

FUTURE FUELLED  
BY KNOWLEDGE



VOLUME 6



# POLAND CZECH REPUBLIC GERMANY

MUTUAL RELATIONS / COOPERATION / DEVELOPMENT





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MUTUAL RELATIONS / COOPERATION / DEVELOPMENT

This report has been prepared by the PKN ORLEN Division of the Executive Director for Strategy, based on research conducted by the Institute of Public Affairs in Warsaw at the request of PKN ORLEN.

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# LETTER FROM THE PRESIDENT



**JACEK KRAWIEC**

PRESIDENT OF  
THE MANAGEMENT BOARD  
PKN ORLEN

## Ladies and Gentlemen,

welcome to the sixth volume of PKN ORLEN's 'Future Fuelled by Knowledge' series. The ambition of this project is to inspire debate on particularly engaging and vital aspects of social and economic life. The theme of this publication is the mutual relationship between the people of Poland, the Czech Republic and Germany.

The Poles, Czechs and Germans are three neighbouring cultural forces that enjoy lively economic and cultural exchange, as well as close historical ties that have existed since time immemorial. Our three societies have competed against each other, forged alliances with each other, turned the course of history together and born

witness to its lessons, and all of this mutual experience has accumulated to form the images we hold of each other now.

With the foreign investments PKN ORLEN implemented in the first decade of the 21st century, we have also contributed to the building of this three-way relationship – first, by our 2002 acquisition of a service station chain in Germany, and then following our majority interest in the Czech-based petroleum and petrochemical company Unipetrol, in 2004. Now, some ten years have passed since PKN ORLEN became an international player, reaching out to claim significant assets beyond Poland's western and southern frontiers.

And so, with the interaction between Poles, Czechs and Germans being part of the essential life of our organisation, understanding the nature of our relations is of special importance to us. Only once armed with such insight can we try to forge mutual likes and dislikes into synergies that are beneficial to all of us. We feel that the results of our investigation into this unique relationship will be of use not only to us at PKN ORLEN, but also

to other businesses from the Czech Republic, Germany and Poland who are investing in their home countries while also setting their sights on entering neighbouring markets. The results may also prove advantageous to state agencies and local governments pursuing various cross-border partnerships. Ultimately, we believe that like PKN ORLEN, all those working with partners in Poland, the Czech Republic or Germany can benefit too.

It was always our intention to focus on our perceptions of each other, rather than analysing the current economic and political relationships. The motto of this series is 'Future Fuelled by Knowledge', and the cornerstone of that future rests on our mutual perceptions, understanding and trust. Only by knowing the true picture of these fundamentals can we make our region more stable.

When seeking research partners for this project, we turned to the Institute of Public Affairs (Instytut Spraw Publicznych). In April 2013, the Instytut published a report on Polish-Lithuanian relations, which are also embedded in PKN ORLEN's business. We are

thrilled to have such a highly competent partner join our investigative series – a partner that guarantees the quality of both the research and the results.

The publication we are sharing with you now presents the findings of our research, conducted especially for this report, in Poland, the Czech Republic and Germany. It is the first report to permit concurrent stand-alone analysis as well as comparative analysis of our mutual perceptions. In the final section of this volume, we also propose five critical directions to improve relations between the three countries.

We trust that the debate kindled by this report will foster better understanding between us, and that in the long term it will promote the development of tools and ideas that enable us all to harness the understanding we reach today, to drive the region's growth tomorrow.

Have a good read.

Jacek Krawiec

## PKN ORLEN – INTERNATIONAL FUEL COMPANY

- PKN ORLEN has been present in the international arena for over a decade, with assets in Poland, the Czech Republic, Germany, and Lithuania.
- The ORLEN Group's Polish, Czech and Lithuanian operations comprise the largest refineries and petrochemical production facilities in those countries. The Group also owns Central and Eastern Europe's largest service station network, with close to 2,700 locations selling some 9.1 billion litres of fuels every year.
- As at the end of 2012, the Group employed 21,956 people, one third of whom work outside Poland.
- PKN ORLEN is at the forefront of unconventional hydrocarbon exploration in Poland and Europe, shaping the future growth of the continent's energy market.
- Revenue of over PLN 120bn in 2012 places PKN ORLEN among the region's largest companies.





## EXECUTIVE SUMMARY

### Business relations

- **Poland, the Czech Republic and Germany form a powerful block in the European Union**, accounting for **25% of the community's total population** and **25% of its total GDP**. It is important to note that **the German economy is larger by far** than that of the Czech Republic's or Poland's – **German GDP is five times that of Poland's and the Czech Republic's combined**.
- **The relative differences** in the size of the economy and in wealth **are still present**, but are gradually **narrowing**. On a cumulative basis, **Poland's GDP has grown 103% since 1995**. **The figures for the Czech Republic and Germany are 54% and 25% respectively**. **GDP per capita by purchasing power parity** has also advanced substantially, with the strongest rise again recorded in **Poland (+184%)**, as compared to **the Czech Republic (+111%)** and **Germany (+77%)**.
- **Germany is the main trading partner of Poland and the Czech Republic**. Trade with Germany accounts for approximately **30% of respective total Polish and Czech trading volumes**. For Germany, **Poland and the Czech Republic are less so**, together representing **7% of its total exports and 8% of its total imports**.
- There exist strong ties between Germany, Poland and the Czech Republic in the form of **foreign direct investment**. **Germans are among the largest investors in the other two countries**, although both **Poland and the Czech Republic** are also **expanding their presence** on the German market. **In aggregate**, trilateral foreign direct investment by value totalled **almost EUR 50bn** at the end of 2011.
- In comparison with Germany's economy, **the Polish and Czech economies** are viewed as **less competitive** and less **business friendly**. Of 144 countries considered, Germany was ranked sixth in an **annual study of global competitiveness**, with the **Czech Republic and Poland**

in **39th place** and **41st place** respectively. In a survey on the ease of doing business in a country, **Germany** took **20th**, **Poland 55th**, and **the Czech Republic 65th**.

- **The power sector should be a vital area of cooperation** between the three countries, **as each** relies heavily on **hard coal** as an energy source. Development of the **Energiewende policy in Germany** requires **establishment of close links with the energy systems** in Poland and the Czech Republic. At the same time, **the German and Czech experience of nuclear energy** could provide an important **lesson for Poland**.

### Cultural relations

- The **Polish, Czech and German nations differ** in terms of their **cultural dimensions**. **Power distance** and **uncertainty avoidance** are the highest in **Poland**. **The Czechs**, on the other hand, are the most **short-term oriented**. **Germans** endorse **individualism** to a larger extent than **Poles or Czechs**.
- The **key values are the same in all three cultures: good health, and family**. **Czechs** care the least about **religion**, which is an essential part of **Polish culture**. None of the three nations attach much importance to **participating in political life**.
- **Poles** are relatively **less physically active in their free time**. **Czechs and Germans, on the other hand**, are more **inclined to participate** in various sporting and cultural events, and like to pursue their hobbies and interests in an organised manner.
- In all, the situation today **is conducive to cultural convergence** between Poland, the Czech Republic and Germany as the three nations now have greater opportunities than ever before to get to know each other. **Student exchange** between the three countries is, for example, **growing fast**. To date, **almost 50,000 students** have participated in **exchanges between the three nations**, under the Erasmus programme.

## Summary of research findings

- Generally, **mutual perceptions** between Poles, Czechs and Germans are **positive**, although there is a marked asymmetry between how Poles and Czechs view each other. **The German perception of Poland is more positive than the Czech perception of Poland, and more positive than the German perception of the Czech Republic.** This positive image of Poles in Germany, particularly in the context of how Germans view Czechs and how Czechs view Poland and Poles, marks a **fundamental departure** from the attitudes that once prevailed in Germany.
- The research showed that **Poles and Czechs** hold a **very positive image of Germany and Germans. More reservation** towards Germans was seen when Polish respondents were asked to name the **most likeable nation** (the Czech Republic was the more frequent response here). However, in terms of **the level of acceptance** and of **personal traits**, a **very positive image** of Germans emerged. The Czech perception of Germans was always better, and in many cases much better, than the perception of Poland and Poles.

## INTRODUCTION

‘United we stand, divided we fall’, as the old saying goes. But before this can be put into practice, we need to get to know each other better. Interpersonal relations are extremely difficult to quantify as they are constantly subject to an almost infinite number of elusive, changeable factors, but at the same time they are also an unavoidable part of life and are even – from the perspective of social welfare – indispensable. And, on a larger scale, nations need to interact with one another as much as individuals do.

Poland, the Czech Republic and Germany are all neighbours and important partners who still do not know each other very well. Divided by political borders for a long time, they have been able to freely interact and try to understand each other for only a dozen or so years. As a result, old stereotypes, based on random facts and a lack of direct experience, weigh heavily upon their mutual perceptions.

It is in this context that business relations, ever more frequently encompassing all three countries, are forced to exist. Nowadays, someone from across the border is as likely to be your boss, colleague or neighbour, as your actual next-door neighbour. Although at first glance they may seem to be quite similar, they may also have very different values and behave in very different ways. It is because of this that managing interpersonal relations is just as much of a challenge for large organisations, such as PKN ORLEN, Volkswagen or CEZ, as it is for an SME with cross-border operations.

In a time of global economic uncertainty and the search for new growth drivers, it is worth stepping outside the learned routine, which is more often than not defined by standardised, formulaic spread sheets, and opening yourself to the possibilities all around you. Cultural analysis remains an underestimated source of efficiency improvement, but perhaps this study will encourage its wider application.

## BUSINESS RELATIONS

### Democratisation – Joy and Responsibility

Nearly a quarter of a century has passed since the collapse of the totalitarian systems in Central and Eastern Europe, brought changes that, even at the end of the 1980s, were difficult to imagine. As a result of those immense geopolitical changes, the beginning of the next decade was a chance for Germany, the Czech Republic and Poland to open the door to a new era, the shape of which nobody could be sure of at the time.

For their part, the Poles welcomed 1990 with a government elected in June 1989 during the first partially free elections since the end of the Second World War. However, optimism was curbed by the economic difficulties experienced as a result of the shock caused by the introduction of a genuinely free market. At that time, Poland suffered from severe inflation. In 1990, prices grew by over 600% – the kind of rate that can now be seen in countries such as Eritrea, Ethiopia or Malawi. Large foreign debt was another reason for

concern, and unemployment, which had previously been hidden in the official reports, also became a problem. Gradually though, people began to learn that prosperity does not come automatically with a market system, but needs to be built through great effort and by overcoming numerous difficulties.

The transition to democracy in Poland, Germany and the Czech Republic back then can be described by a popular saying of the time – “What took Poland 10 years and Hungary 10 months, Czechoslovakia completed in 10 days.” Czechoslovakia’s transition was the smoothest, and later became known as the ‘Velvet Revolution’. The Czechoslovakian economy withstood the process reasonably well too, as it had already been focused on light industry and meeting consumer demands. At that time, it was also decided that the state in its existing form would cease to exist. Although Czechoslovakia was not a country created by the Communists, it did date back to the end of the First World War in 1918, when it regained its independence. Now, the Czechs and Slovaks were facing profound change, and the question on the

### DEMOCRATISATION IN CENTRAL EUROPE



**POLAND**

- First Eastern Bloc country to abandon the socialist system
- Inflation of several hundred percent, high debt, supply shortages
- Implementation of economic reforms



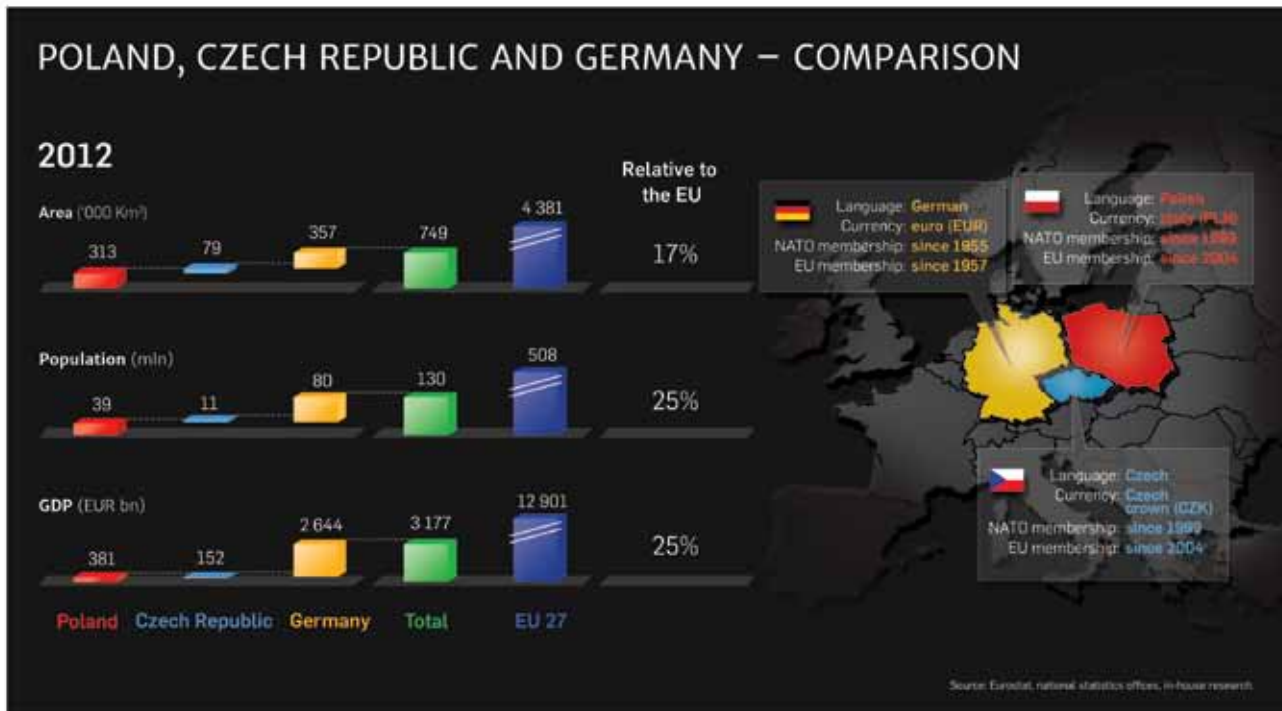
**CZECH REPUBLIC**

- Peaceful transformation, known as the ‘Velvet Revolution’
- Political decision to divide into two states: the Czech Republic and Slovakia.



**GERMANY**

- Reunification
- Costly integration process: approx. EUR 1.5 trillion spent on the eastern lands in the first 15 years after reunification

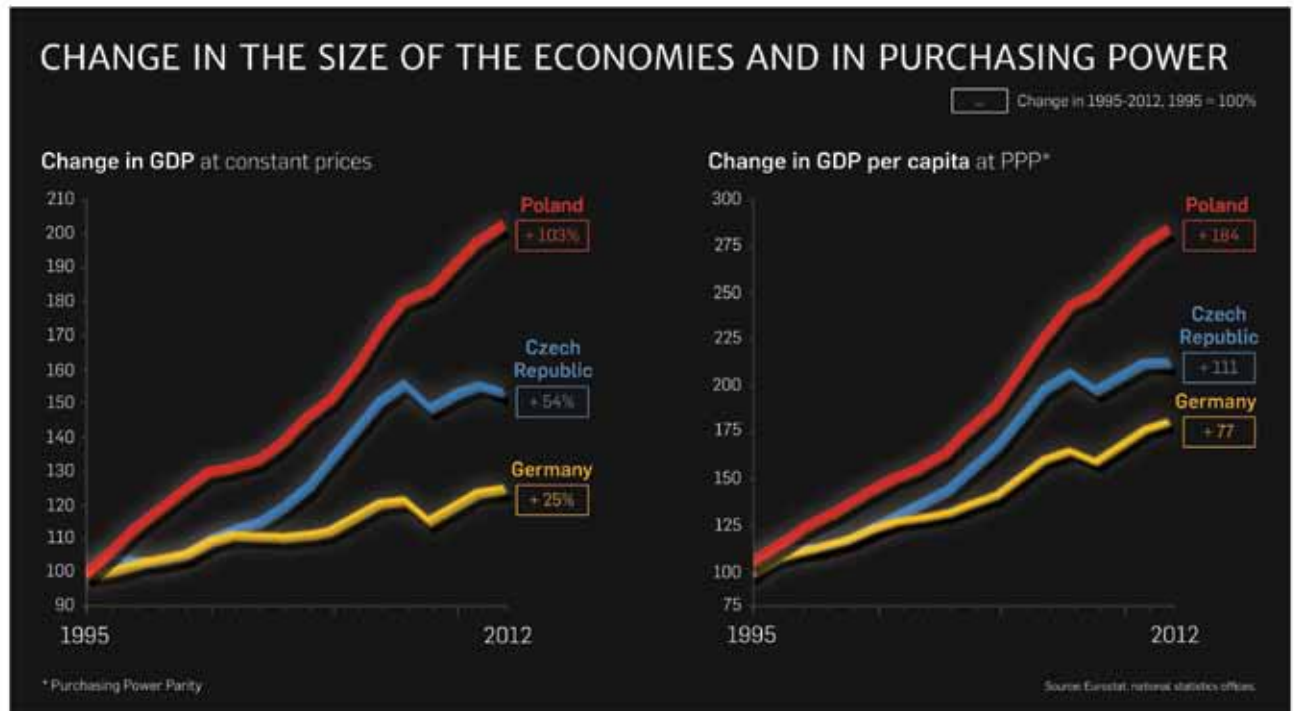


world's lips was whether, for instance, they would follow the former Yugoslavia into collapse. There were also concerns that dividing one medium-sized country into two smaller states might destabilise the situation in the region, provoking bloody conflict between historical rivals such as the Hungarians and the Slovaks.

Meanwhile, in Germany the opposite process was taking place. On October 3rd 1990, the country was made whole again with the incorporation of East Germany back into the western Federal Republic of Germany. German reunification was achieved by merging the two state organisms which, for the last 50 years, had developed based on (at least officially) completely different values. In economic terms, West Germany and East Germany were completely different worlds. The Gross Domestic Product of the western Federal Republic of Germany (FRG) in 1988 was USD 19.3 thousand per capita, while in the eastern German Democratic Republic (GDR), it was USD 4.5 thousand. In the western lands, there were 620 telephones and 450 cars per 1,000 inhabitants, while in the Eastern lands, there were just 240 and 220 respectively. In June 1990, the then Chancellor of the

FGR, Helmut Kohl, promised to transform the eastern lands into “blooming landscapes worth living and working in”, with the combined effort of all Germans. On the wave of optimism prevalent at the time, promises were made that the equalising of the standard of living would be a matter of years, and not decades.

Still, the process of democratisation had its price, although happily the worst-case scenarios did not materialise and there were no reawakenings of historical conflict. Whilst the nations themselves remained within their borders, Europe's political boundaries extended further east, to the edge of the former Soviet Union, and in the case of the Baltic States, even crossed those borders. The connections between the sovereign states of Europe were perhaps the closest they had ever been. They are also now all members of the same international organisations, from the political and economic to the military. But perhaps most tellingly, despite their sometimes difficult history, the regions themselves now hold that war is no longer a valid means of resolving international disputes.



### Collective Strength and Diversity

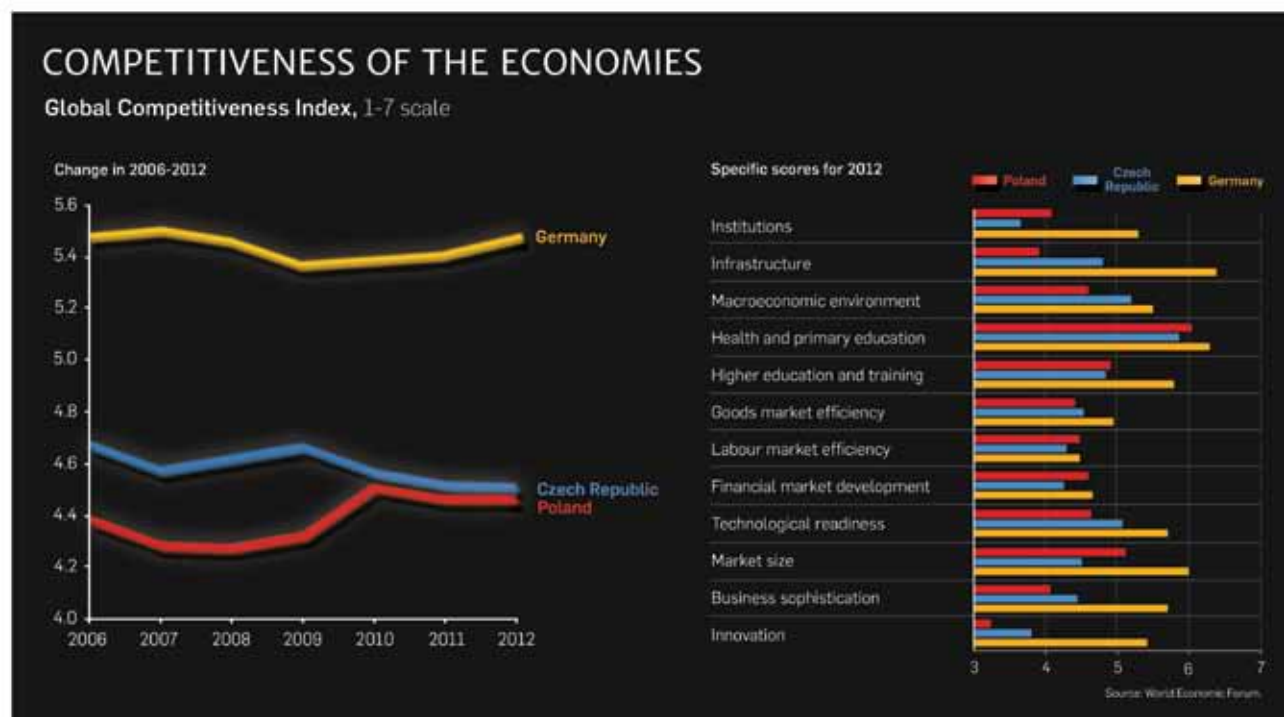
Poland, Germany and the Czech Republic represent a significant force in the European Union – together, they account for a quarter of the EU population and the same percentage of its entire GDP, and are engaged on all levels of its policymaking. Germany is one of the leaders of European policy and is perhaps the country with the greatest influence in Europe. Poland, on the other hand, is the largest country in Eastern Europe and the leader of the EU's Eastern European policy, while the Czechs understand the problems of smaller EU countries and their perspective on pan-European policy.

However, Poland, the Czech Republic and Germany each differ in terms of economic development. Compared with Germany, the Polish and Czech economies produce much less: Poland's economy is almost seven times smaller than Germany's, while the Czech economy is more than seventeen times smaller. GDP per capita is more than three times lower in Poland, and in the Czech Republic more than two times lower than in Germany.

These differences remain, despite much faster economic growth in the Czech Republic, and especially in Poland, over recent years. Since 1995, the largest increase in GDP has been recorded in Poland, where it has doubled. The Czech Republic's GDP has grown by half, while the German economy has expanded 25% during the same period. The situation looks slightly different when it comes to growth in GDP per capita in purchasing power parity terms. Poland remains the leader in this category too, but the difference between each of those countries is, in this case, much smaller. Compared with the 184% growth rate recorded in Poland, the Czech Republic posted a growth rate of 111% and Germany of 77%. This actually highlights the strength of the German economy, which managed to record such a high rate of growth despite an already relatively high base in 1995.

Poland, the Czech Republic and Germany have also been affected differently by the most traumatic economic event of the 21st century, the 2008 financial crisis.





The German economy slowed following the crisis, only returning to its previous growth path in subsequent years by making use of potential freed up by labour market reforms it had implemented at the beginning of the century, and also by the growth of emerging economies to which Germany was one of the main suppliers of advanced technologies and equipment. Five years from the beginning of the global slowdown, Germany has strengthened its position and is perceived by the world as the economic and political leader of the European Union, even if it seems to mostly prefer the economic leadership.

Poland was the only EU country to actually avoid the recession provoked everywhere by the crisis. Its large, receptive domestic market, unsaturated by consumer goods, proved to be the best shield against recession. As a result, Poland was seen by the world as an economically successful country that weathered the subsequent crises bravely – an image that will continue to be tested.

Comparatively, the Czech Republic experienced greater difficulties than Poland. In 2012, its GDP shrank by 1.3%, the second time since the beginning of the crisis that its GDP had fallen on an annual basis (having previously dropped 4.5% in 2009). Even so, the Czech Republic has managed to maintain its positive image abroad, among both ordinary people and the financial markets. The interest rate on Czech 10-year treasury bills is approximately half of that paid on Polish treasury paper.

Poland and the Czech Republic are significantly behind Germany in terms of the competitiveness of their economies. In the *Global Competitiveness Report (GCR)* published by the World Economic Forum, Germany ranked 6th out of 144 assessed economies, with the Czech Republic 39th and Poland 41st. However, it should be noted that in the years following the crisis it was Poland's economy that became more competitive, while Germany managed to regain its pre-crisis status and the Czech economy fell in the ranking to a similar level to Poland's, which historically has always been ranked much lower than its southern neighbour.



The most striking differences between the economies can be seen in the area of Innovation, which has for a long time been viewed in public debate as being important to continued growth. In terms of Innovation, Poland received the lowest score in the GCR, while the Czech Republic was ranked slightly higher. Germany, which in this category ranks 7th globally, is well ahead of both countries.

The German economy is considerably further ahead of Poland and the Czech Republic in Ease of Doing Business, which can also be seen in the *Doing Business 2012* report, prepared by the International Finance Corporation of the World Bank Group. Germany ranks among the very top countries worldwide in terms of the lack of problems in such areas as contract enforcement (5th), obtaining a building permit (14th) or winding up a business through bankruptcy (19th).

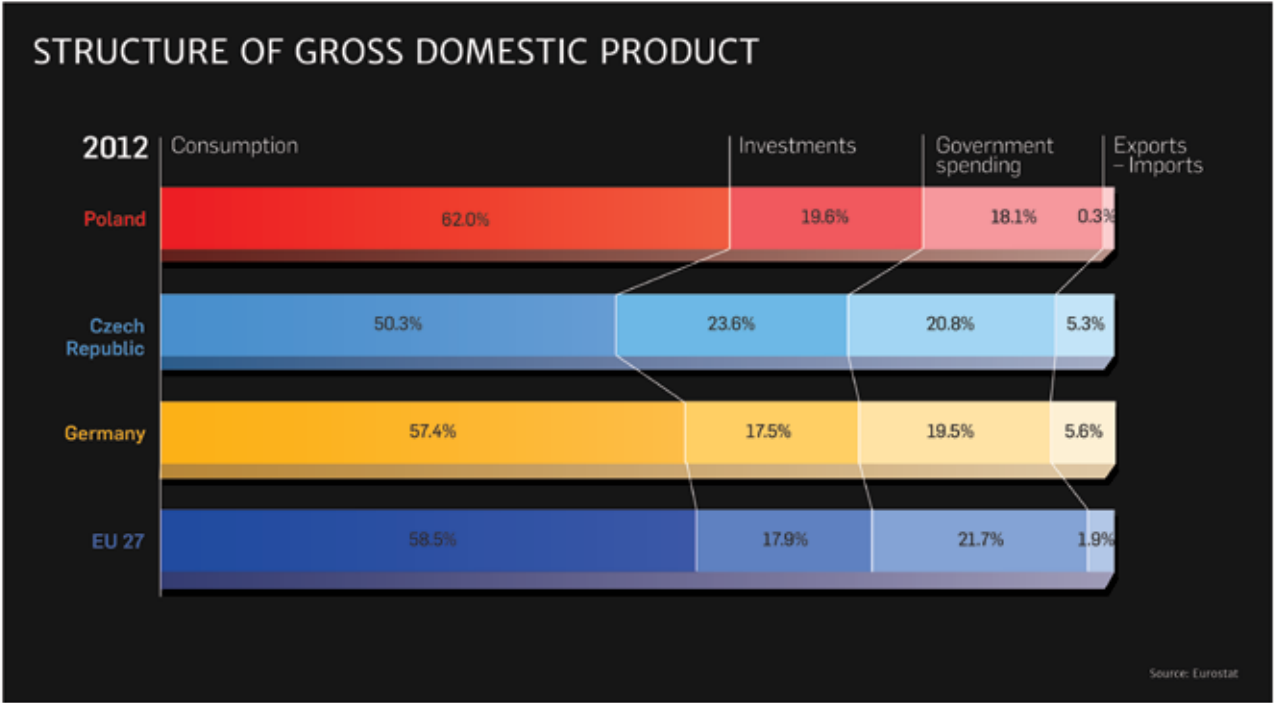
In the general ranking, Poland stands 55th out of the 185 countries examined, ahead of the Czech Republic in 65th place. Poland clearly leads both the Czech Republic

and Germany in Ease of obtaining credit, for which it ranks 4th in the world. Poland is also relatively better at protecting investors' interests (ranked 49th, against Germany and the Czech Republic which both classified in 100th place). Poland has so far also ranked lowest for complications in the building permit procedure, at 161st of 185 countries.

However, the Czech Republic scores better than both Poland and Germany in the area of property registration procedures – the only area in which it ranks higher than Germany and Poland. Accordingly, the Czech Republic is not found among the top countries in the general ranking.

#### Trade and investment relations

As previously mentioned, the Polish GDP is characterised by a relatively large share of domestically produced and sold goods and services – Poland's domestic market accounts for 62% of its GDP, compared with the Czech Republic's 50% and Germany's 57%. At the EU 27 level, the internal market accounts for 58% of GDP.





This large domestic market has been an effective safeguard amid the global economic slowdown, limiting the impact of the slump in economic activity abroad on the momentum of GDP growth in Poland. On the other side of the coin, the less exposure an economy has to foreign markets, the less it benefits from them when their growth recovers.

In Germany, exports have been a key engine of economic growth over the past decade, having contributed fully half of the country's cumulative growth and making Germany the world's third largest exporter, with an export sales volume comparable to that of the US. Machine tools, chemicals and cars have traditionally been perceived as the pillars of German business, and have proved to be the perfect combination in a time marked by the rise of huge emerging economies, mainly China's. Machinery and transport goods account for close to half of all German exports, and 72% of its exports to China.

Like Germany, the Czech Republic relies to a great extent on exports, although – unlike its western neighbour – it is much more sensitive to prevailing conditions in

the eurozone. This is also why the European Union's economic troubles affect the Czech economy more severely than they do Germany.

For Poland and the Czech Republic alike, Germany is their largest trading partner, both in imports and exports, and accounts for about a third of their total trade flows. Poland and the Czech Republic are also important, strategic partners for each other, although their respective share of each other's total foreign trade is still much lower than Germany's share of either of theirs. Around the world, the Czech Republic is Poland's fifth largest trading partner, after Germany, Russia, China and Italy, while Poland is the Czech Republic's third largest trading partner.

However, Poland and the Czech Republic play a less prominent role in Germany's foreign trade than their western neighbour plays in theirs, together accounting for 7% of German exports and 8% of its imports. Still, it should be noted that Poland is a more popular destination for German exports than even, for example, Russia.



Besides trade, direct foreign investments are another pillar of cooperation between the three neighbours. As in the case of trade, investment flows are far more substantial between Germany and the Czech Republic and Germany and Poland, than between Poland and the Czech Republic. Germany is a leading foreign investor in both Poland and the Czech Republic – in 2012 alone, German investments in Poland are estimated to have created 4,500 new jobs.

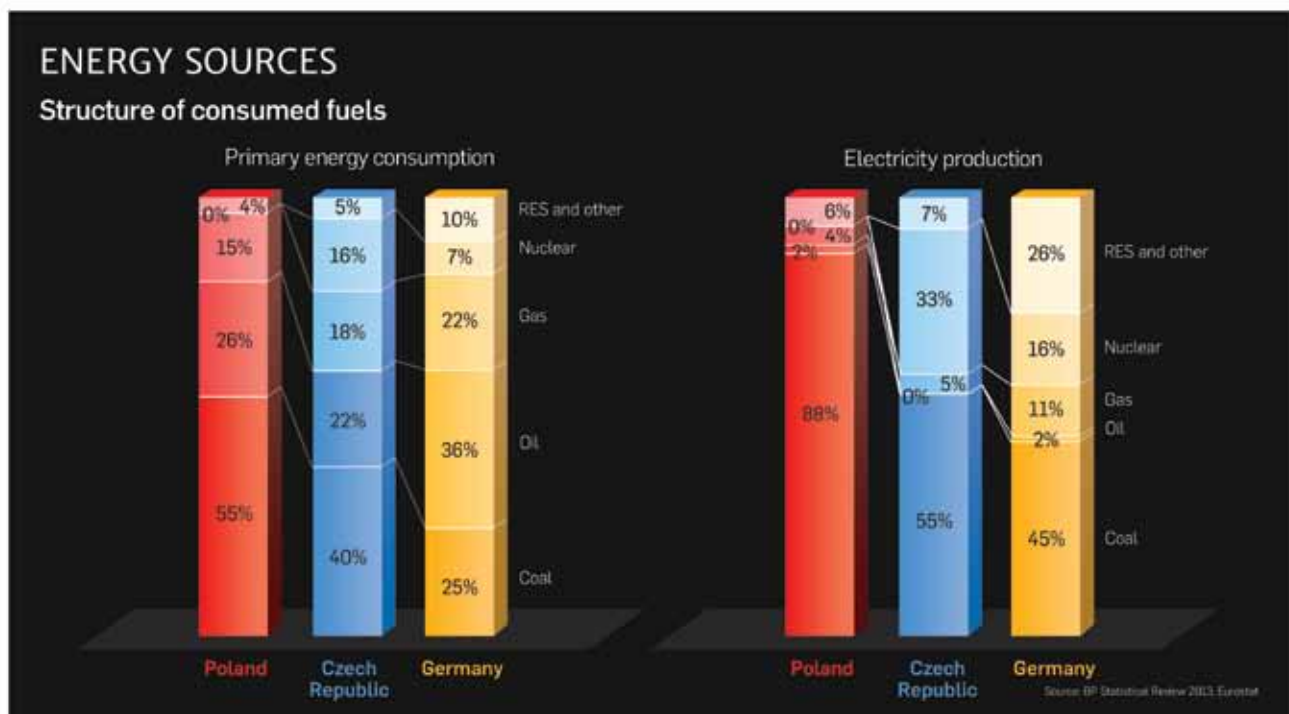
The sum of cumulative direct investments between Poland, the Czech Republic and Germany is now nearly EUR 50bn. However, none of these figures capture the full extent of the investments made by the citizens of each country in their neighbours. In addition to major business players and investments running to several dozen or several hundred million euros, smaller-scale undertakings are begun every day, such as service providers and construction companies. According to data released in 2012, around 100,000 Polish businesses have been established in Germany. This is three times the number of firms started by Turks, who represent

the largest national minority in Germany. Over in the Czech Republic, lower insurance premiums than those applicable in Poland continue to encourage small Polish businesses to fill attractive market niches over the border.

### The Energy Industry – Potential for strong cooperation

A nation's energy resources are the mainstay of its economic growth. But in Poland, the Czech Republic and Germany, they are insufficient to make those countries fully independent of external sources, so it is in their common interest to support each other in positioning themselves as favourably as possible in the regional and global energy markets.

Analysis of the primary energy and fuels consumed in their electricity generation shows that all three rely to a considerable extent on coal, the only strategic fuel they possess in considerable abundance. Germany stands out as Europe's leading producer and consumer of lignite (177 million tonnes annually in 2011), with Poland ranking third (63 million tonnes), and the Czech Republic



fifth (47 million tonnes). Lignite use is also a potential platform for political cooperation between the three, in the context of EU climate policy and development of the most efficient lignite burning technologies.

As much as 26% of Germany's total electricity output comes from renewable sources, and by 2022 that percentage is expected to rise to 48% with implementation of the so-called *Energiewende* policy, which provides for the development of renewable generation capacities, mainly at the expense of nuclear power. Further stages of the *Energiewende* policy in Germany may also provide opportunities for cooperation with Poland and the Czech Republic.

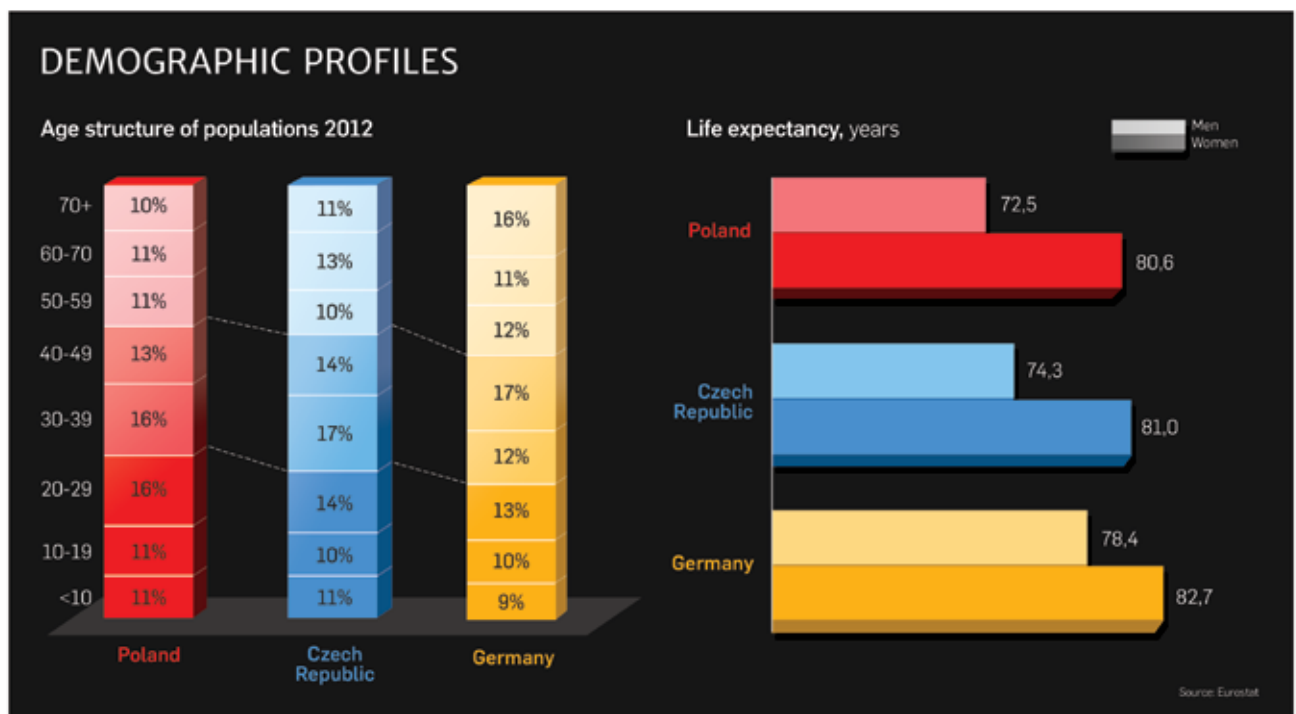
The availability of power generated from photovoltaic cells or wind turbines is vulnerable to fluctuation, and given storage constraints, this remains a major, unresolved problem of the "Green revolution". During times of deficit in power from renewable energy sources, the grid must be supported by power plants running on conventional fuels, such as coal or gas. Links between the

neighbouring countries' power systems will thus need to be established to ensure stable electricity supplies.

Germany's *Energiewende* policy also poses a huge challenge to the development of power distribution networks: in line with current plans, Germany will need over 4,000 km of new lines by 2022, of which only 300 km have been built to date. This does present, however, an opportunity for companies from the Czech Republic and Poland to help expand the German transmission system.

With its extensive development of RES technologies, Germany is a natural exporter of such solutions to Poland and the Czech Republic, and with such advanced technologies available just across the border, Germany's neighbours can absorb and creatively transform them, and perhaps even export them again at some future point.

In recent years, gas in the context of Poland has come to be associated mainly with shale gas, and according to preliminary estimates, the size of German shale gas resources might be comparable to Poland's. Such potential



is hard to ignore. But being less advanced in terms of exploration work, Germany should watch developments in Poland closely, particularly modifications made to the extraction technologies here and the possibility of their further deployment in Germany, as well as the management of social attitudes and the legal regime needed to launch shale gas production on a commercial scale. Unlike with RES, it is Poland that is leading the way in Europe in the field of shale gas.

Poland is also now preparing to join those countries producing power from nuclear sources, and both the Czech Republic and Germany have a much longer tradition of using nuclear power.

### **Demographics – The jeopardised pillar of growth**

It is people, as production factors and as consumers, that are the be-all and end-all of an economy. Without people, economic activity would have no purpose. As discussed earlier, the 130 million-combined population of Poland, the Czech Republic and Germany makes up fully a quarter of all of the EU's inhabitants.

However, according to statistics, this demographic power is under threat – by ageing. In Germany, the proportion of people more concerned with what their lives will look like after retirement than what their professional development looks like now (i.e. those aged 50+), has already reached 39%, whereas young people (30 and below) represent just 32% of the population. In the Czech Republic and Poland, these proportions find their mirror image, with the young still outnumbering the middle-aged in respective proportions of 35%/34% and 38%/32%. Nevertheless, expedient solutions are required to counteract the negative trend before it becomes irreversible.

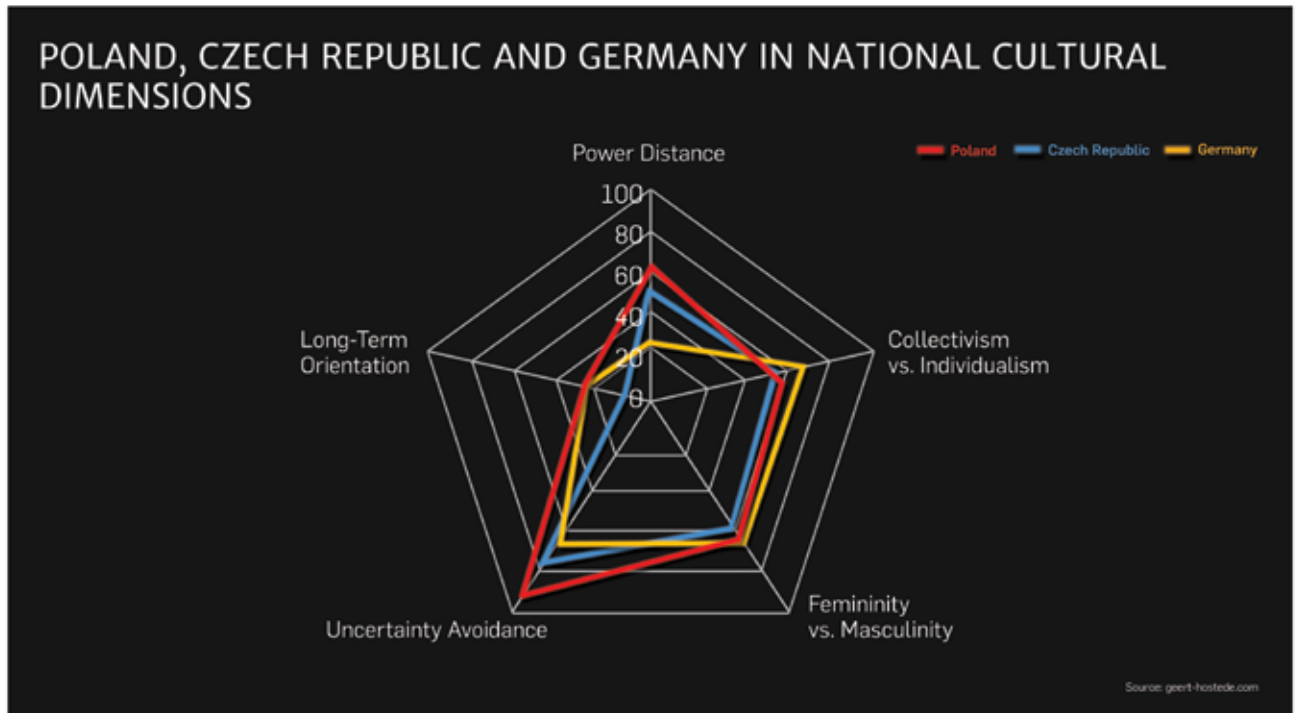
## **CULTURAL RELATIONS**

### **National culture**

While Poland, the Czech Republic and Germany are all close geographically, their proximity and history also give them a number of common political and economic interests. But are the cultural similarities between Poland, the Czech Republic and Germany as obvious?

Culture, being a dimension that is difficult to observe and to compare, demands that any research into it requires a substantial amount of work and a rigorously methodological approach. Among the most widely known cross-cultural studies are the works of Dutch sociologist Geert Hofstede. He demonstrated that certain patterns of thinking, feeling and behaviour that set members of one organisation (organisational culture) apart from another, are also characteristic of the representatives of a given nation (national culture). Based on his research, followed by Michael Bond in later studies, five dimensions have been identified with which one may compare different cultures:

- *Power Distance* – a concept referring to the relations between superiors and subordinates, and between the authorities and citizens. *Power Distance* also measures the degree of acceptance of social inequalities, the willingness of leaders to consult their subordinates and so on.
- *Collectivism vs. Individualism* – the proportional weights ascribed to the good of individuals versus the good of the community. In collectivist societies, the group looks after its members in exchange for unquestioning loyalty. In individualistic societies, position is determined by a person's own attributes, and people are expected to be independent and self-reliant.
- *Femininity vs. Masculinity* – in each culture, the feminine role is to nurture the emotional sphere and preserve harmony, whereas the masculine side represents its assertiveness and daring. However, if a culture is feminine, the behaviours of both sexes will be broadly similar, tending towards the feminine side. In a masculine culture, the differences between the roles attributed to



each sex are far more pronounced, with the behaviours of both sexes being closer to the masculine side.

- *Uncertainty Avoidance* – a concept expressing the degree to which people are ready to accept ambiguity in social relations and uncertainty of the future. Societies exhibiting a strong *Uncertainty Avoidance* Index (UAI) are characterised by a high level of anxiety, public displays of emotion and high alcohol consumption.
- *Long-Term Orientation (LTO)* – a concept differentiating between long-term and short-term orientation in life. The former embodies a focus on the future, whereas the latter dwells more on the past and present. *Long-term Orientation* stands for perseverance, relationships defined by status, thriftiness and feelings of shame. Short-term orientation (STO), on the other hand, represents settled habits and balance, concern for ‘saving face’, respect for tradition and reciprocity in greetings, favours and gifts.

So how are the Poles, Czechs and Germans positioned in light of these concepts? Differences between the three

national cultures are most evident in the *Power Distance* and *Uncertainty Avoidance* dimensions. In the *Power Distance* category, Poland’s scores are distinctly the highest, which makes social relations in Poland more hierarchical than in the Czech Republic, and particularly Germany. Poland also ranks highest on the uncertainty aversion scale, well ahead of the Czechs and Germans. In cultures with a high UAI, there is an emotional need for clearly defined rules, security plays an important part in individual motivation and people feel the need to ‘keep busy’ and work hard. Such cultures are, however, resistant to innovation.

What is most striking is how the Czechs differ from both Poles and Germans in terms of LTO. A bias towards short-term orientation is thought to entail greater respect for tradition, little propensity to save for the future, greater pressure to keep up with prevailing standards of consumption, impatience and a focus on achieving quick results. The results of our research indicate that the Czechs exhibit those features to a greater extent than either the Poles or Germans, who in turn more closely resemble one another in this regard.



In the *Femininity vs. Masculinity* dimension, the Polish and German cultures can be seen to lean towards the masculine more than the Czechs, although in comparison to others all three cultures are classified as masculine. What masculinity denotes in this context is the assertive and decisive behaviour of managers, a focus on competitiveness and performance, as well as resolution of conflicts through fighting rather than mild compromise.

On the *Collectivism vs. Individualism* axis, it is the Czech Republic and Poland that are closer to each other, with Germany biased towards individualism. This difference might signify a major qualitative change. Readings as strong as Germany's on the individualism scale point to a focus on family relations (parent-child, with extended family in a weaker role); loyalty based on individual preferences as well as a sense of duty and responsibility, and employer-employee relationships limited to the contractual.

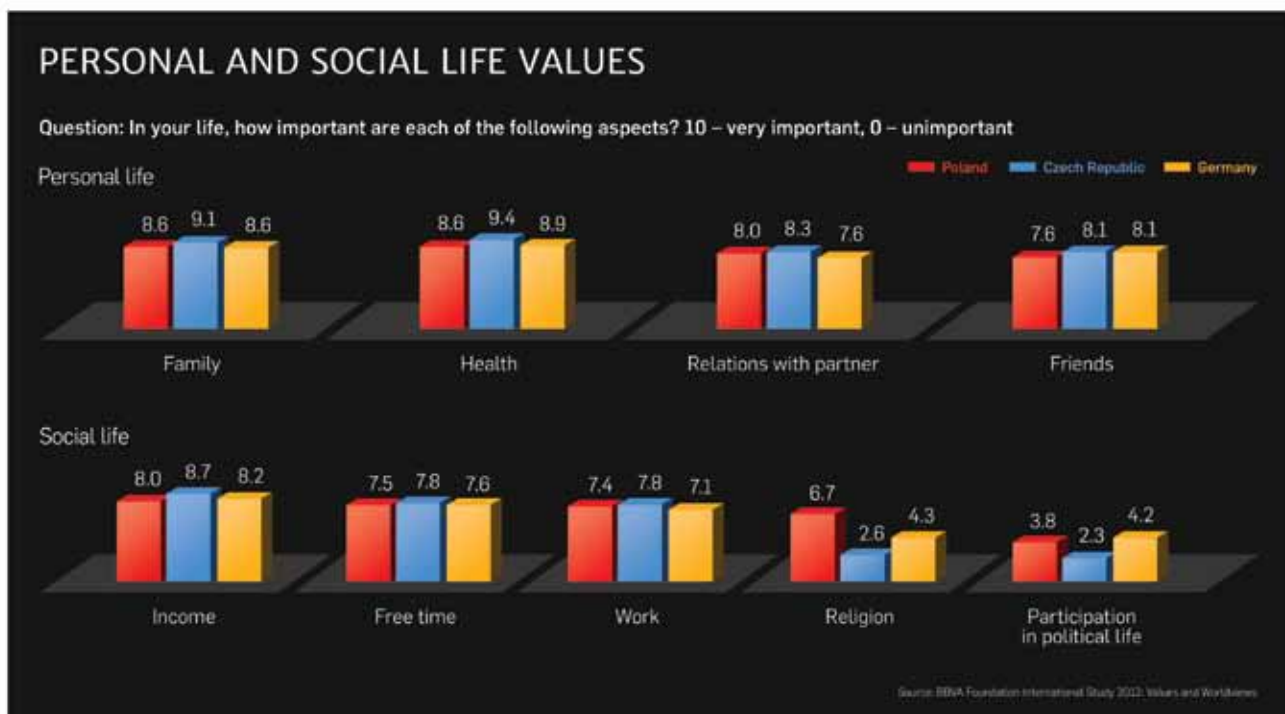
What these results demonstrate is that even societies living in close proximity to one another can sometimes

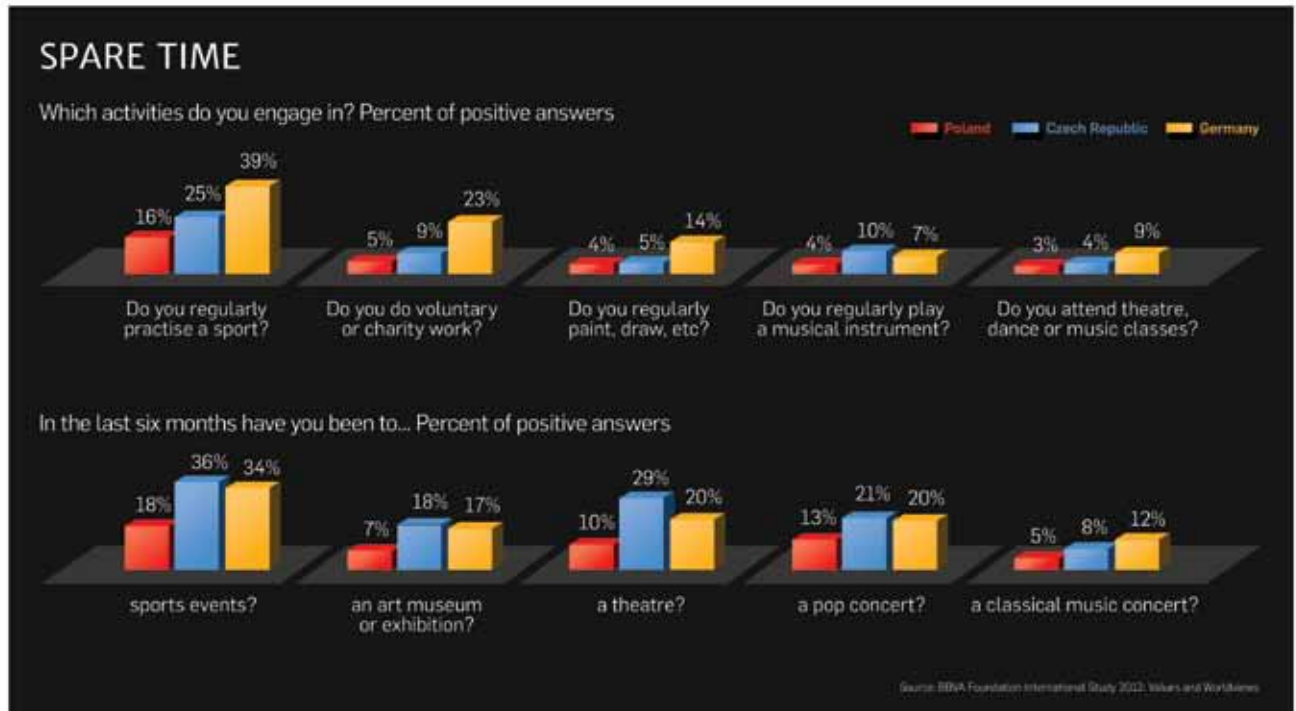
significantly differ on the cultural level. What all of this tells us is that adapting management styles to the cultural preferences of the employees can be a huge challenge, perhaps even more so if the differences are not immediately apparent and if close similarities are deeply-rooted in stereotype.

### Social activities and values

Poles, Czechs and Germans tend to cherish the same values in their private lives. All three nations put good health first, although Poles think this is as important as family, which ranks second among Czechs and Germans. Further down are relationships with partners and friendship, with successful partner relationships being the least important for Germans, and friendship at the bottom of the Polish list.

As regards specific social values, income is the first choice for all three nations. Interestingly, Czechs attach the greatest importance to income, but at the same time the gap between this and the next value on their list (work and free time) is the widest.





The most striking divergence was revealed in two categories: religion and participation in political life. Both are of little interest to Czechs, with the latter even less important than the former. Religion is relatively important to Poles, and is much more important than it is for Germans and Czechs, while Polish participation in political life rated lower. Political participation is more important to the Germans though, who rated it as being equally important as religion.

More visible differences can be seen in the way that Poles, Czechs and Germans spend their free time. The overall conclusion drawn about this part of the research is that Germans are much more physically active outside the workplace. Poles, on the other hand, are the least interested in organised leisure activities. Almost 40% of Germans and 25% of Czechs say they play sports on a regular basis. This compares with 16% of Poles. Volunteering is extremely popular in Germany (23% of German respondents declared involvement in voluntary work), and the Germans also like to participate in

various artistic activities. It is also interesting to note the large percentage of Czech respondents who play musical instruments (10%, compared with 4% for Poles and over 7% of Germans).

The survey also unveiled major differences in participation in cultural events, with the most general conclusion being that the Czechs and Germans are quite similar in this regard, with the Poles lagging behind. It should be noted, however, that for the purposes of this study, participation in a cultural event was understood in traditional terms as having a physical presence at a given event. On the same note, digital (or remote) participation in culture is also growing in popularity these days – attending a concert is no longer a requirement to enjoy the works of a great pianist, as high-quality audio equipment can sometimes suffice. If such modern ways of participating in culture had been accounted for, some of the disparities in the figures could have proved less significant.

### Social convergence

It is fair to say that Polish, German and Czech societies have become closer in recent years, and meeting other nationalities is nothing really remarkable. Since the Schengen scheme was introduced, crossing borders has become so easy that it can now even go unnoticed. Towns that were in the past divided by political boundaries (such as Cieszyn and Zgorzelec) have now been able to revive their regional identities, which co-exist with their national identities.

Intense interaction is also taking place among young people, and Germany has been the most frequent choice of Polish and Czech students for their Erasmus exchange destination. In total, 23.4 thousand Polish and 10.1 thousand Czech Erasmus students had stayed in Germany by 2011, or in other words, approximately 20% of all Polish and Czech Erasmus participants, respectively.

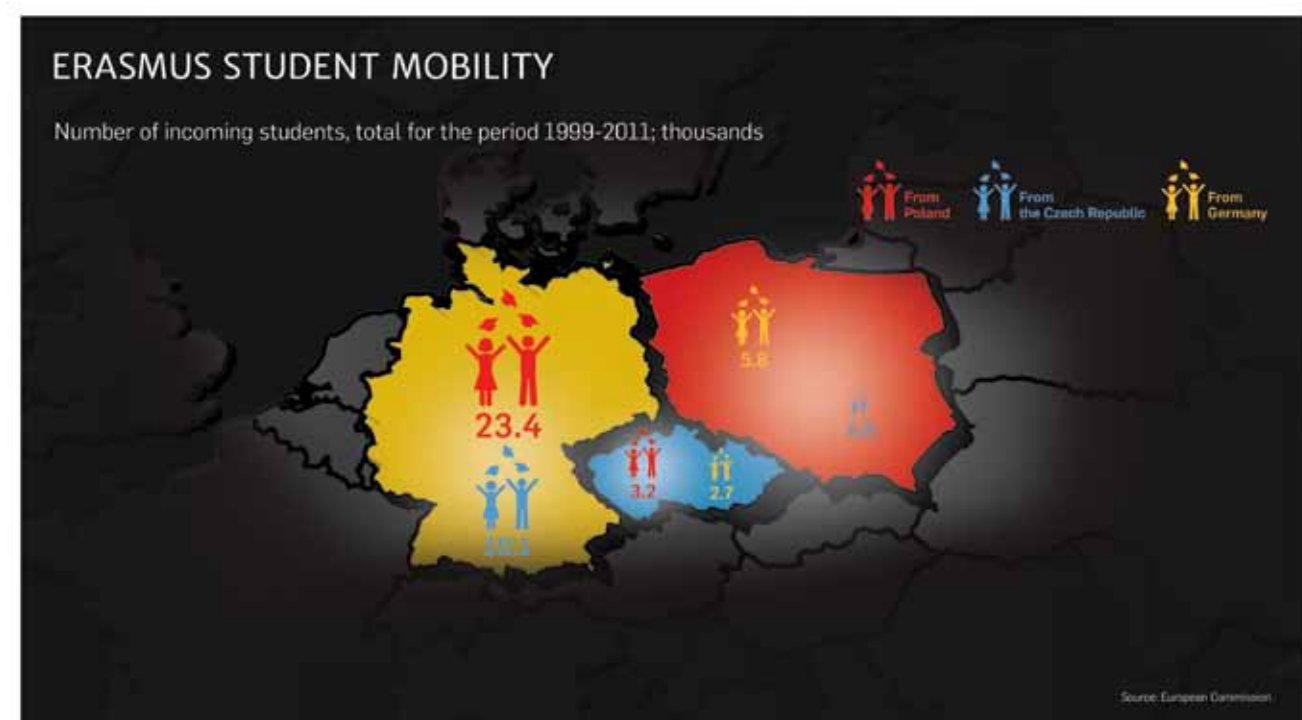
So far, Germans have not been as interested in coming to study in Poland or the Czech Republic. From 1999 to 2011, 5.8 thousand and 3.2 thousand German students

came to study in the Czech Republic and Poland, respectively.

Student exchange flows between Poland and the Czech Republic were not as sizeable as with Germany, and by 2011 just 2.7 thousand Polish students had studied in the Czech Republic, with less than a thousand Czech students coming to study in Poland.

The total number of Erasmus students already numbers in the tens of thousands. They are a strong group who may prove to be of key importance to business owners planning to enter their neighbouring markets. They are familiar with the culture and usually have a command of the language, and have already made friendships with natives, which can potentially be used to support business activity.

People who have had the experience of studying abroad can contribute to the transfer of technology and cultural patterns between societies, not so much for the purpose of replacing one with the other, but to create a new, common culture.





## DISCUSSION OF SURVEY RESULTS<sup>1</sup>

### The effect of economic relations on neighbouring country perception

The growth of investments and trade flows between countries is a vital element of their mutual relations. Apart from their effect on the political sphere, they also influence inter-societal relations. Growing trade flows and increasing the number of joint business ventures tends to enhance the perception of a country and its people by its partner country. At the same time, as their perception of each other improves, the citizens of one country become more inclined to pursue business ventures in the other country's market. In our case, the relations between Poland, Germany and the Czech Republic fit this scenario perfectly.

In each of the three neighbours, the specific factors affecting mutual perception and inclinations towards the population of the other countries differ. Germany has been the key business partner for both Poland and the Czech Republic, whereas trade flows with those countries do not feature as prominently in the German statistics. Nevertheless, Germany's exports to Poland have exceeded their exports to Russia for years. The strength of the German economy far surpasses the potential strength of both Poland's and the Czech Republic's, and the international role of Berlin is incomparably more influential. This disproportion in the countries' potentials and the historical factors behind the current inequalities in their development explains why the attitudes of Poles and Czechs to Germans may differ entirely from the German attitude to Poles and Czechs. Also, the inhabitants of larger, stronger countries tend to be less interested in, and therefore less familiar with, smaller countries. When considering the relations between Germany, the Czech Republic and Poland, one cannot underestimate the consequences of their difficult shared history, especially the years of hostility and subjugation, which have left profound marks on their attitudes towards one another. Currently of course, all three countries are EU members

and equal partners, and in political terms Poland and the Czech Republic are increasingly viewed by Germany as important allies. According to research conducted over many years by the Poland's Institute of Public Affairs, this growing political and economic importance has also been noted by the German media. And in a modern society, the media are, of course, the key creators of the image and perception of other countries.

The way in which Poles, Czechs and Germans perceive one another these days not only reflects the changes taking place in their mutual political and economic relations, but also in their interpersonal relations. Even so, the way in which nations perceive one another evolves at a relatively slow rate, which cannot keep pace with their technological advances or economic relations. It usually then takes a long time before any positive effects from the strengthening of ties between countries or their closer political cooperation can be discerned in their populations' attitudes. By contrast, a country's good name can be easily and quickly spoilt.

The opinion polls carried out in July 2013 in the three countries by the Institute of Public Affairs<sup>1</sup> only confirm the effect of these rapid perceptual shifts, and even in our generally favourable perception of each other there are still many gaps. The mutual stereotypes, entrenched over the years, are far from gone. For all that, the research also reveals new, positive attitudes among the neighbouring countries, which may be the foundation for stronger, better relations between them.

A comparison of the polls carried out in all three countries has identified several tendencies evident in the answers to virtually all the interviewers' questions. One of the most striking things is the excellent perception enjoyed by the Germans, both in Poland and the Czech Republic. This positive view is driven by Germany's role in Europe, as well as its economic strength and political clout, visible particularly in the recent times of worldwide crisis.

<sup>1</sup> Commissioned by PKN ORLEN S.A. to the Institute of Public Affairs, the polls were conducted by telephone (CATI) on a representative sample of the Polish adult population (aged 18+), between July 5th and July 10th 2013 by TNS Polska. In Germany, they were conducted between July 4th and July 18th 2013 by TNS Infratest Deutschland, and in the Czech Republic between July 3rd and July 23rd 2013 by TNS Czech Republic. Moreover, between July 5th and July 24th 2013, an additional survey was conducted by Internet on a sample of respondents with professional exposure to business contacts with their neighbouring countries. In total, the polls covered 600 people in three countries.

Although the German public does not follow the current situation in Poland or the Czech Republic as closely as those two countries watch the German economy and politics, the Germans tend to perceive their two neighbours in a generally favourable light. Interestingly, Poland's image in Germany is slightly better than that of the Czech Republic's, thanks mainly to a rapidly improving opinion on the Polish economy, the highly valued work of the sizeable number of Polish workers in Germany, and the increasing role of Poland in the EU arena.

As regards Polish-Czech relations, the mutual perception is marked by a certain asymmetry, as the excellent perception of Czechs in Poland is not matched by such an equally positive image of the Poles among the Czechs. Some of the old Polish stereotypes are still rife there, and neither flourishing cross-border business nor personal contact between the two nations have been able to displace them. It might then be a good idea to consider concrete initiatives aimed at improving Poland's image among the Czechs, at least as far as the image of the Czech Republic in Poland and the image of Poland in Germany have changed in recent years.

There are a number of features that contribute to the perception of a country and its economy. A country's attractiveness as an investment destination depends primarily on how its overall economic development and work organisation are viewed. The perceived scale of corruption and red tape are also significant considerations.

In each of these categories, the German state is viewed in a very positive light, with more than 90% of all Polish and Czech respondents giving favourable opinions on the strength of Germany's economy and its work organisation. The marks given by the Czechs to the Poles and vice versa were clearly worse compared with those they gave to the Germans, although the Polish respondents did express an overall positive view of the Czech state. Against the Poles' opinions, and particularly against the excellent image of Germany, the Czechs' critical feelings about Poland stand in stark contrast.

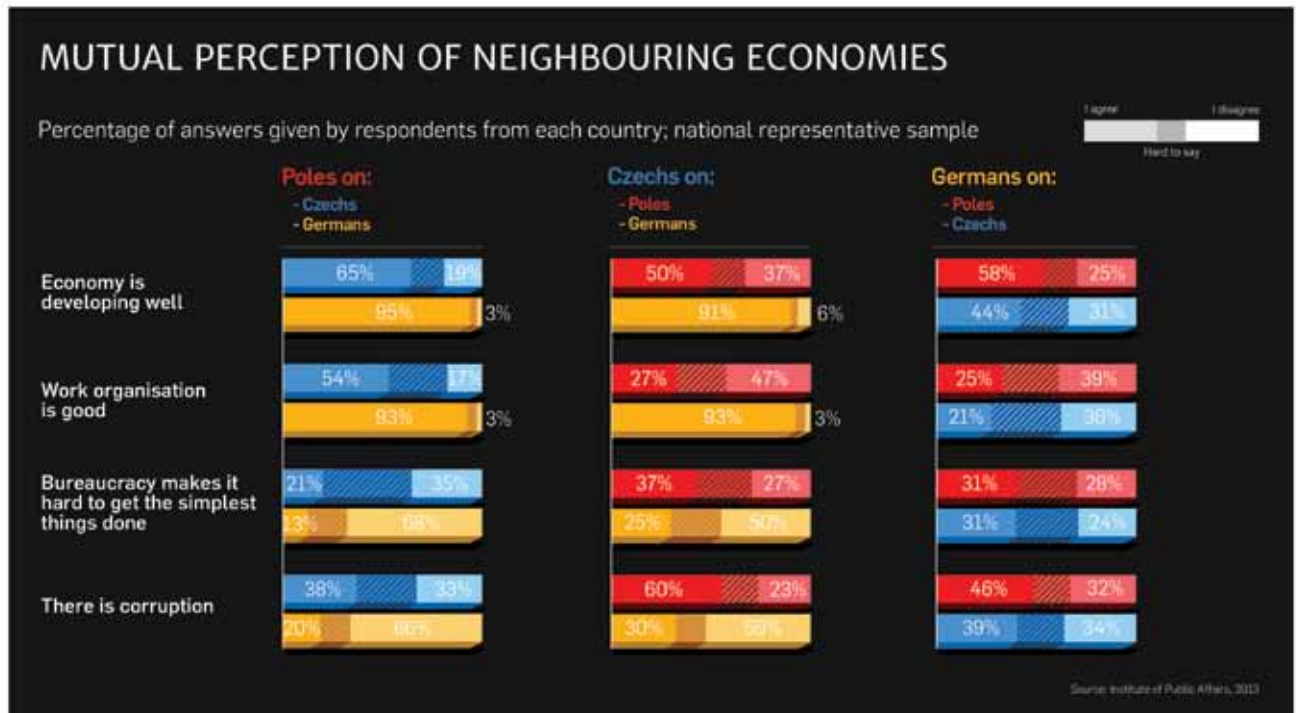
For instance, the percentage of Czechs who think highly of German work organisation is over three times higher than the percentage of Czechs who think the same of Polish work organisation.

The strong results of Polish-German business are reflected in how the Germans evaluate the condition of the Polish economy, with more than half of them agreeing with the statement that it is developing soundly. It turns out that the decades-long stereotype of the 'Polnische Wirtschaft' has undergone a major revision. The phrase, which used to be synonymous with mess, neglect, backwardness and bad organisation, is now increasingly often associated with vigorous growth, solidarity and conditions conducive to investment. However, the fact that many Germans still point to the constraints of Polish bureaucratic burdens and corruption clearly highlights the areas Poland must continue to work on, to further improve its image with its German and Czech neighbours.

The survey also identified a tendency which can be observed at various levels of the political and economic relations between all three countries – the Germans had the hardest time assessing their neighbouring countries, presenting the highest percentage of 'hard to say' answers, although these were lower with reference to Poland than to the Czech Republic. Poles and Czechs, on the other hand, had no difficulty expressing clear-cut opinions on Germany. Given the wealth of media reports on Germany and the generally wider interest in their economy and politics, the two smaller countries have more extensive knowledge and well-formed opinions on their larger neighbour.

The tendency of smaller countries to be better informed of larger ones can also be seen in the Polish-Czech assessment, with Poles hesitating more when assessing the Czechs than the other way round. This correlation was seen throughout the survey in the mutual perception of the Poles, Czechs and Germans.

German firms enjoy an excellent opinion both in Poland and the Czech Republic, being viewed as very

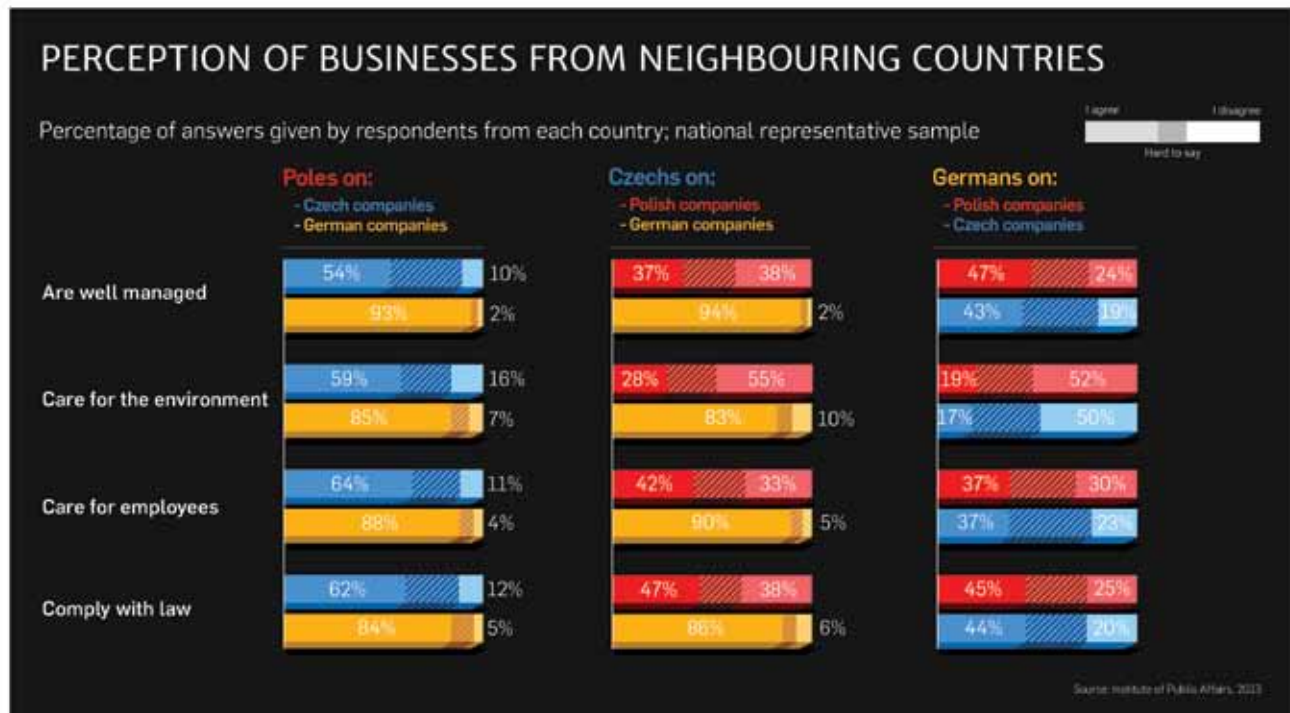


well managed, caring for their employees and the environment, and also law abiding. Furthermore, this is a stock perception, independent of experience or contact with German businesses and their employees. An analysis of the poll's results indicates that German businesses are also evaluated highly by those respondents who have no personal experience of Germans, but hold a positive opinion of them by virtue of their positive opinion of the state itself.

By contrast, the opinions on Polish and Czech firms expressed by the Germans are worse by at least half, being particularly sceptical of what Polish and Czech businesses do to protect the environment. Environmental protection is a very hot topic in Germany, with a great deal of attention paid to compliance with environmental requirements. The Germans are also well aware that they have pioneered a number of pro-environmental solutions in this part of Europe, which could explain their negative

opinions on the activities of Polish and Czech businesses in this area. Their perception of businesses from the two neighbouring countries is similar, which suggests that Germans think of them as firms from the region as a whole, rather than from separate parts of it. While the responses do show the persistence of certain stereotyped opinions of our neighbours, it is true that numerous standards still lag behind and that such results should incline us to think about how to improve them, or to demonstrate the changes we have already made. It should also be remembered that some types of misconduct – and the disapproval they provoke – can weigh particularly heavily on a country's image.

For example, while the mutual Polish-Czech assessments are more convergent, Poles tend to have a more favourable opinion of Czech firms, as they do for the nation as a whole. Czechs, on the other hand, often have equivocal feelings about the functioning of Polish businesses.



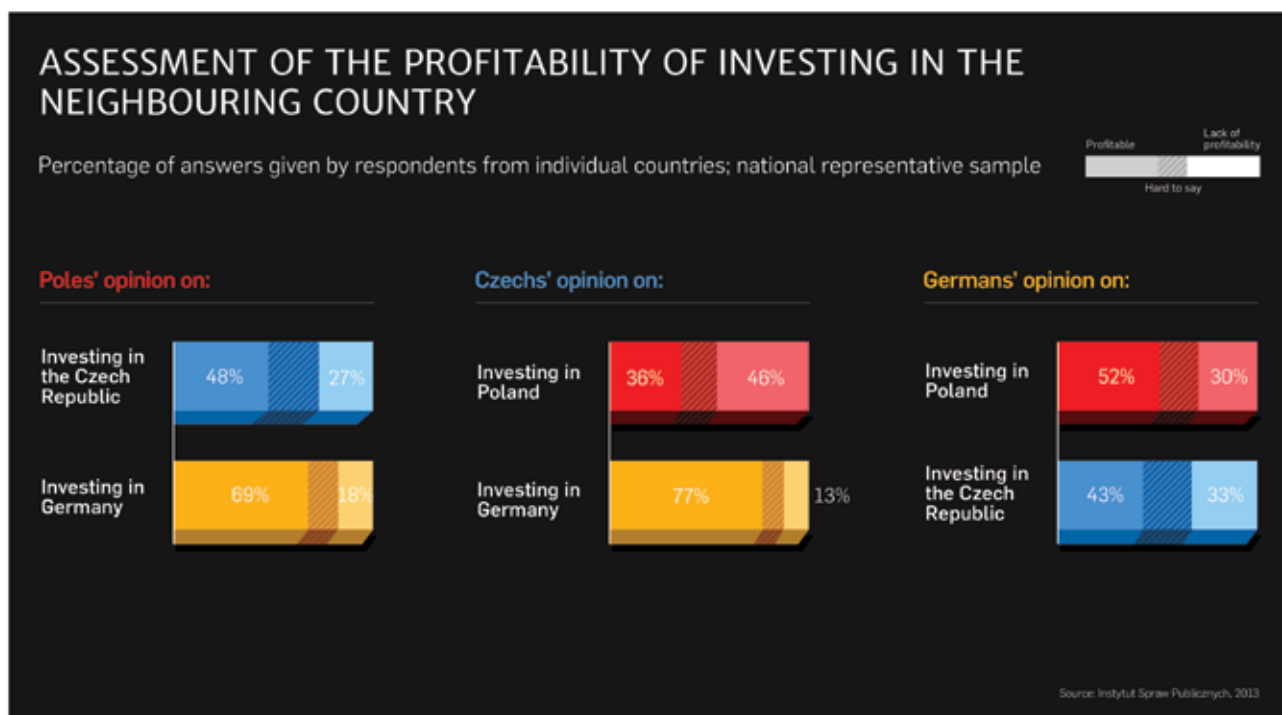
### Opinions on investing

The same asymmetry of perception is manifested in assessments of the viability of investing in the other countries. Once again, the majority of Poles and Czechs believe that investing in Germany has great economic potential, although twice as many Czechs declare that investing in Germany is good business as those who claim this to be true for Poland. This result was largely driven by Germany's economic power, which plays a vital role in the Czech economy, but first and foremost by the availability of relevant information. This is also reflected in the fact that the economic potential of business relations with Poland gets less exposure, and that the Polish figures speak less impressively than in the case of German investments.

Despite this, Germans are much more likely than Czechs to think that investing in Poland is profitable, once again reflecting the Polish economy's positive image in Germany. In general, German assessments favour Poland over the Czech Republic. However, it is evident that the Germans

have, overall, a positive opinion about the profitability of investments both in Poland and in the Czech Republic.

In each of these three countries, opinions on the influence of their neighbours' investments on the domestic economy also reflect the results of the survey on investment viability, with respondents again pointing to German investments as being the most beneficial to the Polish and Czech economies. In this case, however, the number of Poles who believe that such projects have a negative influence on the Polish economy is also the same for the Czech and German investors. One possible explanation is that a fifth of our respondents are generally apprehensive about foreign investors, viewing German and Czech projects from the same point of view. The percentage of German participants who then share a negative opinion about the effect of Polish and Czech investments on the German economy is similar, and, as in the case of profitability, Germans who view Czech investments favourably tend to express the same opinion about Polish investments. This could be another indication that Germans do not distinguish between



Polish and Czech projects, perceiving them both as being generally 'Central European investments'.

As in the case of Polish investments in the Czech Republic, half of the Polish respondents hold a positive view of Czech investment's influence on the domestic economy. The Czechs think the opposite – approximately half of our respondents do not agree that investing in Poland is good business, and believe that Polish investments have a negative effect on their economy. To the Czechs, Polish investments are viewed favourably half as often as German investments.

According to our survey of professionals actively involved in similar operations, it is the intensity of current business relations between Poland, the Czech Republic and Germany that is the main reason why companies from these countries are so interested in working with each other. The percentage of respondents who declared such an interest ranges from 60% to 94%, with one exception – only half of our Czech respondents believe that Czech companies are interested in investing in Poland.

Both Polish and Czech professionals point to red tape as the key barrier to investment in their respective countries, proving the need for specific changes. Language differences, though, are not considered especially problematic, particularly in Poland and the Czech Republic, where they are not considered an obstacle to business contacts. Opinions are more divided among German experts, although they also tend to think that language is only a minor barrier in business relations. The lack of significance here may be attributable to the fact that with the business world's increasing reliance on English, being unable to speak your business partner's language is no longer such an obstacle.

In order to foster further development of economic relations, it is crucial to convince two-thirds of our Polish professionals that a lack of trust should not constitute a trade barrier between Poland and the Czech Republic or Poland and Germany. This same belief was also expressed by two-thirds of the Czech professionals asked about Czech-German investment relations, and although formulating a clear opinion on this topic was

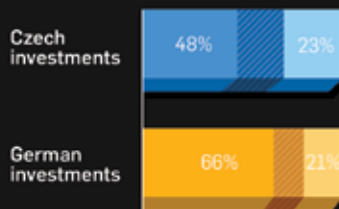


## DO NEIGHBOURS' INVESTMENTS HAVE A POSITIVE IMPACT ON THE DOMESTIC ECONOMY?

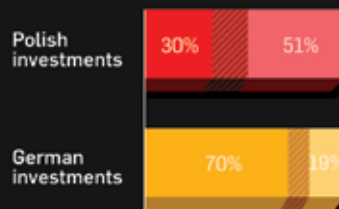
Percentage of answers given by respondents from individual countries; national representative sample



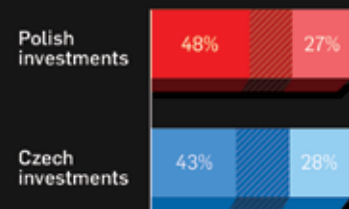
### Poles' opinion on:



### Czechs' opinion on:



### Germans' opinion on:



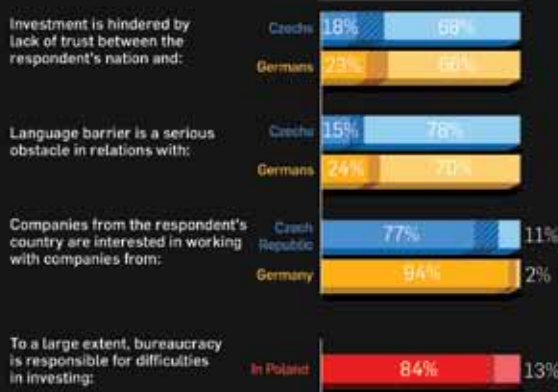
Source: Institute of Public Affairs, 2013

## OBSTACLES TO NEIGHBOURS' INVESTMENTS

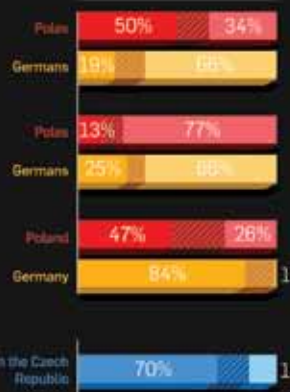
Percentage of answers given by respondents from individual countries; national representative sample



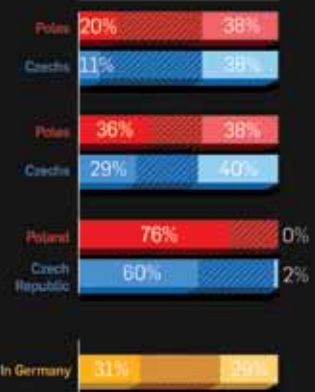
### Poland



### Czech Republic



### Germany



Source: Institute of Public Affairs, 2013

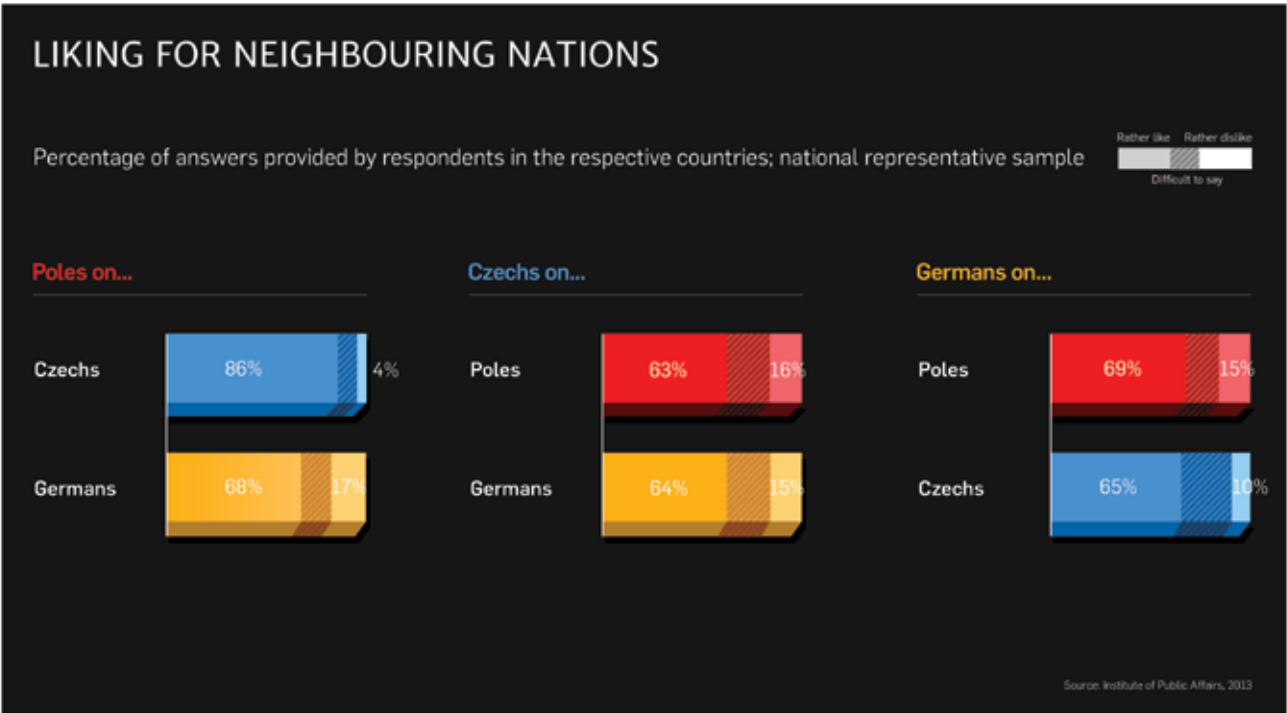
most difficult for our German professionals, the majority agreed that lack of trust is not a barrier to investing in Poland and the Czech Republic. In this context, the Czech mistrust of Poland is somewhat exceptional, with one in two professionals declaring that the lack of trust between Poles and Czechs does hinder investment. However, only one in five Czech experts think the same is true of business relations with Germany.

Neighbours in professional roles

Opinions on countries are usually inextricably tied to opinions on that country’s society. For example, there is a strong relationship between how we perceive a country and how much we like its people. In the case of Poland, the Czech Republic and Germany, these perceptual relationships sometimes break down, both for historical reasons and because of the differences in potential discussed earlier. We can see, then, that cultural proximity does not necessarily guarantee a positive opinion on a country, and that a positive opinion of a country or its economy does not always translate into a fondness for its people.

Our research showed that some two-thirds of respondents in Poland, the Czech Republic and Germany like their neighbouring nations. There is one striking exception – Poles demonstrate an extraordinary fondness for Czechs. A long-running CBOS (Polish Public Opinion Research Centre) survey tracking the Polish people’s attitudes towards other nations shows that Czech popularity has been on the rise for years, and that at present, the Czechs are one of the most well-liked nationalities in Poland. Poles are familiar with Czech films, comedies in particular, and they enjoy the pleasant melody of the language, the Czech sense of irony, and their easygoing approach to life. Czechs are also quite similar to Poles in their morals and mentality.

In the context of the perceptions research cited earlier, it is worth noting that Czechs like Poles as much as they like Germans, despite recurring critical opinions on the quality of the Polish state and economy. The deeply rooted belief in the fraternity of the Slavic nations is probably at work here, which however should still be viewed against the number of unfavourable opinions on Poland and Poles, dampening their popularity ratings.



On the other hand, fondness for Germans is slightly tainted, despite the impeccable view of the German state and nation. This is probably due to historical experiences and cultural differences which are wider than between Poland and the Czech Republic. Generally, Czechs have an equal amount of positive feelings towards both Poles and Germans.

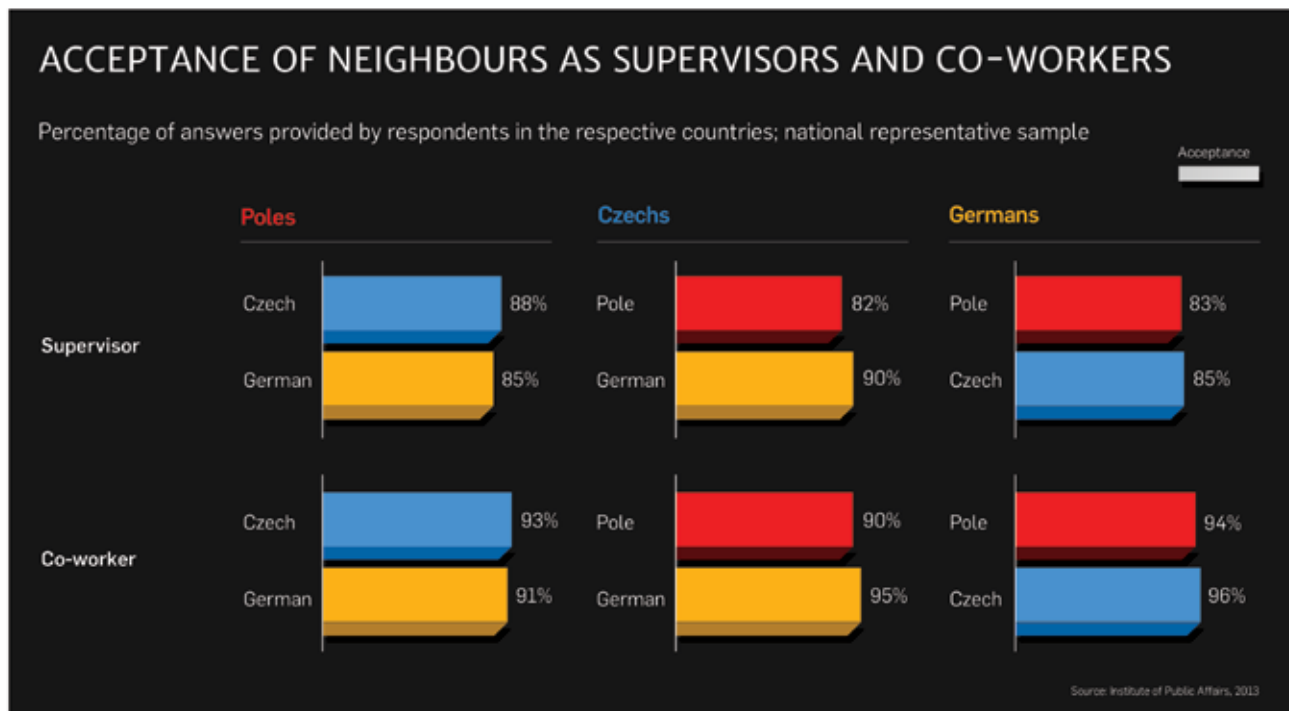
The German respondents also offered some quite striking answers. Their attitude to the Czechs is only slightly more negative than it is to the Poles, yet at the same time a smaller (but not much smaller) number of respondents expressed their overall dislike of Czechs. Moreover, Germans think Poles are more likeable than Czechs.

### *Neighbours as bosses and co-workers*

In addition to the factors discussed above, the intensity of international business relationships also depends on the degree of reserve expressed towards other nations. The less reservations held, the easier it is to forge new partnerships or foster business relations. Our degree of reserve is the ultimate measure of how much we trust

and like another person, and how secure we feel in their presence. Face-to-face interactions are an excellent opportunity to put our reservations under the microscope, and in a business environment these take place among co-workers and between employees and supervisors. The quality of the personal interaction in a business context is crucial to a country's business relations and its inward investments. As a rule, it is easier to accept a foreigner as a colleague than as a boss, since supervisory roles confer a hierarchy upon the relationship.

The level of acceptance of foreigners in various business roles among Poles, Czechs and Germans is high, at over 80% in each case. Overall, the degree of acceptance is higher for foreigners as co-workers than it is for supervisors. Germans would be as willing to see a Pole in either role as they would a Czech, which is further proof that for Germans, the two Slavic nations have similar connotations. The research results in Poland are almost identical – in both Germany and Poland, the level of acceptance of Czechs is only slightly higher than of Poles and Germans, respectively.





### Personal traits attributed to neighbours

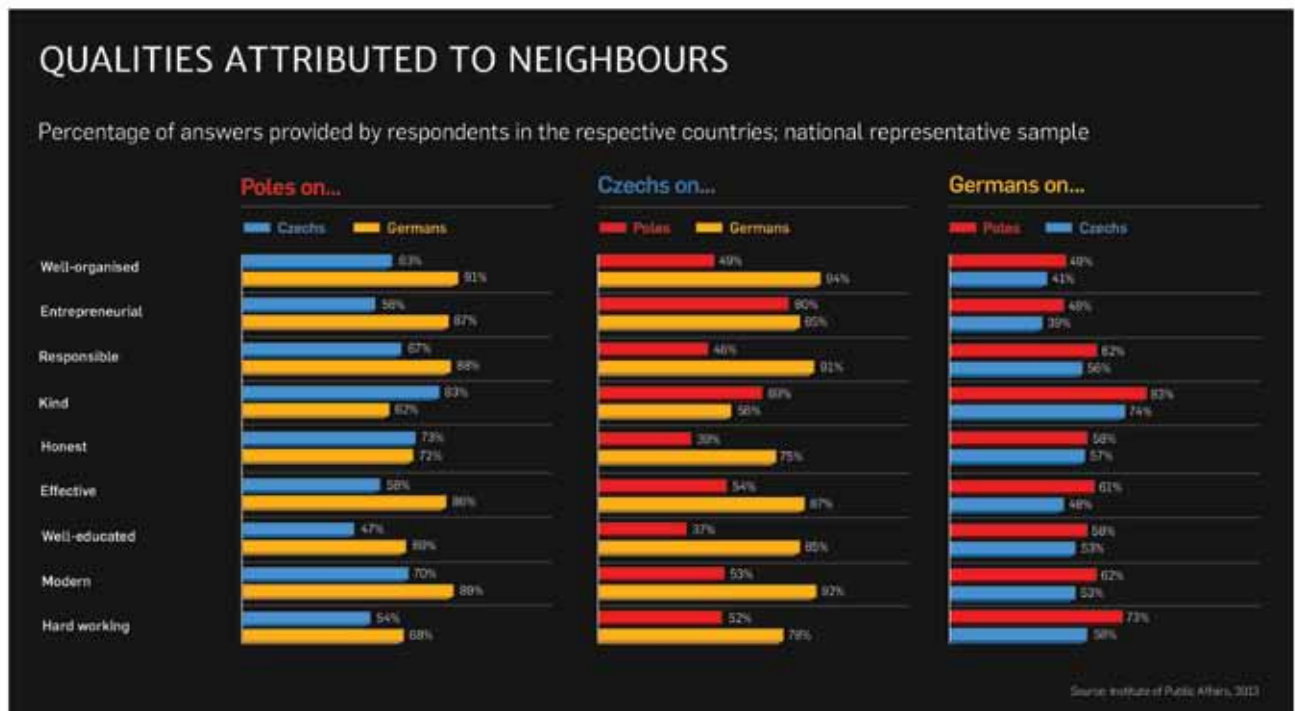
The acceptance of non-nationals in various social roles has to do with the personal characteristics that we tend to attribute to other nationalities. The more desirable the trait is, the more accepted and well-liked the foreigner will be as a colleague or supervisor, and in the long term, the greater the inclination to enter into a business relationship with them.

The positive image of Germany as a country is consistent with the positive image of the typical German. According to Polish respondents, the only exceptions are kindness and honesty, two qualities attributed to the Czechs rather than the Germans. Among the Czechs, the positive opinions of Germans outweigh the positive opinions of Poles, although kindness is again an exception to the rule, being a quality associated with Poles rather than Germans. In fact, kindness was the only quality that evoked such considerable diversity of opinion, and the Germans themselves were more inclined to attribute this quality to Poles than Czechs. Major differences were also noted in the attribution of entrepreneurship and

diligence, with the Germans again tending to cite them as being characteristic of Poles rather than Czechs. In recent years though, Germans have had more opportunities to confirm the truth of their preconceptions about Poles' entrepreneurship and diligence. Business relations between the two countries have been flourishing, a growing number of Poles are finding employment in Germany, and an increasing number of Germans are coming to Poland, then sharing their positive views on the country and its people with their families and friends on their return.

Generally, the average Pole is viewed more favourably by the Germans than by the Czechs, with particularly large differences in opinion identified in the attribution of Polish diligence, qualifications, honesty and kindness. It is only in terms of resourcefulness that the Czechs view Poles more positively than the Germans.

When asked to evaluate the personal qualities of the other two nationalities, Poles emerged with a much more favourable image of Czechs than vice versa, with one exception – Czechs have a much more positive opinion of Polish entrepreneurship.



### Employee motivation

The increasingly stronger business relations between Poland, Germany and the Czech Republic are driving the gradual convergence of management models and employee expectations, but it is still each country's own inherent corporate culture that continues to play the key role. The various factors affecting corporate culture include the country's economic situation, the conditions on the labour market in particular, as well as inherited work habits and expectations. Looking at the three neighbours, Germany's approach to corporate culture sets it far apart from its two Slavic neighbours.

The order of motivational factors in business is the same in Poland and the Czech Republic, whose professionals both agree that pay rises are the prime incentive, followed by "other material rewards", and fear of job loss (being a negative motivating factor). The same order of motivating factors was cited by the Polish and Czech professionals, with respect to themselves and their neighbours. In their opinion, the order is different for Germans, who

are thought to be best motivated by pay rises, then by other types of rewards, and then by recognition from supervisors. The Polish professionals pointed to fear of job loss as the least important motivating factor after "other types of punishments or reprimands", which the Czech professionals rated the same as disciplinary sanctions. This view likely stems from the high opinion held by Polish and Czech professionals of the German economy and low unemployment rate, as well as on their corporate policies offering the certainty of employment.

The views of the Polish and Czech professionals on the factors they believe motivate German employees are more or less consistent with the opinions offered by the Germans themselves. According to the latter, a pay rise has the same motivating power as recognition from their supervisors, with little importance attached to other types of rewards. Also in line with their neighbours' opinions, the negative motivating factors are not as effective as the positive ones. It is worth noting that the German professionals' opinions on the Poles' and Czechs' motivating factors are similar, but that their



order reflects the same pattern as the opinions given on the German employees' motivating factors. This demonstrates how much the German professionals think that Poles and Czechs are similar to themselves, and how far they act in similar patterns. The differences in percentages cited here reflect the fact that a large group of professionals (around 40%) gave no answer about Poles and Czechs.

### *Living and working in a neighbouring country*

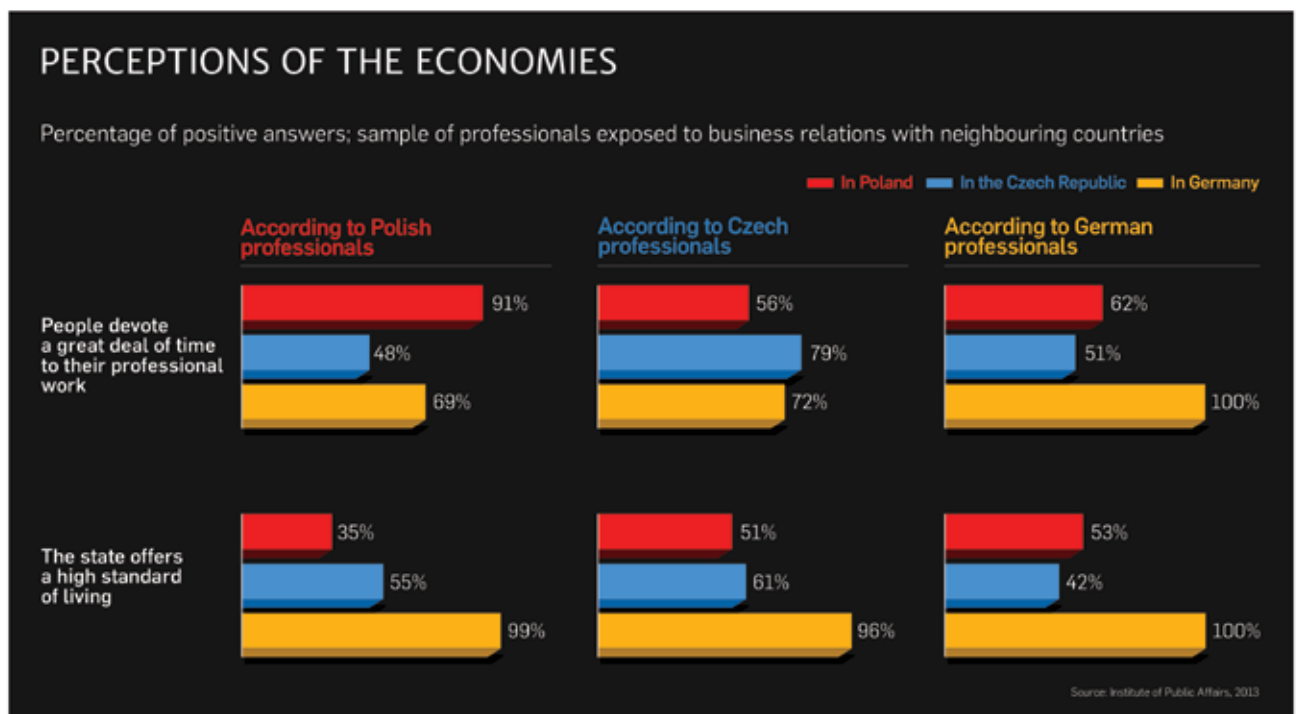
Germany's positive image in the Czech Republic and Poland is additionally reinforced by the opinion, voiced by the professionals surveyed, that the country also offers a high standard of living. Similar opinions of their own countries were not expressed by the professionals quite as often, and an interesting tendency became apparent – the majority of Czech professionals rated their own country above Poland in terms of comfort of living, which the Polish professionals also agreed with. However, the Germans ranked Poland higher than the Czech Republic in this regard.

Each country's surveyed professionals considered their nation to be particularly hard-working, and a large proportion of respondents in Poland and the Czech Republic thought the same of the Germans. This perception is in line with the positive overall image of the German economy and German businesses.

### **Factors with a bearing on mutual perceptions**

Comparative analysis of the mutual perceptions of Poles, Czechs and Germans uncovers certain tendencies which are important to the progress of three-party relations, including those of a business nature.

Generally speaking, Poles view the German state, German businesses and Polish-German business relations more positively than the Czech Republic, but at the same time are more fond of the Czechs as a people. This can be seen in their popularity and acceptance ratings, as well as the Polish tendency to attribute positive personal qualities, such as kindness, to the Czechs.



For their part, the Czechs have an exceptionally favourable view of Germany and German people, while their perception of Poland, although positive in absolute terms, is less favourable when compared with Germany. But it is also true that Czechs regard us as being kind, and tend to like Poles as much as Germans, which may suggest a sense of closeness in terms of cultural and moral values.

Meanwhile, the Germans view Poland more favourably than the Czech Republic and have a more positive opinion of Poles than of Czechs, but still, their general perception of both nations is favourable. The relative proportion of positive and negative opinions of Poland to the Czech Republic is similar, and it is also clear that the German respondents had more already-formed opinions on Poland and Poles than they had on the Czech Republic and Czechs. This probably stems from their greater awareness, resulting from an extensive network of bilateral relations, previous experiences, interactions with the Polish community living in Germany, and the large scale of their business together.

The favourable overall view of Czechs among our Polish respondents was coupled with positive opinions on the personal qualities of the average Czech, their lack of social reserve and a favourable image of the country and its economy. Similar tendencies were identified in the opinions voiced with respect to Germans, though there was no significant correlation between the positive image of the country and attitudes towards its people.

Similarly to the opinions given by the Polish respondents, Czech respondents who declared their liking for Poles also held a more positive overall view of Poland and the Polish nation. No such correlation was identified in opinions concerning the Polish economy, which seem to be formed on the basis of media reports and public statements made by politicians.

In Germany, the favourable perception of a nation influences the German perception of the country as a whole. In particular, it raises the level of acceptance of members of that nation in various social roles and enhances the positive view of their personal qualities.

The perception of a country and its people is often shaped by the quality of current and previous experiences. In a business environment, working together has a particularly important role to play in helping each other evaluate the characteristics of a people and the functioning of their business organisations or state. And, of course, the best way to form an opinion is through first-hand experience. This reasoning was identified in the results of our research, although it wasn't relevant in every case.

As a rule, Poles tended to show more liking for the nationalities they had had direct contact with, even though personal contact was not an influence on their opinions on the functioning of other states. For instance, the Poles who had actually met Czech people (while visiting the Czech Republic, at work or in their private lives) declared their fondness for the Czechs more often than those Poles who had never had such contact. As regards Polish attitudes towards Germans, personal contact with German people proved, relatively speaking, the most important determinant.

Previous visits or an acquaintance in a neighbouring country were irrelevant to what the Czech respondents thought of the functioning of the state in that country, as was having a native of that country as a colleague, which had no impact on opinions about business or the economy. Similarly, direct contact played no role in the Czechs' regard for other nations (popularity, personal qualities or acceptance), which is usually a powerful factor in international relations.

In contrast to the Slavic view, personal contact with their Polish and Czech neighbours did matter to the German respondents. Such contact had the most impact on their view of the situation in the other countries, although it found no reflection in their regard for businesses operating there. It also had the effect of increasing the popularity ratings of the Poles and Czechs, but had little influence on opinions about the personal qualities of average Polish or Czech people, and no influence whatsoever on the level of acceptance of Poles and Czechs in various social roles.

The social and demographic profiles of the respondents had a negligible effect on their attitudes towards the other two countries and nations, although in some cases opinions were biased by age or education. By the same token, the place of residence (the size of a respondent's home town) had little effect on opinions.

Views held by Poles on Germans varied depending on age. The least favourable opinions of our western neighbours were voiced by the youngest and the oldest respondents, who were the smallest group declaring a liking for Germans and a relatively smaller group willing to accept a German person as a supervisor or co-worker. No such direct correspondence was identified in the case of Czechs. The social and demographic features of the Czech respondents were not directly correlated with their opinions on Germans and Poles, although older respondents were more inclined to express a liking for Germans. Moreover, Czech respondents living in smaller towns were more reluctant to accept German people as colleagues, with a slight majority of less educated respondents unwilling to work with Poles. Social and demographic characteristics, including age, had no major impact on the attitudes voiced by the respondents in Germany.

In each case, however, economic relations between the three countries and the functioning of their businesses were more positively evaluated by respondents with higher levels of education, which is a permanent and predictable tendency since a better-educated person tends to be more interested in, and hence has more knowledge of, economic matters.

## KEY AREAS OF ACTION TO SUPPORT SHARED GROWTH

Despite the troubled history of Central and Eastern Europe, relations nowadays between Poland, the Czech Republic and Germany are flourishing, as past animosities are left behind and matter-of-fact, friendly attitudes take their place. Beyond this, it is also clear to see that the EU's model of regional cooperation has proved its worth in this part of Europe too. The important thing is that initiatives to enhance mutual understanding, eliminate barriers and create a sense of community between the countries are undertaken not only at the EU or governmental level, but also at the level of those most keenly interested in fostering our bilateral and trilateral cooperation, namely NGOs and the business community. This trend is particularly marked in border regions, where there are a number of initiatives designed to network entrepreneurs or social activists. A case in point is the Polish-German-Czech Entrepreneurs' Cooperation Forum, in Lower Silesia (Province of Wrocław). The Forum is an annual event, attended by representatives of some 150 firms, and will have its 20th edition in 2013. At first, it only brought together Polish and German businesses, but five years ago the Czechs were invited to join too. This shows that a real need exists for trilateral debate.

Finally, the authors of this report have formulated certain recommendations, briefly discussed below, which might help foster positive relations between Poles, Czechs and Germans.

- I. **Increased direct contact can improve mutual perception.** While some stereotypes are so firmly entrenched that it is hard to displace them, even through direct contact, it should also not be forgotten that with more direct interaction comes less unfounded prejudice. Our study has made it clear that Germans who have visited Poland perceive it in a better light than those who have never been here. In addition, contact with the Poles who came to Germany in large numbers to find work, or who travel there on business, has done a lot to improve Poland's image (three-quarters of German respondents declared that they knew a



Pole, and one-third said they had worked with one). The remarkable change in how the once pejorative phrase 'Polnische Wirtschaft' is understood now, proves that no harm is too great to repair. With time, patience, resolve and plenty of real-life examples, old preconceptions and stereotypes can be knocked down and replaced with honest reality.

- II. More business support for initiatives to improve the quality of Central Europe's economy.** Red tape is one of the prevailing aspects in the perception of Central European countries, including Poland and the Czech Republic, and has not been eradicated since the 1990s. Corruption is sometimes considered a problem, too. The challenge to change this perception goes beyond purely promotional or marketing efforts, calling as well for profound legislative reform that could provoke a cultural mind-shift. It is fundamental that both Polish and Czech business communities fully embrace all initiatives combating bureaucracy and corruption, including those promoted by NGOs. Accordingly, any successfully implemented changes should be much more widely communicated, as should any improvement of a country's position in international corruption rankings, such as those compiled by Transparency International or the World Bank. Effort is also required to ensure that any such positive messages reach both the most influential media and the business communities of the neighbouring countries.
- III. More intense use of the media.** In today's world, the media are the most potent creators of communal perceptions, and so it is vitally important to engage in dialogue with the media, be open to their questions and amenable to on-site visits. A lack of confidence arouses fear, which in turn leads to confusion and unfounded allegations. Only a reliable and well-researched media output can create an atmosphere in which confidence can be restored. Stronger interaction with the media is primarily the role of business, which should be easier now that economy is becoming an increasingly sought-after and interesting subject, for which figures, statistics and financial results make a very concrete message. We cannot afford to miss this opportunity.

- IV. Closer cooperation between business and government in promoting national identity.** While government institutions are becoming more aware of the crucial role of business in promoting a country, the two sectors must yet engage in closer cooperation. In particular, both business and state institutions should do their best to support initiatives undertaken by NGOs active in areas which have a bearing on German, Polish and Czech relations. While advancing standalone initiatives, the public-private partnership in the promotion of positive perceptions between our countries should form a kind of infrastructural framework for social and business relations, including cultural projects, which are key to overcoming stereotyped thinking.
- V. Identification of specific circumstances which may serve as a useful platform for improving mutual relations.** The greatest challenge in improving inter-country relations is the identification of common points of reference to all parties. Sometimes, the same experience can leave dissimilar impressions on two societies, in a way that gets harder to remedy as time goes by. Only a common point of reference, recognised by all parties, can serve such a purpose. What our research has drawn attention to is the asymmetry of mutual Polish and Czech sympathies.

Accordingly, it would be a good idea to treat the sympathy inspired by the Czechs and their positive perception in Poland as capital to be leveraged when trying to improve the situation in our neighbour country. An open dialogue between opinion makers from both countries will be necessary to make the public aware of the still firmly entrenched stereotypes and prejudices. In addition to participating in such debates, the business elites should also initiate them, as this will ultimately facilitate the conduct of business. Some good could also come from strengthening Poland's cultural presence in the Czech Republic, which is now weaker than Czech culture's position is in Poland.





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