

# Report From Poland

*Traders and investors can enjoy a number of new services, but they also must overcome many challenges left over from the old regime.*

by Michael Muth

When Poland decided to rehabilitate its decrepit telephone system recently, it opted to do so in three phases. International service would be upgraded first, then inter-city service and finally service within cities.

The result, for any trader or investor calling from abroad, is that it's now much easier than a few years ago to get hold of potential customers or partners. But once you're in Warsaw trying to confirm your next appointment across town, the telephone system can quickly become one of the biggest obstacles to doing business.

This mix of new services and old challenges is in many ways illustrative of Poland's economy and society five years after the fall of the country's Communist government. Poles are rapidly learning the ways of Western business, but many still don't have the knowledge and experience needed to compete in a capitalist economy. For someone looking to do business in the region, this means there are a lot of pits to

fall into, but also a lot of opportunities.

**Get Help.** Existing Polish agents and distributors have not yet reached reliable levels of financial solvency, so they generally don't provide a good option in many industries. The best alternatives are either to open an office or join up with an existing Polish business. In either case, a local partner is helpful to get through the myriad of permits required to set up

**Pent-up demand for many consumer products continues to sustain high growth.**

a firm.

Any individual or company in Poland may participate in foreign trade after registering as a business, hence U.S. exporters must take care to thoroughly investigate any potential partner. State-run firms have political disincentives to import. As a consequence, at least 50% of all imports are handled by private companies, many of which are very small.

One positive factor for American companies is the reverse migration of Poles back from America, which has created a pool of good local contacts.

Many of these are recent graduates of universities and business schools. Though they might not have much field experience, they have been studying Western business practices the last four or five years. Often, these people can be recruited right in the United States before you even head overseas.

Many Poles living in Poland also speak adequate English, especially in Warsaw. But most of these have been studying the language for no more than five years and rarely with native speakers, so their proficiency often leaves something to be desired.

Many Polish employees may need training in management, marketing, advertising, promotion, finance and banking. They may even expect some sort of up-front financial assistance too. All this may sound expensive, but when considered as a long-term investment, the returns can be considerable.

## **Few Zlotys, Roads, Smiles.**

Poland's poor infrastructure and primitive financial system also pose big obstacles to foreign businesses, as does the population's inexperience with capitalism.

Few firms, for instance, can afford to pay for goods in advance. But to secure a loan usually requires a balance of two to three times the loan amount, creating the situation where

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