3.3 Analysis of Industry in Konin Province

3.3.1 Structure of Industry Sector

(1) Characteristics of business types (sub-sector)

As of July 31, 1997, Konin Province had 2,290 industrial enterprises which had been registered at the Statistics Office of Konin*2 . They are broken down as follows;

- **22 mining enterprises** (includes two brown coal mining firms, KWB KONIN and KWB ADAMOW, and one rock-salt mining firm, KS KLODAWA),
- **17 energy and utility enterprises** (includes one electric power enterprise, ZE PAK S.A), and
- **2,251 manufacturing enterprises** (including HUTA Aluminum S.A).

Table 3.3-1 shows the distribution of those 2,290 enterprises by business type and by gmina. Looking at the distribution by business type, textiles & garments accounts for the highest percentage, with 18.3% (418 firms), followed by food processing, with 15.8% (361 firms), and wood processing, with 13.9% (318 firms). Chemicals and transportation equipment each account for less than 1% in the province. The five largest sub-sectors, in terms of number of firms, are as follows;

1	Textiles & Garments	418 enterprises	(18.3%)
2	Food & Beverages	361	(15.8%)
3	Wooden Products	318	(13.9%)
4	Metal-processed Products	276	(12.3%)
5	Non-metal Products	224	(9.8%)

(2) Distribution of Industry

Concerning the distribution of industry by location, 1,039 enterprises (45.4%) are concentrated in the four major cities of Konin, Kolo, Slupca, and Turek. Considering that these four cities together occupy only 2.4% of

*2 In Poland, any enterprise engaged in an economic activity must register itself at the Regional Statistics Offices under the Regon system since January 1996. However, this does not mean all registered enterprises are in operation.

the total area of the Province, the concentration of industrial enterprises in urban areas is evident. In particular, 477 enterprises (20.8%) are concentrated in Konin gmina.

On the other hand, there are naturally a good number of industrial enterprises in several rural gminas which are favorably located for industry, such as the Stare Miasto (planned site for new expressway interchange) that adjoins Konin, and Strzalkowo, which adjoins Poznan Province and already has an expressway and railway leading to Poznan.

Table 3.3-2 shows the location distribution of manufacturing enterprises by business type in urban and rural districts. Characteristically, textiles & garments and electric equipment are largely concentrate in urban areas, whereas wood products and nonmetallic products (ceramics in particular) are highly concentrated in rural areas where their materials are readily available. Food processing is equally distributed between urban and rural areas. Considering the general trend of industrial concentration in urban areas, however, more of the food processing enterprises as resource-dependent,s should be moved to rural areas. There are four rural gminas in which less than ten manufacturing enterprises were located as of July, 1997. They are Chodow, Grabow, Olszowka, and Wierzbinek.

Table 3.3-2 MFG. ENTERPRISE DISTRIBUTION BY TYPE OF BUSINESS

Type of Business	Total	Urban	Rural	Total %	Urban %	Rural %
Food Processing	361	184	177	16.7	13.7	21.5
Textiles & Garments	418	315	103	18.3	23.0	11.0
Leather	46	38	8	2.0	2.8	0.9
Wooden Products	318	142	176	14.3	10.4	20.4
Paper, Printing	69	61	8	3.0	4.4	0.8
Chemicals	8	3	5	0.3	0.2	0.5
Rubber & Plastics	67	44	23	3.0	3.2	2.6
Non-metallic Products	224	105	119	9.9	7.5	13.7
Metal Products	276	173	103	12.0	12.5	11.3
Machinery & Equipment	107	59	49	4.7	4.1	5.6
Electric, Optical Equipment	139	117	22	6.1	8.4	2.4
Transport Equipment	10	8	2	0.4	0.5	-
Others	208	128	80	9.2	9.3	9.2
	2,251	1,376	874	100.0	100.0	100.0

Source: Office of the Konin Governor

(3) Industry concentration

In Konin Province, there are few areas in which a specific industry (type of business) is concentrated to form a center of production. It is true that the Province as a whole has a big energy industry formed through its inter-industrial relations--production of brown coal, which is used to generate electricity, which in turn is used to refine aluminum. It is also evident that manufacturing industries are concentrated in its urban gminas and that Konin Gmina, in particular, embraces many enterprises in any industry. However, there are very few areas or gminas which have created traditionally a specific industry in a unique manner. Table 3.3-3 shows the major industries in each of the four districts (48 gminas) of the Province. From Tables 3.3-1 to 3.3-3, the characteristics of industries in the individual districts or gminas can be summarized as follows.

Table 3.3-3 NO. OF ENTERPRISES BY DISTRICT

Unit: No. of Enterprises, %

	Textiles & Garments	Food & Beverage	Woodworking Products	Metal Processing	Non-metal Processing
Konin region (13 Gminas)	138 33.0%	92 25.5%	93 29.2%	128 46.4%	92 41.1%
Kolo region (14 Gminas)	73 17.5%	79 21.9%	64 20.1%	42 15.2%	47 21.0%
Slupca region (10 Gminas)	75 17.9%	81 22.4%	89 28.0%	69 25.0%	26 11.6%
Turek region (11 Gminas)	132 31.6%	109 30.2%	72 22.6%	37 13.4%	59 26.3%
Whole of Konin (48 Gminas)	418	361	318	276	224

Source: KONIN Voivode Office

1) Energy-related industries

Brown coal deposits in Konin Province were discovered in 1920. However, it was after World War II that they began to be excavated on an industrial scale. At present, there are brown coal mines in Kleczew Gmina next to Konin and in Brudzew Gmina next to Turek. In Around 1960, a brown

coal-fired power station was constructed in Konin, Kazimierz Biskupi (Patnow), and Turek (Adamow), respectively. Then, in 1966, an aluminum refining plant was built close to the Konin power station.

2) Textiles & garments

By district, this industry is concentrated nearly equally in the Konin district (33.0%) and the Turek district (31.6%). Looking at the number of enterprises in each of the gminas, however, Konin Gmina has 116 (27.7% of the total) and Turek Gmina has 59 (14.1%). Thus, the industry is highly concentrate in those two gminas. In this respect, two historical facts can be pointed out. In Konin Gmina, several large, state-owned sewing factories were built to create jobs for women in the 1970s, which caused private sewing enterprises in the gmina to increase in number. Since 1990, those state-owned enterprises have been divided up, and not a few of the employees who had acquired the necessary technologies at those enterprises have set up new enterprises of their own, contributing to the present number of textile and garment enterprises.

Turek Gmina, on the other hand, has a textile industry which has flourished for as long as 300 years. Today, in Poland, the textile industry apparently concentrated mostly in Lodz Province, which adjoins Konin Province. This is due to the fact that the textile industry of Turek has been largely relocated to Lodz. As a result, the integration of the textile industry in Turek is not as conspicuous as in the past. Even so, some of the long-established textile enterprises still remain in Turek.

3) Food & beverages

With respect to the food and beverage industry, there is little difference in number of enterprises among the districts, except that the Turek district shows somewhat higher degree of integration. Turek has the Province's oldest food company (ZPOW Turek). It is said that this company now accounts for 1% of the production of processed foods in Poland. In addition, there are several enterprises which produce dairy products. All this seems to have attracted a number of food-processing enterprises to the Turek district. At present, there are five dairy cooperatives (OSMs) in Konin Province. Of them, the three OSMs in Turek, Kolo, and Konin are large in scale and each

produce unique dairy products, contributing to the increase in public recognition of dairy products the the Province.

4) Woodworking products

There are relatively many woodworking enterprises in the Konin and Slupca districts. Considering that the Slupca district has the smallest number of enterprises among the four districts, it may be said that the concentration of the woodworking industry is highest in this district. In particular, Pyzdry Gmina has as many as 18 woodworking enterprises. In this gmina is the Province's largest sawmill, which has drawn many woodworking enterprises. In Konin Gmina, on the other hand, suppliers of wooden building materials and makers of wooden furniture are clustered.

5) Metalworking products

Metalworking enterprises are highly concentrated in the Konin district (46.4%), especially in Konin Gmina (30%). Apparently, the reason for this is that Konin Province has energy-related industries and that large machine makers in Konin, such as Fugo and Mostostal, demand considerable volumes of metalwork. It should be noted, however, that the total number of metalworking enterprises in Konin Province is 276, which is far from sufficient for a district having a population of 480,000.

6) Non-metal products

Non-metal products include ceramics, concrete, and road construction materials. Therefore, many of the enterprises in this industry sector are located close to where the raw materials they require are readily available. The main raw materials are loam, clay, and gravel produced from the upper layers of the brown coal mines. Probably, one of the reasons why the Konin district has relatively many makers of non-metal products is that there is a brown coal mine in the district. One of Poland's two long-established sanitation fixture enterprises is located in Kolo. However, the concentration of enterprises producing nonmetal products in this district has not become very conspicuous yet.

3.3.2 Characteristics by Scale and Position of Three Key Industries

(1) Characteristics by scale of enterprises

In accordance with the Dz. U. No. 88 Act that was put into effect on June 29, 1995, the scale of each enterprise (economic unit) in Poland is classified by number of employees as follows[3].

CLASSIFICATION OF SCALE BY EMPLOYMENT

	Manufacturing	Construction & commerce
Small-scale Enterprises	1~5	1~5
Medium-scale Enterprises	6~50	6~20
Large-scale Enterprises	51~	21~

Table 3.3-4 lists the Province's 2,251 manufacturing enterprises classified by gmina in accordance with the above standard. In the table, large enterprises having more than 50 employees are further divided into three classes in order to get a more detailed picture of them. As is evident from the table, 97.5% of the Province's manufacturing enterprises fall under the category of "small-scale enterprises" or "medium-scale enterprises," and the small enterprises alone account for 86% of all enterprises. On the other hand, manufacturing enterprises having more than 50 employees amount to 56, eight of which have more than 500 employees (HUTA Aluminum S.A is among them). These enterprises are mostly located in urban gminas.

Since statistics based on the above classification have not been compiled consistently, it is impossible to show the year-to-year change here. Table 3.3-5 shows the number of manufacturing enterprises registered as of the end of 1994 (for information, the number of manufacturing enterprises registered as of July 1997 is also shown). It can be seen from the table that small enterprises increased by 29, whereas medium-scale enterprises decreased by 34. The number of large enterprises having more than 500 employees also decreased by 2. These are Dairy Cooperative in Turek and Handicapped Persons Cooperative "Friendship" in Slupca. They closed

[3] At present, the Polish government is reviewing its definitions of small and medium-scale enterprises as it plans to join the EU. According to the Ministry of Economy, the new definitions being discussed are such that small enterprises are those which have 50 or less employees and medium-scale enterprises are those which have 51 to 250 employees. This definition is already used in the Ministry for implementing the development policies for SMEs, but not officially legislated yet.

down under difficult conditions for adjusting themselves to a market economy but recently started business again on a reduced scale.

Table 3.3-5 NO. OF MFG. ENTERPRISES BY EMPLOYMENT

(Business Units)

	1994. 12	1997. 7
Small scale enterprises	1916	1945
Medium scale enterprises	284	250
Large scale enterprises	58	56
of which 51~100	(19)	(19)
101~500	(29)	(29)
501~	(10)	(8)

Source: Statistical Office of Konin

(2) Sales income by sub-sector

Looking at the sales income statistics for the sub-sectors of the industry sector, it can be seen that mining and energy occupy large proportions (see Table 3.3-6).

Table 3.3-6 SALES INCOMES IN INDUSTRY

Industries	1994 mil.zl.	%	1996 mil.zl.	%	Growth rate (%) 1994-1996
Mining	504.9	23.5%			
Energy, gas and water	676.5	31.5%	1614.3	48.3%	36.60%
Manufacturing	965.3	45.0%	1729.8	51.7%	79.20%
Food processing	407.3	19.0%	692.9	20.7%	70.10%
Textile	51.1	2.4%	91.2	2.7%	78.50%
Garments	35.1	1.6%	52.7	1.6%	50.10%
Leather products	12.1	0.6%	18.6	0.6%	53.70%
Wooden products	17.4	0.8%	43.3	1.3%	148.80%
Non-metallic products	70.0	3.3%	155.0	4.6%	121.40%
Metal products	243.6	11.3%	394.0	11.8%	61.70%
Machines, equipment	108.4	5.0%	282.1	8.4%	119.20%
Others	20.3	0.9%			
Total	2146.7	100.0%	3344.1		55.80%

Note: excluding small units up to 5 persons
figures of mining, energy, textile, metal products, machines and others are estimated by the Team.
Source: Konin Voivod Office

These two sub-sectors still account for about one-half of the total sales income of the industry sector, though their percentage declined during the 1994-1996 period. Nevertheless, the growth rate of the two sub-sectors is

less than that of manufacturing. In particular, taking into account the inflation rate during the above period, the two-year growth rate of 36.6% can be regarded as negative growth. By contrast, manufacturing as a whole has continued to grow. In particular, wood products and nonferrous metal products (ceramics) are growing rapidly. With respect to value added, manufacturing registered 93.1 million PLN. in 1996, accounting for 59.4% of the total added value of the industry sector. The five biggest manufacturing sub-sectors of sales income are as follows;

1	Food & Beverages	692.9 mil.PLN.	(20.7%)
2	Metal-processed Products	394.0	(11.8%)
3	Non-metal Products	155.0	(4.6%)
4	Textiles & Garments	143.9	(4.3%)
5	Wooden Products	43.3	(1.3%)

(3) Position of three key industries

Of the 41 mining and energy and utility enterprises that belong to the industry sectors 38 enterprises are so-called large-scale enterprises having more than 50 employees. Among them, two brown coal mining enterprises in Turek and Kleczew, one rock-salt mining enterprise in Klodawa, and one electric power enterprise in Konin, have more than 1,000 employees each. These four enterprises show a high share in all industrial aspects of the province; e.g. accounting for 52.1% of the total sales amount in the whole industry and 36.6% of the sector's employment. For reference, in 1996 on the list of 500 biggest enterprises ranked by profits, in the 54th position was the Patnow-Adamow-Konin Power Plant (ZE PAK), KWB Konin was ranked in 103rd, and HUTA Aluminum 139th.

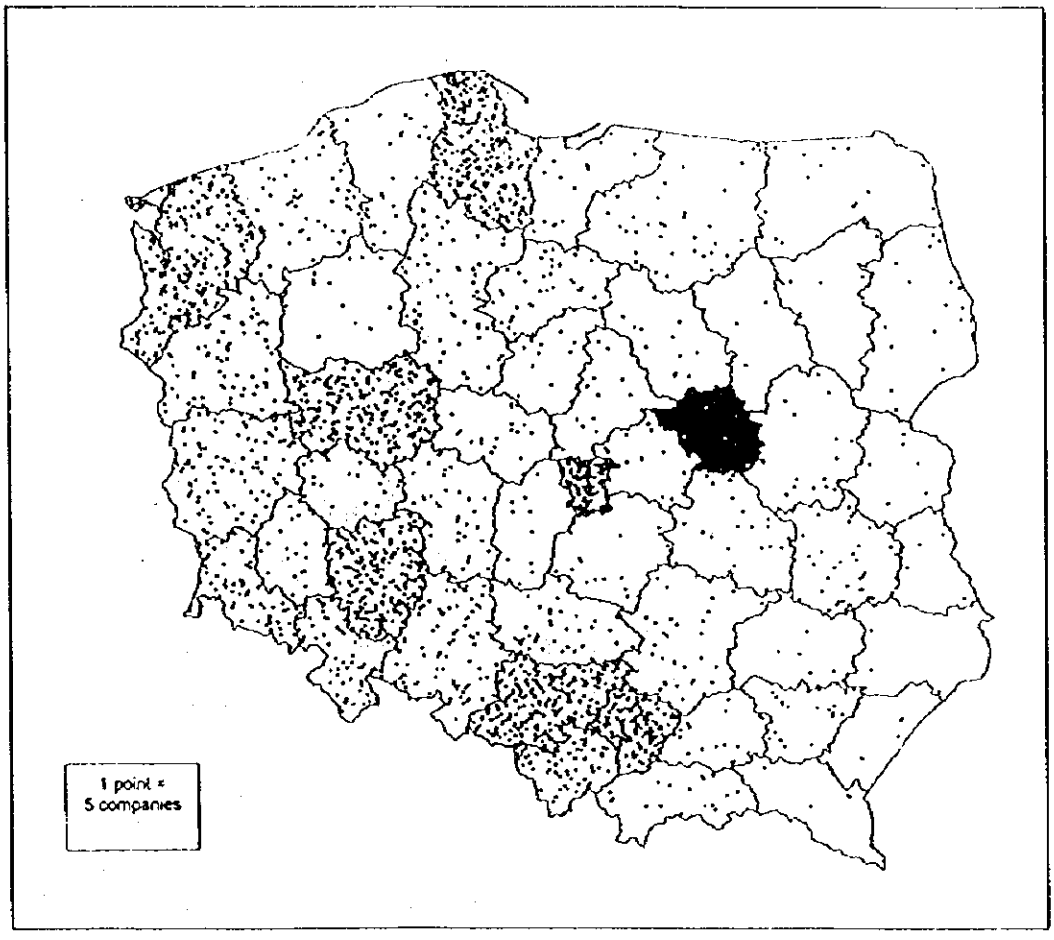
At present, there are eight manufacturing enterprises, including HUTA Aluminum, with more than 500 employees in Konin Province. The outlines of those enterprises are shown in Table 3.3-7. All eight enterprises except SUN GARDEN SP Z.O.D were former state-owned enterprises and have been privatized since 1990.

3.3.2 Foreign Capital and Trade

(1) Foreign-affiliated enterprises

As of the end of 1996, there were 139 registered foreign-affiliated enterprises, including joint ventures, in Konin Province. Of them, 112 enterprises are actually in operation. Foreign capital is invested mainly in commerce and manufacturing, and foreign-affiliated enterprises in the field of manufacturing alone number 32. Figure 3.3-1 shows investment location of foreign capital in Poland. It can be clearly seen on the map that Konin province has a rather small number of foreign-affiliated enterprises as compared with neighboring provinces such as Poznan and Lodz.

Figure 3.3-1 DISTRIBUTION OF FOREIGN CAPITAL ENTERPRISES (as of June, 1995)



The biggest foreign investment that has been made so far is by Metra Corporation of Finland. A group company of Metra Corporation, namely "Sanitec," bought a former state-owned enterprise the $5 million in 1993, and since then, it has made additional investments amounting to more than $5 million. The Enterprise that is now in operation in Kolo is 98% foreign capital. Other major foreign-affiliated enterprises include SUN GARDEN, which sells gardening tools and equipment, and Woodmier, which manufactures woodworking machines. All of the 32 foreign enterprises combined employ not more than about 2,500 local persons, or about 10% of all manufacturing workers. However, they account for 4.7% of sales valume and 29.3% of export's in the manufacturing sector.

Numbers of foreign-affiliated enterprises in Konin have increased as follows:

before 1989	4
1990	10
1991	24
1992	40
1993	53
1994	84
1995	121
1996	139

As of 1989, four foreign-affiliated enterprises existed and were all joint ventures formed with Polish capital. The Office of the Konin Governor has prepared and providied some promotional pamphlets to potential investors inside and outside the country since 1992. Since then, the number of investments has been increasing. So far, investment promotional activity by the Office of the Konin Governor is mainly preparation of these materials under cooperation with local gminas and major enterprises.

(2) Trends of imports and exports

Foreign trade for the province has shown a tendency to rise only slightly with some trade surplus in recent years. The major groups of exported commodities were goods of light industry, such as textiles, and metallurgical goods, such as processed metals for construction and

aluminum. The European Union remains Konin's major trading partner much as does all of Poland, while trade with the former COMECON has been decreasing.

Table 3.3-8 shows Konin's major foreign trade partners by area in 1996. 78.6% (382 million PLN.) of the total export amount of 485 million PLN. was directed to the EU, especially export to Germany, amounting to 56.1%. Export to the former COMECON amounted to 19.2% (93 million PLN.), of which Russia shared 8.7%. Importing, on the other hand, shows the same trends as exporting, Germany dominated 44.2% of total import 398 million PLN. Germany is Poland's largest trading partner, with shares of export and import in 1995 at 38.3% and 26.6% respectively. For Konin province, however, Germany holds a stronger and more important position in foreign trade (56.1% of exports and 44.2% of imports in 1996).

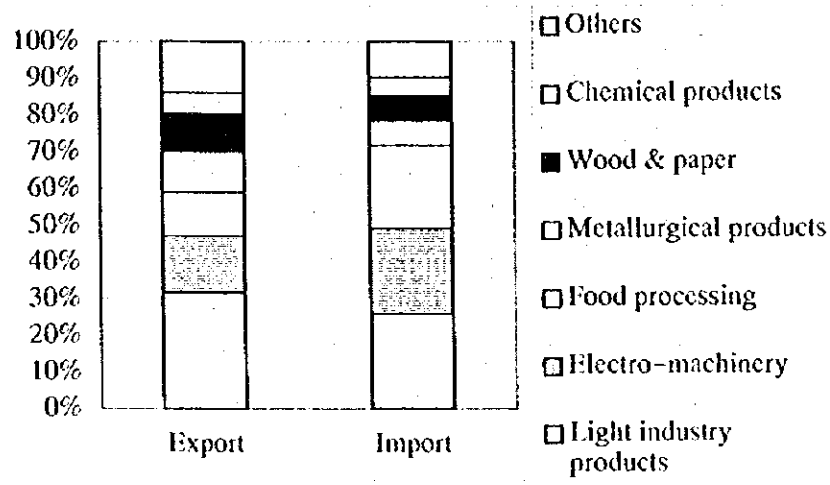
Table 3.3-8 FOREIGN TRADE PARTNERS OF KONIN IN 1996

	mil.zl.	mil.US$	%
Export	485.2	181.0	100.0%
Developed countries	389.8	145.6	80.3%
of which, EU countries	381.5	142.5	78.6%
Former COMECONcountries	93.2	34.7	19.2%
Other developing countries	2.2	0.8	0.5%
Import	397.7	148.2	100.0%
Developed countries	351.9	131.2	88.5%
of which, EU countries	298.7	111.4	75.1%
Former COMECON	29.2	10.8	7.3%
Other developing countries	16.6	6.2	4.2%

Source: Statistics Office in Konin

Table 3.3-9 shows major export and import products of Konin. The goods of light industry have the largest shares in both export and import. This is mainly due to textile industry imported materials such as yarn or textiles which are then exported as garments as final products. Figure 3.3-2 shows export and import ratios by commodities groups.

Figure 3.3-2 EXPORT & IMPORT BY PRODUCTS GROUP, KONIN (1996)



3.3.3 Mineral Resources for Industry Usage

Several mineral resources of industrial significance can be found all over the province. The most important and exploited ones are brown coal and rocksalt. The brown coal and rock salt from the province have a 28% and 82% share in the total production of Poland, respectively. Large amounts of other mineral resources can be found as well. Table 3.3-10 shows deposits of major mineral resources used for the industry and construction sector or having some potential for use.

Table 3.3-10 Deposits of Natural Resources in the Province (1995)

(Unit: thousand ton)

Mineral Resources	No. of Deposits	Geological Resources *1			Industrial Resources	Output*2 (Yearly)
		(R)	(P)	Total		
Brown coal	22	389,713	223,164	612,877	264,019	18,375
Rock salt	3	11,921,157	1	11,921,158	165,634	658
Stones	1	7,700	0	7,700	0	0
Natural Aggregates	67	78,623	17,493	96,116	33,576	661
Molding sand	1	14,154	0	14,154	0	0
Quartz sand (I)	1	2,091	2,748	4,839	0	0
Quartz sand (II)	1	2,449	0	2,449	0	0
Loam (I)	9	3,880	0	3,880	0	0
Loam (II)	1	0	3,338	3,338	0	0

Note: *1 (R) means deposits with detailed identification.
(P) means deposits with incomplete identification
*2 Output figure shows only confirmed amount.

Source: "Mineral Resources and Underground Water in Poland"
National Geological Institute

(1) Brown coal and rock salt

Brown coal is mainly in use for power generation as fuel, and only a small quantity is allocated for other purposes; e.g. as a material for brown coal briquettes and fertilizer. Production of fertilizer from brown coal is still in the trial stage, while briquettes have been produced by the Briquette production unit of KWB KONIN for nearly 50 years. In recent years, 2% of the total production of brown coal has been used for briquette production, but this volume has been decreasing due to a market slump.

Rock salt is produced in the Klodawa salt mine in the eastern part of the province. The state-owned enterprise KOPALNIA SOLI "KLODAWA" was established in 1949 and has been manufacturing several scale-grades of salt. Geological resources of rock salt in Klodawa are estimated at 11,921 million tons, out of which 165 million tons are applicable in mine use for industrial purposes at present. On the average, 650 thousand ton per year have been produced in the 1990's. There are three main mines and mining is carred out by the means of conventional mining method, which enables then to maintain the natural qualities of salt. Final products contain 97.5% of pure NaCl on the average from these mines.

Twenty percent of the rock-salt deposits in Klodawa have been consumed so far and are expected to suffice until the year 2050. The mine salt is

applicable for food processing, chemical industry, livestock farming, water-softening process, and so on. Since 1990, KOPALNIA SOLI KLODAWA has been manufacturing magnesium potassium fertilizer for meadows and pastures on the basis of natural kieserite carnallite. A transition in production of brown coal and rock-salt is as follows:

		1990	1995	1996
Brown coal	(thous.t.)	17,244.5	18,375.2	18,240.3
Brown coal briquette	(thous.t.)	122.0	100.3	92.6
Rock salt	(thous.t.)	552.0	691.5	791.2

(2) Mineral resources for making construction materials

The remaining mineral resources, apart from brown coal and rock salt, are mainly used for making construction materials. In particular, natural aggregates (ballast) and sand are commonly used in the local construction sector. There are 67 pits of natural aggregates with the total deposits estimated at around 96 million tons. Out of this, 70 thousand tons are produced annually from 23 pits. Quart sands are used for production of concrete and bricks and other construction materials and for molding as well. There is an estimated 4.8 million tons for concrete and bricks, 2.4 million tons for other construction materials, and 1.4 million tons for molding, respectively. However, actual output of quart sands is not well grasped at the statistics office.

(3) Other mineral resources

There are two kind of loams: one is a yellow-brown loam from rather shallow ground and the other is a white loam which is mined from just the upper layer of a brown coal deposit. The former is deposited at about 3.3 million tons and mainly used for light aggregates production. The latter is also deposited at about 3.8 million tons and used for structural ceramics such as brick. HONORATSUKA Spolka z.o.o has been producing several kinds of bricks from these loams since 1989. Production technologies were self-developed and there is an expansion plan for production after recovery from a sales slump.

These mineral resources including quart sands, pase are no question in terms of supply; however, these minerals contain some impurities such as brown coal chips, large diameters of sandgrains, iron, etc. Therefore, these minerals must have impurities removed before use by manufacturing enterprises. As far as mineral water is concerned, resources have been found in six communes with a total of 36,227.1 m3/hr as of the end of 1995, but they have not been tapped so far.

Table 3.3-1 NO. OF ENTERPRISES BY DISTRICT

No.	Gminas	Manufacturing														Mining	Electricity, Gas
		Mfg. Total	Foods, beverages	Textile,garments	Leather, leather goods	Wooden products	Paper, Publishing	Chemical products	Rubber, Plastics	Non-metalic products	Metal processed product	Machines, equipment	Electric,optic	Transport equipment	Others		
	Konin Total	2251	361	418	46	318	69	8	67	224	276	107	139	10	208	22	17
	Urban communes	1023	112	246	25	81	52	3	35	65	144	43	94	7	116	8	10
1	Konin	467	38	116	11	28	29	1	18	31	80	23	48	2	42	5	5
2	Kolo	188	31	40	7	18	11	-	2	17	19	9	19	3	12		2
3	Slupca	155	18	31	3	18	4	-	6	5	28	4	7	1	30		2
4	Turek	213	25	59	4	17	8	2	9	12	17	7	20	1	32	1	1
	Urban-rural communes	561	74	130	14	53	23	2	17	34	64	20	46	5	74	5	3
5	Dabie	21	4	3	1	5	1	-	-	4	1	1	-	1	-		
6	Dobra	37	14	8	1	4	-	-	1	4	3	1	1	-	-		
7	Golina	43	7	3	1	4	2	-	1	9	5	5	2	-	4		
8	Kleczew	44	8	3	2	6	2	-	-	15	3	1	1	-	3	1	
9	Klodawa	45	11	5	-	5	-	-	2	7	5	5	4	-	1	2	1
10	Przedecz	18	3	5	2	2	-	1	1	-	2	1	-	-	1		
11	Pyzdry	54	13	7	-	18	-	-	2	5	5	1	2	-	1		
12	Rychwal	23	3	2	-	5	-	-	1	4	3	1	2	-	2		
13	Sompolno	28	9	1	1	5	2	-	-	3	5	-	2	-	-		
14	Slesin	43	6	5	-	7	-	-	3	9	8	-	1	-	4		
15	Tuliszkow	36	12	8	-	9	-	-	-	2	2	1	2	-	-	1	1
16	Uniejow	53	10	18	3	8	1	-	1	5	1	3	2	-	1		
17	Witkowo	71	13	17	2	12	4	-	1	1	6	5	6	-	4	1	1
18	Zagorow	45	9	5	1	9	-	-	-	8	7	2	2	-	2		
	Rural communes	667	127	82	7	138	5	4	19	83	76	37	18	2	69	11	4
19	Babiak	18	3	4	1	3	-	-	-	3	2	-	1	-	1		
20	Brudzew	32	13	4	-	7	-	-	-	3	1	-	2	-	2		
21	Chodow	5	1	1	-	2	-	-	-	-	1	-	-	-	-		
22	Grabow	7	1	1	-	1	-	-	-	4	-	-	-	-	-		
23	Grodziec	12	5	-	-	3	-	-	-	1	3	-	-	-	-		
24	Grzegorzew	18	7	-	-	5	-	-	2	1	1	1	-	-	1		
25	Kaweczyn	21	3	6	-	5	-	-	2	4	-	1	-	-	-		
26	Kazimierz Biskupi	35	5	4	-	7	-	-	2	4	6	1	-	-	6	2	
27	Kolo	22	4	2	-	-	-	-	2	1	5	2	2	1	3		
28	Koscielec	19	1	3	-	6	-	1	-	4	-	2	-	-	2		
29	Kramsk	22	2	1	-	8	-	-	1	2	4	-	3	-	1	1	
30	krzymow	27	5	1	-	4	-	-	1	6	3	2	2	1	2	1	
31	Ladek	18	3	4	1	1	-	-	1	1	4	-	-	-	3		1
32	Malanow	31	9	2	-	6	-	-	-	9	2	-	1	-	2		
33	Olszowka	1	-	-	-	1	-	-	-	-	-	-	-	-	-		
34	Orchowo	20	4	1	-	5	-	1	-	1	3	3	-	-	2	1	
35	Osiek Maly	18	2	-	-	10	-	-	-	3	2	1	-	-	-		
36	Ostrowite	21	1	2	-	4	-	-	-	2	1	4	-	-	7		
37	Powidz	17	3	1	2	5	-	-	-	-	6	-	-	-	-	1	
38	Przykona	20	3	4	1	2	-	-	2	6	-	1	-	-	1		
39	Rzgow	11	2	-	-	3	-	-	1	1	-	1	-	-	3		1
40	Skulsk	21	3	-	-	9	1	-	-	3	1	1	1	-	2	1	1
41	Slupca	33	6	1	-	6	-	-	1	1	6	4	-	-	8		
42	Stare Miasto	50	4	5	-	8	2	-	3	7	9	4	1	-	7		
43	Strzalkowo	52	11	8	1	11	-	1	1	2	3	4	1	-	9		1
44	Swinice Warckie	21	6	10	-	2	-	-	-	1	-	1	-	-	1	1	
45	Turek	37	8	6	-	7	-	-	-	8	4	1	2	-	1		
46	Wierzbinek	8	2	2	1	1	2	-	-	-	-	-	-	-	-	1	
47	Wilozyn	13	4	-	-	1	-	1	-	-	3	1	2	-	1	2	
48	Wladyslawow	37	6	9	-	5	-	-	-	5	6	2	-	-	4		

Source : KONIN Voivod Office

Table 3.3-4 MFG ENTERPRISES CLASSIFIED BY DISTRICT & EMPLOYMENT

No.	Gminas	No. of Mfg	Total%	1~5	6~50	SMEs%	51~100	101~500	500~
	Konin Total	2251	100%	1944	251	97.5%	19	29	8
	Urban communes	1023	45.4%	862	119	95.9%	11	24	7
1	Konin	467	20.7%	398	53	96.6%	5	8	3
2	Kolo	188	8.4%	152	28	95.7%	1	5	2
3	Slupca	155	6.9%	136	15	97.4%	1	2	1
4	Turek	213	9.5%	176	23	93.4%	4	9	1
	Urban-rural communes	561	24.9%	492	58	98.0%	8	3	0
5	Dabie	21	0.9%	21	0	100%	0	0	0
6	Dobra	37	1.6%	31	6	100%	0	0	0
7	Golina	43	1.9%	38	4	97.7%	1	0	0
8	Kleczew	44	2.0%	41	2	97.7%	0	1	0
9	Klodawa	45	2.0%	38	7	100%	0	0	0
10	Przedecz	18	0.8%	15	3	100%	0	0	0
11	Pyzdry	54	2.4%	48	4	96.3%	1	1	0
12	Rychwal	23	1.0%	21	2	100%	0	0	0
13	Sompolno	28	1.2%	21	7	100%	0	0	0
14	Slesin	43	1.9%	38	4	97.7%	1	0	0
15	Tuliszkow	36	1.6%	34	1	97.2%	0	1	0
16	Uniejow	53	2.4%	49	3	98.1%	1	0	0
17	Witkowo	70	3.1%	60	7	95.7%	4	0	0
18	Zagorow	45	2.0%	37	8	100%	0	0	0
	Rural communes	667	29.6%	590	74	99.6%	0	2	1
19	Babiak	18	0.8%	14	4	100%	0	0	0
20	Brudzew	32	1.4%	28	4	100%	0	0	0
21	Chodow	5	0.2%	5	0	100%	0	0	0
22	Grabow	7	0.3%	7	0	100%	0	0	0
23	Grodziec	12	0.5%	8	4	100%	0	0	0
24	Grzegorzew	18	0.8%	15	3	100%	0	0	0
25	Kaweczyn	21	0.9%	19	2	100%	0	0	0
26	Kazimierz Biskupi	35	1.6%	30	4	97.1%	0	1	0
27	Kolo	22	1.0%	20	2	100%	0	0	0
28	Koscielec	19	0.8%	18	1	100%	0	0	0
29	Kramsk	22	1.0%	20	2	100%	0	0	0
30	krzymow	27	1.2%	24	3	100%	0	0	0
31	Ladek	18	0.8%	15	3	100%	0	0	0
32	Malanow	31	1.4%	25	5	96.8%	0	0	1
33	Olszowka	1	0.0%	1	0	100%	0	0	0
34	Orchowo	20	0.9%	19	1	100%	0	0	0
35	Osiek Maly	18	0.8%	17	1	100%	0	0	0
36	Ostrowite	21	0.9%	16	5	100%	0	0	0
37	Powidz	17	0.8%	15	2	100%	0	0	0
38	Przykona	20	0.9%	18	2	100%	0	0	0
39	Rzgow	11	0.5%	10	1	100%	0	0	0
40	Skulsk	21	0.9%	18	3	100%	0	0	0
41	Slupca	33	1.5%	32	1	100%	0	0	0
42	Stare Miasto	50	2.2%	43	7	100%	0	0	0
43	Strzalkowo	52	2.3%	47	4	98.1%	0	1	0
44	Swinice Warckie	21	0.9%	19	2	100%	0	0	0
45	Turek	37	1.6%	35	2	100%	0	0	0
46	Wierzbinek	8	0.4%	6	2	100%	0	0	0
47	Wilczyn	13	0.6%	10	3	100%	0	0	0
48	Wladyslawow	37	1.6%	36	1	100%	0	0	0

Source : RDA Konin

Table 3.3-7 OUTLINE OF BIG ENTERPRISES IN KONIN

Name of Enterprises	Head office	Type of Business	Esatablished	Sales Amount (Thousand zl.)	Export Ratio	No. of Employ
Mining						
KOPALNIA WEGLA BRUNATNEGO KONIN	Kleczew	Brown coal	2 Feb. 1945	489,264.4	2.0%	6,900
KOPALNIA WEGLA BRUNATNEGO ADAMOW	Turek	Brown coal	26 Jan. 1959	160,806.0	-	2,570
KOPALNIA SOLI KLODAWA	Klodawa	Rock soil	26 Oct. 1949	101,936.0	22.0%	1,246
Manufacturing						
ZAKLADY PRZEMYSLU ODZIEZEOWEGO KONWART	Konin	Garments	1990	7,286.4	100.0%	600
HUTA ALUMINIUM KONIN S.A.	Konin	Aluminium	1 Jan. 1992	393,474.0	23.2%	1,598
FARRYKA URZADZEN GORNICIWA ODKRYWKOWEGO FUGO S.A.	Konin	Heavy Machinery	6 Dec. 1992	66,940.4	8.8%	1,604
ZAKLADY MIESNE W KOLO S.A.	Kolo	Meat processing	30 Mar. 1994	222,609.7	18.0%	1,595
FABRYKA NATERIALOW I WYROBOW SCIERNYCH KORUND S.A.	Kolo	Abbrasive materials	14 May. 1991	84,322.7	24.9%	1,365
MOSTOSTAL SLUPCA S.A.	Slupca	Steel works	2 Mar. 1992	50,000.0	70.0%	927
ZAKLADY PRZEMYSLU JEDWABHICZEGO MIRANDA S.A.	Turek	Artificial Silk	2 Jan. 1995	91,227.6	15.0%	1,261
P P U HANDLOWE SUN GARDEN SP.Z.O.D.	Malanow	Gardening Goods	16 Dec. 1991	31,580.4	75.0%	896
Electricity & Energy						
ZE PATNOW-ADAMOW-KONIN S.A.	Konin	Electricity	31 Dec. 1994	770,920.9	-	4,450

Source: RDA

Table 3.3-9 EXPORT & IMPORT BY MAJOR PRODUCTS OF KONIN (1996)

Specification	Export		Import	
	in thous. of zl.	in thous. of USD	in thous. of zl.	in thous. of USD
TOTAL	**485152,8**	**181028**	**397738,4**	**148206**
FUEL & ENERGY	**10267,4**	**3825**	**5892,7**	**2182**
brown coal	413,2	155	-	-
brown coal - briquettes	9837,1	3664	-	-
kerosene products and synthetic liquid fuel	16,1	6	1817,2	674
other fuel (without wood) & its processing products	1,0	0	4075,5	1508
METALLURGICAL INDUSTRY (of which:)	**54575,6**	**20503**	**20668,6**	**7698**
metallurgical raw material	938,2	360	-	-
semi - finished products from casting	1,0	0	2238,2	815
hot rolled sheet, coated sheet, other metallurgical goods	130,4	50	7279,2	2710
steel piges	953,6	358	2279,6	855
cold rolled sheet, coated sheet, other metallurgical	508,1	196	2117,5	784
secondary raw materials of non - iron metals	35,9	13	100,1	36
primary raw materials for metallurgy of non - iron	-	-	101,3	39
metallurgical products of non - iron metals	8696,2	3284	2377,4	903
rolling products from non - iron metals and their alloys (without metal leaf)	36794,2	13831	1937,2	723
extrusion and drawing products from non - iron	2,1	1	1412,9	526
other products of non - iron metals industry	6515,9	2410	719,7	265
ELECTRO - MACHINE INDUSTRY (of which:)	**74642,9**	**27633**	**90140,6**	**33866**
foundry products (together with fittings)	2579,3	961	5429,1	1996
metal constructions	32725,0	12074	470,9	173
tools	5541,7	2049	5874,6	2182
industrial metal products	2245,9	836	6863,6	2530
energy machines and equipment	3072,9	1107	842,6	311
metallurgical & foundry machines & equipment	68,5	24	9216,5	3492
machine tools, machines & equipment for metalworking	2151,1	796	3412,7	1308
machines & equipment for light industry	33,1	13	4851,9	1887
machines & equipment for food industry	1720,9	645	5801,3	2160
machines & equipment for other branches of industry	12238,8	4545	3851,8	1482
machines & equipment for construction works	412,9	163	4458,6	1695
machines & equipment for forest industry	1808,1	680	3348,7	1248
hoist - transport machines & equipment	895,6	326	1089,6	404
other machines & equipment for general use	732,3	270	18858,8	7061
equipment for automatic control & steering	2246,8	834	4106,1	1533
motor transport means	1857,6	694	3336,4	1298
electromagnetic machines & equipment	2414,2	908	964,1	373
electrotechnical products separatly not mentioned	643,3	238	2139,0	786

CHEMICAL INDUSTRY (of which:)	**28451,2**	**10569**	**92520,8**	**34459**
chemical minerals	11806,1	4387	137,3	50
inorganic products	13647,9	5078	993,0	369
organic products	150,6	58	50556,7	18827
plastic & caoutchouc	52,1	19	2488,0	920
paints & lacquer	18,2	7	1874,8	692
chemical products for different purposes & asbestos & caoutchouc products	37,3	13	1532,3	581
products of plastic	2638,7	968	25139,7	9338
pharmaceutical prodacts	-	-	4671,1	1752
rubber products	97,5	38	2963,3	1129
MINERAL INDUSTRY (of which:)	**7805,4**	**2904**	**27013,4**	**9995**
raw materials of mineral industry (together with secondary - preliminary worked)	597,6	232	4667,4	1719
building & ceramic materials	5,3	2	2130,3	801
technical glass	119,6	46	5911,9	2186
stoneware products	0,0	0	1229,8	455
faience products & other from glass ceramics	6486,2	2407	11004,2	4052
WOOD & PAPERMAKING INDUSTRY (of which:)	**48586,3**	**18151**	**10864,1**	**4063**
furniture & woodwork products	19279,6	7162	6335,4	2363
other products of wood & wicker products	26940,9	10112	30,7	11
paper products	335,0	128	3758,1	1414
LIGHT INDUSTRY (of which:)	**153886,2**	**57731**	**103055,4**	**38353**
products of cotton industry	627,4	238	57133,5	21326
products of wool industry	52,2	20	11399,1	4230
products of silk industry	252,1	94	14050,3	5214
products of decorative fabric industry	2196,7	819	3212,3	1183
haberdashery products	26,1	10	1990,2	735
knitting products & hosiery products	2672,8	1010	314,5	115
knitted fabric	7556,4	2833	1781,4	657
non - woven textile products	22,6	9	3787,1	1404
other textile products	4280,8	1628	456,4	169
cothing & underwear of woven fabrics	49075,7	18336	3811,5	1422
other products of clothing industry	86809,0	32615	2258,7	850
FOOD INDUSTRY (of which :)	**57548,8**	**21191**	**25877,5**	**9505**
products of meat industry	30491,4	11298	22437,3	8229
products of egg & poultry industry	23675,4	8654	735,2	273
confectionery products (lasting)	1791,3	646	-	-
products of food concentrate industry	6,3	2	1429,5	530
GOODS FROM OTHER BRANCHES OF INDUST.	**26213,4**	**9881**	**16277,9**	**6102**
products of animal utilization	-	-	2476,1	914
printing products	10712,3	3998	1418,1	525
abrasive machines & tools	4521,5	1679	4123,6	1537
industrial products separatly not mentioned	10610	4065	8145,5	3084

3.4 Current Situation of Small and Medium-Scale Enterprises

3.4.1 SMEs in the Industry of Konin

The Polish economy was dominated by medium and large scale state-owned enterprises before launching the transition process. Private enterprises played a marginal role. The situation, however, has been changing since the Law on Economic Activity was passed by Polish parliament in 1988 and since the restructuring process in industry was launched at the beginning of 1990. Since then, the Polish economy has been undergoing structural ownership changes reflected by dynamic increases in the private sector.

This similarly happened in Konin Province. A different sort of change took place in the provincial ownership structure. It consisted chiefly of setting up new privately owned businesses, but also of transformation and privatization in the state-owned enterprises. The data on SMEs are presented in Chapter 3.3, which shows that 97.5% of the total economic units in the industry sector are small and medium-scale enterprises by definition of the Central Statistical Office. If it applies the definition of the EU by which such enterprises employ less than 250 people, that share would be 99%, with most of it in the private sector. SMEs have an overwhelming majority in the province in terms of number of enterprises.

The presence of brown coal mining, electricity and aluminum enterprises in the industry sector of Konin is undoubtedly high but SMEs accounted for 60% of employment and 65% of total sales in the manufacturing sector, respectively. So it can be said that SMEs are playing a significant role in the industrial structure in Konin.

3.4.2 Ownership and Development History of SMEs

(1) Development of SMEs

SMEs in Konin are classified into three types according to the period of establishment:

(a) Before 1988: There were small-scale private enterprises which had less than 5 employees, and medium-scale state-owned enterprises that were established and operating.

(b) After 1989: Newly established small and medium-scale private enterprises after the Economic Activity Law carried into effect.

(c) After 1992: Newly established or leased SMEs after state-owned enterprises were sold or formed a part of equity.*3

According to an analysis by RDA Konin, 30 to 35% of the presently registered SMEs were established before 1988, 50% were newly established since 1989, and those remaining were established only after 1992. Therefore, the vast majority of SMEs in Konin are new and are private enterprises.

(2) Characteristics of owners of SMEs

Table 3.4-1 shows an outline of manufacturing enterprises compiled from interviews by the Study Team (enterprises of key industries are excluded from the table). Ten manufacturing small and medium-scale enterprises are included. According to this interview survey of SMEs, business attitudes or careers of SME owners in Konin are characterized by the following points.

Most owners started their business after 1989, and it was the first experience for them to manage an enterprise. They had various experiences at state-owned enterprises before they gave up their former jobs during the transition period of privatization. They started the new business based on the business idea of either their former place of employment or other state-owned enterprises. Finally, they started the business with their own capital or a loan from family and friends without interest, rather than a loan from a bank. But they did not like to take over facilities and workers even if that was a given condition for them in some cases. This is a typical career pattern of SME owners in Konin.

Under the present business circumstances, the most serious problems for SMEs can be summarized as three items: tax rate and declaration procedure, capital raising, and market development. Concerning the tax rate and declaration procedure, owners of SMEs feel the tax rate comparatively high at 40% corporate tax on net profit and 48.2% social security cost, because these are same rates for large-scale enterprises and the procedure is very

*3 Small and medium-scale state-owned enterprises have been privatized on the so called "closing down path". According to Art. 19 of the Law on State-Owned Enterprises, the enterprises may be closed down under certain conditions. (Source: OECD Report 1996 on Poland)

complicated. Capital raising and market development are also common problems in medium and large-scale enterprises; however, SMEs have few information sources to improve their situation. That is a real problem for them.

Another obstacle to further development of SMEs is the accounting system. In case of sales volumes to less than 400,000ECU (about 1.6 million PLN.) a year, the enterprises can use a simplified accounting procedure. At more than 400,000ECU, however, the accounting system becomes a more complicated matter, and owners and enterprises have to pay more taxes in most cases. They also need staffs who have expert knowledge. This system itself is not in question, but it is clear that some of the SMEs owners tend to lose their motivation to expand business under this system. There is also a tendency for most of owners who employ around 30 to 50 persons hesitate to expand their business because of a lack of experienced and capable persons to who can be entrusted with business management.

Table 3.4-1 OUTLINE OF VISITED ENTERPRISES (as of November 28)

	Name of Enterprises	Type of Business	Established	Employee	Materials Purchase		Sales Market		Major Problem
					Voivod	Import	in Voivod	Export	
1	PPHU WOPACK S.C.	food prosessing	1991	40	10%	50%	50%	10%	tax rate
2	KONBAG	food prosessing	1992	50	65%	0%	100%	0%	tax proce.
3	CUKROWNIA GOSLAWICE	sugar mill	1912	274	100%	0%		0%	materials
4	OSM KONIN	dairy products	1912	300	90%	0%	80%	0%	materials
5	TESAURUS	ice cream	1990	50	5%	7%	7%	5%	market
6	ZPOW TUREK	food prosessing	1983(1952)	370	45%	0%		20%	funds
7	OSM KOLO	dairy products	1930	300	90%	0%	50%	35%	exchange
8	LM SPOLKA AKCYJNA	garment	1991	170	5%	95%		0%	market
9	KONWART	garment	1990(1980)	600	2%	98%	10%	90%	exchange
10	ELIZABETH KONIN S.C.	garment	1990(1981)	78	2%	70%	20%	30%	traning
11	BIZAMEB S.C.	woodworking	1990	22	5%	0%	60%	0%	funds
12	HARMON	woodworking	1994	6	10%	0%	35%	0%	market
13	WITAR Wielkopolska Sawmils	Sawn-mill	1949	60	30%	0%		0%	investors
14	VENEER SERVICE	wood-processing	1958	4	0%	0%	50%	0%	market
15	STOLORNIA	woodworking	1990	12	10%	70%	80%	0%	market
16	NADLESNICTWO KONIN	timber cutting			100%	0%	35%	0%	
17	HONORATKA	ceramic	1989	95	85%	0%	80%	0%	
18	KWB KONIN BRYKIETOWNI	briquette	1947	217	100%	0%	20%	50%	market
19	SANITEC	hygiene ceramic	1993(1962)	300	0%	50%	15%	0%	custom
20	KON-BET SP.Z.O.O.	concrete products	1995(1977)	80	30%	0%	80%	0%	investors
21	CERAMIKI BUDOWLANEJ	ceramic	1973	200	90%	0%	30%	0%	investors
22	ADIMEX	stone table	1992	40	0%	80%	5%	80%	
23	FRONTAL	Aluminum (scrap)	1991	50		0%		0%	funds
24	BASTRA BAZAMECH SPOLKA Z.O.O.	metal processing	1993	27	2%	98%	20%	80%	funds
25	LINDA	housing materials	1982	200	5%	60%		15%	tax
26	GRAVALL	Shoes	1991	400	2%	10%	20%	15%	rivals
27	PHILIPS MATSUSHITA BATTERY POLAND S.A.	electric battery	1993	590		70%		90%	social cost
28	SUN GARDEN	gardening goods	1991	1000	0%	50%		90%	burocratic
29	GOSPODARSTWO OGRODNICZE WIERUSZEW	horticulture	1996(1980)	100			70%	20%	funds
30	TYC Green House	horticulture	1953	10			40%	0%	rivals
31	BUDIMEX (Hotel MAGDA)	Hotel	1997	80					
32	WIELKOPOLSKA GIELDA ROLNO-OGRODNICZA S.A.	whole sale(trade)	1992	50					
33	BIURO RAJ S.C.	office supplies(trade	1992	30			100%	0%	traning

3.5 Current Status of Privatization and Corporate Management

The process of privatization, or transformation of ownership, in Poland is an integral element of transformation of the economy. The privatization process dynamically influences the whole of economic growth by stimulating effectiveness, flexibility and innovation in corporate management, as well as by creating favorable conditions for increasing competitiveness of enterprises. In this section, the current situation of overall privatization in Poland as well as in Konin Province is reviewed first, and the situation of corporate management in Konin Province is then analyzed.

3.5.1 Present Situation of Privatization

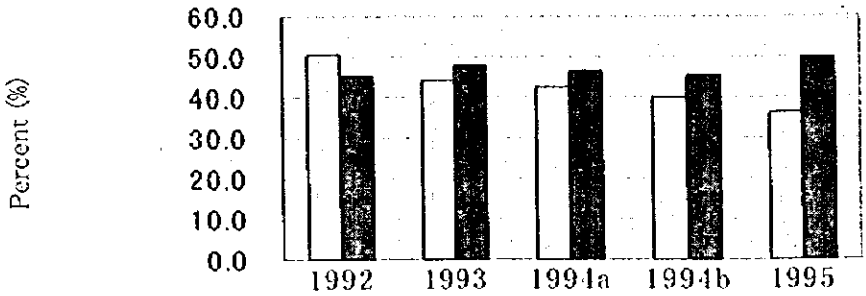
(1) Progress of privatization in Poland

The realization process of privatization has been conducted in a way that has gradually transferred ownership and employment from the public sector to the private. Through this process, a capital market was created, and foreign capital investment has increased. In addition to that, the country's economic basis for integration with the rest of Europe is being created.

The result of progressing privatization is a systematic increase in the share of the private sector in the Polish economy. GDP share of the public sector decreased from 50.7% in 1992 to 36.3% in 1995, while that of the private sector increased from 45.2% in 1992 to almost half of GDP in 1995[1] (See Figure 3.5-1).

[1] The basis of calculation has been changed in 1994 from producer prices to basic prices. However, the trend of increasing presence of the private sector as its share in GDP is indicated in Figure 3.5-1.

Figure 3.5-1 GDP SHARE OF PUBLIC AND PRIVATE SECTORS

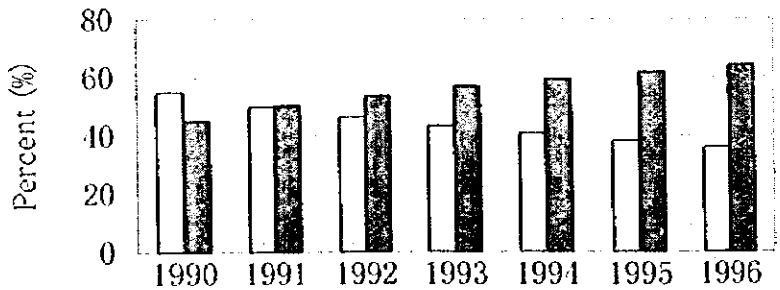


	1992	1993	1994a	1994b	1995
□Public Sector	50.7	44.3	42.5	39.9	36.3
■Private Sector	45.2	47.9	46.4	45.5	49.9

1994a: Producers Prices, consistent with the data in the previous years.
1994b: Basic Prices, consistent with the data in 1995.
Source: GUS, Maly Rocznik Statystyczny 1997.

The share of workers engaged in the private sector steadily increased from 45.1% in 1990 to 64.1% in 1996 (See Figure 3.5-2).

Figure 3.5-2 WORKERS ENGAGED IN PUBLIC AND PRIVATE SECTORS

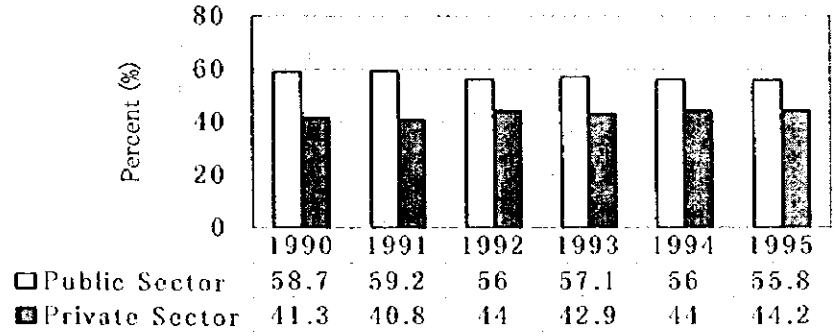


	1990	1991	1992	1993	1994	1995	1996
□Public Sector	54.9	49.8	46.3	43.2	40.6	38.1	35.9
■Private Sector	45.1	50.2	53.7	56.8	59.4	61.9	64.1

Data based on annual average.
Source: GUS, Maly Rocznik Statystyczny 1997.

The share of the private sector in total investment outlays increased to 44.2% in 1995 from 40.8% in 1991 (See Figure 3.5-3).

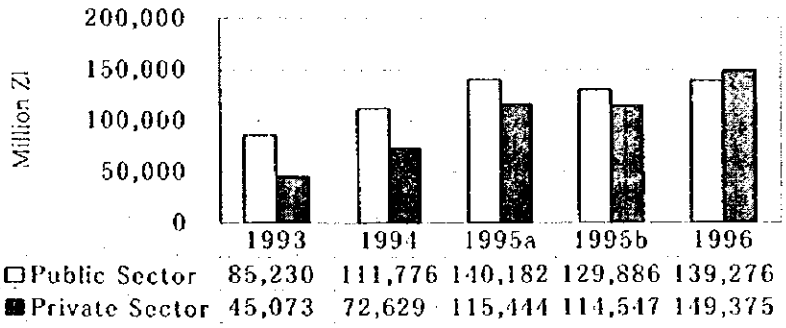
Figure 3.5-3 INVESTMENT OUTLAYS BY PUBLIC AND PRIVATE SECTORS AT CURRENT PRICES



Source: GUS, Maly Rocznik Statystyczny 1997.

With regard to sold production in the industry sector, the private sector is growing faster than the public sector. The private sector exceeded the public sector in 1996 (See Figure 3.5-4).

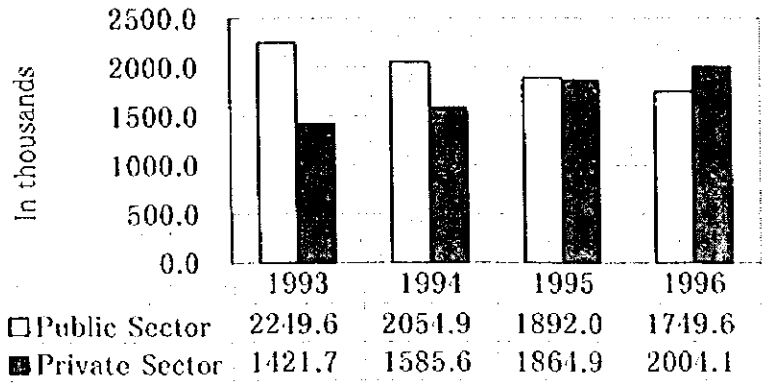
Figure 3.5-4 CURRENT SOLD PRODUCTION IN INDUSTRY



1995a: Producers Prices, consistent with the data in the previous years.
1995b: Basic Prices, consistent with the data in 1996.
Source: GUS, Maly Rocznik Statystyczny 1997.

The number of workers engaged in the private sector in industry also exceeded that of the public sector in 1996 (See Figure 3.5-5).

Figure 3.5-5 WORKERS ENGAGED IN INDUSTRY



Data based on annual average.
Source: GUS, Maly Rocznik Statystyczny 1997.

(2) Methods of privatization

A vital feature of the Polish privatization scheme is the variety of methods used, which increases the flexibility of the privatization program. The variety also enables individual enterprises to adjust to the privatization procedure. The **determinants of the privatization method** for each individual enterprise are:

a. the enterprise's scale,
b. financial as well as market situation,
c. connection with agricultural activity, and
d. economic importance.

However, analysis of the privatization of enterprises connected with agricultural activities is eliminated because of the focus of this section.

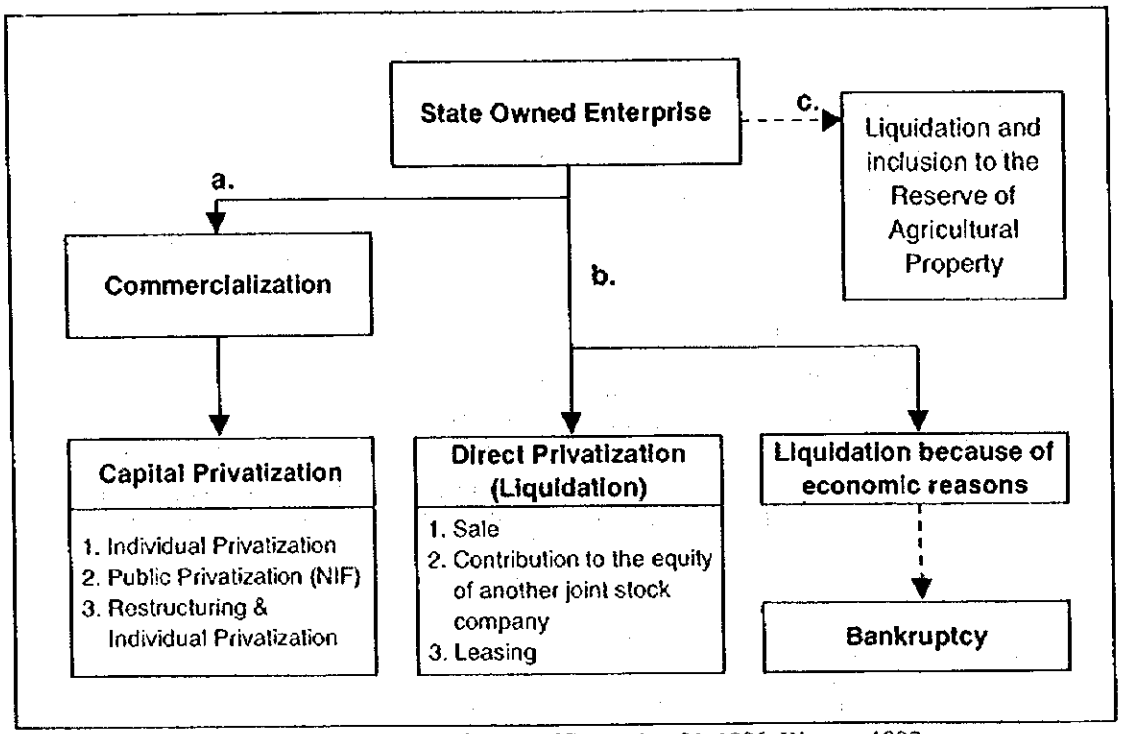
The following legal acts are the bases of privatization and define the rules of conduct:

a. the act on state-owned enterprises from Sept. 25 1981 (Book of Acts (BA) from 1991, No. 18, item 80),
b. the act on the privatization of state-owned enterprises from July 13, 1990 (BA from 1990, No. 51, item 298 and from 1991, No. 60, item 253),
c. the act on ownership transformations in selected state-owned enterprises with special importance for the national economy from Feb. 3, 1993 (BA from 1993, No. 16, item 69),
d. the act on national investment funds and their privatization from April 30, 1993 (BA from 1993, No. 44, item 202),
e. the act on managing agricultural real estate of the State Treasury from Oct. 19, 1991 (BA from 1991, No. 107, item 464).

On the basis of the above-mentioned legal acts, there are **3 major ways** of dealing with state-owned enterprises:

a. transformation of a state-owned enterprise into a sole-shareholder company of the State Treasury for the purpose of either individual privatization, contribution of its stocks/shares to NIFs or restructuring,
b. liquidation of a state-owned enterprise either for the purpose of direct privatization or because of economic reasons,
c. liquidation of a state-owned enterprise in the agricultural sector and inclusion of its property in the Reserve of Agricultural Property of the State Treasury after liquidation. (The third way is not discussed in this section.) (See Figure 3.5-6)

Figure 3.5-6 THREE MAJOR WAYS OF DEALING WITH STATE-OWNED ENTERPRISES



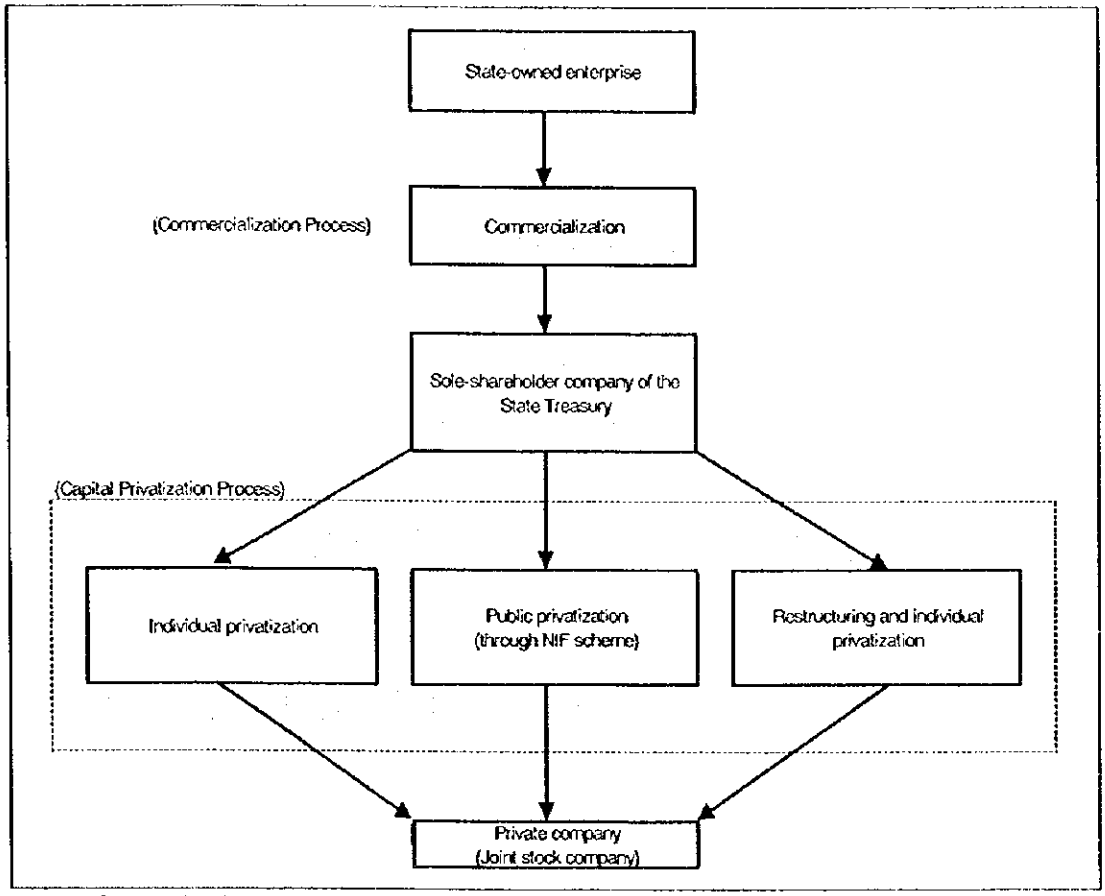
Source: GUS, Privatization of State Enterprises as of December 31, 1996, Warsaw 1997.

1) Commercialization of state-owned enterprises

Non-agricultural large enterprises, in terms of number of employees as well as property holding, with good economic conditions, are transformed into sole-shareholder companies of the State Treasury (SSCs), for the purpose of capital privatization (See Figure 3.5-7).

Commercialization of an enterprise goes into the transition stage, after which it follows either the sale of stocks/shares (individual privatization), or the contribution of stock to NIFs for the purpose of privatization (public privatization). Enterprises with special importance for the state economy are the subject of restructuring and may be privatized individually under specific conditions determined by the Board of Ministers.

Figure 3.5-7 COMMERCIALIZATION AND CAPITAL PRIVATIZATION



Source: GUS, Privatization of State Enterprises as of December 31, 1996, Warsaw 1997.

2) Capital privatization

The process of capital privatization comes after commercialization. In a broad sense, capital privatization includes individual privatization and public privatization.

Individual privatization means the sale of stocks/shares of SSCs, which may be done by means of public offer or by inviting potential strategic investors for negotiations.

The objective of the NIF Scheme **(Public Privatization)** is a quick and mass privatization of state-owned enterprises and social enfranchisement (giving the society the possibility of obtaining part of national property).

512 firms taking part in the NIF Scheme are large entities, of which 78% conducts production activities (producing mainly food and beverages as well as machinery and equipment) and 15% conducts building activities. Almost 70% of them are units employing from 200 to 1000 people.

3) Privatization by liquidation

The method of liquidation depends on each enterprise's economic situation. There are two liquidation procedures:

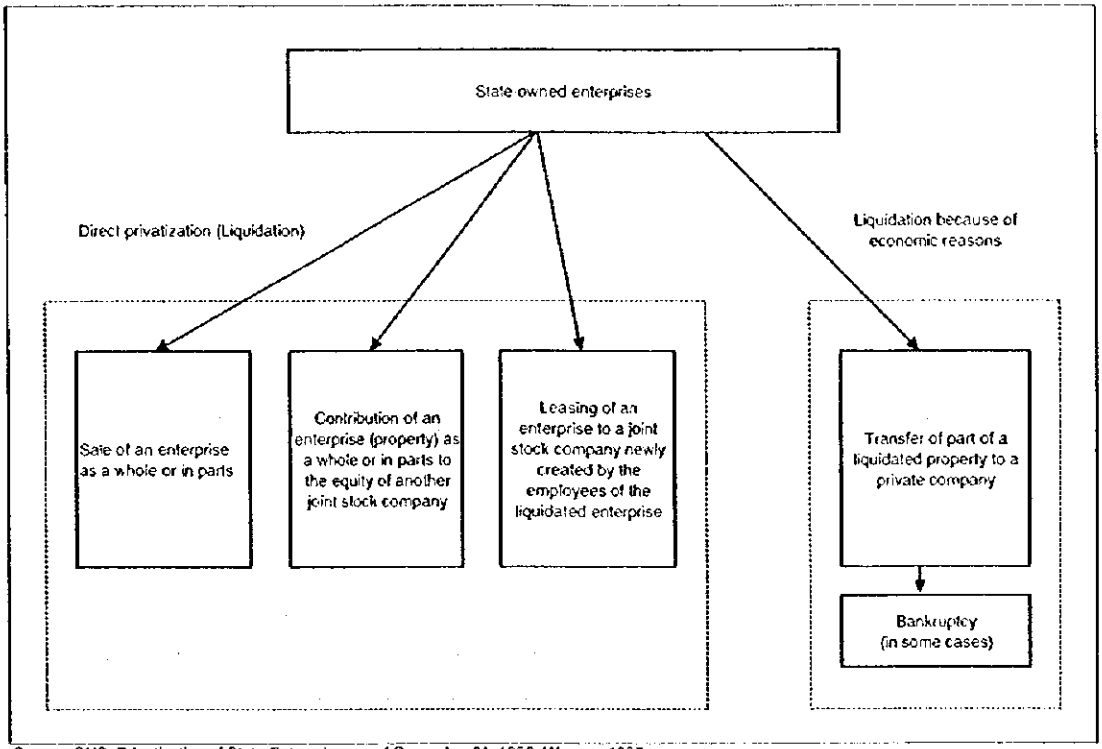
a. liquidation under article 37 of the act on privatization of state-owned enterprises - that means **direct privatization**; and
b. liquidation under article 19 of the act on state-owned enterprises.

Direct privatization means selling a state enterprise or making it fully or partially available to (domestic or foreign) private entities (See Figure 3.5-8). Direct privatization is prepared by founding units such as ministers and voivods. On the grounds of the Ministry of Ownership Transformations' acceptance, an enterprise can be liquidated in order to:

a. be sold as a whole or in parts (sale);
b. be contributed as a whole or in parts to the equity of a joint stock company (joint venture); and
c. be leased, for a specified period of time, to a joint stock company established by employees of the liquidated enterprise (leasing).

Liquidation under article 19 of the act on state-owned enterprises is a procedure used for enterprises in poor economic condition. It is aimed at an enterprise's shutdown - both as a legal entity and an organized property unit, after satisfying the creditors and ensuring credibility. Such liquidation is not a privatization in a strict sense, but is only **indirectly connected with privatization** by transferring part of a liquidated property to the private sector.

Figure 3.5-8 PRIVATIZATION BY LIQUIDATION



Source: GUS, Privatization of State Enterprises as of December 31, 1996, Warsaw 1997.

(3) Present situation of privatization in Konin Province

In general, the present situation of privatization in Konin Province can be analyzed by using the same framework used in the above sections. However, there are several issues to be noted with regard to the role of the office of the Konin governor within the privatization process.

First, with regard to managing the privatization process of state-owned enterprises, there is a demarcation between the central ministries and the office of the Konin governor. It is a demarcation about the nature of the state-owned enterprises to be supervised. The State Treasury supervises only the enterprises with national importance and/or of large scale. The Office of the Konin governor supervises the rest of the state-owned enterprises. Second, the office of the Konin governor is responsible only for the process up to the signing of agreement on either direct privatization or liquidation. In the cases of direct privatization and liquidation, the office of the Konin governor prepares the document required for each proceeding. After the signing of an agreement between the office of the Konin governor and an investor, the State Treasury takes over the

responsibility for privatizing the enterprise concerned. For the commercialized enterprises in the province, the office of the Konin governor gives its opinion to the State Treasury, and the State Treasury proceeds with the process. Thirdly, it is decided by the State Treasury that all the state-owned enterprises under the office of the Konin governor's supervision have to be either privatized or liquidated.

1) Results of privatization in Konin Province[2]

The number of state-owned enterprises engaged in the process of ownership transformation was 38 as of the end of 1996 (See Table 3.5-1). Out of them, 10 enterprises have been transformed into SSCs for capital privatization and 18 enterprises are engaged in the liquidation process, including direct privatization. (Out of the 38 enterprises, 10 have been included in the Reserve of Agricultural Property of the State Treasury.) There are 15 state-owned enterprises which were liquidated, among which the number of enterprises directly sold, leased or contributed to the equity of another company were respectively 4, 6 and 1 (See Table 3.5-2).

Table 3.5-1 STATE-OWNED ENTERPRISES INCLUDED IN THE PROCESS OF OWNERSHIP TRANSFORMATION

Specification	As of:	Total	Transformed into sole-shareholder companies of the State Treasury	Subject to liquidation			Included into the Reserve of Agricultural Property of the State Treasury
				Total	on the basis of:		
					the act on state owned enterprises	the act on the privatization of state owned enterprises	
Poland	1995. 12. 31	5206	1075	2477	1379	1098	1654
	1996. 12. 31	5592	1227	2711	1464	1247	1654
Konin	1995. 12. 31	36	10	16	10	6	10
	1996. 12. 31	38	10	18	11	7	10
Poland	1995. 12. 31	100%	21%	48%	26%	21%	32%
	1996. 12. 31	100%	22%	48%	26%	22%	30%
Konin	1995. 12. 31	100%	28%	44%	28%	17%	28%
	1996. 12. 31	100%	26%	47%	29%	18%	26%

Source: GUS, "Privatization of State Enterprises as of December 31, 1996," Warsaw, 1997.

[2] Results of privatization in Konin Province include both the state-owned enterprises under the supervision of the State Treasury and office of the Konin governor.

Table 3.5-2 STATE-OWNED ENTERPRISES LIQUIDATED

Specification (In numbers)	Total	Enterprises in which liquidation was conducted				
		exclusively by:			by mixed ways of disposing property	Transferring property on other grounds
		sale	contribution of the property to another joint stock company	leasing		
Poland	1715	475	106	857	67	210
Konin	15	4	1	6	1	3
Poland	100%	28%	6%	50%	4%	12%
Konin	100%	27%	7%	40%	7%	20%

Source: GUS, "Privatization of State Enterprises as of December 31, 1996," Warsaw, 1997.

There were 6 SSCs established for individual privatization and 4 for public privatization among the 10 commercialized enterprises. Out of the 10 SSCs, 3 have been capital-privatized (See Table 3.5-3).

Table 3.5-3 SOLE-SHAREHOLDER COMPANIES OF STATE TREASURY AND THEIR PRIVATIZATION

Specification	Partnerships established:					Out of which capital privatized:	
	Total	for individual privatization	for public privatization	for realization of bank conciliatory proceedings	for other purpose	Total	With foreign capital
Poland	1171	555	512	16	88	183	78
Konin	10	6	4	0	0	3	1
Poland	100%	47%	44%	1%	8%	16%	7%
Konin	100%	60%	40%	0%	0%	30%	10%

Source: GUS, "Privatization of State Enterprises as of December 31, 1996," Warsaw, 1997.

2) State-owned enterprises in process of ownership transformation in Konin Province

Presently, KWB Konin is the only state-owned enterprise in Konin Province under the supervision of the State Treasury. A general direction of the State Treasury for the mining sector is pro-privatization. However, there are several complicated political issues with regard to the privatization of the lignite mining enterprise.

There are also 21 state-owned enterprises under the office of the Konin governor. Among the 21 enterprises, 5 have been transformed into SSCs.

Another 5 enterprises are subject to direct sale and leasing. The remaining 12 enterprises are subject to liquidation under the act on state-owned enterprises because of poor economic condition. The enterprises are listed in Table 3.5-4.

3.5.2 Actual Situation of Corporate Management

The actual situation of corporate management in Konin Province was studied through interviews with 11 enterprises ranging from relatively large enterprises with more than 1,000 employees to small enterprises with less than 20 employees. The three key industries of Konin Province, which are mentioned in the previous chapter, were excluded from the analysis of this section. The information obtained from the questionnaire study which was conducted separately from the interviews was utilized where possible. The list of the 11 enterprises is shown in Table 3.5-5. Situations of sales and factory management are summarized in Table 3.5-6 and Table 3.5-7.

The industries included in the study of this section are metalworks, food processing, textiles, furniture and clothing. The enterprises can be divided into groups in various ways based on each enterprise's background, nature of products and so forth. Based on such frames, there are several management issues to be noted. Some issues are common to all the enterprises, and others are issues which are particular to a specific enterprise group.

(1) Situation derived from the background of enterprises

The 11 enterprises can be divided into 4 groups by their backgrounds:

a. a state-owned enterprise commercialized (or privatized through commercialization process);
b. part of a state-owned enterprise separated by direct sale;
c. a private enterprise established by a person who voluntarily retired a state-owned enterprise;
d. a cooperative.

The first group, commercialized enterprises, includes two enterprises, Enterprise (B) and (G). One of their strengths is the names of the enterprises. They are famous in the region. Their sales are relatively large.

The two enterprises are also considered to have a potential for future growth by the fund managers of the National Investment Funds, by which the enterprises are supervised and promoted in the capital market.

However, the enterprises also carry the negative heritage of state-owned enterprises. They are relatively large enterprises in terms of corporate scale, and tend to employ unnecessarily large numbers of employees. The average age of the employees tends to be high, around 40 years old. There are many employees working as indirect employees. In the case of Enterprise (B), the indirect employees number 750 among the total of 1400 employees, which means more than half of the employees are indirect. Such an organizational structure pushes up the enterprise's personnel cost. More specifically, the department overhead as well as the corporate overhead costs account for almost half of the total cost of the enterprise.

Another point to be noted is that the factories of the enterprises in the first group are unnecessarily large. In a large premise, production sections, performing individual processes, are scattered. Therefore, there is unnecessary transportation of materials as well as work-in-process inventory.

There are also currently unutilized buildings, on such enterprises' premises, which do not make profits.

The second group, the enterprises which were formerly parts of a state-owned enterprise, includes Enterprise (A) and Enterprise (E). Enterprise (A) was established by the employees of the state-owned enterprise with the direct privatization method, buyout. The employees of Enterprise (A) had a strong will to manage their own enterprise in order to increase their own income level. Enterprise (E) was bought by a person as a family business. He took over the liquidated assets of a state-owned enterprise with debt. All the employees of the liquidated unit were dissmissed, and then some of them were re-employed after the establishment of Enterprise (E). Through such a re-employment process, the enterprise could introduce its own employment conditions for each employee without the influence of the former state enterprise's employment conditions.

Because of the above-mentioned background, each of the two enterprises does not have any motivational problems with regard to the improvement of their corporate management. Both enterprises are profitable. However, because Enterprise (A) is an enterprise owned by the employees and does not have sufficient assets, its financial credibility is not high. As a consequence, it does not have access to bank loans for its investment. On the other hand, Enterprise (E) is financially very healthy, and it has access to bank loans at reasonably cheap interest rates.

Enterprises (C), (D), (F), (H) and (K) constitute the third group, the enterprises established by people who voluntarily retired state-owned enterprises:

a. Enterprise (C) was established by an ex-manager of an aluminum enterprise in 1985.
b. Enterprise (D) was established as an installation service enterprise for households by a few people in 1979.
c. Enterprise (F) was established by an ex-manager of a salt mining enterprise in 1991.
d. Enterprise (H) was established by three people, two from Warsaw and one from Konin, in 1991. The president is an ex-director of a state-owned shirt enterprise.
e. Enterprise (K) was established by the ex-managerial staff of a mining enterprise in 1990.

All the owners of the five enterprises are entrepreneurial. Four enterprises out of the five intend expansion of their businesses. The sole exception is Enterprise (H), a shirt and blouse producer.

The third group is free from trade unions. The employees of the five enterprises are generally young. Each of the five enterprises is using some kind of incentive system for payment in order to increase production efficiency.

The last group is two cooperatives, Cooperative (I) and Cooperative (J). Cooperative (I) was established before 1980, and Cooperative (J) in 1950. As in the case of Cooperative (J), forming cooperatives was a practice used

in the clothing industry from the past. By forming cooperatives, people who participated in the cooperatives were able to buy expensive equipment such as sewing machines in the past. Although there are not any significant differences between private enterprises and cooperatives in terms of their activities, it is difficult to change the legal status of cooperatives into that of private enterprises. The management board of a cooperative often has difficulty in decision making because of the strong power of each member (worker), when the interests among the members of the cooperative vary. Further, there is a morale hazard of ignoring superiors' directions among the workers.

(2) Situations derived from nature of products or sales channel

There are two categories in terms of the nature of products among the 11 enterprises. They are commodity products and customized products. The commodity products are generally traded through retailers and in many cases also through wholesalers. Therefore, producers are usually not connected directly to the ultimate customers. On the other hand, customized products are directly sold to customers, based on an order, by the producers.

The 11 enterprises can be divided into commodity producers and customized product producers. Within the category of commodity producers are Enterprise (F), Enterprise (H) and Enterprise (I). Other enterprises are in the category of customized product producers.

After the move to the market economy or the adoption of the open economic policy, Poland's distribution channels collapsed and cheap commodity products were imported from Asia. When distribution channels collapsed, most severely damaged were the enterprises which used such channels heavily. Enterprise (H) and Enterprise (I) were damaged severely. They almost lost their entire domestic markets. That is why Enterprise (H) and Enterprise (I) export more than 90% of their sales. Enterprise (F) was also in that category. However, Enterprise (F) produced its products based on orders which were procured by the sales partner of Enterprise (F). In short, the sales partner found wholesalers as customers for Enterprise (F). Therefore, Enterprise (F) could sell its

products. (Also, Enterprise (F) was exporting fruit to Germany during 1989 and 1993.)

Among the other eight enterprises, some also suffered from poor economic situations. However, they started recovering sales. One of the reasons for the recovery was the connection between the enterprises and their customers.

(3) Situations common to most of the enterprises

Although there are some exceptions, many enterprises are sharing the same situation to some extent. The first one is a shortage in investment capital. In general, bank loans are expensive, and applying for bank loans is not easy for small enterprises because of the requirements of application documents as well as a shortage of collateral. One exception is Enterprise (E). It has a good access to bank loans, and its financial condition is also very healthy. In terms of investment, three enterprises have used capital generated from their own corporate activities.

Second, cost consciousness among the enterprises is low. Table 3.5-7 indirectly shows the level of cost consciousness. Enterprises tend to underestimate the significance of eliminating waste such as materials, manpower and time, but the impact of waste on production cost is significant. Waste can be eliminated by improvement activities in enterprises with the participation of employees. Nevertheless, such an opinion was hardly heard through out the interviews. In some enterprises such as Enterprise (G), there is some discussion improvement activities, but workers do not participate in the discussion.

Third, information about ultimate customers and competitors is limited, especially for sales through the intermediaries. In an extreme case, Enterprise (I) does not know the price of its own products in the market.

Fourth, incentives for workers are used to some extent. A system for personnel management is being prepared in some enterprises. Such systems include rules of performance appraisal of employees and rules for promotions as well as wage and salary increases.

Fifth, no enterprise mentioned its corporate philosophy when a brief explanation was requested in the interview.

3.5.3 Opinions and Views of Employees

In addition to the interviews with the top management of the eleven enterprises, the results of which were reported in the previous section 3.5.2, interviews with employees of three enterprises have been performed. The purposes of the employee interviews are: (1) to confirm the actual situation of the enterprises in Konin Province by supplementing the study results based on the top interviews and site visits with the information obtained from employees and (2) to compare the views of directors with those of employees. Although it was preferable to have interviews with employees of all the above-mentioned eleven enterprises, interviews with only three major enterprises (with more than 500 employees) in Konin Province, two of which were not included in the eleven enterprises, were conducted by getting the consent of the management of the concerned enterprises.

The industry sectors of the three enterprises are mining, metal products, and clothing and furriery. Each of the three companies employs more than 500 employees. The mining company is still a state enterprise. The metal processing company has already been commercialized under the NIF scheme, and the clothing company has just filed the documents for the process of commercialization.

The numbers of interviews held in the three companies were:

a. the mining company: 5;
b. the metal processing company: 8; and
c. the clothing company: 5.

Interviewees consisted of middle managers, manual workers and managerial staff.

Questions included four major issues:

a. problems of the company,
b. assessment of own work and workshop (or office),
c. superior-subordinate-relations, and

d. restructuring of the company.

Because obtaining sincere opinions and views of employees was important, interviewees were informed beforehand that the information from the interviews was to be treated as anonymous and collective.

(1) Problems of the company

Naturally, the answers for this question varied company by company.

a. The mining company which is a state enterprise

The interviewees' views are concentrated on the corporate environment such as the government policies on the mining and energy sector, including the policies about the sales price of brown coal and purchasing land from farmers. They consider that the government policy on the sector must be clear. One interviewee also mentions a less helpful attitude of workers for the company. As a consequence of the unclear policy on the mining sector, they anticipate that sales will decrease and the excavation cost will increase because of the slow modernization, which will result in financial difficulty and lead to dismissal of employees.

In terms of the solution to the above problem, they do not see any internal solutions other than modernizing the equipment.

b. The metal processing company which was already commercialized

The interviewees are concerned about marketing as well as product development activities, high production cost and internal information flow of the company. Problems with regard to marketing are lack of original or specialized products for getting new customers and a sales decrease with existing customers. Shortage in designers is another problem related to marketing and product development. In terms of the internal information flow, they consider that the corporate strategy is not clear and the information necessary for the tasks of middle management is not given by the top management. Also, there is a need for a computer network in the company. As a consequence of weak marketing and insufficient information flow in the company, they consider that the company's financial position will get worse.

In terms of a solution, they see the need for improvement in marketing and development activities. However, there are no concrete ideas.

c. The clothing company which has just filed the documents for commercialization

Four out of five interviewees think the problem is the low salaries and wages. Only one interviewee mentions that product prices are too low and there are many absentees with their children on Saturdays. The low product price also results in low salaries and wages.

In terms of the solution, they consider that improvement of efficiency is the key. From their view, the company can increase sales. One interviewee mentions that it is important to force employees to accept new changes in the company because employees tend to think afterward that the changes are good for them.

(2) Assessment of own work and workshop (or office)

In response to the question about the problems within the interviewees' own workshops or offices, answers are common to the three companies. Interviewees point out problems caused by other employees or limited capacity of the equipment. Typical examples are shortage in workers because of the low efficiency of old equipment and recent subdivision of the department, insufficient repair work on machinery because of rush jobs, unsuitable machinery and equipment selected by superiors and so forth.

Regarding the interviewees' own jobs, they tend to consider they have no problem. Out of eighteen interviewees, fifteen of them consider they are very efficient or ordinarily efficient. The other three consider they are moderately efficient. None of them thinks he or she is inefficient. In terms of the quality of their work, one person considers his or her work performance has very high quality. Eleven assess their quality of work as high in quality. The other six think the quality level of their work is moderate. However, three interviewees consider there is room for improvement, and one sees problems with his or her work.

Assessment of workshops or offices varies among the three companies. On this question, seven answer keys were provided to the interviewees:

a. state of organizing workshop or office,
b. physical brightness,
c. psychological brightness,
d. cleanliness,
e. safety,
f. convenience of work, and
g. information sharing.

The interviewees of the mining company have a relatively negative image of the workshops and offices. Among the answers are dark, dusty, harmful, unorganized, mentally a little dark, and so on. However, all of the five interviewees reply that they know how to improve the current condition of their workshops and offices. Improvement measures suggested by them are: (1) frequent training, (2) exchange of information and communication within the company, (3) time management and organization of work, (4) right staffing, (5) layout changes in the workshops, (6) provision of incentives, and (7) management's promise with employees about their job security.

The interviewees of the metal processing company have a relatively positive image of the workshops and offices, but five out of the eight think information sharing of the company is not good. One answers that there is a dark mood in the office. Six also say they know how to improve the current condition of their workshops and offices. Improvement measures suggested are: (1) organizing staffing in cooperation with workers from different departments, (2) introducing rewards according to performance, (3) training and networking and (4) introducing more computers and a computer network.

The interviewees of the clothing company also have a relatively positive image of the workshops and offices. However, three interviewees feel an inconvenience in their work place. Also, comments such as noisy, dusty, dark mood and not very safe are indicated once, respectively. Out of the five, three answer that they know how to improve things. One person says

the current work performance is the best and there is no room for improvement. Improvement measures suggested are: (1) introducing template for folding shirts, (2) reducing pattern changes, (3) eliminating shortage in material supply, and (4) cooperation within the work teams.

(3) Superior-subordinate-relations

A question asked regarding the third issue, superior-subordinate-relations, is an assessment of their superiors. On this question, three answer keys are provided:

a. reliability,
b. respectfulness, and
c. popularity.

For the reasons of their assessment, six answer keys are provided:

a. keeping promises
b. responsible
c. experienced
d. good at teaching
e. fair and impartial, and
f. clear in instruction.

Answers of the eighteen interviewees are as follows. Ten interviewees answer that their superiors are reliable, respected and favorable. Three interviewees answer that their superiors are unreliable or not so reliable, not respected and unfavorable. The other three answer that their superiors are reliable, not respected and unfavorable. The remaining two answer that they are generally positive but not always reliable or not respected.

Major reasons for the negative assessment about each answer key are as follows.

a. Unreliable because he or she breaks promises and/or is not sufficiently responsible.
b. Not respected because he or she is inexperienced, bad at teaching, irresponsible, and/or not impartial.
c. Unfavorable because he or she is irresponsible, not clear in instructions, nervous, bad-tempered, bad at interpersonal communication, not warm, unfair, impartial and so forth.

The other question asked is what attitude of the superior makes subordinates cooperative. Answers include the following:

a. friendliness (8 interviewees mentioned this)
b. behavior as a partner to solve problems
c. good personal behavior
d. listening to what subordinates say
e. professionalism and resoluteness
f. reliability
g. consistent decision making
h. knowing what to do and what he or she wants his or her subordinates to do
i. good advice and instructions to educate subordinates (3 interviewees mentioned this)
j. indicating objective criteria for work performance
k. delegation of authority
l. good interpersonal communication (3 interviewees mentioned this)

(4) Restructuring of the company

In terms of restructuring, fifteen interviewees out of eighteen consider restructuring is necessary and acceptable with certain conditions. Two others consider restructuring is unnecessary or not acceptable. One other is not sure about restructuring.

According to the interviewees, the necessary conditions for restructuring are:

a. Restructuring process has to be a gradual process
b. Restructuring should be done by people who know the company's condition well.
c. At least the salary level should be maintained at the current level.
d. Job security should be assured.
e. The corporate strategy has to be clearly formulated and indicated before restructuring.
f. Wages should be increased in line with efficiency improvement.

With regard to acceptability of overtime work, overtime work is generally accepted when it is paid. One person is not willing to do it because of his or her health. On the other hand, job reshuffling is accepted by only eight interviewees out of thirteen. Those who do not want to accept job reshuffling tend to be old and expecting retirement soon.

Table 3.5-4 PRIVATIZATION PROCESSES IN COMPANIES SUPERVISED BY OFFICE OF THE KONIN GOVERNOR

No.	Name of Company	Method of Privatization	Current Status	Basis
1	Building machines factory "Zremb" in Kolo		Looking for investors	Art. 37 of the act on the privatization of state owned companies since July 13, 1990
2	Building machines factory "Zremb" in Slupca		Negotiation with the contracting parties interested in joining the partnership with FMB.	Art. 37 of the act on the privatization of state owned companies since July 13, 1990
3	Fruit-vegetable processing company in Turek		In process of negotiation with banks for repayment of its borrowing on the basis of improvement of the financial condition.	Bank conciliatory procedure
4	District amelioration company in Konin	Leasing method	Trying to get consent from the Minister of State Treasury	Art. 37 of the act on the privatization of state owned companies since July 13, 1990
5	Transportation & service - commerce company "Transkraj" in Konin		Publicly announced an offer. If they get the consent from the company's body, they will continue the privatization process.	Art. 37 of the act on the privatization of state owned companies since July 13, 1990
6	Gas bottling plant in Konin		Carried out negotiations with potential investors interested in joining the partnership with the State Treasury. Issued the motion to the Minister of State Treasury to get his consent of the planned transformation on the basis of article 37 para.1 item2 of the act on privatization of state owned companies.	Art. 37 of the act on the privatization of state owned companies since July 13, 1990
7	Transportation - service - commerce company in Kolo		In process of negotiation with investors in order to specify conditions of joining the partnership with the company.	Decision of the commissars' board
8	Commodity transport company PKS in Turek	Liquidation	The liquidator is planning to manage all real estates, to sell current assets and to satisfy debtors within time limit of the liquidation.	Art. 19 of the act on state owned companies
9	Clothing company "Konwart" in Konin	Commercialization		The act on commercialization and privatization of state owned companies since August 30, 1996
10	Power station building and industry company "Energoblok" in Konin	Commercialization		The act on commercialization and privatization of state owned companies since August 30, 1996
11	Konin road company in Konin	Direct privatization		The act on commercialization and privatization of state owned companies since August 30, 1996
12	Road - bridge works company in Slupca	Direct privatization		The act on commercialization and privatization of state owned companies since August 30, 1996
13	Road - bridge works company in Turek	Direct privatization		The act on commercialization and privatization of state owned companies since August 30, 1996
14	Car transportation company in Konin	Sector privatization	Rules of privatization will be prepared by the branch minister.	Rules set by the branch minister
15	Car transportation company in Kolo	Sector privatization	Rules of privatization will be prepared by the branch minister.	Rules set by the branch minister
16	Car transportation company in Turek	Sector privatization	Rules of privatization will be prepared by the branch minister.	Rules set by the branch minister
17	Konin commerce company	Bankruptcy		Bankruptcy procedure
18	State machine center in Konin	Bankruptcy		Bankruptcy procedure
19	State machine center in Slupca	Bankruptcy		Bankruptcy procedure
20	State machine center in Turek	Bankruptcy	Finishing the bankruptcy procedures in 1997.	Bankruptcy procedure
21	Chemical equipment company "Metalchem" in Klodawa	Bankruptcy	Finishing the bankruptcy procedures in 1997.	Bankruptcy procedure

Source: Office of the Konin Governor.

Table 3.5-5 LIST OF COMPANIES INTERVIEWED

Enterprise	Year of Est.	Status	Industry	Products	Sales in 1996 (zl)	Exports	Employees	Ave. wage (zl/month)	Ave. age	Sales/E'yees (zl)
Enterprise (A)	1991	Limited liability company	Metal products	Excavator, Steel structure (including construction)	5,000,000	25%	105	1000	40	47,619
Enterprise (B)	1963	Joint stock company, NIF company	Metal products	Surface mining equipment, Heavy fabricated steel products, Parts and equipment for ship building	60,000,000	18%	1400	975	Not young	42,857
Enterprise (C)	1985	A group of 4 private companies	Aluminum products	Aluminum block(90%), Aluminum alloy(10%)	24,000,000	0%	113	Above 1200	Young	212,389
Enterprise (D)	1979	Civil partnership	Metal products	Containers, Other metal products, Installation of water and sewage systems	1,250,000	35%	21	1000	Young, less than 30	59,524
Enterprise (E)	1991	Joint stock company	Food products and beverages	Fruit wine, Wine cocktail, Sweet juice, Concentrated juice	35,000,000	12%	125	800	Young	280,000
Enterprise (F)	1991	Civil partnership	Food products and beverages	Cooking oil packaging	1,300,000	10%	15	600-1000	30	86,667
Enterprise (G)	1952	Joint stock company, NIF company	Textiles	Silk and synthetic textiles	96,000,000	15%	1200	800-900	40	80,000
Enterprise (H)	1991	A group of 3 companies (incl. 1 joint stock company)	Clothing and furriery	Shirts, Blouses	5,000,000	90%	237	600	n.a.	21,097
Enterprise (I)	Before 1980	Cooperative	Clothing and furriery	Ladies clothes	5,000,000	95%	320	680	Not young	15,625
Enterprise (J)	1950	Cooperative	Clothing and furriery	Work clothes, aprons	3,200,000	55%	208	740	n.a.	15,385
Enterprise (K)	1990	Civil partnership	Furniture	Furniture for offices and kitchens	1,000,000	0%	22	1000	Young, less than 30	45,455

Source: The Study Team.

Table 3.5-6 SITUATION OF SALES (1/2)

Enterprise	Sales in 1996 (zl)	Export in 1996	Inter-mediary Sales	Direct Sales	Customers	Sales Trends	Sales Strategy
Enterprise (A)	5,000,000	25%	30%	70%	Domestic customers are mining companies in Poland, Huta Aluminium, and other companies. Foreign customers are the companies in EU countries such as Germany, Denmark, and Sweden.	Total sales and export sales are increasing. Competition in the domestic market is fierce, but imported products are not threatening because of the price competitiveness of the company.	To increase sales through maintaining repeaters and increasing client by referrals.
Enterprise (B)	60,000,000	18%	12%	88%	Major customers are mining companies(28.5%), shipbuilding companies(27.3%), power stations(3%) and metal processing companies(9%). Foreign customers are the companies in Germany(14%), Denmark(84%), Sweden(2.5%) and Czech Republic(0.5%).	Sales in the mining sector is stable or slightly decreasing. Sales in the marine sector is increasing, but more than a gradual increase of 25% from the 1996 marine sector sales is not expected in foreseeable future. Sales increase in the metal processing sector is the result of increased client base. Most of the sales are based on the customer specifications.	To increase client base based on the technology accumulated in the company.
Enterprise (C)	24,000,000	0%	0%	100%	Major clients are steel mills (Aluminium blocks) and molding companies (Alloy) .	The driving force of the sales is aluminium blocks. The company's products are high quality. The selling prices are comparable to that of competitors. There is an intensive competition in Poland, but there is only one competitor in the Konin province.	To make direct contacts with potential customers by utilizing technical knowledge about aluminium. To increase sales by providing high quality products at a competitive price on time. To organize its own sales subsidiary.
Enterprise (D)	1,250,000	35%	30%	70%	Major clients for containers are the companies in EU countries. The clients for installation business are communal associations and gminas in Poznan, Kalisz and Konin.	The company's sales are increasing mainly in the installation business. The container sales are stable.	To use intermediary to minimize its sales cost. To increase sales in the installation business by increasing construction capacity in terms of labor force and equipment.
Enterprise (E)	35,000,000	12%	n.a.	n.a.	Clients for fruit wine are domestic. Clients for juice are the companies in EU countries.	Sales are increasing steadily. In terms of the sweet juice exports, this company is the sole exporter of Poland. Sales is not a problem.	To find clients through the business fair in Poznan. To improve customer service through the training so called "pro-market training".
Enterprise (F)	1,300,000	10%			Clients are 70 to 80 domestic wholesalers.	There are seasonal fluctuation in sales.	To use a Polish sales partner for the exports to the eastern market. To offset seasonal fluctuation by other business such as import sales of bottled food and transportation service. To use business fairs for finding customers by participating jointly with other food producers.

Table 3.5-6 SITUATION OF SALES (2/2)

Enterprise	Sales in 1996 (zl)	Export in 1996	Inter-mediary Sales	Direct Sales	Customers	Sales Trends	Sales Strategy
Enterprise (G)	96,000,000	15%	10%	90%	The destination of exports are mainly EU countries.	Sales is increasing by 10% for recent 4 years.	To increase contacts with new sales agents through business fairs. To the expand client base first, and invest in the equipment for modernization by using own capital.
Enterprise (H)	5,000,000	90%	60%	10%	Major clients are the companies in EU countries.	Sales is increasing. There are about 20 intermediaries. The client base has been developed by the president with his personal channels. Before, all sales were domestic. Shirts production is not seasonal. However, sales projection is impossible. The longest sales plan is the one-month plan.	To follow natural sales trends. (No intention to expand business.)
Enterprise (I)	5,000,000	95%	n.a.	n.a.	Major clients are the companies in EU countries.	Sales is stable. Domestic sales is difficult because of the small order size cause by the division of state owned sales enterprises.	To follow natural sales trends. There is an intention to increase domestic market. However, the company do not have marketing skills.
Enterprise (J)	3,200,000	55%	0%	100%	Major clients are both domestic companies and German companies in the industry sector.	Sales is increasing. The competitive situation of the cooperative is not fierce, because of its costs structure and the privilege of the cooperative related to the regulation for social welfare. There is a regulation regarding the projection of disabled people. The cooperative uses such regulation to develop its market.	To increase sales within the status of the cooperative as a protected work company. To diversify clients to stabilize sales.
Enterprise (K)	1,000,000	0%		100%	Clients are companies and households around Konin.	Sales is increasing, but the sales of a newly introduced product line, office system furniture, is not successful because of the bad operation of the distributor.	To expand sales by increasing direct contacts with clients.

Table 3.5-7 SITUATION OF FACTORY MANAGEMENT

Enterprise	Floor	Tools	Maintenance of Equipment	Visual Control	Others
Enterprise (A)	Many scraps and pieces of steel are on the shop floor without any order. Lines for paths are not put on the floor. There are scraps on the paths.	Some tools are on the equipment because of the shortage of stands for tools. Jigs are not prepared, for example, materials are set on the press machine by using a long needle.	The dust and oil on machinery are not wiped.	Instructions and descriptions of production processes are not indicated visually.	Office of the management staff is on the first floor of the same building.
Enterprise (B)	There are cigarettes on the shop floor. Bolts, screws and other small parts are found on the floor.	Storage place of the tools are not clearly specified. Some tools are on the equipment because of the shortage of stands for tools.	Maintenance and cleaning are performed once two days by the workers of each section. However, not all the equipment are well maintained. Lathes are dirty with dust and oil.	Indication of fire extinguishers are found. Some other poster are also used.	The certificate of ISO9002 is obtained. The balance between the processes are not equalized. Although the materials are very heavy, workers are not wearing helmets. The fabrication section is the bottle neck, however, the machining section, which is the efficient section is considered to be a problem because of the low utilization rate of the equipment. Cost reduction activities with the participation of workers are limited.
Enterprise (C)	n.a.	n.a.	n.a.	n.a.	The president is keen about the management used in Japan.
Enterprise (D)	The worker operating a press machine is standing on the pile of scraps, and there are scraps under the work stand.	Tools and work-in process inventory and scraps are put on the same stands.	The dust and oil on machinery are not wiped.	No indications.	According to a manager, there is no time to clean the factory because workers need to perform production activities as much as possible.
Enterprise (E)	n.a.	n.a.	n.a.	n.a.	n.a.
Enterprise (F)	n.a.	n.a.	n.a.	n.a.	n.a.
Enterprise (G)	Floors are maintained very well.	n.a.	Although the company uses old machines for more than 30 years, maintenance of the equipment is well done. However, there are some old machines of which spare parts cannot be prepared because of the old machines. For some machines which the company cannot repair, some preventive measures such as oil pans for leakages of oil are taken.	Indication of Product numbers and instructions are not sufficient.	The company is preparing to apply for ISO9000. Replacement plans of equipment are gradually implemented.
Enterprise (H)	Waste yarn is found on the floor. There are many small pieces of textiles under the work stands without any descriptions.			Visual indication s are hardly used.	
Enterprise (I)	Waste yarn is found on the floor. There are many small pieces of textiles under the work stands without any descriptions.			Visual indication s are hardly used.	
Enterprise (J)	Waste yarn is found on the floor. There are many small pieces of textiles under the work stands without any descriptions.			Visual indication s are hardly used.	
Company (K)	Workers at the sawing section drop wastes once on the floor, and they clean the floor after finishing the batch, even though there is a dust box next to the workers.	Tools are stored on the shelves.		Visual indication s are hardly used.	

Source: The Study Team.

3.6 Manufacturing Enterprises Survey

3.6.1 Method of Survey

In Konin Province, there were 2,253 manufacturing enterprises registered at the Statistical Office of Konin as of July 23, 1997. In the questionnaire survey of enterprises conducted as part of the Study, enterprises to which a questionnaire was to be addressed were selected from the registered enterprises on the basis of the type of business, scale of enterprise, and place of business (to make the number of enterprises selected from a particular gmina as proportional to the number of enterprises in that gmina as possible). Eventually, the questionnaire was sent to a total of 356 enterprises (15.8% of all the manufacturing enterprises registered in Konin Province). As a rule, the questionnaires were recovered by visiting the respondent enterprises and hearing from them about unanswered questions, if any. We also note that, in Konin Province, there were eight manufacturing enterprises each having more than 500 employees as of the date shown above. These eight enterprises were excluded from the questionnaire survey. Instead, the Study Team paid a visit to them and obtained relevant information directly from them.

The final number of respondent enterprises was 342, with the recovery rate being 96%. The questionnaires that could not be recovered were mainly for: i) enterprises which declined to respond for enterprise reasons, ii) bogus enterprises, that is, enterprises which were nonexistent, though registered, and iii) small enterprises which the Study Team could not contact. The respondent enterprises included 32 enterprises which were classed in the category "manufacturing industry" for statistical purposes but which should actually be placed under the category "commerce" or "service industry." The questionnaires that were recovered from those 32 enterprises were treated separately, though they were used as reference data to be reflected in the analysis of the results of the questionnaire survey. As a result, the questionnaires recovered from the remaining 310 enterprises (13.7% of all the manufacturing enterprises registered in Konin Province) were principally analyzed.

3.6.2 Analysis of Results of Questionnaire Survey

The questionnaire addressed to the manufacturing enterprises contained 37 questions. For the contents of the questions, see the ANNEX (Questionnaire Survey Sheet for Enterprises) of the Interim Report. Of the 37 questions, the first 25 concern basic matters. The other 12 questions that follow go into details of business administration (7 questions) and human development (5 questions) which are among the themes of the Study. In this chapter, we shall analyze only the results of the survey of the basic items. The results of survey of business administration and human development shall be used as a reference for analysis in each of the related chapters.

(1) Profile of respondent enterprises

Table 3.6-1 shows a breakdown of the 310 manufacturing enterprises in Konin Province by scale (number of employees) and by gmina. Small enterprises (employees: 5 or less) number 135 (43.5%); medium-scale enterprises (employees: 6-50), 134 (43.2%); larger enterprises[*1] employing 51-250 persons, 30 (9.7%); and still large enterprises employing 251-500 persons, 11 (3.5%). Namely, the small and medium-scale enterprises account for 86.8% of the 310 manufacturing enterprises, with the large enterprises with 51 or more employees accounting for the remaining 13.2%. Of all the manufacturing enterprises in Konin registered at the Statistical Office of Konin, the respondent enterprises account for 13.7% (12.3% for small and medium-scale enterprises and 85.4% for large enterprises).

By type of business, food processing accounts for the largest proportion, with 62 enterprises (20%), followed by textiles, with 58 enterprises (18.7%), and woodworking[*2], with 42 enterprises (13.5%). Looking at the breakdown by business type of all the manufacturing enterprises registered in Konin Province, food processing, textiles, and woodworking occupy 16%, 18.6%, and 14.1%, respectively. (These may be regarded as the three major sectors of the manufacturing industry.)

---

*1 According to the definition of the Ministry of Economy,medium-scale enterprises are those which have 6 to 250 employees. In the present study, however, enterprises are classified according to the definition of the Bureau of Statistics.

*2 Woodworking does not include making wooden furniture, which is included in the furniture industry.

Table 3.6-1 NUMBER OF REPLIED ENTERPRISES BY GMINA & SCALE

Gminy	1 - 5	6 - 50	51 - 250	251 - 500	
Babiak	1	1	0	0	2
Brudzew	2	3	0	0	5
Chodow	0	0	0	0	0
Dabie	2	1	0	0	3
Dobra	3	5	1	0	9
Golina	2	3	0	0	5
Grabow	1	1	0	0	2
Grodziec	2	3	0	0	5
Grzegorzew	2	4	0	0	6
Kaweczyn	1	3	0	0	4
Kazimierz Bisk.	3	2	1	0	6
Kleczew	3	1	0	1	5
Klodawa	3	3	0	0	6
Kolo	8	9	3	0	20
Konin	31	27	8	2	68
Koscielec	3	0	0	0	3
Kramsk	1	1	1	0	3
Krzymow	2	3	0	0	5
Ladek	2	1	0	0	3
Malanow	1	1	0	0	2
Olszowka	0	1	0	0	1
Orchowo	0	0	0	0	0
Osiek Maly	0	0	0	0	0
Ostrowite	1	1	0	0	2
Powidz	0	2	0	0	2
Przedecz	2	1	0	0	3
Przykona	2	2	0	0	4
Pyzdry	3	1	2	0	6
Rychwal	2	1	1	0	4
Rzgow	0	1	0	0	1
Skulsk	3	2	0	0	5
slupca	12	11	0	2	25
Sompolno	4	6	0	0	10
Stare Miasto	2	6	1	0	9
Strzalkowo	8	3	0	0	11
Slesin	4	1	0	0	5
Swinice Warckie	2	2	0	0	4
Tuliszkow	1	1	0	1	3
Turek	4	4	7	5	20
Uniejow	4	0	2	0	6
Wierzbinek	1	1	0	0	2
Wilczyn	0	2	0	0	2
Witkowo	3	2	3	0	8
Wladyslawow	3	5	0	0	8
Zagorow	1	6	0	0	7
total	135	134	30	11	310

Table 3.6-2 NUMBER OF REPLIED ENTERPRISES BY GMINA & TYPE OF BUSINESS

Gminy	Food processing	Textiles and	Wooden products	Concreted products	Metal products	Furniture	Rubber and Plastics	Papers, printing	Leathers	Machinery, equipment	Chemicals	Transport Equipment	other	total
Babiak	1	1												2
Brudzew	3	1		1										5
Dabie	2			1										3
Dobra	2	3	1	1			2							9
Golina		1	2			1			1					5
Grabow	1												1	2
Grodziec	2		1		1								1	5
Grzegorzew	3		2	1										6
Kaweczyn	2	2												4
Kazimierz Bisk.			1	2	1	2								6
Kleczew				3	1								1	5
Klodawa	2			1	1				1				1	6
Kolo	3	1	2	3	2	3	1	2	2	1				20
Konin	14	14	2	8	5	4	5	5		1	1		9	68
Koscielec			1		1	1								3
Kramsk		2	1											3
Krzymow	1		1	1	1							1		5
Ladek		1					1		1					3
Malanow	1	1												2
Olszowka	1													1
Ostrowite				1									1	2
Powidz			1						1					2
Przedecz		2									1			3
Przykona				3					1					4
Pyzdry	2	2	1										1	6
Rychwal	1	2		1										4
Rzgow			1											1
Skulsk	1						1						3	5
Slupca	3	4	6	1	6	1	3		1					25
Sompolno	2		3	1	1			1		1			1	10
Stare Miasto		3	4	1						1				9
Strzalkowo	2	2	2	1	1	2							1	11
Slesin	1	1	1	1		1								5
Swinice Warckie	2	2												4
Tuliszkow	1		2											3
Turek	2	9	3			3		1	1	1				20
Uniejow	1	1		1						1			2	6
Wierzbinek	1							1						2
Wilczyn	1						1							2
Witkowo	2	1	1		1		1			1			1	8
Wladyslawow	1	2	2	2		1								8
Zagorow	1		1		1					1			3	7
total	62	58	42	35	23	19	15	10	9	8	2	1	26	310

Thus, the breakdown of the respondent enterprises by type of business, including the sectors other than those shown above, nearly corresponds to that of all the manufacturing enterprises in the province (see Table 3.6-2).

By place of business, four urban gminas--Konin, Kole, Slupca, and Turek--each account for more than 20 respondent enterprises. No responses were obtained from three of the rural gminas. This is considered due to the fact that those gminas have few enterprises and that the questionnaire was sent to only one of the few enterprises in each of those gminas. Barring this point, it may be said that the Study Team could recover the questionnaires as initially expected in terms of both the scale of enterprise and the place of business.

Looking at the mode of capitalization of the respondent enterprises, 292 enterprises (94%) are private capital, whereas only eight enterprises are 100% public capital[3] Limited to small enterprises with five or less employees, all of them are private capital (see Table 3.6-3). As a matter of fact, the public-capitalized enterprises are mostly large enterprises. In Konin Province, there were 24 public-owned enterprises as of the end of 1996. Of them, only three enterprises--KWB KONIN and KWB ADAMOW (brown coal mines) and KS KLODAWA (rock salt mine)--are 100% state-owned enterprises. Among the respondent enterprises with 250 or more employees, there is one 100% public-owned enterprise. It is the Repair Workshop of KWB KONIN, one of the divisions of KWB KONIN.

Table 3.6-3 STRUCTURE OF SHAREHOLDERS

Unit: No. of Enterprises

	public	*privat*	*public and private*	*no answer*	*total*
1 - 5	0	134	0	1	135
6 - 50	7	125	2	0	134
51 - 250	1	25	3	1	30
251 - 500	1	8	0	2	11
total	9	292	5	4	310

In Poland, there is some correlation between the mode of capitalization and the year of establishment of a enterprise. Namely, up until 1989, when the regime

[3] Public capital refers to all state-managed enterprises and other enterprises with more than half of their stock held by the central or local government.

changed and the Law on Economic Activity was put into effect, large public-owned enterprises and small private enterprises with five or less employees were predominant. Since 1989, however, the establishment of small and medium-scale private enterprises (includes former public-owned enterprises which have been privatized) has grown dramatically. This is attested to by the results of the questionnaire survey. As shown in Table 3.6-4, 71.2% of the respondent enterprises were founded in or after 1989. Among the enterprises with 250 or more employees, there are three enterprises which were established in or after 1989. Two of them were formed through acquisition of a division of a former state-owned enterprise.

Table 3.6-4 YEAR OF ESTABLISHMENT

Unit: No. of Enterprises

	1 - 5	6 - 50	51 - 250	251 - 500	*total*
to 1950	8	6	2	5	*21*
1951-60	4	3	0	0	*7*
1961-70	4	3	0	0	*7*
1971-80	13	7	2	1	*23*
1981-88	8	16	5	2	*31*
1989	5	17	2	1	*25*
1990	9	15	2	0	*26*
1991	6	12	5	2	*25*
1992	9	15	3	0	*27*
1993	8	16	4	0	*28*
1994	12	8	0	0	*20*
1995	12	6	2	0	*20*
1996	17	4	2	0	*23*
1997	18	4	1	0	*23*
no answer	2	2	0	0	*4*
total	*135*	*134*	*30*	*11*	*310*

A large proportion of medium-scale enterprises (employees: 6 to 50) were established in the first half of the 1990s. The major reason for this is that during those years, a good number of former state-managed enterprises were divided and privatized, bringing about new medium-scale enterprises, and that many of the small enterprises founded during the first half of the 1990s have now grown into medium-scale ones. On the other hand, the number of small enterprises (employees: 1 to 5) has been increasing in the second half of the 1990s. This is considered attributable to the favorable condition of the Polish economy.

Concerning the correlation between the scale of enterprise and the type and place of business, the results of the questionnaire survey do not lead to any new

conclusion since, as already mentioned, it was made proportional to the distribution of the existing registered enterprises at the stage of selecting enterprises to which the questionnaire was to be addressed. The only thing that may be considered a trend is that the textile industry--one of the major industries of Konin Province--contains a relatively large number of large enterprises each having many employees, whereas the woodworking industry consists mainly of small and medium-scale enterprises. Though textile enterprises are found more in Turek than in other gminas, the other types of businesses are evenly distributed throughout the province.

(2) Trends of business

Looking at the 1996 sales of the respondent enterprises shown in Table 3.6-5, 231 enterprises (84.6%) registered sales of less than 5 million PLN. There are only three enterprises (one each in food processing, metalworking, and ceramics) that exceeded 50 million PLN in sales. In this connection, of the eight large manufacturing enterprises having more than 500 employees (these enterprises were excluded from the questionnaire survey), only two enterprises were below 50 million PLN in 1996 sales. The average 1996 sales of the eight enterprises were 118 million PLN. The manufacturing enterprise in Konin Province that marked the top sales was HUTA ALUMINIUM, with 393 million PLN. Considering that 37 enterprises declined to answer the question about sales figures and that there is a considerable gap in sales between the eight large enterprises and the respondent enterprises, it may be assumed that the sales figures given by the respondent enterprises were on the conservative side.

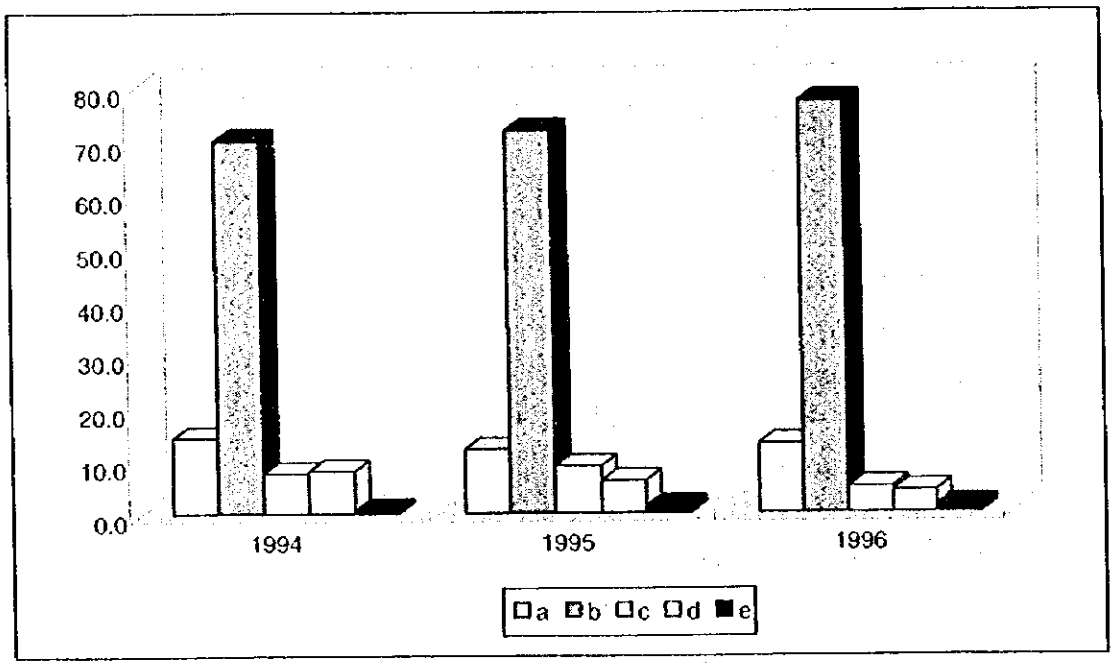
With respect to the 1994-1996 sales trends, more than 84% of the enterprises, regardless of the scale of enterprise and the type of business, answered that they obtained small or big profits during that period. This attests to the generallyheld view that the Polish economy is in good shape (see Figure 3.6-1). As far as the Study Team heard from people of the enterprises it visited, though this is not clarified by the results of the questionnaire survey, up until 1993 the great majority of the enterprises in Konin Province were in the red due to the economic stabilization plan--a sort of shock therapy known as the Balcerowice Plan--implemented in the early 1990s. Table 3.6-6 gives a summary of the 1994-1996 sales trends by type of business.

Table 3.6-5 SALES IN 1996

Unit: No. of enterprises, PLN and %

	to 5mil	5-10mil.	10-20mil.	20-50mil.	50-100mil	100mil.-	no answer	total
1 - 5	110	2	0	0	0	0	23	135
6 - 50	103	9	8	2	0	0	12	134
51 - 250	16	7	1	2	0	2	2	30
251 - 500	2	3	1	4	1	0	0	11
sum	231	21	10	8	1	2	37	310
1 - 5	35.5	0.6	0.0	0.0	0.0	0.0	7.4	43.5
6 - 50	33.2	2.9	2.6	0.6	0.0	0.0	3.9	43.2
51 - 250	5.2	2.3	0.3	0.6	0.0	0.6	0.6	9.7
251 - 500	0.6	1.0	0.3	1.3	0.3	0.0	0.0	3.5
total	74.5	6.8	3.2	2.6	0.3	0.6	11.9	100.0

Figure 3.6-1 SALES TREND 1994-1996



Note: a. Big profit b. Small profit c. Almost even d. Small loss e. Big loss

Table 3.6-6 SALES TREND BY TYPE OF BUSINESS (1994 - 1996)

Unit: No. of Enterprises

10 Sales Trend								
	year	a	b	c	d	e	no answer	total
Food processing	1994	4	36	2	6		14	62
	1995	5	40	2	3	3	9	62
	1996	6	48	1	1	2	4	62
Textiles and Garments	1994	9	27	4	6		12	58
	1995	5	35	4	4		10	58
	1996	6	40	3	2	1	6	58
Wooden products	1994	6	22	3	1		10	42
	1995	7	23	2	2		8	42
	1996	6	28		4		4	42
Concreted products	1994	3	12		1		19	35
	1995	2	13	5	1		14	35
	1996	3	23	1			8	35
Metal products	1994	1	12	2	1	1	6	23
	1995	2	12	2	1		6	23
	1996	2	13	2	1		5	23
Furniture	1994		14				5	19
	1995	2	16				1	19
	1996	4	14	1				19
Rubber and Plastics	1994	2	4		2		7	15
	1995	2	5	2	2		4	15
	1996	3	7	1	1		3	15
Papers, printing	1994		5	2			3	10
	1995		7	1			2	10
	1996		8	1			1	10
Leathers	1994	2	5	1			1	9
	1995	1	4	2	1		1	9
	1996	1	6		1		1	9
Machinery and equipment	1994		5	3				8
	1995		6	2				8
	1996	1	5	2				8
Chemicals	1994		2					2
	1995		2					2
	1996		2					2
Transport Equipment	1994						1	1
	1995						1	1
	1996						1	1
other	1994	5	14		1		6	26
	1995	3	17		1		5	26
	1996	3	16	1	1		5	26
total	1994	32	158	17	18	1	84	310
total	1995	29	180	22	15	3	61	310
total	1996	35	210	13	11	3	38	310

The outlet of a enterprise's products varies widely according to the scale of the enterprise. Table 3.6-7 shows the markets by scale of enterprise. Small enterprises sell most of their products within Poland, mainly Konin Province. With the increase in enterprise scale, the proportions of products sold outside Konin Province and products exported become high. At large enterprises having more than 250 employees, the export ratio is 52.5% on average, while the sales to the Konin market account for a mere 1.4%.

Table 3.6-7 MARKET BREAKDOWN

	domestic	*Konin*	*i. export*	*export*
1 - 5	96.1	75.7	1.0	2.9
6 - 50	89.5	51.5	1.7	8.8
51 - 250	56.4	16.1	9.6	34.0
251 - 500	44.4	1.4	3.1	52.5
average	71.6	36.2	3.9	24.5

remark: unit is percent, and i.export means indirect export

Table 3.6-8 shows the markets by type of business. The export ratio of transportation equipment is 80%. However, this is a figure for only one enterprise, which fabricates and exports gorgeous horse-drawn carriages which prevailed in recent times. Hence, it should be treated as an exception. Apart from this, it may be said that the textile and woodworking industries show a relatively high export ratio--42.7% and 33.2%, respectively. In particular, TELIMENA, a manufacturer of clothes, and ANDREWEX, a maker of wooden products, show a high export ratio--98% and 96%, respectively. While the former makes and sells clothes on consignment from a German enterprise, the latter uses domestic resources and exports most of its products. In this context, it may be said that the latter has significance to Konin's economy.

(3) Manufacturing technology and procurement of materials

Question No. 13 in the questionnaire was inserted for the purpose of estimating the level of technology of each of the enterprises surveyed. Table 3.6-9 summarizes the results. Of all the respondent enterprises, 171 enterprises (55.1%) gave a positive answer to "Have product design capacity," 276 enterprises (89%) responded positively to "Have own quality inspection system," and 117 enterprises (37.7%) answered yes to "Have capacity for production planning and equipment layout." Since the respondent enterprises include those which do not need dies, etc., the above results indicate that many of the manufacturing enterprises in Konin Province, regardless of the scale of

Table 3.6-8 MARKET BREAKDOWN BY TYPE OF BUSINESS

		domestic	*Konin*	*i. export*	*export*			*domestic*	*Konin*	*i. export*	*export*
Food processing	1 - 5	100.0	82.7	0.0	0.0	Papers, printing	1 - 5	100.0	83.3	0.0	0.0
	5 - 50	96.8	70.4	0.6	2.6		5 - 50	99.7	27.5	0.0	0.3
	51 - 250	98.3	38.0	0.0	1.7		51 - 250				
	251 - 500	67.0	5.0	7.5	25.5		251 - 500				
	averrage	**90.5**	**49.0**	**2.0**	**7.5**		**averrage**	**99.9**	**55.4**	**0.0**	**0.2**
Textiles and Garments	1 - 5	93.7	60.7	6.2	0.0	Leathers	1 - 5	100.0	20.0	0.0	0.0
	5 - 50	81.5	15.6	6.1	12.3		5 - 50	100.0	11.7	0.0	0.0
	51 - 250	32.5	4.2	5.5	62.0		51 - 250	90.0	6.5	7.5	2.5
	251 - 500	3.5	0.5	0.0	96.5		251 - 500				
	averrage	**52.8**	**20.3**	**4.5**	**42.7**		**averrage**	**96.7**	**12.7**	**2.5**	**0.8**
Wooden products	1 - 5	90.7	70.7	0.0	9.3	Machinery and equipment	1 - 5				
	5 - 50	94.2	70.1	1.5	4.3		5 - 50	67.0	31.0	0.0	33.0
	51 - 250	15.0	1.0	61.7	23.3		51 - 250	62.0	3.0	0.0	38.0
	251 - 500	4.0	0.0	0.0	96.0		251 - 500	100.0	0.0	0.0	0.0
	averrage	**51.0**	**35.5**	**15.8**	**33.2**		**averrage**	**76.3**	**11.3**	**0.0**	**23.7**
Concreted products	1 - 5	100.0	92.5	0.0	0.0	Chemicals	1 - 5				
	5 - 50	100.0	88.9	0.0	0.0		5 - 50	100.0	100.0	0.0	0.0
	51 - 250	100.0	80.0	0.0	0.0		51 - 250				
	251 - 500						251 - 500				
	averrage	**100.0**	**87.1**	**0.0**	**0.0**		**averrage**	**100.0**	**100.0**	**0.0**	**0.0**
Metal products	1 - 5	99.2	74.2	0.8	0.0	Transport Equipment	1 - 5				
	5 - 50	76.7	23.3	0.0	23.3		5 - 50	20.0		0.0	80.0
	51 - 250	85.5	7.5	2.5	12.0		51 - 250				
	251 - 500						251 - 500				
	averrage	**87.1**	**35.0**	**1.1**	**11.8**		**averrage**	**20.0**	**0.0**	**0.0**	**80.0**
Furniture	1 - 5	100.0	84.5	0.0	0.0	other	1 - 5	87.9	68.1	0.0	12.1
	5 - 50	85.9	71.7	0.0	14.1		5 - 50	87.6	37.9	0.6	11.8
	51 - 250						51 - 250	67.3	37.3	0.0	32.7
	251 - 500	50.0	0.0	0.0	50.0		251 - 500				
	averrage	**78.6**	**52.1**	**0.0**	**21.4**		**averrage**	**80.9**	**47.8**	**0.2**	**18.9**
Rubber and Plastics	1 - 5	97.5	55.4	2.5	0.0						
	5 - 50	91.0	53.8	0.0	9.0						
	51 - 250	80.0	50.0	0.0	20.0						
	251 - 500	60.0	0.0	10.0	30.0						
	averrage	**82.1**	**39.8**	**3.1**	**14.8**						

Note: domestic is also including to the Konin province

enterprise, apparently consider that they have a high level of technology. However, the above question was taken differently by different enterprises, and as far as the Study Team heard from people of the enterprises and factories it visited, the above results do not precisely mirror the present conditions. In particular, not a few enterprises, large and small, have obsolescent equipment, which has no small effect on their manufacturing operations.

Table 3.6-9 LEVEL OF PRODUCTION TECHNOLOGY

Unit: No of Enterprises

	a	b	c	d	e
1 - 5	75	13	35	30	120
6 - 50	68	15	61	25	121
51 - 250	20	7	16	11	27
251 - 500	8	2	5	3	8
sum	171	37	117	69	276

Note :a. designing for products

b. designing for processing machines for own products

c. production planning and layout of production facilities

d. making dies and molds

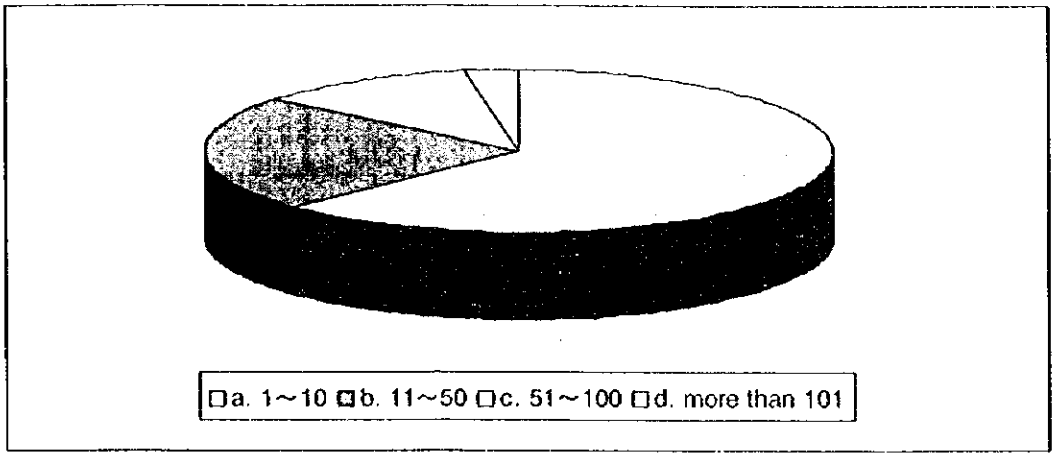
e. own system for quality control and quality assurance

Among the answers to the above question on technology, the points that are especially important are that the percentage of small enterprises with five or less employees which gave a positive answer to the capacity for production planning and equipment layout is 26%, only about one-half that of medium-scale and large enterprises (average: 47%), and that among the large enterprises having more than 50 employees, six enterprises (14.6%) answered that they did not have their own quality inspection system.

Question No. 14 concerns the procurement of materials from outside, that is, the current number of outside suppliers of materials. The results are shown in Figure 3.6-2. The majority of the respondent enterprises had not more than 50 outside suppliers. The proportion of enterprises giving 10 or less outside suppliers was 78.7% for small enterprises, 49.5% for medium-scale ones, and 33.3% for large ones. It may be said that the division of labor between enterprises has not been very popular in Konin Province (or in Poland). Limited to large enterprises, eight (33.3%) answered that they had 51 to 100 outside suppliers. Judging from the information obtained orally, however, it is

considered that the majority of those outside suppliers are located outside Konin Province.

Figure 3.6-2 NUMBER OF MATERIALS & PARTS SUPPLIERS



Looking at the number of outside suppliers by type of business, food processing enterprises have relatively large numbers of outside suppliers. The reason for this is that many of the food enterprises employing a cooperative system purchase raw materials from many producers. Conversely, the manufacturers of concrete products or furniture use a small number of outside suppliers. This is considered to suggest that they normally work on a small variety of materials (see Table 3.6-10). (Note: Concerning the question on outside suppliers, there was confusion at the beginning of the survey among the respondent enterprises as to the number of items procured from outside, the period required for procurement, etc. As a result, the question was unanswered by many enterprises.)

Table 3.6-10 NUMBER OF SUPPLIERS BY TYPE OF BUSINESS

Unit: No. of Enterprises

	a	b	c	d	e	f	no answer	total
Food processing	24	13	7	4	2	1	11	62
Textiles and Garments	27	15	3	1	1		11	58
Wooden products	20	10	5	1			6	42
Concrete products	29	2	1				3	35
Metal products	11	4	2	1			5	23
Furniture	15		1				3	19
Rubber and Plastics	7	3	2				3	15
Papers, printing	4	1	2				3	10
Leathers	2	1	2				4	9
Machinery and equipment	2	2	2				2	8
Chemicals	2							2
Transport Equipment		1						1
other	16	6	2				2	26
total	159	58	29	7	3	1	53	310

Note: a. 1～10, b. 11～50, c. 51～100 d. 101～200, e. 201～500 f. 501

(4) Management problems and future plans

Question No. 15 asked each enterprise to cite its three major management problems in order of importance. Table 3.6-11 summarizes the results by problem item (the item ranked first was given 3 points; the item ranked second, 2 points; and the item ranked third, 1 point). The item ranked first by most respondent enterprises was "unstable purchasing order from customers," followed by "difficulties in borrowing loans and financing" and "difficulties in market development" in that order. Small enterprises with five or less employees cite the problem of market development as an especially serious one. This is attested to by the results of hearing from those enterprises. Generally speaking, the enterprises in Konin Province are conscious of marketing problems more than technical ones.

Analyzing the answers to the above question by type of business reveals that the problems enterprises are faced with differ according to type of business (see Table 3.6-12). The food processing industry cites "difficulties in borrowing loans or financing" and "obsolescence of production technology and/or facilities" as the most serious problems. On the other hand, many enterprises in the textile industry consider the rising wages as the most serious problem. Another characteristic point is that the woodworking industry is more

conscious than other industries of the problem "lack of reliable business partner."

Note: Questions of Table 3.6.11 and Table 3.6.12 are as follows:

a. Difficulties in borrowing loans or financing
b. Low technical capability and /or job-hopping of employees
c. Increase in salaries and wages of employees
d. High import duties of raw materials, intermediates or parts
e. Obsolescence of production technology and /or facilities
f. Unstable purchasing order from customers
g. Severe requirements of customers for quality, price and/or delivery of products
h. Difficulty in market development
i. Lack of reliable business partner
j. Others

Respondents chose three items among the above, giving an order of seriousness in parentheses as 1st, 2nd, and 3rd.

Table 3.6-11 MAJOR PROBLEMS IN OPERATION

Unit: No.of Enterprises

	a	b	c	d	e	f	g	h	i	j	sum
1 - 5	97	60	42	15	55	133	69	106	37	47	661
6 - 50	116	68	72	23	70	160	68	58	36	39	710
51 - 250	9	3	17	12	27	34	17	20	9	13	161
251 - 500	6	5	2	4	9	16	4	7	3	6	62
sum	228	136	133	54	161	343	158	191	85	105	1594
1 - 5	14.7	9.1	6.4	2.3	8.3	20.1	10.4	16.0	5.6	7.1	100.0
6 - 50	16.3	9.6	10.1	3.2	9.9	22.5	9.6	8.2	5.1	5.5	100.0
51 - 250	5.6	1.9	10.6	7.5	16.8	21.1	10.6	12.4	5.6	8.1	100.0
251 - 500	9.7	8.1	3.2	6.5	14.5	25.8	6.5	11.3	4.8	9.7	100.0
total	14.3	8.5	8.3	3.4	10.1	21.5	9.9	12.0	5.3	6.6	100.0

Table 3.6-12 MAJOR PROBLEM BY TYPE OF BUSINESS

	a	b	c	d	e	f	g	h	i	j	total
Food processing	61	25	28	7	51	59	30	41	11	17	330
Textiles and Garments	29	17	50	10	16	61	38	35	23	23	302
Wooden products	34	17	10	5	27	58	20	15	25	22	233
Concreted products	28	22	16	3	6	25	21	22	7	10	160
Metal products	15	11	12	3	15	32	8	16	4	4	120
Furniture	15	17	4	5	5	11	9	16	7		89
Rubber and Plastics	12	3	4	5	3	17	5	14	1	5	69
Papers, printing	7		4	3	5	17	9	8	2	1	56
Leathers	4	11	1	2	8	18	3	1	2	4	54
Machinery and equipment	3	2		3	8	19	8	1	1	1	46
Chemicals		3		1	2	3	3				12
Transport Equipment			2			3		1			6
other	20	8	2	7	15	20	4	21	2	18	117
total	228	136	133	54	161	343	158	191	85	105	1594

Note : duplicate answers

Concerning business plans in the future, of 308 enterprises, 176 (57.1%) say they intend to expand their production facilities. In this respect, medium-scale enterprises are especially eager to expand their businesses (see Table 3.6-13). In addition, of the 176 enterprises, 123 have plans to expand their production facilities within this year or next, indicating that their plans are concrete. Looking at the woodworking industry, 12 of the 23 enterprises which showed an intention to expand are going to implement their plans within 1997. It may be said that furniture makers and printing enterprises are also eager to make investments (see Table 3.6-14).

(5) Procurement of funds

Concerning the current need for funds, the number of enterprises answering "No need" is about 10% larger than that of the enterprises saying "In need." However, the actual situation varies according to the scale of enterprise. As is evident from Table 3.6-15, the larger the enterprise, the stronger is the need for funds. The "Amount" in the Table indicates the average of the concrete amounts of money the enterprises having plans to obtain loans cited. (90% of the enterprises answering "In need" gave a concrete figure.) The amount of money an enterprise plans to borrow varies widely according to the scale of the enterprise. Characteristically, in the case of small and medium-scale enterprises and large enterprises having more than 250 employees, the amount of money they plan to borrow is equivalent to about 60% of their total assets, whereas enterprises with 51 to 250 employees wish to get loans amounting to about 250% of their total assets. It may be said, therefore, that large enterprises in this category are in need of funds most.

The results of interviews with the respondent enterprises show that the smaller the enterprise, the greater difficulty in obtaining a loan from a financial institution and the harder conditions of a loan it has experienced. Because of this, small enterprises tend to give up the idea of obtaining loans anyway. This tendency seems to be reflected in the answers to the question about the need for funds. Among the uses of funds, purchasing machinery and equipment is predominant. The implication is that in the face of their obsolescent equipment and the demand for higher product quality, the enterprises feel the need to renew their equipment.

Table 3.6-13 FUTURE BUSINESS PLAN

Unit: No. of Enterprises

	1				2	3	4a	5	
	1a	a	b	c					
1 - 5	67	14	38	15	37	1	5	25	135
6 - 50	85	24	29	32	31	2	8	8	134
51 - 250	19	9	5	5	5	1	4	1	30
251 - 500	5	2	2	1	2	0	1	1	9
sum	176	49	74	53	75	4	18	35	308
1 - 5	49.6	20.9	56.7	22.4	27.4	0.7	3.7	18.5	100
6 - 50	63.4	26.2	34.1	37.6	23.1	1.5	6.0	6.0	100
51 - 250	63.3	47.4	26.3	26.3	16.7	3.3	13.3	3.3	100
251 - 500	55.6	40.0	40.0	20.0	22.2	0.0	11.1	11.1	100
total	57.1	27.8	42.0	30.1	24.4	1.3	5.8	11.4	100

Note: 1a. yes, expand the production capacity

a. going to implement in 1997

b. going to implement in 1998

c. going to implement within two or three years

2. maintain the existing capacity

3. decrease the existing capacity

4a.going to invest new business

5. uncertain at present

Table 3.6-14 FUTURE BUSINESS PLAN BY TYPE OF BUSINESS

Unit: No. of Enterprises

	1				2	3	4a	5	no answer	total
	1a	a	b	c						
Food processing	37	8	13	16	18		2	3	2	62
Textiles and Garments	35	9	14	12	13	2	3	5		58
Wooden products	23	12	6	5	9	1	5	4		42
Concreted products	16	4	9	3	11	1	1	6		35
Metal products	13	1	7	5	6		1	3		23
Furniture	12	1	7	4	5			2		19
Rubber and Plastics	9	2	6	1	1		2	3		15
Papers, printing	8	3	1	4	1			1		10
Leathers	2		1	1	3		2	2		9
Machinery and equipment	5	3	1	1	1		1	1		8
Chemicals	2	1	1							2
Transport Equipment					1					1
other	14	5	8	1	6		1	5		26
total	176	49	74	53	75	4	18	35	2	310

Note: 1a. yes, expand the production capacity
a. going to implement in 1997
b. going to implement in 1998
c. going to implement within two or three years
2. maintain the existing capacity
3. decrease the existing capacity
4a.going to invest new business
5. uncertain at present

Table 3.6-15 NEEDS OF CAPITAL RAISING

Unit: No. of Enterprises, %

	1	2	sum	Amount	a	b	c	d	e	f	g	h	i	sum
1 - 5	54	81	135	77,645.8	16	38	0	0	15	0	5	2	7	83
6 - 50	65	68	133	310,991.4	18	53	3	4	14	1	3	9	6	111
51 - 250	15	15	30	2,850,833.3	9	11	1	1	3	0	1	1	0	27
251 - 500	7	4	11	4,700,000.0	5	5	2	0	0	0	0	3	0	15
sum	**141**	**168**	**309**		**48**	**107**	**6**	**5**	**32**	**1**	**9**	**15**	**13**	**236**
1 - 5	40.0	60.0	100.0		19.3	45.8	0.0	0.0	18.1	0.0	6.0	2.4	8.4	100.0
6 - 50	48.9	51.1	100.0		16.2	47.7	2.7	3.6	12.6	0.9	2.7	8.1	5.4	100.0
51 - 250	50.0	50.0	100.0		33.3	40.7	3.7	3.7	11.1	0.0	3.7	3.7	0.0	100.0
251 - 500	63.6	36.4	100.0	averrage	33.3	33.3	13.3	0.0	0.0	0.0	0.0	20.0	0.0	100.0
total	45.6	54.4	100.0	1,984,867.6	20.3	45.3	2.5	2.1	13.6	0.4	3.8	6.4	5.5	100.0

Note : 1. need loans or credit

2. no need loans or credit

Amount. average require amount per companies

a. for working capital

b. for purchasing machinery and equipment

c. for purchasing inspection/measuring equipment

d. for land acquisition

e. for construction of factory

f. for R & D

g. for relocation of the factory site

h. for purchasing waste treatment facilities

I. Others

Table 3.6-16 SOURCES OF CAPITAL

Unit: No. of Enterprises, %

	a	*b*	*c*	*d*	*e*	*f*	*g*	sum
1 - 5	24	1	0	20	3	3	10	**61**
6 - 50	22	13	2	16	2	8	11	**74**
51 - 250	4	6	1	2	0	1	3	**17**
251 - 500	2	2	0	2	0	0	5	**11**
sum	**52**	**22**	**3**	**40**	**5**	**12**	**29**	**163**
1 - 5	39.3	1.6	0.0	32.8	4.9	4.9	16.4	**100.0**
6 - 50	29.7	17.6	2.7	21.6	2.7	10.8	14.9	**100.0**
51 - 250	23.5	35.3	5.9	11.8	0.0	5.9	17.6	**100.0**
251 - 500	18.2	18.2	0.0	18.2	0.0	0.0	45.5	**100.0**
total	**31.9**	**13.5**	**1.8**	**24.5**	**3.1**	**7.4**	**17.8**	**100.0**

Note : a. State banks
b. Commercial banks
c. Non-bank financial corporation
d. Special institutional credit line provided by the government
e. Informal financing
f. From overseas(off shore)
g. Others

Among the sources of funds, state banks are the most popular (52 of 163 respondent enterprises). The second most popular source is the loan system offered by public institutes (see Table 3.6-16). This includes the "Loans for development of entrepreneurship in rural areas" offered by RDA, etc. These are among the major sources of funds available to small and medium-scale enterprises. There were two enterprises which cited leasing enterprises. It may be said, however, that the lease system has not become widespread yet in Poland.

The questionnaire survey revealed that many enterprises consider that the greatest problem in borrowing funds from outside is the pile of documents to submit and the time required to complete the loan formalities (see Table 3.6-17). The second hardest problem is the shortage of mortgages. For small enterprises, this problem is especially hard to meet.

Table 3.6-17 PROBLEMS IN RAISING CAPITAL

Unit: No. of Enterprises, %

	1	2	3	4	5	6	sum
1 - 5	23	20	2	14	2	17	78
6 - 50	19	38	7	17	8	12	101
51 - 250	8	2	2	2	2	2	18
251 - 500	3	2	2	0	0	0	7
sum	53	62	13	33	12	31	204
1 - 5	29.5	25.6	2.6	17.9	2.6	21.8	100.0
6 - 50	18.8	37.6	6.9	16.8	7.9	11.9	100.0
51 - 250	44.4	11.1	11.1	11.1	11.1	11.1	100.0
251 - 500	42.9	28.6	28.6	0.0	0.0	0.0	100.0
total	26.0	30.4	6.4	16.2	5.9	15.2	100.0

Note: Each respondent chose two answers from the following:

1. Insufficient mortgage or collateral to meet your loan requirement
2. The complicated procedure, the requirements for documentation and long-time requirement for evaluation of your application
3. Lack of official guarantee system to complement the insufficient mortgage
4. Banks' passive attitude to finance small and medium-scale enterprises
5. Banks don't finance the full amount of loan requirements; for example, 80% of total requirements is a limit of the loan.
6. Others

(6) Public support for enterprises

Table 3.6-18 summarizes the replies to the question asking about the support from public agencies the respondent enterprises now use or expect to use in the future. Concerning the public support they now use, 75% of the respondent enterprises answered "None." This question allowed multiple answers to be given. Among those answers, the percentage of enterprises using consulting services of an outside agency was relatively large. Those consulting services include the services of RDA, etc. offered on a chargeable basis. The Chamber of Commerce and Industry was cited as one of the public sources of information.

Note: Question of Table 3.6-18 and 3.6-19 is as follows:

Q. What kinds of support are you using and/or do you expect from government institutions including state banks, if they can provide it. Choose one or more applicable to your company.

1. Corporate management advice
2. Financial Management/accounting system consulting
3. Technological on quality control
4. Guidance on quality control
5. Training of employees
6. Information services (technology and marketing)
7. Inquiry services (potential partners and buyers)
8. Inquiry services (material suppliers)
9. Others
10. Nothing

Table 3.6-18 SUPPORTING BY PUBLIC INSTITUTIONS (USING)

Unit: No. of Enterprises. %

	1	2	3	4	5	6	7	8	9	10	sum
1 - 5	0	5	2	0	2	1	2	3	1	107	123
6 - 50	1	13	5	4	14	8	6	8	1	81	141
51 - 250	0	1	0	1	5	1	3	2	1	19	33
251 - 500	1	3	1	2	1	1	1	1	1	7	19
sum	2	22	8	7	22	11	12	14	4	214	316
1 - 5	0.0	4.1	1.6	0.0	1.6	0.8	1.6	2.4	0.8	87.0	100.0
6 - 50	0.7	9.2	3.5	2.8	9.9	5.7	4.3	5.7	0.7	57.4	100.0
51 - 250	0.0	3.0	0.0	3.0	15.2	3.0	9.1	6.1	3.0	57.6	100.0
251 - 500	5.3	15.8	5.3	10.5	5.3	5.3	5.3	5.3	5.3	36.8	100.0
total	0.6	7.0	2.5	2.2	7.0	3.5	3.8	4.4	1.3	67.7	100.0

Table 3.6-19 SUPPORTING BY PUBLIC INSTITUTIONS (EXPECTING)

Unit: No. of Enterprises. %

	1	2	3	4	5	6	7	8	9	10	sum
1 - 5	8	11	10	2	3	14	30	22	5	67	172
6 - 50	7	15	11	8	10	25	43	37	5	40	201
51 - 250	0	3	0	0	4	7	14	7	2	11	48
251 - 500	2	2	3	4	2	4	6	4	0	3	30
sum	17	31	24	14	19	50	93	70	12	121	451
1 - 5	4.7	6.4	5.8	1.2	1.7	8.1	17.4	12.8	2.9	39.0	100.0
6 - 50	3.5	7.5	5.5	4.0	5.0	12.4	21.4	18.4	2.5	19.9	100.0
51 - 250	0.0	6.3	0.0	0.0	8.3	14.6	29.2	14.6	4.2	22.9	100.0
251 - 500	6.7	6.7	10.0	13.3	6.7	13.3	20.0	13.3	0.0	10.0	100.0
total	3.8	6.9	5.3	3.1	4.2	11.1	20.6	15.5	2.7	26.8	100.0

Concerning the public support the respondent enterprises expect to use in the future, answers calling for improvement of the inquiry services that provide information about potential customers, suppliers of raw materials, etc. account for a large percentage (see Table 3.6-19). On the other hand, the enterprises which now use public support in employee training, etc. outnumber those which expect to use it in the future. The implication is that few enterprises are willing to depend on public support. Besides, many of the enterprises say they do not expect anything from public support. In this respect, it is hard to judge whether the enterprises are full of the spirit of independence or disenchanted by the services of public agencies. As a problem in using public services, 175 enterprises (60%) point out insufficient guiding information about the public services (see Table 3.6-20). Probably, this accounts in part for the low rate of utilization of the existing public services.

Table 3.6-20 PROBLEMS

Unit: No. of Enterprises, %

	1	2	3	4	sum
1 - 5	71	18	13	14	116
6 - 50	77	19	17	16	129
51 - 250	20	8	3	4	35
251 - 500	7	2	2	1	12
sum	175	47	35	35	292
1 - 5	61.2	15.5	11.2	12.1	100
6 - 50	59.7	14.7	13.2	12.4	100
51 - 250	57.1	22.9	8.6	11.4	100
251 - 500	58.3	16.7	16.7	8.3	100
total	59.9	16.1	12.0	12.0	100

Note: 1. Lack of information about existence of programs and facilities.

2. Difficulty in gaining access to them.

3. Complicated and time-consuming procedure to use them.

4. Others

With respect to employee training, the majority of the enterprises basically implement on-the-job training. There are even large and medium-scale enterprises which send their employees to other organizations for training. In the case of small enterprises with five or less employees, however, those which have no special employee training program account for the highest percentage. According to a comment by one of the persons who recovered the questionnaires, the people of enterprises with a few employees seemed embarrassed by this question (see Table 3.6-21).

Table 3.6-21 TRAINING EMPLOYEES

Unit: No. of Enterprises, %

	1	2	3	4	sum
1 - 5	49	15	20	64	148
6 - 50	84	62	43	22	211
51 - 250	19	15	19	3	56
251 - 500	6	7	9	0	22
sum	158	99	91	89	437
1 - 5	33.1	10.1	13.5	43.2	100
6 - 50	39.8	29.4	20.4	10.4	100
51 - 250	33.9	26.8	33.9	5.4	100
251 - 500	27.3	31.8	40.9	0.0	100
total	36.2	22.7	20.8	20.4	100

Note: 1. On-the-job training

2. Using in-house consultant

3. Send to outside seminars/programs

4. No specific programs

Any enterprise in Poland, regardless of its scale, is obligated to submit its financial statement to the competent tax office annually. Nevertheless, enterprises whose annual sales are small are exempted from preparing financial statements, as long as they put aside a certain amount of tax monthly. This is reflected in the answers to the question asking the enterprises whether or not they prepare a financial statement annually. As shown in Table 3.6-22, 79% of the respondent enterprises prepare a financial statement annually. According to RDA, which carried out the present questionnaire survey for the Study Team, the enterprises of a medium or large scale which answered that they did not prepare a financial statement should be regarded as enterprises which probably do not prepare a financial statement which shows their financial condition when formulating a business plan, etc. Namely, it is assumed that enterprises generally 'pad' their expenses in preparing a financial statement, hence their statements submitted to the tax office do not accurately reflect the actual conditions.

Table 3.6-22 FINANCIAL STATEMENT

	1	2	3	sum
1 - 5	92	32	7	131
6 - 50	110	16	7	133
51 - 250	28	2	0	30
251 - 500	11	0	0	11
sum	241	50	14	305
1 - 5	70.2	24.4	5.3	100
6 - 50	82.7	12.0	5.3	100
51 - 250	93.3	6.7	0.0	100
251 - 500	100.0	0.0	0.0	100
total	79.0	16.4	4.6	100

Note: 1. Yes, 2. No, 3. Occasionally

At the end of the questionnaire, each respondent enterprise was requested to freely describe the problems it faced at the time of establishing the enterprise. Many of the enterprises pointed out a shortage of the three basic business elements--manpower, materials, and money. Among them, shortage of funds was cited by most of them. This agrees with the results of the Study Team's oral survey. The shortage of funds includes the shortage of owned capital, the shortage of mortgages for loans, and the difficulty in borrowing money from financial institutions due to high interest rates. The difficulty in market development was also pointed out by many enterprises. This accounts for the hope for supply of sufficient information from public agencies mentioned earlier.

(7) Points of results of questionnaire survey

From the results of the questionnaire survey of manufacturing enterprises in Konin Province, the following points can be cited as characteristics of the manufacturing enterprises in the province.

a) Nearly 70% of the enterprises surveyed were established in or after 1990.

b) For the past three years, the enterprises as a whole have been in good shape. They are also very eager to expand their businesses.

c) Food processing, textiles, and woodworking are the three major sectors of the manufacturing industry of the province.

d) While textile and woodworking enterprises show a relatively high export ratio, food processing enterprises sell their products mainly on the domestic market. The larger the enterprise, the higher the export ratio the enterprise shows.

e) The industrial structure is not such that the division of labor among enterprises is promoted. It may be said that the province's industrial foundation, including the major industry sectors, is weak.

f) Generally speaking, the manufacturing enterprises in the province are conscious of marketing problems (unstable purchasing order from customers, in particular) more than technical matters in production. In the case of small and medium-scale enterprises, the smaller the enterprise scale, the larger the number of enterprises which have difficulty with market development. Many of the medium-scale enterprises point out the difficulty in procuring funds.

g) There are few public support systems for the fostering of enterprises. There are also few enterprises which utilize the existing public support systems positively.

The image of the manufacturing enterprises in Konin Province that the results of the questionnaire survey bring to mind is of young enterprises which continue growing through trial and error with inadequate public support. Actually, however, the enterprises which are showing good business records (regardless of type of business) are the result of positive introduction of technology and raw materials from advanced countries. In Konin Province, the linkage between different types of businesses and the linkage between the local manufacturing industries and three key industries (brown coal, electric power, aluminum) are weak. Therefore, in the province, the mutual relationship of coordination (or reinforcement) among design, manufacturing, marketing, etc. has yet to be established. Since the individual enterprises, large and small, have a high spirit of independence, many of them point out the unstable purchasing order of customers, the difficulty in procuring funds, and the difficulty in market development as their major management problems.