Where could they go? Yes, of course, to live under the bridges.... With anger and high emotion I went, therefore, to see what was going on under the Brooklyn Bridge, the Manhattan Bridge and other bridges in New York City, looking for desperate fathers, mothers and their children. But I did not see any. My relatives and friends laughed at me when I told them the reason why I was walking along the river. I was confused and then angry. Why was the world so different from what I had been taught? So, the first two years in America were the years of rediscovering the world.

At the age of 19 and 20?
Yes, and that is why that period of my life was full of mental bruises. Not only that I could not communicate properly with Americans, because my English was nonexistent upon arrival, but I also lacked the fundamental knowledge of how the American society functioned. Any American teenager was better prepared for life than I was. This was devastating to me. I was for instance shocked that people did not steal fruit, clothing or shoes displayed unattended in front of the stores on the pavement. In Poland it was simply unimaginable! While in school in Poland, I remember a teacher tried hard to explain to us that under communism people know that they should take into their possession only as much as needed for their daily use and leave the rest to others. We all loudly agreed with this philosophy. Then, to test our understanding and commitment, the teacher left dozens of pencils on a table and left the room after having urged us to take pencils only if we had none, like good communists would do. A few minutes later he returned and was disappointed to see that all the pencils were gone, although there were only about 20 pupils in the class and many of them had had pencils before the exercise.

I was also somewhat intimidated to observe how young Americans easily made decisions. Moreover, it was shocking to me to note how independent they were at their age, how smoothly they conveyed their opinion to their elders, although quite often in a poor manner, which I took as signs of clear disrespect.

As an immigrant, in order to be admitted to college, one had to take a number of qualifying courses in English and in American history. So I attended them. There was a student there from South America, who strongly questioned the teacher's position on the lack of American imperialism in the 18th and 19th centuries. I froze. How was it possible that a student tells the teacher and the class that he is wrong, that he lies! Similar episodes in fact took place in my high school in Warsaw, and they always ended up with a loud shriek from the teacher, expulsion of the "undisciplined" pupils from the class, a harsh meeting between the school authorities and the parents within days and, often, dismissal from the school.

But in New York, the teacher asked the student whether he was sure of his opinion. He asked if the class agreed with the student. Most students supported the teacher. He then suggested that a debate should take place. I could not believe it. What happens to the teacher's authority? Was he really wrong? How was it possible that the whole American education system could be challenged by José, an immigrant? Will he even be allowed to stay in the States?

The debate took place in a very formalized manner. The student represented himself in the debate, while the rest of the class elected their representative. Each party to the debate had the same amount of time to argue their points and had to stick to the rules. The teacher acted as an arbiter. At the end, the class voted the winner of the debate. The student lost. But he was never criticized for losing the debate. He finished the class with a very high grade. Later on, I spoke with the teacher about the whole situation. He was surprised that I had challenged José's right and will to express his belief. He also could not understand why I associated José's difference of opinion with the teacher's loss of authority. It was a question of being free to think as an individual, he explained to me. My whole concept of personal authority was in ruins. I doubted whether I could ever be as strong an individual as José.

How did you earn your living then?
Within 10 days after arrival, I went to work in a factory to practice to become a tool-and-die maker. For months my main job was to sweep the floor and learn to stay on my feet for 9 hours with a 30-minute break. What a horror! At night I went to school to learn English. And then, after being in the country for two years, I was drafted into the U.S. Army, since I was single and a part-time student only.

How was it to serve in the U.S. Army? Any experience there that was important later in your life?
At first, I was unhappy about it. The thought of "losing" two years of my life was bitter. I had never, never believed that I would ever wind up in the Army. Any army for that matter!

But it turned out to be quite alright. I met the whole spectrum of Americans from all over the country. How much they differed from New Yorkers!

We were sent to Germany. I took my time in the Army to attend some courses that prepared me for college. After 18 months I was back in New York, quit my factory job, got married and found a job at Citibank.

The experience in the Army helped me along in life, because we learned one thing there: regardless of your rank, if your commanding officer is killed, you have to be prepared to take over leadership of the unit—even as a private. That was something new to me. I had never encountered such an attitude before.

How did you find your first job in the banking sector?
I was back from the Army, working in the same factory, but I already knew that the factory work was not for me. I knew that I wanted something that would give me long-term prospects. I picked up a copy of *The New York Times* and went over the classified ads. Citibank advertised a clerical position in the foreign department, and I applied for it. I knew nothing about banking then. In fact, I always wanted to be a medical doctor.

Your education was not strictly economics. You earned two master's degrees, one in international management and the other in human relations, both at Webster University in Vienna…
But first I earned my bachelor's degree in economics from the City College of New York. I worked daytime and studied at night. But when the bank opened a special night department, they offered me the manager's position, so I could continue my daytime studies. Years later, when I lived and worked in Vienna, I earned the two master's degrees from Webster University.

Do you remember your first day at Citibank?
Yes. My first day on the job at Citibank was at 111 Wall Street, New York. It was the International Division—complaints and correspondence with corresponding banks of

Citibank. I remember the American-style huge open space, some 2,000 plus square meters. I was called by one of the assistant vice presidents, who showed me my desk and introduced me to other colleagues. He told me I was on a probation period. "You make it, that is fine," he told me. "You don't make it, you will be fired." He also told me what the bank's expectations were and that no overtime would be paid unless the bank asked me to do overtime. I felt a little bit lost and part of a huge machinery. I never saw in my life so many people working next to each other!

How did you find relations with people at work?

People were very open about what needed to be done. I realized very quickly that unless I improved fast and become a provider of services of good quality, I would be released at once. It was intimidating to see so many competitors around me for better positions. So I had to learn a lot, especially the English banking vocabulary, which was completely new to me. Eventually, I realized that the way to progress in the job and become more efficient was to review cases that had already been completed. I was looking for the *modus operandi*. Most of my colleagues were helping me with this approach—an example of teamwork, and at that time I did not yet realize how important this concept was going to be in my career. In order to master the process, I had to stay after hours and study the completed cases.

How did the assistant vice president react to your staying at work long hours when you were actually not supposed to do that?

Well, he saw me one day in the office at late hours and became angry about it. "Overtime?" he asked. "Did I ask you to stay overtime?" He was surprised to learn I stayed longer for no additional pay, but when he learned why he said it was interesting and told me to go ahead, adding: "But no additional pay."

So you made it. You stayed after the probation period…

I did. But the real surprise came a year later when I became Section Head. It was my first promotion at Citibank. I was surprised because there were many people who had worked there longer than I had.

Did you think at that time that you would remain with Citibank for a long time?

No. I never really thought about my future. I worked, I liked it, and just continued.

But a few years later, in 1968, another shock came my way. I was told that when the position of the department managing director was vacant I would get it in recognition of my performance. I was very happy, and it was an important factor boosting my motivation. When the position indeed became available, my manager congratulated me for being promoted. A few days later he told me that due to an administrative error this position had, in fact, already been promised to another person. Consequently, I had to patiently wait for my promotion at a later time. To compensate me for the disappointment, they would give me a special salary increase. I said "no" and refused to accept this proposition. I suddenly felt that the bond I had had with the bank crashed. That I was dealt with like a pawn. That the corporate culture should not tolerate this kind of communication mistake, because human beings were involved and we, the employees, were not transactions.

My manager could not believe what I said. I think the organization must have been shocked about my strong feelings in regard to openness and trust in the bank. They came back to me and again offered me the position of department manager. It was the first time in my life when I was confronted with the issue of the relationship between the corporate and the individual.

What other milestones of your professional life at Citibank stick out in your memory?

Once I went to the HR office and asked what criteria I needed to meet to work abroad. I wanted to be an expat and work with people of different cultures. "Get your college degree first," the HR people told me.

Some years later, when I finished my last final exam, I quickly ran to the HR office to follow up on the conversation I had with them to be posted abroad. Now I was formally fit for it. Two weeks later they called me and told me they had indeed found records of this conversation. I was impressed and very proud to work for such a "human" organization. In my mind no other corporation could beat the corporate culture of Citibank.

So they put me through a series of interviews and I passed them. Since my preference was Asia, they put me through special functions in New York as financial controller for Asian countries, so I could become a part of their international staff and go to work for Citibank in Japan. After Japan, I had international assignments in Austria, the U.K. and France.

But a truly huge milestone of my professional life— in fact, the most important event in my professional career—came when I was taking the on-the-job training in New York getting ready for the assignment in Japan. My boss was a woman, an assistant vice president, who was a top-level women's liberation movement activist promoting women's careers in business. She had a very strong character and personality, trying to prove to be "better" than any man, at work, in drinking, in smoking, and in cursing.

One day she called me into her office and asked me what I wanted to do with my life. I said something and she literally threw me out of her office. Two weeks later she called me in and asked the same question. Apparently my answer did not meet her expectation, so I was again thrown out of her office. The third time she called me into her office and asked the same question, my response was that one day I wanted to take her position. She said: "Now you're talking!" She spent an hour talking with me, asking me questions, taking in my answers and forcing me to reach some conclusions of my own. She did not tell me what I should be doing. I suddenly realized that I was the driver of my life and therefore it was my duty to choose the career road I thought the best for me. It was a revelation! Till then, I believed that the corporation would always think of my promotions and job satisfaction, as long as I was their "good soldier." The conversation with Gail helped me realize that from then on I would be in charge of my professional life. That meant that I needed to plan my career, think about criteria I had to meet and the challenges I should overcome. My resolution was to move "upwards" every two or three years. I still live by that principle.

How did this realization influence the thinking about your future career?

I had to think where I wanted to be in the future, and in order to be there I knew I had to find what I needed to learn to get ready for that. Since then, I have been applying that technique continuously. It proved itself in every place I worked. And when I was a manager later, I was always telling my employees, for instance the 10,000 people at Bank BPH, that they should not put their future in the hands of Joseph Wancer but plan it themselves.

How do you approach people that you work with? What are the personal features that you value?

There are managers who are the gorilla type. They are very pushy, very autocratic and quite often arrogant. They are very determined and ego-driven about their positions.

Then there are people who are very analytical. They hide themselves in a corner. They like peace and quiet. They see the world through their analysis. They understand and contribute to it, but they do not want to have too much emotional experience with people. They want to help, but they want to work alone.

There are also managers who have a great deal of compassion—those with visible emotional intelligence.

None of those groups is wrong or right. You just belong to one of them, because of your personality. But you interview differently depending on what situation your company is in. When it is in crisis you often need the gorilla type of managers, because your company is in trouble and has no time to lose. Surviving is the goal. But next to "gorillas" you should have managers with strong emotional intelligence—because in this crisis some very drastic decisions are made and you must not forget that people are the most important asset in any corporation. You are dealing with human beings, and you must not treat people as if they were objects.

The analytical manager is always needed to equip the other type of managers with data, statistics, trends and analysis of consequences for various decisions.

So when I hire managers I look in regard to what I need to do in the next three to five years in business.

But the best thing to look for in people you hire is their past experience. It matters more what the person has actually done than what he or she thinks they can do. Tangible proof of achievement is a must. Titles themselves are nothing more than just titles. Without the stories of success and failure they are empty and useless.

It is also always important to me that I deal with a person who above all is not ego-driven to the point of obsession. I want a person who thinks about his or her career in a good, realistic manner. We need team players. No individual is worth a corporation. So it is very important how the candidates deal with their emotions. I do not approve of unprofessional value judgments about people. Words have meaning, and one needs to be aware of it when presenting a personal opinion.

In summary, I prefer to hire people who believe in reaching goals through freedom of action for others. This requires a great deal of compassion.

What made you return to Poland?

From the very beginning I tried to assimilate and become a regular U.S. citizen. At the same time, I was always very interested in what was happening in Poland. I always followed developments in Poland reported by the media in the U.S. I was also in touch with some of my closest friends in Poland.

Professionally, as an executive at Citibank I had direct contact with Polish banks and government officials. The political developments of 1989, which were of historical magnitude as we realized later, brought nostalgic feelings for Poland. Additionally, many of the Polish bankers and businesspeople were telling me that I should return to Poland to boost the transformation process, especially in the banking sector.

Their arguments made me think very seriously about my possible contribution that I could offer to Poland in such a critical time for the country's economic development. I strongly believed that my professional experience, education and knowledge of the Polish culture would be of benefit to the emerging generation of champions of change. Thinking of it all, I asked myself two questions: "If not me then who?" and "If not now then when?" just as Ronald Reagan did in his second presidential campaign.

But going to Poland meant leaving Citibank after almost 25 years and as a vice president. The risks were high. Being 49 years of age did not make things easier—just the opposite. But I realized that if I rejected this notion I would feel guilty about it for the rest of my life. I simply had to overcome my fears. I was confident about my value as a professional. I was very optimistic about the future of the Polish transformation because, from a historical perspective, it could not have failed. So I made up my mind about leaving the bank. In recognition of my experience and professional value, Citibank asked me to become their consultant and set up their office in Warsaw, which I did.

Did you feel at any moment when back in Poland that you might not make it?

The first months, after 30 years of absence from Poland, were, of course, difficult because of uncertainty. The existing banking system differed substantially from all Western standards. The customers' knowledge about banking products was practically non-existent. The importance of credit risk analysis was missing in banks. Customer service quality was extremely low. But the eagerness to move ahead in the transformation process was fabulous!

The real challenge for me was to find a way to implement the changes without destroying the morale of the workers who, in the past, had never been exposed to modern banking. Working with people was not always easy and required determination and commitment, but I knew I would succeed because I was determined to succeed.

You decided to semi-retire in 2009, but it seems that you do not have too much time on your hands. You are AmCham Chairman and a strategic advisor to the management board of Deloitte, but also a member of the Business Centre Club's General Council, and the Warsaw-Józefów Rotary Club, a member of the supervisory board of the insurance company PTU, a board member of the Auschwitz-Birkenau Foundation, where you also serve as the chairman of the Finance Committee, and an associate professor of management at the Warsaw University of Technology. What motivates you to be engaged in so many activities?

Semi-retirement means that after 49 years of work, at 68, I decided to have more time for myself and my family. It is also the right time to share my professional experience with business and social communities. So, for me it is about giving back to the society the best I have accumulated in my professional career… in fact, in my whole life!

Poland is not an island

AmCham panelists predict that the growth of Poland's economy in 2011 will be most impacted by nearby Germany and far-off China

In the AmCham tradition, the first Monthly Breakfast Meeting each New Year is devoted to a review of the global economy and its impact on Poland. This year three distinguished economists, Mark Allen, Jakub Borowski and Ryszard Petru, shared their views at the AmCham Monthly Meeting in January. The discussion was moderated by AmCham Chairman Joseph Wancer.

Growth made in China

China is now one of the few countries stimulating global economic growth, which other countries, especially those in economic dire straits, should be grateful to China for, according to Mark Allen of the IMF. "The Chinese economy is growing strongly," he said, "and we expect this growth to continue for the next few years. Other Asian economies are powering ahead with the growth ratio of about 7–8% of gross domestic product for the year ahead, which is pulling the world economy along in a way that is very beneficial for the rest of the world."

Allen noted that the economic growth of other countries looks much less firm: "In the U.S. we are seeing growth now at 3% of GDP in 2010 and about 2.5% of GDP for the next couple of years. The whole process is moving from public stimulus through the fiscal system and the support from the Fed through quantitative easing. We have seen a gradual handover to private sector activity, but the process is somewhat hesitant."

Economic growth in China does not come without consequences for the rest of the world, however. The first is the influx of capital to China and other emerging markets. Allen said that the money that was flowing into emerging economies before the crisis is still flowing there after the crisis. Less of it, however, is coming to the emerging markets in Europe than to the emerging markets in Asia and Latin America.

The second problem is that global imbalances, which had been growing through the period leading up to the crisis, seem to be resuming. "The Chinese surplus shows little sign of abating," Allen said. "The fixed exchange policy of China complicates economic management for China and a lot of other countries who find it difficult to accept the appreciation of their exchange rates if the Chinese exchange rate is not appreciating itself."

But according to another panelist, Jakub Borowski from Invest-Bank, the Chinese economy shows signs of overheating. One of the best indicators is the inflation rate, which rose to 5% instead of the 3% which is arguably the inflationary target for Chinese authorities. "There are also rising wage pressures and new stocks of international currency reserves generated by the Chinese central bank," Borowski said. "There are many signs which show that the Chinese economy is overheated, and the authorities have to do something about it."

Borowski noted that as a matter of fact the Chinese authorities have already tightened their monetary policy: "I expect some slowdown in the economic growth in China. It is true that the Chinese economy will certainly grow at the level of 7–8% in annual terms, but it will be slower than before."

A lot will depend on how the Chinese authorities handle the economic slowdown. Borowski expects a tightening of monetary policy by rising interest rates. "However, I would not expect that the Chinese authorities will let the yuan appreciate against the dollar and the euro," Borowski said. "They are more likely to let the yuan appreciate in value when the economy is in good shape, rather than when it is in a downturn. Supporting growth through boosting exports will be continued by China, and that means further accumulation of foreign currency reserves."

If this scenario materializes, the question of the rising economic strength of China will be fundamental: What will the Chinese do with their accumulated wealth? For Borowski, if this happens China will have more and more money to finance various projects, which in turn may have a substantial impact on the country's political standing.

Debt-ridden Eurozone

The problems of the Chinese economy are nothing compared to those faced by countries affected by the financial crisis, because of the high degree of borrowing that occurred in the world economy. According to Allen, not much progress has taken place in deleveraging the debt. Instead, a cash vacuum has hit national governments, which increased the leverage of their sovereign debt, causing concerns about sovereign debt sustainability. "That is particularly the case in the periphery of the Eurozone, where the markets have lost confidence in the ability of the Greeks to service their debts or the Irish to service the debts that resulted from the Irish guarantee of the excesses of their banking system," Allen said.

No one knows now how this problem is going to be solved. What is known is that there are a number of sovereign countries where the debt is simply too high, and the liabilities that they have incurred, in some cases over a long time and in other cases as a result of the crisis, are too high. "There is a feedback mechanism between the sovereigns which were in some distress and the banking system," Allen explained. "A lot of the European banks, not just the banks in those countries which are most severely affected, but throughout the core Eurozone and other countries in Europe like the U.K., are heavily invested in sovereign paper of the Eurozone countries, and so there are some doubts at the moment about the solvency of the banks. We hope that new stress tests that will soon be announced will be more effective than the previous ones, restoring confidence in outlining what the problem is in the banking system, and that the public policy response from governments will be sufficient to insure that these banks are considered sound going ahead."

Allen also noted that the present economic decision-making structures in the Eurozone only help veil the crisis. "It is clear that the Eurozone countries need to operate in a much more coordinated fashion in dealing with these problems," he said. "And yet all the politics is local, and it is proving to be very difficult to generate the form of consensus that is needed to move ahead. However, necessity is the mother of invention, and let us hope that the response system will be effective in the next few months ahead. Certainly a lot of intellectual firepower is going into the issue."

Independent economist Ryszard Petru observed that in early 2011, some crucial issues about the future of the Eurozone are still unsolved. "2010 ended almost with a crash," Petru said. "There is a very fragile situation in Portugal, but it is a small country and financial assistance can be rendered to the country relatively easily. When it comes to Spain, however, we may be in big trouble. So far the leaders of the E.U. countries were coming up with some decisions that were not solving the problem but postponing its escalation. One of the proposals was to issue Eurobonds."

According to Petru, the cost of restructuring Greek, Portuguese and Spanish debt will be covered by British, French and German banks. Those banks, however, are not in very good shape. Some are already owned by the government. "Since a lot of those bonds are owned by German banks, the German government will have to foot the bill eventually," Petru said. "This is why some of the E.U. member states' governments try to postpone making a definitive decision about solving the crisis. But the sooner they come up with the right decision the better, because you cannot postpone paying for the crisis forever."

With respect to the Eurozone, Jakub Borowski expects new turmoil in the financial markets over the next months. "The borrowing needs of the peripheral Eurozone countries will peak in March," he said, "so for at least a few months the issue will be

> "I expect some slowdown in the economic growth in China. The Chinese economy will certainly grow at the level of 7–8% in annual terms, but it will be slower than before."
>
> **JAKUB BOROWSKI**

quite tense across the Eurozone area."

Borowski also expects heated debate to take place between governments of the Eurozone countries. While some of them will propose to solve the problem of insolvency by issuing more government-backed bonds, others will opt for increasing the Eurozone financial stability fund. In addition, China may try to buy some sovereign debt, and if that happens it will add a new dimension to the problem of the insolvency of some Eurozone countries.

But while a political solution to this problem seems to be difficult to reach at present, the European Central Bank will be doing its job of buying bonds, partially driven by "the Chinese appetite for bonds," as Borowski put it.

In his view, the involvement of the European Central Bank in the market is critical in making economic recovery happen in the Eurozone. "The bank will continue buying large packages of sovereign bonds to help the countries that issued the bonds maintain their reputation in the marketplace," he said.

But there is no compelling reason to assume that this solution will be effective in the future. There are ideas of applying fiscal sanctions to the countries that are not acting in a responsible way with their debt, but this approach is contested by countries like France, which maintains that the European Commission will not be able to impose such sanctions on any country because the majority of countries with representatives in the commission will reject it. "The threat is that even if such a new regime is put together it will not be effective," Borowski said.

According to Allen, in the case of countries in which markets have lost complete confidence—Greece and Ireland—they have to come to the IMF and other institutions in Europe for money. A large support package is being put in place for them so they do not have to tap the financial markets for a couple of years. "The idea is that during the next two years the adjustment programs will bite," Allen said, "and the markets will regain confidence, and finally that the countries will tap the markets again in two or three years down the road. This strategy will be applied to Portugal and Spain."

There are a couple of problems with this, however. The question is whether market confidence will be restored and whether the governments will have enough income to service the new debt. "So long as the market is not sure that they do, the market confidence is not going to be restored," Allen said.

The markets are also concerned that there will be some form of debt restructuring, which, if it happens, may make it profitable for new lenders to lend to those countries. There is the danger, however, that the crisis may drag on, and in a couple of years these countries may again find themselves in need of more money for further economic adjustment.

No competitive edge

The problem of the indebtedness of Greece, Spain, Portugal and Ireland is just one side of the coin. The other is that those countries are very uncompetitive in the global marketplace and therefore are not able to generate enough taxable income to pay back their debt. "The measure of how uncompetitive Greece is today is the fact that Poland exports tomatoes to Greece because tomatoes from Poland are much cheaper than those grown in Greece," Petru said. "All that despite the fact that Greece has a much better climate for growing tomatoes. However, the costs of labor and transportation are much lower in Poland. So with such an uncompetitive labor market as there is in Greece today, it is clear that without reforms the country will not have enough taxable income to shoulder paying its debt."

Borowski agreed that Greece needs lower wages. "It may be achieved in time," he said, "when the unemployment rate goes up, but it may take years before the Greek economy achieves a new equilibrium."

Petru noted that it is unlikely that Greece will have the reforms it needs in due time, because there is no discussion about the need to restructure the economies of the debt-ridden Eurozone states. "Therefore it may happen that a few wrong decisions are made by several countries," Petru explained, "and through a domino effect the Eurozone will be broken, with some countries going back to their national currencies."

Who wants out of the Eurozone?

Allen agreed that while what is happening with the Eurozone is causing some serious headaches for European politicians, no country has an advantage in leaving the Eurozone at this point. "It is not really a crisis of the currency, but a crisis of individual sovereigns and their economic policies as put together in the Eurozone," Allen said.

He noted that it is also not possible for those countries to be pushed out of the zone. "If they are, their governments will find themselves unable to meet their obligations and will have to start issuing promissory notes and other forms of currency for domestic purposes. We do not see any sign of that at the moment."

Petru agreed that it is hard to find any country that would benefit from going back to its own currency now. "For Portugal or Greece, it would mean instant bankruptcy," he said. "For Germany it would mean instant appreciation of the deutschmark, and nobody would want to buy German products."

Poland tied to Germany

Even with a mounting deficit in Poland's public finances, the country seems to be on a relatively safe growth course. The consensus among the AmCham panelists was that this year Poland should generate a healthy 3.5–4.0% GDP growth.

Borowski observed that there were three factors contributing to the relatively good performance of the Polish economy over the last two years. The absorption of E.U. funds was one, and Poland did quite a good job at that. The substantial depreciation of the zloty, particularly at the beginning of the crisis, also had a positive impact on the economy. Eventually, there was some substantial fiscal stimulus, particularly in 2009. But Borowski said that two of those factors are no longer at work. "The zloty exchange rate appreciated, and Poland now has to consolidate its fiscal position," he said. "Also, no more fiscal stimulus is going to be there. Practically speaking, only the E.U. funds still work for Poland as an extra factor contributing to the country's economic growth by roughly 1 percentage point to the growth rate."

Poland's strong trade with Germany will help, according to Borowski. "Germany is going to grow at around 2% of GDP in 2011," he said. "It is also worth noting that according to IMF research, Germany is receiving the greatest fiscal stimulus over 2010–2011 among the G7 countries."

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>
> **MARK ALLEN**

Borowski also predicts improvement in the labor market. "The question is about the impact of the labor markets which will be opened to Polish workers by Germany and Austria in May 2011," he said. "I think it will significantly contribute to lowering the unemployment rate in Poland, so we probably will see some more wage pressures in the second half of 2011."

Borowski said that relatively robust growth of Poland's GDP this year may lead to either of two scenarios. The one that is good for Poland, and is more likely to happen, is that relatively good GDP growth will help the country gradually improve its fiscal position, appreciating the exchange rate for the zloty, with some help from the monetary policy, and then will stabilize the ratio of debt to GDP. One of the most important factors that may contribute to achieving this scenario is the relatively good situation of Polish exporters and a favorable exchange rate. "The zloty is so low that even exporters say it may rise against the euro by 10%," Borowski said.

The negative scenario will take place when the feedback cycle does not occur. The economy then would slow down, particularly in the second half of 2011, being further hurt by the problems of the Eurozone. This may result in some fiscal tensions in late 2011. "But given the situation in the Polish economy, and if the German economy continues to develop in the right direction, this scenario is only theoretically possible," Borowski said.

Mark Allen observed that the Eurozone crisis may spread to Poland nonetheless, through a number of channels. "One is that we see a general problem on the sovereign debt market," Allen said, "and it becomes difficult for countries, including Poland, to finance their late debts." A second possibility is that the financial crisis in Western European banks would have a spillover effect on the willingness of financial institutions here in Poland to lend. Another risk is that there would be serious interruption to growth in the Eurozone, and that would have quite an impact on Poland.

Allen noted that the Polish government is fully aware of that risk, and it has increased the line of credit it has with the IMF. In 2009 the government agreed with the IMF on a flexible credit line of USD 20 billion to back up the Polish economy should there be a financial need. Recently the government has requested an increase to about USD 30 billion. "It has not been formally approved yet by the IMF board, but it will be considered in the immediate future," Allen said. "So in addition to the Polish central bank reserves, the government has extra support from the international community. Poland is still among those countries in Europe that are best placed to deal with the storms ahead."

> "Poland's economy is very dependent on German exports, especially recently. The better German economy is better for the Polish economy."
>
> **RYSZARD PETRU**

Ryszard Petru is convinced that Poland will generate healthy GDP growth of 4% in 2011. Inflation will probably rise, however, and the employment rate go down. For Petru the key question is investments: "In recent years corporations generated record-high profits. Banks are again ready to provide credit lines to corporations. The main reason why corporations are not investing now is simply the risk of the future. If you are supposed to invest a few hundred million dollars and you have no clue what is going to happen to the euro, you simply wait and see."

Petru noted that the main factor that is going to push companies to make their final decision this year is capacity utilization—the ability to turn investment into profits. Before the crisis, capacity utilization was at about 80%. During the crisis it fell to 70%. "Now we are getting back to the 80% level of capacity utilization in Poland," Petru said. "The main reason for the rise is exports. Germany has been exporting more recently, but Poland is selling parts to German exporters who then process them into goods and export them to China. Poland's economy is very much dependent on German exports, especially recently. The better German economy is better for the Polish economy."

Tomasz Ćwiok

Meet the speakers

MARK ALLEN is the former director of the Policy Development and Review Department at the International Monetary Fund (2003–2008). His earlier assignments included Senior IMF Resident Representative in Poland (1990–1993) and in Hungary (1996–1998). He is currently Senior Resident Representative, and since June 2009 heads the IMF's Regional Office for Central and Eastern Europe. He was educated at Cambridge and Yale and at what is now known as the University of National and World Economy, in Sofia.

JAKUB BOROWSKI is the chief economist of Invest-Bank SA. He graduated from the Faculty of Banking and Finance at the Warsaw School of Economics. He received a DAAD scholarship at Humboldt University in Berlin and conducted research at the National Bank of Austria, the German Institute for Economic Research, and the German Federal Ministry of Finance. In 2002–2007 he headed the Monetary Policy Division at the National Bank of Poland. In 2003–2004 he led the team of economists who prepared the NBP's *Report on the Costs and Benefits of Poland's Adoption of the Euro*. In 2009–2010 he headed a team of academics who prepared a study on the impact that hosting the Euro 2012 European Football Championship will have on the economy of Poland.

RYSZARD PETRU is an independent economist. Previously chief economist of BRE Bank and chief economist of Bank BPH, Petru was responsible for macroeconomic analysis and research on monetary policy and economic development. Prior to BPH, Petru worked as a country economist for Poland and Hungary at the World Bank, where he also dealt with macroeconomic issues. He has advised Central & Eastern European countries on pension reform and public finance. In 1997–2000 he advised Deputy Prime Minister and Minister of Finance Leszek Balcerowicz. He co-authored the reform of Poland's social security system. Petru is a graduate of the Warsaw School of Economics.

Looking for new ways to boost people power

Can Poland use its HR potential to draw even with the top E.U. economies?

If Poland is to catch up to the level of economic development of the "old" European Union countries, it must grow its per capita gross domestic product at a much faster rate than such E.U. giants as France, Germany, Italy and the U.K. According to experts, if Poland grows its GDP at a double-digit rate each year, while the Western countries grow only at a single-digit rate, it will take Poland 10 to 20 years to catch up in terms of per capita GDP.

But how can that possibly happen? If Polish companies use the same technologies available to their Western counterparts, the same management techniques and the same corporate organizational structures, they can be only as efficient as any other companies in the West. How can they develop faster? Where is the room for improvement?

Some of those questions were answered at a conference organized by HP consultancy Hay Group in January, which featured Prof. Witold Orłowski of PwC, Małgorzata Rusewicz, director of social dialogue and employee relations at the Confederation of Polish Employers Lewiatan, Stephan Frettloehr, Senior Management Consultant responsible for the Building Effective Organizations practice at Hay Group Poland, Mik Kuczkiewicz, managing director of Hay Group Poland, and Israel Berman, Hay Group Managing Director for Europe.

According to Prof. Orłowski, the area in which Polish companies have great potential to boost their effectiveness is human resources. Orłowski argues that since the start of the economic transformation in 1989, Poland could have closed the gap in economic development with Germany had Polish companies known how to deploy the full potential of their people. "Ten years ago almost all Polish HR managers would refer to their employees as simply 'workforce,'" as Orłowski put it. "When you did not need them you simply fired them. When you needed them you would rehire and they would come back. That was what happened in the crisis years of 2001–2002."

According to Orłowski, that was a totally wrong HR strategy. Employees were not attached to their companies, and their hearts and minds were not with them. As a result, their work efficiency was mediocre at best.

But corporations learned the hard way. When the economy improved they realized they needed their best people back onboard. In many cases, however, it was too late to get them back. In 2010, when economic growth in Poland slowed, Polish companies were not as trigger-happy as they were eight years before. "They realized that they must keep their best people even if it meant an effort for the company," Orłowski said. "Fire and rehire did not work."

Human climate at work

Małgorzata Rusewicz, confirms the shift in how employees have been perceived by management, from mere tools for executing the company's strategy to human beings whose dedication and intelligence contribute vastly to the creation of the company's value. "Big companies are changing the way they look at their employees," Rusewicz said. "In the past, HR managers were referring to their people as 'workforce,' but now they talk about 'human capital.' This stems from the change in the Polish labor market, as fewer people are available."

Rusewicz said that a survey in 1997 showed how critically poor human relations were between employees and managers. "One of the drivers that prompted workers in Poland to change their job, other than salary, was working conditions—the climate at the workplace," Rusewicz said. More than 40% of the sample said they were not happy with the quality of internal communications, the way in which the company was communicating important internal changes to them, or the quality of direct communication between managers and employees. This discontent was the second top reason, next to salary, that they would want to find another job. In other words, it was only money that kept them with their companies.

A similar survey in late 2009 revealed that salary was still the main driver for changing jobs, but working conditions had fallen to fifth place among drivers of attrition. Fewer than 28% of the sample said working conditions were the main reason to change jobs. A bias in this survey, Rusewicz said, was the economic crisis of 2008–2009: "Employees were more attached to their jobs then. But at the same time, 12% of the sample said that the working conditions were much better than they had been before. Better internal communication had been introduced. New opportunities for employee development within the company were also available."

Don't worry, be happy

A good atmosphere at the workplace translates into higher business efficiency of the entire company, said Mik Kuczkiewicz, managing director of Hay Group Poland, the management consultancy. And it is the job of business leaders—top managers at the company—to create a good atmosphere. "Personal behavioral patterns and individual characteristics of each manager are very important when it comes to creating the right atmosphere," Kuczkiewicz said. "But when it comes to measuring performance, some companies think that leadership is for business gurus and consultants but does not deliver when it comes to boosting the performance of the workforce. For this they tend to rely on IT programs, back office support and others."

They are wrong. According to a Hay Group study, up to 30% of the difference in the bottom line is related to how good a company's leadership is. "This 30% of potential is based on the leadership style and management style of each manager," Kuczkiewicz said.

The palette of different styles of management that boost staff effectiveness is rich. Few managers may master all of the styles, but according to a Hay Group analysis of Polish leaders, out of the six basic leadership styles more than 50% of managers operate with just two. "Direct influence on people is predominant," Kuczkiewicz said. "And those are not necessarily the styles that create the best climate at the workplace."

According to Kuczkiewicz, the work climate a leader creates can be measured in terms of how it affects the company's business objectives. It is the manager's task to create an atmosphere in which people can work effectively—an approach known as "effective performance management." According to Kuczkiewicz: "We have to know how to identify major goals. It is not about selling or producing, but about making sure that people understand what we expect of them. Managers are held accountable for what they have delivered. Very often when we think about what has driven our performance, we realize that our involvement, personal commitment and attachment to the realization of people's internal motivations is important. Today we know that a lot of our people are employees who want to make sure that they can realize their broad ambitions, and unless we make sure that they are parallel with the ambitions and goals of the organization, this will not work. For such people we need to have a proposition which is interesting to them."

In addition, Kuczkiewicz noted that modern companies today tend to use a matrix structure, which offers dual or even triple responsibilities attached to one manager. "There are various layers of the organizational structure," he explained. "Unless you have the specific competencies and skills necessary to lead your teams, you will not succeed in making your teams deliver bottom-line results because you do not have executive power over them. This is where we have to make sure that all of our approaches to organization, processes, and people are intertwined with the strategy of the company."

HR potential

Almost everywhere in the world companies are organized around a similar matrix. They typically have the same departments, such as marketing or production. According to Stephan Frettloehr, this is what has happened in the last decades in business. "Organizational structures are all the same everywhere, and it is hard to find any big competitive advantage in them anymore. The same goes for processes," Frettloehr said.

With similar business processes in place, IT and automation come in to boost competitiveness. But, again, every company has them.

"The only big piece missing in this picture is what we call human performance," said Frettloehr. "That is where the true business potential—competitive edge—still lies. But this is badly managed, and in fact it is very difficult to manage—much more difficult than IT processes, for instance."

Frettloehr noted that human performance combines a series of different aspects. Human performance is when employees are properly aligned with corporate objectives. In this light corporations need to align what employees do with their strategies. But, as Frettloehr said, "Often what you do with your employees is not aligned with what the company strategy requires."

What matters here is the right attitude and the right tools. Companies need to engage their employees, win their hearts, and enable them to do what they are supposed to do by giving them the right environment in which they can correctly perform what they are supposed to perform.

But this also means that companies need to recognize the fact that all human beings are different, so they need to find the right people psychologically, with the right capabilities to fit the right jobs. In this respect, a common mistake that companies make is to promote the wrong people to the wrong positions.

People perform when teamed up in the right way and led effectively. This is about effective leadership, which is generating a climate in which employees can perform and will perform.

When it comes to rewards, Hay Group research shows that it is not always about money. "It is also about the climate and environment the people have in their workplace," said Frettloehr.

But the vision of the company is also crucial. "One company identified their vision as doubling their production in a certain period of time," Frettloehr said. "This is not really a visionary statement and can hardly attract people to work for that company."

When these aspects are properly put in place by management, the results can be overwhelming. A Hay Group study suggests that companies carefully following this approach perform significantly better than those that stick to the old ways of management.

Hay Group did a study on a chain of restaurants to examine how human performance can be impacted. There are many aspects at play, such as different demographics and different competitive pressures in different restaurants, but one finding of note was that the more comfortable staff were with their work, the better they performed. This aspect contributed to 30% of the overall performance of the companies investigated.

While human behavior may generate so much in terms of higher performance of the company, another study by Hay Group revealed an apparent disconnect between what managers actually do and how they understand their role in the company and its strategy. A study conducted in the U.K. revealed that 32% of managers do not understand the strategy their company is implementing, and 37% expect significant decisions for the company to be taken by echelons of management above them; 6% would actively resist the strategy or even sabotage it behind the scenes, while 44% would only cooperate with colleagues if they are absolutely forced to do so. With numbers like that, suffice it to say that the organizations' potential to deliver human performance is very limited.

Israel Berman says managers should look for inspiration to different cultures to optimize the human potential of their companies

Asian food for thought

Israel Berman said that in the past business leaders focused on strategy and endless analysis, trying to come up with a competitive edge for their companies. But more than 80% of what they came up with was not implemented. Today, business leaders devote most of their time to their executive personnel. They try to have all the strategies implemented and press their executives to do it. But that does not work either.

The first mistake they make is benchmarking. "We use benchmarks to measure the performance of a new company," Berman said. "We want it to deliver above some minimum benchmarks. But benchmarks are derived from what your competition does on average at best. Is this what you really need?"

What companies need is not a standalone HR agenda, but a business agenda which stipulates the company's strategy in a way that utilizes HR potential as well. According to Berman, the inspiration for this may not necessarily come from Western best practice books anymore. Berman argues that some practices implemented by companies from Asia offer food for thought. "We are working now with some big companies integrating several companies in the steel industry," Berman said. "The main company there is from India, and it buys other companies and waits for 5 years to build trust before it starts to integrate the new companies into its structure. They do not rush with integration because they want to give people time to get used to one another."

Berman noted that companies in Europe conduct integration quickly. They put newly acquired companies through different integration processes, excellence training and other exercises, and then they see the new companies deteriorate internally. Over time they grow weaker, eventually losing business and downscaling their operations. "They still maintain that they did all the right things as far as a successful integration is concerned," Berman said. "But perhaps they didn't."

Another example comes from China, a country where all business is linked to the government. This means, however, that the government person who is in charge of business in China is overseeing the development of some 35 million business leaders. According to Berman, who talked to this government official, the official is not worried about developing business strategy for those companies, nor does he think too much about the shareholders. He is busy doing succession planning for some 40,000 CEOs he supervises.

According to Berman, the world is changing, and today going by the book is not enough. "Many organizations do a lot of things to improve their performance," Berman said. "They say they did everything and yet it does not work. They buy another business and try to retain the best people in the business they buy. But they fail to adjust their culture to meet those people's expectations, and in time they lose all of the best people of the company they have bought. They simply do not talk to those people, but assume they will stay because they want jobs and careers. This does not work."

Berman says that the old assumptions about what motivates whom are an artifact of the past. In the case of some individuals, good communication between them and the company board is even more important than their salary. Berman backs his point with the case of a high-level executive who, after the company he worked for was bought by another company, got a substantial pay raise from the new board and then quit a few days later. "The reason he quit was that nobody from the new board talked to him about his role in the new company," Berman said. "They just assumed that a higher salary was all he would be happy with, and they were wrong."

For Berman, if Poland wants to catch up to the average per capita GDP in the E.U., assuming the E.U. grows at a long-term single-digit rate and Poland at a double-digit rate, Polish companies have to develop their own unique way of managing people and executing the entire business.

This may amount to a major shift in understanding what business is all about. Twenty years ago, when Poland started the transformation to the free-market economy, Polish companies adopted the classical Western approach that the company's interest is the key driving factor for the company's development. Later, however, this changed, and the interest of shareholders was viewed as the driving force. Then, some 10 years ago, the view came into vogue that it is the interest of "stakeholders" that is the most important. Overall, those have been big shifts in understanding where the value of the business lies. It goes without saying that this affected HR potential.

For Berman, theory can be too much of a good thing. "What is necessary is to get your organization aligned to what it does," Berman said. "Without this, nothing will happen. Becoming a business partner for managers is the best thing to have them realigned to the business."

Berman notes that looking at the way economic growth is approached, there are two countries on the extreme ends of attitude: Singapore and Israel. Singapore has probably the world's best-organized civil service, where public servants enjoy the world's highest salaries and there are no signs of corruption in the system. Everything about the Singapore administration is strict, well-defined, and tied to good execution. "The execution of the Singapore administration is number one in the world," Berman said. "If they decide they will do something, it happens."

On the other extreme is Israel, a country with many problems, many voices and what may look like a chaotic structure. But according to Berman, when you look at the creativity level of their people, Singapore cannot compare to Israel. Israel has championed innovation. "This is because it is OK to make mistakes in Israel," Berman explained. "In Singapore, you make a mistake and you are fired. In Israel it is just OK to fail. For every business success story in Israel there are 50 failures. But Israel is perfectly happy with that rate. It has the money to invest in all those start-ups."

According to Berman the question for Poland now is where it wants to find itself on the continuum between Singapore and Israel. "I haven't heard anything from Poland on that yet," Berman said. "But Poland still has a window of opportunity, as a fast-moving market, to be even faster."

Poland-specific business culture

For Witold Orłowski, 20 years down the road of Poland's free-market economy should be enough for managers to develop their own way of approaching the reality of business in Poland. "Some time ago Polish managers were surveyed on the most impressive book on management they had read," said Orlowski. "Jack Welch's books were most frequently cited. But this reveals a problem, because they might as well read books by Winston Churchill, which contain a lot of useful information about leadership. The point is that the challenges that Jack Welch was facing were different from the challenges that Polish managers are facing."

Orlowski argued that Poland and the U.S. are two different worlds: "The business environment is different, the culture is different, the problems are different. It is not a problem of having ideal companies that have been performing so well that now they worry whether they should try to improve their performance or not."

The reason why so far no big names have popped up, according to Orlowski, is the history of Polish business. In most cases today's big business leaders started as street vendors, and at some point in their careers they made a transition to corporate management and later to the top. "There are leaders in Poland who are leading but not managing," Orlowski said. "There is a lot to learn from their experience to find what best fits the Polish management reality."

Orlowski concluded that if there is any hope for Poland to catch up at some point with the European Union's most robust economies, Poland has to develop faster than Western Europe. That means that at some point it must simply be more productive. "Therefore career paths for people in the Polish economy should be even more appealing than they have been so far."

As Orlowski sees it, to catch up to its E.U. peers, Poland must look within: "We need Polish business leaders and a Polish business leadership pattern. We have to look for the specific virtues of Polish leadership that best fit the Polish culture, the business reality, the society and the Polish way of living. We must search for it to really enable the human capital of companies in Poland. That will make the difference."

Tomasz Ćwiok

Investing in people

AmCham Kraków's Tomasz Szczerbina talks with Dave Gibson, GM of Fluor S.A., an engineering and construction management office serving the refining, petrochemical and chemical industries in Poland and abroad

Fluor in Gliwice is one of the biggest engineering offices in Poland, specializing in supplying services for the oil & gas, petrochemical and chemical industries. What road has the company travelled to achieve such a significant position?

Fluor acquired the operation in Gliwice from Prosynchem in 1995. Prior to that Prosynchem had 50 years of experience in the industry, having been established in 1945 to rebuild the chemical industry in Poland. Following 1995, over the next few years the office went through a transition period as it implemented Fluor corporate processes, procedures, systems and tools to ensure that the operation and the personnel became aligned with Fluor's execution approach to projects, delivering them to the same standards that our clients have come to expect from Fluor around the globe.

A major part of this process has been investment in people and technology. Today you will find the latest engineering systems in place, and personnel who have been trained to the highest level via internal and external training programs.

Over the past 15 years the Gliwice operation has executed major projects in a variety of industries, jointly with other Fluor offices and independently, in a variety of locations around the globe and in Poland, helping to build the experience and reputation of the office.

How would you compare the market for engineering services in Poland to those in Western European countries or the U.S.?

The engineering services market in Poland varies from other locations in Western Europe and the U.S. in that it is still a maturing market. Today we are seeing a great focus on price rather that certainty of outcome. This, together with a drive towards more demanding contractual terms, which are more stringent than in other countries, can make it difficult to compete in some areas. However we do believe Fluor's full-service engineering procurement and construction management office provides major benefits to our clients here in Poland.

Our HSE and quality approach, together with our global reach when it comes to technical expertise, can prove to be a real differentiator for us in this market. When we look outside of Poland we see that the cost base here compared to Western Europe and the U.S. provides a major advantage when pursuing work in

Western Europe, the Middle East and other locations.

Fluor has received the Human Capital Investor award. How important is investing in the knowledge and skills of people at Fluor?

Fluor considers investment in the development of people as extremely important to its success, and we were extremely honored to receive this award. Understanding that the success of any organization depends on its people is why investing in human capital is an integral part of our strategy.

We invest in people in a variety of ways, inspiring and supporting our employees in the process of career development and acquisition of knowledge and training. Career development is an integral part of Fluor University, a virtual campus available to all of our employees around the globe that provides access to an extensive range of training and educational resources.

We also see performance management as an integral part of career development, where employees have the opportunity to outline their development needs, interests and career plans. It is with this in mind that managers and supervisors, together with each employee, develop specific training and development plans to support these needs.

We also run the Mentoring Circle and Hi-Potential development programs, which help to support talent development within the organization at an office and regional level.

Professional experience, new skills and knowledge gained through working in other Fluor offices around the globe are an essential part of our professional development program, and we continually look for opportunities to provide this whenever possible.

Fluor takes care not only of professional development of employees. It is also important for us to create a friendly work environment and balance individuals' professional and personal life. And we strive to achieve this through events for employees and their families, sports clubs, and so on.

Fluor is very active in supporting various charity endeavors. One of them is the project "Let's Build Together," which builds "Houses of Hope." Who are the project beneficiaries, and what kind of hope do the employees give by erecting new houses?

"Houses of Hope" is a joint initiative of Habitat for Humanity and a variety of supporting companies, including Fluor. Habitat is a non-profit organization that seeks to aid low-income families to build their own homes. All Habitat houses are built thanks to the help and hard work of volunteers. Our company strongly supports the Gliwice Habitat location, both financially and on-site.

Fluor employees, together with other volunteers and inhabitants of Habitat houses, work together accomplishing construction of the exterior and dividing walls, roof and chimney of the building, laying subfloors and pouring concrete floors, finishing interior wall construction, plumbing installations and so on. Fluor's involvement helps to eliminate poverty housing in the local society. We are happy that in order to meet social expectations, our company can assist and support Habitat and families with housing problems by financing these investments and offering physical support to the work.

Build a high-trust corporate culture

When the employees trust their leaders, the company can achieve innovation, growth, and dramatically higher shareholder value

By Peter Strupp
president of the supervisory board
United Business Development

Many companies in Poland are cautiously optimistic about growth prospects in 2011. The real story will depend on how organizations strengthen a foundation of trust and accountability within their operating cultures. A high level of trust will be critical as organizations scale their operations in Poland during high economic growth over the next 10 years. Low-trust cultures will struggle through continual lost opportunities and have a hard time scaling their business.

Several studies have shown that high-trust organizations create higher levels of shareholder value. A global study by the Russell Investment Group showed that companies where high trust was clearly demonstrable earned four times the returns of the broader market over a 7-year period. A critical factor in innovation within companies is a preexisting level of trust that allows for collaboration to take place.

A common problem within many organizations is that there are high levels of aggressive leadership behaviors by senior managers, forcing dependent employee behaviors. Employees are not allowed to help shape major decisions, are conventional in their behaviors, lack the desire to innovate, and are resistant to change. They do not want to get hurt. Many country managers in Poland are being given additional pressure to deliver higher results due to Western countries' failure to grow. This added pressure for high results often manifests itself in aggressive behavior.

Here are a few basic approaches to achieve substantially higher levels of trust and accountability in your organization—and grow in the years ahead.

A common problem within organizations is high levels of aggressive leadership behaviors by senior managers, forcing dependent employee behaviors.

Build on competence

Employees want to see that people are promoted on the basis of competence and that the senior team has the requisite knowledge, skills and attitude to carry out the vision of the company. Allowing an incompetent manager to stay in place undermines senior leadership credibility and trust in the organization.

There needs to be an overall perception by the organization that they are overwhelmingly competent in what they are doing to serve the customer. Continual examples of making critical mistakes undermine the overall confidence and trust of employees. Greater customer loyalty and the perception of competence within the organization are shown to instill even greater levels of trust among employees.

Open up

Senior leaders who display openness as well as being accessible to employees engender higher trust and greater overall effectiveness. My anecdotal observations in Poland have been that many senior executive teams behave as opaque decision-makers, not open to the rest of the organization about why they selected certain operational priorities. In addition, decision rights tend to be unclear, so a senior leader may not be explicit with senior team members as to their role in making an important decision. One-person rule is by far the chief reason for organizational underperformance and even failure.

Communicate consistently

A recent global survey found that 80% of organizations have internal employee communication problems, with the senior leadership competence rated very low.

Communication should involve many different methods: town hall meetings, private team meetings, using the leadership development process as a key way to teach and communicate values, culture and strategy to others. Employees do not need to like every answer they receive, but they do trust more when communication is consistent. When communication is not present, speculation, gossip and misperception fill the void.

Follow through

If a leader is asking his or her employees to commit to certain actions and results, then that leader should also be open to the employees about what he or she will be held accountable for. Trust is enhanced even more when the leader is clear on what was actually accomplished and where there have been shortcomings.

Tell the truth

Employees normally respect senior leaders who are honest about the situation both inside and outside the company. Rather than seeing the world as they wish it to be, these leaders tackle head-on the key areas of impact on the organization, to take advantage of opportunities and protect against threats.

Give a chance to grow

Higher trust is built when senior leaders give employees greater responsibility for new projects. This allows employees to self-actualize and implicitly states that the leaders have trust in the person given the new responsibility. These experiences are a key way to further enhance trust and also build leaders.

Encourage

Employees have greater commitment when leaders go out of their way to ensure that the rest of the organization sees their results through recognition and praise. Too often, as the organization grows, recognition for work well done is lost. The senior team has a bird's-eye view of which units are excelling and gives those leaders and units recognition before the rest of the organization.

Trust is in large part equated with leadership competency and behaviors. Promoting greater decentralization and collaboration, rather than a hierarchical command-and-control structure, leadership behaviors need to be open to a constructive approach in order to grow.

Dozens of empirical studies clearly correlate higher profits with higher trust between leaders and employees. Still, there is plenty of work to be done in making these types of high-trust organizations the norm rather than the exception.

No end in sight

The Personal Data Protection Act has recently been amended, but more changes are inevitable

By Marcin Lewoszewski
Associate in the Commercial & Regulatory Department of CMS Cameron McKenna in Warsaw

The Polish Personal Data Protection Act of 1997 reflects the constitutional right to privacy and, after several amendments, implements the E.U.'s Data Protection Directive (95/46/EC). The Polish act has been amended several times since 1997, with a major amendment in 2004 focused on security requirements for processing of personal data.

After the act was implemented, many practical issues of interpretation were pointed out by data subjects, data controllers and the Polish data protection authority, the Inspector General for Personal Data Protection. Most negative comments on the act related to the Inspector General's authority, including the inability to impose financial sanctions. Key definitions in the act were also questioned, including the very definition of "personal data."

More than 10 years after the act came into force, intensive discussions on data protection in Poland have led to the changes described below, which were adopted by the Parliament in late 2010 and go into force on March 7, 2011.

New authority of Inspector General

The main change under the amendment is that the Inspector General for Personal Data Protection will act as a law enforcement authority. As a result, entities that process personal data in a way that does not comply with data protection regulations or fail to carry out orders issued by the Inspector General will be subject to a fine levied directly by the Inspector General. The amount of the fine will depend on the entity that processes the personal data (for example, if it is an individual or a private company), and will range from about EUR 2,500 to 50,000. The higher figure applies to companies that violate the act repeatedly.

In relation to the Inspector General's authority, the amendment is a long-awaited improvement, mainly because of the lack of effective sanctions that could be imposed by the Inspector General before this amendment. On the other hand, similar solutions in force in various other E.U. member states (e.g. Germany) may be considered more effective because the fines are much higher.

The amended criminal provisions of the Polish act also extend the authority of the Inspector General by introducing a new crime. One of the main practical issues faced by inspectors has been the lack of measures to force an entity that processes personal data to submit to an inspection. The amended act provides that interrupting or preventing an inspection is a crime punishable by a fine, probation, or imprisonment of up to two years.

The recent amendment of the Polish Personal Data Protection Act does not reflect the latest trends in data protection and privacy.

From a practical point of view, however, the sanctions may prove ineffective due to a lack of interest on the part of law enforcement authorities in prosecuting data protection offences.

New rights of data subjects

Since 1997 the nature of the consent required from data subjects to process their data has been discussed and broadly commented on by Polish academics and practicing lawyers. In particular, the possibility of revoking consent was questioned by data controllers.

However, following the amendments to the act, data subjects will be entitled to freely revoke their consent to processing their personal data.

The change may be considered positive as it strengthens data subjects' rights to decide on almost all aspects of how their data are processed and also resolves disputes in interpretation of the law. On the other hand it may weaken business operations, e.g. in the area of direct marketing.

New amendments necessary

In general the recent amendment of the act should be considered temporary, because it does not reflect the latest trends in data protection and privacy.

In particular, the problem of data controllers in social networking websites is still unsolved, as well as the status of IP addresses.

Another amendment to the act is therefore highly probable, as a new Inspector General for Personal Data Protection has recently been appointed who has broad IT/ICT experience.

Know your new VAT

With new VAT regulations in place since the beginning of this year it is worthwhile to review VAT exemptions and new criteria for VAT-exempt services

By Marta Bzowska-Warsza
advocate
and Iwona Osiak-Parkowska
legal adviser trainee
Łaszczuk & Partners

On October 29, 2010, the Polish Parliament adopted the Act Amending the VAT Act. The amending act, effective January 1, 2011, made numerous changes to the VAT Act of March 11, 2004, particularly with respect to subject-matter exemptions from VAT.

Annex 4 to the VAT Act, which contained a list of services exempt from VAT, was repealed. From January 1, 2011, all services exempt from VAT are set forth in Art. 43 of the VAT Act, but it is a much shorter list than the previous one. Moreover, the exemptions are no longer identified using the Polish statistical classification code (PKWiU). Instead, the new Art. 43 contains a description of the services.

Below we present the most significant changes in the types of services exempt from VAT.

Healthcare services

Through December 31, 2010, all healthcare services and social services (except for veterinary services) were exempt from VAT. Beginning from January 1, 2011, the subject-matter exemptions in this respect are limited to services involving medical care, preventive care, and maintaining, saving, restoring or improving health, provided by healthcare facilities.

Supply of goods and services closely connected with such services is also exempt.

Moreover, the exemption extends to services involving medical care, preventive care, and maintaining, saving, restoring or improving health, provided by physicians, dentists, nurses, midwives, psychologists and other medical professionals as defined in the Act on Healthcare Facilities of August 30, 1992.

This means that from January 1, 2011, the purpose of the services performed in the area of healthcare and social services as well as the entity that provides the services are the relevant criteria. In general, only services that involve diagnosis or treatment and are performed by one of the entities identified in the VAT Act will be exempt from VAT.

The descriptive approach to defining services exempt from VAT may raise numerous doubts in practice, particularly in the case of complex or atypical services.

Educational services

Previously a VAT exemption was available for all educational services. From January 1, 2011, the range of educational services entitled to a VAT exemption has been significantly restricted, and now applies to services provided by:

- units included within the education system for purposes of regulations concerning the education system, with respect to learning and upbringing; and
- institutions of higher education, research units of the Polish Academy of Sciences, and research and development units, with respect to higher education.

Also exempt are:

- private instructional services at the preschool, elementary school, middle school, secondary school and higher education levels, provided by teachers;
- foreign language teaching services, other than those already mentioned; and
- vocational training and retraining services other than those already mentioned, provided in forms and under the rules provided in separate regulations, or provided by entities that have obtained accreditation for purposes of regulations concerning the education system, but solely with respect to services covered by the accreditation or financed entirely out of public funds.

It should be noted that the exemption described above for educational services also includes supply of goods and services closely connected with the educational services referred to above.

This means that educational services are exempt from VAT only when provided by the entities specified in the regulations. Commercial entities that do not meet these criteria (e.g. training companies or associations) generally have to charge VAT now on educational services they perform.

Financial services

With respect to insurance and other financial services, the amending act introduces definitions, based on economic criteria, specifying the nature and function of such services, regardless of the type of entity performing the services. In this respect, beginning from January 1, 2011, the following financial services are exempt from VAT:

- insurance services, reinsurance services, and intermediation services with respect to insurance or reinsurance services, as well as services performed by an insurer under insurance agreements concluded by it for the account of another, excluding sale of rights acquired in connection with performance of insurance or reinsurance agreements;
- services of granting credit or monetary loans and intermediation in performance of services of granting credit or monetary loans, as well as administration of credit or monetary loans by the lender;
- services with respect to granting sureties, guarantees or other security for financial and insurance transactions, and intermediation in performance of such services, as well as administration of credit guarantees by the lender;
- services involving monetary deposits, conducting monetary accounts, payment transactions of all types, transfers of money, debts, checks and promissory notes, and intermediation in performance of such services; and
- services involving financial instruments as referred to in the Act on Trading in Financial Instruments of July 29, 2005, excluding storage and administration of such instruments, and intermediation services in this respect.

The VAT exemption also applies to services that do not in and of themselves constitute financial services, but which under the given circumstances constitute an element of a financial service without which the service could not be performed.

The descriptive approach to defining services exempt from VAT may raise numerous doubts in practice, particularly in the case of complex or atypical services. Businesses providing services that were exempt from VAT under the previous regulations need to check whether the same services are still exempt under the recently amended VAT Act.

Behavioral targeting

What Internet users don't know may hurt them

By Małgorzata Darowska
attorney-at-law, senior associate at Salans law firm

Average Internet users know that their data may be analyzed and used for marketing purposes. However, experience shows that knowledge on the scope of data processing is superficial, and explored only rarely, when violations of user data or privacy make the news. So far there have been isolated instances of legal action taken against social networking sites who overstep the mark, but their incidence may rise. A review of current personal data protection regulations seems justified.

User consent

Awareness that personal data are subject to processing does not always go hand in hand with acceptance. On the other hand, electronic service providers do not disclose data processing details to their users. They limit themselves to providing information or obtaining consent to process data by use of a form consenting to data processing for marketing purposes. Usually, unless Internet users are notified in a very clear manner, written in large font, what it is the website operator does with their data, the world is very much the operator's oyster.

In other words, as long as the situation is obscure, Internet users will not be interested in their data. But they may be in for a shock when they are having a whale of a time on the Internet and then receive a message stating: If you want to enjoy yourself, we need your data, and if you disagree, thank you and bye-bye.

Social networking

The question is whether a social networking site (which this is mainly about) may, in exchange for enabling the use of its resources, request the user's consent to process personal data on a scale that exceeds the limitations imposed by the Personal Data Protection Act, or render services in electronic form or be granted a license to use the materials posted by the site's users?

One could get the impression that some Internet users are up in arms at such a possibility. This probably stems from their conviction that the Internet is – or should be – a free facility. And yet Internet activities are profitable.

Appearances notwithstanding, an agreement on use of a social networking site's resources does, in a way, impose a fee, because access to the user's personal data constitutes an asset for the website owner which enables it to generate advertising revenue.

Watch marketers

Assuming that users have agreed to processing of their personal data, they should know the method and scope of the processing, especially if it is for marketing purposes.

The issue is partially regulated, in Poland, by the Personal Data Protection Act and the Electronic Services Act. Under these provisions, the data administrator may use the personal data of users for direct marketing of its goods or services. Thus, without their consent, it cannot disclose users' data to others who might be interested in advertising their products or services.

The rights assured by the law are completely insufficient to achieve the expected revenues, especially in the face of the increasingly sophisticated tools enabling precise allocation of users to given target groups on the basis of the data and information the website logs on the way its users move about the Web (behavioral targeting).

Thus it is essential to gain the consent of users to process their personal data in the way that corresponds to the interests of the site owner. Disputes between users and site owners may look like petty squabbles now, but it appears that user profiles and the technology used in creating and processing them may be put to harmful use against the users themselves, which may not even necessarily consist of infringing their privacy. Thus the issue looks similar to that of nuclear energy: It brings many benefits, but when it falls into the wrong hands it can wreak painful and irreversible havoc.

The extent of the damage that could be inflicted on both an individual and, arguably, on a wider scale through the misuse of personal data is difficult to conceive at present. However, since it is possible, for example, to determine the existence of relations between users who would prefer not to disclose them, by setting automatic search criteria, with information on them being collected in a way that may be used to talk them into buying products or services, more or less likely scenarios could be devised for ensnaring them.

What is permissible?

The issue of processing of a user's personal data, and the scope and the rules involved, have given rise to a multitude of controversies. Even more questions have cropped up recently together with the momentous development and enormous success of social networking websites. They too give users access to tools enabling the processing of other users' data.

Some answers may be found in Opinion 2/2010 on Online Behavioural Advertising, published on June 22, 2010, by the European Union task force known as the "Article 29 Data Protection Working Party." It is stressed in the opinion that behavioral targeting offers advantages to both advertisers and their target audience. The opinion defines "behavioral advertising" as "advertising that is based on the observation of the behaviour of individuals over time." It also stresses that behavioral targeting must not infringe the privacy of persons.

But users frequently do not realize when their data are being picked up, or the tools being used to process their data. Thus the Working Party recommends that advertising network operators should set up a mechanism for securing consent beforehand (opt-in), since an approach that only gives users the ability to opt out is insufficient to provide users failsafe control over the data processing and may leave them open to invasion of privacy.

Users in the know

The Working Party also stresses that although E.U. regulations do not directly impose a requirement to notify users continuously that they are being monitored, they should nonetheless be informed.

The Working Party leans toward making the advertising network operators and publishers (website owners) themselves install mechanisms that would alert users to how their data are being used. Such mechanisms could also have a moderating effect on their own activities.

The basic device proposed is a time limit on the user's consent, enabling the user to withdraw consent without difficulty, or to set up a mechanism that clearly tells users that they are being monitored.

Of course such openness (a system of continuous notification) could be onerous for the users themselves. That is why it seems that a compromise should be struck between the obligations of operators and the convenience of Internet users.

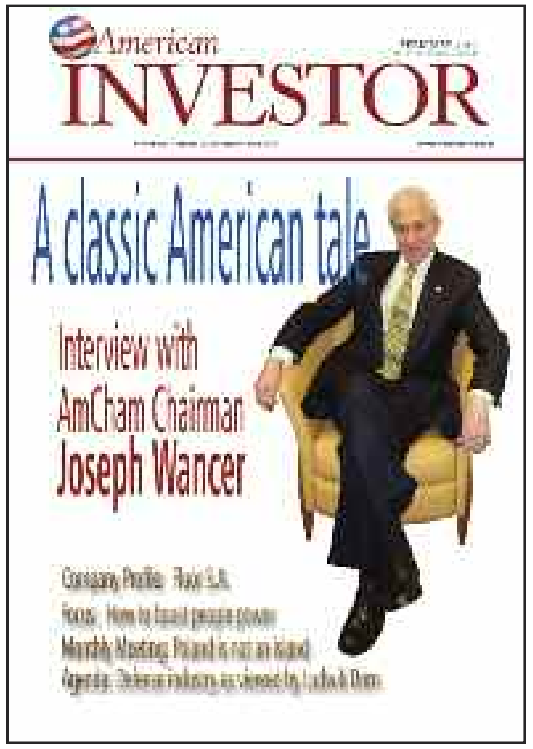
The E.U. Working Party is heading in the right direction. However, there is no doubt that it will still require much effort to implement the appropriate solutions, balancing the interests of online businesses and users while paying particular attention to the security of users.

New season of Monthly Meetings begins

Champagne for breakfast! The InterContinental Warsaw toasted AmCham members in January, ringing in another year of cooperation in organizing the chamber's Monthly Breakfast Meeting. One eye-opener was followed by another as members witnessed an interesting economic debate. For coverage of the panel discussion, read the article on **page 14.**

1. Joseph Wancer, AmCham Chairman; Mark Allen, International Monetary Fund; Jakub Borowski, Invest-Bank; Ryszard Petru. **2.** Champagne toast by Christian Henkemeier to welcome AmCham members in 2011. **3.** Christian Henkemeier; Chuck Ashley, U.S. Embassy. **4.** Tony Housh, AmCham Board Member; Alain Bobet; Tim Hyland, Travel Express; Adam Bergmann. **5.** Joseph Wancer, Jakub Borowski. **6.** Larry Kraut, American School; Thomas Kolaja, AmCham Board Member. **7.** Tadeusz Szostak; Cezary Krasodomski, Cisco. **8.** Joanna Piskunowicz, Manpower; Stanley Urban. **9.** AmCham members feel at home at the InterContinental. **10.** Alexander Suski, InterContinental Hotel; Glen Gregory, Java Coffee Company. **11.** Chris Hutchinson, CURB-TEC Europe; Joseph Wancer.

W tym numerze:



COVER STORY

Klasyczna amerykańska historia

Tomasz Ćwiok z „American Investor" rozmawia z Prezesem Amerykańskiej Izby Handlowej Josephem Wancerem o jego życiu przed wyjazdem do USA, o kulturowym szoku jaki przeżył po przyjeździe do Nowego Jorku, momentach zwrotnych jego kariery zawodowej oraz lekcji płynących z jego życia, **str. 10.**

Monthly Meeting

Polska nie jest wyspą Ekonomiści zaproszeni do dyskucji na temat perspektyw gospodarczych Polski w 2011r. uważają, że jej gospodarka będzie uzależniona od rozwoju gospodarki Niemiec i Chin, **str. 14**

Focus

Szukając nowych rozwiązań zwiększenia potencjału pracowników Czy polska może wykorzystać potencjał drzemiący w kapitale ludzkim aby doprowadzić do wyrównania poziomu rozwoju gospodarczego z najlepiej rozwiniętymi gospodarczo krajami Unii Europejskiej? **str. 19**

Profil firmy

Inwestując w ludzi Wywiad z Davem Gibsonem, CEO firmy Fluor S.A. specjalizującej się w zarządzaniu projektami budowlanymi w przemyśle chemicznym, **str. 22**

Eksperci

Tworzenie kultury wysokiego zaufania Kiedy pracownicy mają zaufanie do swoich liderów firma może osiągać szybi rozwój zwiększyć poziom innowacyjności oraz poziom wartości dla udziałowców, **str. 23**

Bez końca Ustawa o Ochronie Danych Osobowych, niedawno znowelizowana, wymaga dalszych zmian, **str. 24**

Twój nowy VAT Wprowadzone w tym roku owe przepisy o stawkach VAT wymagają starannego przestudiowania, **str. 25**

Dotarcie na podstawie zachowania To, czym nie wiedzą użytkownicy internetu może działać na ich szkodę, **str. 26**

Relacje zdjęciowe

Miesięczne Spotkanie Śniadaniowe, **str. 27**

Działy stałe

Briefing redakcyjny, **str. 2**
List Prezesa Amerykańskiej Izby Handlowej, **str. 4**
Informacje o firmach członkowskich Izby, **str. 5**
Informacje o działalności Komitetów Izby, **str. 8**
Podsumowanie zawartości numeru w języku polskim, **str. 28**
Przewodnik po Komitetach Izby, **str. 29**

American Investor to oficjalny magazyn Amerykańskiej Izby Handlowej w Polsce. Magazyn reprezentuje głos środowisk międzynarodowego biznesu w Polsce. Celem magazynu jest dostarczanie członkom Izby i innym czytelnikom aktualnych informacji na temat działalności Izby a także trendów biznesowych i polityce społecznej firm.
Listy do rekacji prosimy wysyłać na adres poczty elektronicznej:
tomasz.cwiok@amcham.com.pl

For the most recent information about the work of AmCham Committees, and upcoming events: **www.amcham.com.pl**

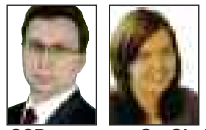
Agri & Food
www.amcham.com.pl/agri_food

Mission: To provide a platform for discussing and solving issues and identifying opportunities for companies in the agricultural and food sector by creating a base for dialogue and expertise leveraged among producers, sector professionals, experts and decision-makers. **Co-chairs**: Andrzej Pawelczak, Animex; Maciej Łubieński, Universal Leaf Tobacco Poland.

Consumer Products
www.amcham.com.pl/consumer

Mission: To provide a forum to share knowledge and expertise and exchange experience in all areas common and relevant to manufacturers and distributors of goods. **Co-Chairs**: Małgorzata Surdek, CMS Cameron McKenna; Agnieszka Dzięgielewska-Jończyk, HP Polska.

Corporate Social Responsibility
www.amcham.com.pl/csr



Mission: To encourage and facilitate responsible business practices among Am-Cham members to support them to improve the quality and effectiveness of their CSR programs. **Co-Chairs**: Wojciech Arszewski, UPS Polska; Anna Jawor, IBM Polska.

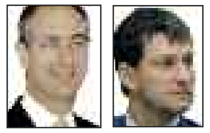
Defense & Security
www.amcham.com.pl/defense

Mission: To serve as a platform for defense industry issues and exchange relevant information. The committee creates a networking forum and fosters a positive working relationship with the government and people of Poland. **Co-Chairs**: Leda Zilinskas, Raytheon International; Paul Zalucky.

Employee & Labor Relations
www.amcham.com.pl/labor

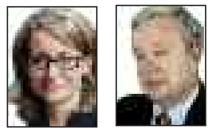
Mission: To create an information exchange forum of HR professionals and social policy experts from multinational and local companies to share, discuss and learn about the latest trends in HR management and collectively influence local policy and decision-makers for modern solutions in labor legislation. **Co-Chairs**: Jolanta Jaworska, IBM Poland; Peter Strupp, United Business Development.

Energy & Environment
www.amcham.com.pl/environmental



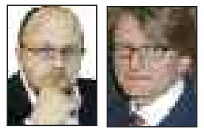
Mission: To help members develop their environmental and renewable energy business and help learn about, identify and overcome any difficulties connected with environmental laws, and develop a discussion forum among members about environmental issues and maintain contacts with Polish authorities responsible for making and implementing environmental policies. **Co-Chairs**: Adam de Sola Pool, Jerzy Chlebowski, Mitsubishi.

European Union Affairs
www.amcham.com.pl/eu



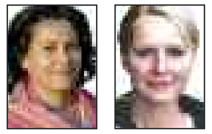
Mission: To provide members with relevant information on E.U. related issues, including E.U. funds, and to represent American investors before the Commission and the Polish government. **Co-Chairs**: Magdalena Burnat Mikosz, Deloitte; Jerzy Thieme.

Financial Services
www.amcham.com.pl/financial



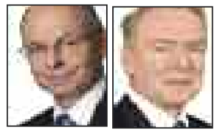
Mission: The Financial Services Committee aims to identify and promote issues related to and in support of the financial services sector, as well as to provide a forum for dialogue among sector professionals and decision-makers in government. **Co-Chairs**: Andrew Hope; Adam Michon, MetLife.

Health
www.amcham.com.pl/health



Mission: To provide a united forum for U.S. companies to share their expertise on the healthcare system and exchange knowledge and experience with national counterparts, contribute to the positive developments in the sector and promote the U.S. experience and capital while establishing the best conditions and opportunities for investments.**Co-Chairs**: Elisabeth Asirifi, IBM Polska; Jolanta Chlebicka-Dominiak, Johnson & Johnson.

Infrastructure
www.amcham.com.pl/infrastructure

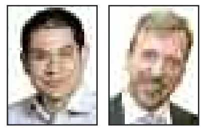


Mission: To discuss issues of the development of infrastructure; to promote infrastructure solutions for cooperation between private and public partners. **Co-Chairs**: Krzysztof Wierzbowski, Wierzbowski Eversheds; Andrew C. Kapusto, Raytheon Homeland Security.

Intellectual Property Rights
www.amcham.com.pl/ipr

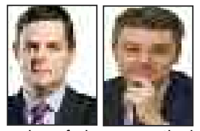
Mission: To advocate for IPR protection and provide leadership that will bring together interested partners; to share information with decision-makers and law enforcement. The police, judiciary, prosecutors, customs officials, legislators and journalists are among the target groups, while the curriculum of law schools should have more emphasis on IPR. **Co-Chairs**: Agnieszka Wyszyńska-Szulc, Philip Morris; Anna Lasocka, Łaszczuk & Partners.

Outsourcing/High Tech
www.amcham.com.pl/outsourcing



Mission: To provide a platform for discussing, identifying and addressing common SSC/BPO issues related to high tech operations; to maintain contact with local authorities, educational and governmental institutions to present a unified business perspective and to suggest ways of possible cooperation. To identify the possibilities/areas of state assistance, to share experience and leverage knowledge. **Co-Chairs**: Ramón A. Tancinco II, Cisco Systems Poland; Jacek Stryczyński, Lionbridge.

Pharmaceutical
www.amcham.com.pl/pharmaceutical

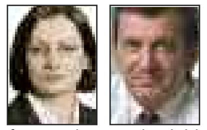


Mission: To discuss and identify common interests and exchange information regarding Poland's pharmaceutical market; to act as a representative body and collective voice of pharmaceutical companies before governmental institutions. **Co-Chairs**: Peter Koetsier, Bristol-Myers Squibb Polska; Roberto Servi, Eli Lilly Polska.

Political Discussion Forum
www.amcham.com.pl/pdf

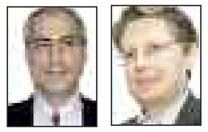
Mission: To build relationships with key players in Polish politics, regardless of whether within the government or not, in small groups and in private settings, to serve as a vehicle into the world of Polish politics behind official curtains. **Co-chairs**: Richard Knauff; Marek Matraszek, CEC Government Relations.

Real Estate Committee
www.amcham.com.pl/real_estate



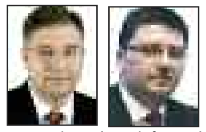
Mission: To discuss issues regarding the complexities of the real estate market in Poland, and exchange information. To be an educational and networking forum for members and to lobby and influence legislative departments of the Polish government. **Chair**: Halina Więckowska, K & L Gates; John Bańka, Colliers International.

Small & Medium-Sized Enterprises
www.amcham.com.pl/sme



Mission: To provide a forum for exchange of ideas/best practices to improve the performance of SMEs; to identify and promote solutions to facilitate and support the managerial and operational efforts of SMEs through educational, networking or lobbying efforts that leverage the resources and knowledge of AmCham and its membership. **Co-Chairs**: Alain Bobet; Cezary Krasodomski, Cisco Systems.

Tax
www.amcham.com.pl/tax



Mission: To provide a platform for identifying tax issues and create an educational forum to keep AmCham members informed on current and upcoming legislation. To create a network to share information, comments and best practices. To lobby decision-makers in the government. **Co-Chairs**: Peter Kay, KPMG; Piotr Bartuzi, Bank BPH.

Telecom
www.amcham.com.pl/telecom

Mission: To create a platform under the AmCham umbrella for the exchange of members' ideas and views on trends in the telecommunications sector in Poland; to take steps to influence decision-makers in telecommunications legislation, policy and practice; to promote innovative trends in telecommunications; to modernize communications technology for business and the average Polish consumer. **Co-Chairs**: Jarosław Roszkowski, Crowley Data Poland; Piotr Muszyński, TP SA.

AmCham Member to Member