

## INTERNATIONAL COMPETITIVENESS OF POLISH COMPANIES AND THE PERSPECTIVE OF POLAND JOINING THE EURO ZONE

MARLENA DZIKOWSKA<sup>1</sup> – MARIAN GORYNIA<sup>2</sup> – BARBARA JANKOWSKA<sup>3</sup> –  
MACIEJ PIETRZYKOWSKI<sup>4</sup>

<sup>1</sup>*Poznań University of Economics; E-mail: marlena.dzikowska@ue.poznan.pl*

<sup>2</sup>*Poznań University of Economics; E-mail: marian.gorynia@ue.poznan.pl*

<sup>3</sup>*Poznań University of Economics; E-mail: barbara.jankowska@ue.poznan.pl*

<sup>4</sup>*Poznań University of Economics; E-mail: maciej.pietrzykowski@ue.poznan.pl*

The potential accession to the euro zone is a very current issue for Poland. Its importance is increased by the consequences of the recent economic crisis that can be seen in the global economy and particularly in the economies of European Union member states. The paper finds that the analyzed sample of companies is dominated by euro-enthusiasts, who are aware of the opportunities and risks related to “euro-based” operation. Neutralization of the risks associated with entering the euro zone and companies’ ability to take full advantage of it should be supported by thoughtful economic policy actions. The proposed set of recommendations is very extensive, but some are highlighted in details.

**Keywords:** euro zone, Poland, competitiveness, internationalisation, company

**JEL-codes:** F33, D22

### 1. INTRODUCTION

The influence of the euro zone on the competitiveness of companies can be considered at various levels: from the direct influence resulting from microeconomic factors to the indirect influence resulting from mezo- and macroeconomic factors. This issue concerns Poland to a large extent, all the more so because of the consequences of the latest economic crisis which are becoming apparent in the world economy, and particularly in the economies of the European Union. According to the primary plans of the Ministry of Finance, Poland was to be ready to join the euro zone in 2009. But the date of the planned introduction of the euro in Poland is still unknown. The crisis has been a serious challenge for the whole of the com-

mon currency zone and its consequences may have a considerable influence on the decisions of those countries which are currently considering joining it.

The situation of the financial markets in 2008 clearly showed that fixing the exchange rate can have negative consequences on the competitiveness and welfare of economies (the cases of Lithuania, Latvia or Estonia). Moreover, being a member of the euro zone does not in itself solve all the problems, particularly those in the area of public finance, a fact of which Greece and Ireland became bitterly aware. The problems faced by the countries belonging to the so-called PIIGS Group (Portugal, Ireland, Italy, Greece and Spain) have revealed the structural weakness of the euro zone. However, it must be clearly stated that the problems are not a result of the weakness of the currency itself, but of disrespecting the principles that were fundamental to the creation of the euro zone.<sup>1</sup> On the other hand, the example of Poland has shown that because of the floating exchange rate and the rapid depreciation of the currency (PLN) in 2009 the country was able to dampen the impact of the economic crisis and improve its competitiveness on world markets. This was, however, related to other profits and costs resulting from lowering the value of the country's currency in relation to other currencies.<sup>2</sup> In this context, it is worth looking again into the question of the possible influence that Poland's accession to the euro zone may have on the international competitiveness of Polish companies.

In this paper the authors present selected findings and results from research conducted within the Ministry of Science and Higher Education research grant entitled "The influence of Poland's entry into the euro zone on the international competitiveness and internationalisation of Polish companies".

<sup>1</sup> The plan for creating the euro zone assumed instituting a range of rules and principles the observance of which would ensure the correct and secure operation of the whole system. It also assumed the formulation of preconditions, the fulfillment of which guaranteed being accepted into the Economic and Monetary Union. The Maastricht criteria, reinforced by the Stability and Growth Pact, were designed to ensure the safety of the operation in the common currency zone, but the initial relaxation and the subsequent complete disregard of these criteria caused considerable difficulty in financing the deficits of the most indebted euro zone countries.

<sup>2</sup> One of the advantages of depreciating the Polish zloty was an increase in the value of transfers from the EU's structural funds. On the other hand, the weak zloty increased the value of debts denominated in foreign currencies. Also, the institutions which speculated on currency options found themselves in a very difficult position. However, overall it can be stated that on the macroeconomic scale the depreciation of the zloty turned out to be relatively profitable.

## 2. THE POTENTIAL CONSEQUENCES OF POLAND'S ACCESSION TO THE EURO ZONE – LITERATURE FINDINGS

Numerous experts have already expressed their opinions regarding the potential accession of Poland to the euro zone. For example Belka (2007) argues that remaining outside the euro zone will threaten the stability of the Polish economy. At the same time, Łon (2007) claims that the introduction of euro in Poland would worsen the economic and social situation of Poland and these conditions would not be compensated by opportunities brought by entering to the euro zone. However, these opinions take rather a character of predictions based on some assumptions. The actual evaluation of consequences of Polish accession to the euro zone requires a natural experiment (actual entry to the zone), that could not be easily withdrawn. Therefore, it is advisable to use the experiences of countries that have already joined the monetary union and learn from their mistakes and successes. The analysis of previous experiences is crucial as it should allow to better prepare for potential threats and opportunities offered by the accession.

In this regard there is a vast amount of literature analysing the consequences of the existence of and joining the euro zone, especially in reference to the widely understood financial market (see e.g. Kool 2000; Cheung – Westermann 2001; Morana – Beltratti 2002; Tsujimura – Tsujimura 2009; Zhentao – Asako 2009; Haselmann – Herwartz 2010; Koreamäki 2011; Antonakakis 2012; Moorhead – Brooks 2013), its influence on consumers' behaviour (see e.g. Collicelli 1999; Guido – Peluso 2004; Molz – Gielnik 2006; Gärling – Thøgersen 2007; Ramoniene – Brazys 2007), benefits offered by entering the zone (see e.g. König – Lacina 2007) and influence exerted on companies (see e.g. Christie – Marshall 2001; Hobijn et al. 2006; Capstaff et al. 2007; Nguyen et al. 2007; Rakhmayil 2010). The findings can also be classified in reference to the experiences of the member countries gathered before joining the zone (see e.g. Roeskau 1997; Jankovská – Kolenčík 2007; König – Lacina 2007; Helisek 2011; Mare – Litan 2012) and after it (see e.g. Morana – Beltratti 2002; Festic et al. 2009; Klučka et al. 2010; Rakhmayil 2010). The following text sums up euro zone member countries' experiences especially important from the perspective of Poland.

The euro zone currently comprises eighteen states. Eleven of them introduced the euro on 1 January 1999 when it was electronic only. Two years later Greece joined the zone, one year before the physical euro coins and notes replaced the old national currencies in the euro zone. Subsequently, further countries joined the euro zone: Slovenia in 2007, Cyprus and Malta in 2008, Slovakia in 2009, Estonia in 2011 and Latvia in 2014.

According to Barrel et al. (2008) the “old” EU countries like Germany, France, Italy and the Netherlands experienced a direct positive impact on growth of join-

**Table 1**

The potential consequences of Poland's entry into the euro zone and the areas of their impact from a corporate perspective

Microeconomic perspective	
Potential effects induced by Poland's entry into the euro zone	Areas of impact of the consequences of Poland's entry into the euro zone
– Reduction in transaction costs	Competitive potential
– Reduction in interest rates	
– Integration of the Polish financial market with the markets of EU countries	
– Influx of FDI	
– The costs of adjustments in IT systems, book-keeping and accountancy	
– The costs of employee training	
– The costs of promotion and information campaigns	Competitive potential and competitive strategy
– The ease of price comparisons	Competitive potential, competitive position and competitive strategy
– Reduction in currency exchange risk	Competitive potential
– Altered perception of Poland on the international scene	Competitive potential

*Source:* authors.

ing the EMU. The biggest threat related to price increases turned out not to be true despite tendencies in only a few industries, like catering, culture and recreation services, some food products where the increase of prices was a little higher (Konopczak – Rozkrut 2008). At the same time, Rakhmayil (2010) finds evidence of improvements in financial performance for European companies after the introduction of the euro.

Slovakia experienced high economic activity in 2007 – the year of joining the euro zone. But in 2006 the economic activity was high, too (Bole 2008). In that year the structure of demand growth was very similar to that in the euro area and very different from the structure in the euro area a year later. The increased economic activity resulted in the decline of unemployment in 2007. Empirical evidence does not show any significant contribution of the euro's introduction to the acceleration of inflation.

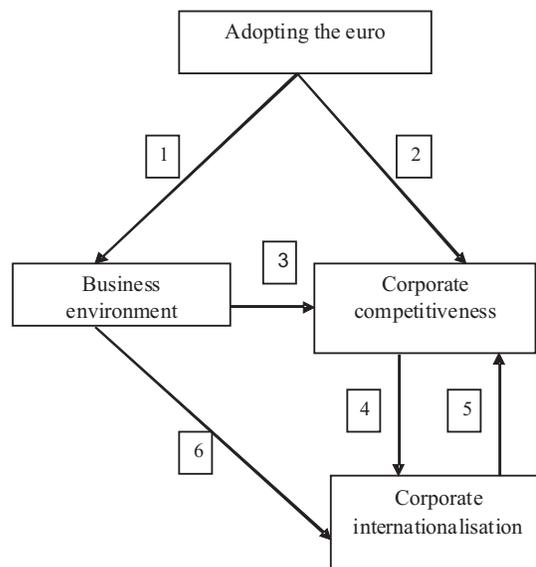
Estonia's economy, one year after joining the euro zone, was the fastest-growing state in the currency bloc (Ummelas 2012). In 2012 consumers and companies were paying lower interest rates and even more Finnish companies were seeking cooperation with Estonian partners.

Reports and analyses which concentrate on the functioning of the euro zone and its consequences not only for whole economies but also for individual companies have led the authors to create a synthetic approach to the potential opportunities and threats connected with Poland joining the euro zone and to indicate the dimension of competitiveness in which those opportunities and threats may manifest themselves (*Table 1*).

### 3. THE RESEARCH CONCEPT

#### 3.1. Analytical scheme as the basic research tool

An analytical scheme is one of the basic cognitive and methodological categories in economic and social sciences. In this paper, the following analytical scheme has been used (*Figure 1*).



**Figure 1.** Analytical scheme – adopting the euro and the competitiveness of Polish companies

Source: authors.

It is assumed that the influence of adopting the euro on the competitiveness of companies will be both direct and indirect. The indirect influence (*Figure 1*, arrow 1 and arrow 3) will be exerted through changes in the broadly understood business environment, particularly in companies' relations with institutions from the financial and insurance sectors, but also through changes in the macroeconomic rates denoting the condition of the Polish economy. The direct influence (*Figure 1*, arrow 2), on the other hand, will be connected with the euro's impact on a company through its influence on the company's competitive position and competitive potential, as well as on the company's competitive strategy, which is determined by the functional strategies that the company implements. The key variable in the scheme in *Figure 1* is a company's competitiveness. This competitiveness can be considered in three dimensions (Gorynia 2002):

- competitive position, i.e. output competitiveness,
- competitive potential, i.e. resource competitiveness,
- competitive strategy (instruments of competition), i.e. operational competitiveness (processual, functional).

Poland's accession to the euro zone will undoubtedly have an influence on the internationalisation of companies. Internationalisation is again linked with a company's competitiveness. High competitiveness is a basis for undertaking international expansion (*Figure 1*, arrow 4). At the same time, internationalisation promotes a steady increase in competitiveness (*Figure 1*, arrow 5). The influence of the euro on the internationalisation of a company will also occur through changes in the business environment and in the macroeconomic indicators describing the economy of the company's country of origin as well as the economy of the host country, where the Polish company is a direct investor or at least an exporter (*Figure 1*, arrow 6). However, this paper focuses only on the impact of the potential accession to the euro zone on the international competitiveness of a company.

### 3.2. Research questions

Bearing in mind the research problem posed, the authors sought to answer several research questions. The first set of questions is related to the changes that Poland's entry into the euro zone will bring to the environment of business enterprises. These questions relate to the opportunities and risks resulting from this entry. The second set of questions focuses on the competitiveness of companies, and answers to the following questions seem to be important in this respect:

- How will adopting the euro affect a company's competitive position?
- How will adopting the euro affect a company's competitive potential?
- How will adopting the euro affect a company's competitive strategy?

### 3.3. Sample selection process and research questionnaire

The authors opted for a non-random sample (the size of the sample was decided arbitrarily), i.e. purposive sampling was used when selecting the prospective respondents out of the pool of Polish companies. The spatial scope of the empirical research, i.e. the locality where the research was conducted, covered the 16 Polish provinces. The research was done in October 2009, December 2009 and January 2010. The size of the sample was arbitrarily decided by the researchers at the level of 230 units. This was the total number of researched companies. In respect of the location of the companies, two groups were selected: companies from provincial capitals – urban agglomerations (100 respondents); and companies from locations within 5–20 kilometres of urban agglomerations (130 respondents). Because of the objectives of the study, only those companies which were involved in business activities connected with foreign markets, at least in the form of exporting, were included in the research.

The research tool was a questionnaire. For the majority of questions a five-level Likert scale was used, where 1 meant *definitely not*, 2 – *rather not*, 3 – *difficult to say*, 4 – *rather yes*, 5 – *definitely yes*.

## 4. RESULTS OF EMPIRICAL RESEARCH

### 4.1. Research sample description

Over 40% of the respondents were limited companies. The research sample also included joint-stock companies and individual registered business owners (27.4% and 13.9%, respectively). The remaining 15.2% of the total number of respondents was made up by general partnerships, civil partnerships, limited partnerships, state shareholdings, and cooperatives.

The research sample comprised only companies which were involved in the export of goods and/or services, so they conducted their business activities on both the national and foreign markets. 61% of the companies were involved in production and 37% operated in the service sector. 54% of the total in this group of respondents declared obtaining a gross income in excess of 1mln zlotys.

#### 4.2. The opportunities and threats connected with Poland's entry into the euro zone

Taking into consideration the overall average of the answers, adopting the euro in Poland will increase the level of competitiveness of the companies studied (level 3.58) (Table 2). The most positive opinions regarding the impact of introducing the euro on competitiveness were expressed by those respondents who represented companies which employed between 100 and 249 people (level 3.80), those which employed between 50 and 99 people (3.79) and those with between 250 and 499 employees (3.63). The smallest companies had the greatest difficulty in evaluating the direction of its impact (level 3.11).

**Table 2**

Overall average answers in company groups according to level of employment

	Overall	< 49	50–99	100–249	250–499	>499
The influence of adopting the euro in Poland on the level of the company's competitiveness	3.58	3.11	3.79	3.80	3.63	3.24

Source: authors.

Among the benefits connected with Poland's entry into the euro zone which are expected to improve the competitive position of the companies studied, the respondents first of all mentioned a decrease in the currency exchange risk due to the introduction of the euro (level 4.05) (Table 3). Other advantages which the respondents expected would improve the competitive position of companies included a reduction in transaction costs (among others the costs of currency exchange) and a simplification of trading account settlements (i.e. the movement of financial and non-financial assets between parties) (levels 4.01 and 3.96, respectively). The positive influence of the factors listed above on the competitive position of the businesses they represented was indicated by the respondents from all the subgroups of the companies researched.

The respondents were the most sceptical about the advantages connected with lowered manufacturing costs/unit costs, and about improved access to capital (i.e. increasing the range of material and non-material goods necessary to develop a company as well as increasing the level of financial resources). The respondents were unable to indicate whether such advantages would appear and whether they would influence their competitive position.

**Table 3**  
Benefits connected with Poland's entry into the euro zone – overall averages and averages in groups according to the level of employment

Specification	Overall	< 49	<50-99	100-249	250-499	>499
1. Decreasing the currency exchange risk through introducing the common currency – the euro	4.05	4.13	4.11	4.00	4.00	4.01
2. Decreasing transaction costs (e.g. currency exchange)	4.01	4.09	4.02	3.96	4.00	4.00
3. Decreasing the costs of supplies as a result of better market transparency and better comparability of offers	3.59	3.41	3.48	3.70	3.80	3.54
4. Establishing new and more favourable trade contacts with other companies in the euro zone	3.58	3.61	3.43	3.48	3.80	3.58
5. Increasing access to capital, i.e. increasing the range of material and non-material goods necessary to develop a company and increasing the level of financial resources	3.23	3.24	3.28	3.26	3.17	3.20
6. Decreasing credit costs, i.e. the costs connected with obtaining and servicing a loan	3.40	3.20	3.35	3.26	3.30	3.89
7. Increasing the scale of trading, i.e. the rate of trading activity through increasing the volume of activity over a given period of time	3.56	3.30	3.39	3.52	3.57	4.00
8. Simplifying trading account settlements i.e. transferring financial and non-financial assets between parties	3.96	3.91	3.89	4.00	4.02	3.89
9. Decreasing the manufacturing costs / unit costs	2.90	2.67	2.96	2.89	2.98	3.02

Source: authors.

**Table 4**  
Threats connected with Poland's entry into the euro zone – overall averages and averages in groups according to the level of employment

Specification	Overall	< 49	50–99	100–249	250–499	>499
1. Slow growth of domestic demand (e.g. in respect of consumers' purchasing power) in the euro zone as compared to countries and EU members outside the euro zone	3.20	3.26	3.04	3.13	3.22	3.33
2. Loss of autonomy in respect of domestic monetary policy controlled by, among others, the Polish central bank	3.04	3.24	3.17	3.02	2.96	2.80
3. Increase in prices in relation to national earnings, and as a result a lowered demand among Polish consumers	3.96	4.01	3.99	3.79	4.00	4.03
4. Increase in manufacturing costs / unit costs	3.20	3.39	3.26	2.98	3.20	3.17
5. Introduction of unfavourable system solutions by "Euro land"	3.07	3.26	3.04	2.91	3.15	3.00
6. Risk of unfavourable conversion rate (zloty to euro exchange rate)	3.90	3.98	3.86	4.00	3.77	3.90

The greatest threats resulting from Poland's entry into the euro zone which, in the opinions of the companies researched, will influence their competitive position most are an increase in prices in relation to earnings and consequently a decrease in demand among Polish consumers, as well as the risk of setting an unfavourable conversion rate (converting the zloty to the euro) (*Table 4*). The respondents are remarkably unanimous as regards these two threats, regardless of the size of the companies they represented (all the companies researched evaluated both these risks at a level higher than 3.75). In the case of other threats it was difficult for the companies to clearly indicate their likelihood and their possible influence on their own competitive position (the overall averages from the categories of answers for the remaining threats ranged between 3.04 and 3.20).

#### **4.3. Polands' entry into the euro zone and the competitive position and competitive potential of the companies researched**

In this research the competitive position of a company in relation to its key competitor was assessed on the basis of its market share and the profitability of sales. At the time of conducting the research the companies declared that in the above two respects their position was similar to that of their key competitor<sup>3</sup> both in the domestic and in other EU markets. At the same time, the respondents anticipated that after Poland's entry into the euro zone the companies' profitability and share in the market in relation to their key competitor will improve.

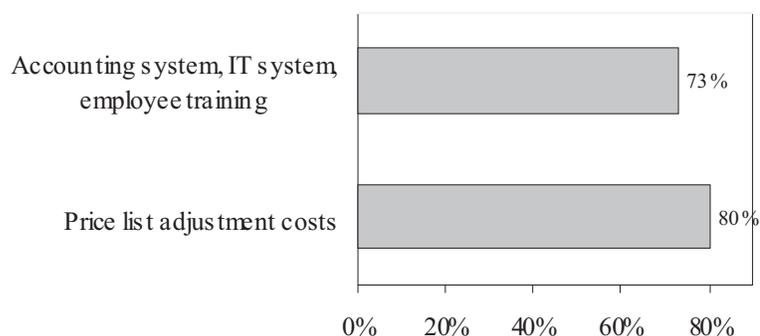
When evaluating the respondents' competitive potential, this research concentrated on the financial and cost elements. Taking into account the overall average from the categories of answers, the competitive potential of the studied companies in respect of cost and financial elements, both at the time of conducting the research and after Poland's entry into the euro zone, is slightly higher than that of their key competitors. The elements of the cost and financial competitive potential which were the most highly evaluated included: the accounting system of companies in the Polish market and in other EU markets; internal financing of current operations in the Polish market and in other EU markets; and IT systems of companies in the Polish market. It is also worth pointing out that according to the respondents, the introduction of the common currency in Poland will lower their competitive potential in relation to their key competitor on the Polish market in respect of several of its cost and financial elements (e.g. IT systems and transaction costs as a percentage of annual turnover). However, even after the expected reduc-

<sup>3</sup> A key competitor is a competitor who is a direct threat to the company and competes for the same group of customers.

tion in the competitive potential of the companies studied, it will still be at a higher level than that of their closest competitor. This may mean that key rivals will be forced to try and adjust to the new demands in respect of which the studied companies already had some competitive potential at the time when this research was conducted.

Poland's entry into the euro zone will entail introducing some changes to some elements of companies' competitive potential. The respondents were asked to evaluate the level of difficulty of the potential changes on a scale from 1 to 5, where 5 indicated a very high level of difficulty. Eighty percent of respondents indicated that adopting the common currency will require changes in relation to price lists – the products will have to be priced in both currencies (*Figure 2*). At the same time, the implementation of this change was described as rather easy (level 3.13), and the average assessment of the cost of introducing changes in this respect as a percentage of the company's turnover equalled 5.24% (*Table 5*). Moreover, 73% of the total number of companies researched anticipated the necessity of introducing changes in respect of the IT and accounting systems used, as well as the need for employee training. Adjusting IT systems was considered to be the most difficult of the three changes (level 3.76), and the changes regarding the accounting system, according to respondents, will be the most costly (7.32% of the company's turnover).

The research showed that only 42% of the total number of companies researched admit to making use of instruments which protect against currency exchange risks (*Figure 3*). The most frequently used elements included currency options, forward contracts and swaps (46%, 32% and 28%, respectively, among the companies which use instruments protecting them against currency exchange risks). This percentage seems surprisingly low bearing in mind the fact that all the companies studied are involved in at least export activity.



**Figure 2.** Implementing changes

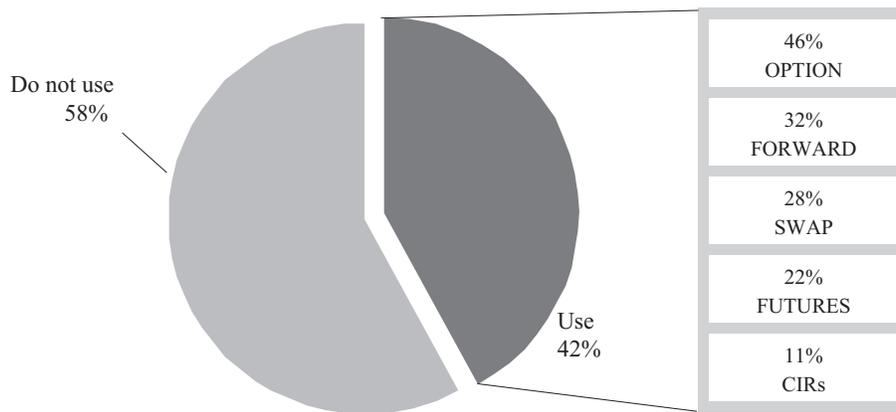
*Source:* authors.

**Table 5**

The level of difficulty in implementing changes in respect of particular elements of competitive potential (average) and the implementation cost as a percentage of turnover

Elements of competitive potential	Level of difficulty of implementing changes	Cost as percentage of turnover
Accounting system	3.29 Easy 1–2–3–4–5–6–7 Difficult	7.32
IT system	3.76 Easy 1–2–3–4–5–6–7 Difficult	6.61
Employee training	3.27 Easy 1–2–3–4–5–6–7 Difficult	6.06
Price adjustment	3.13 Easy 1–2–3–4–5–6–7 Difficult	5.24

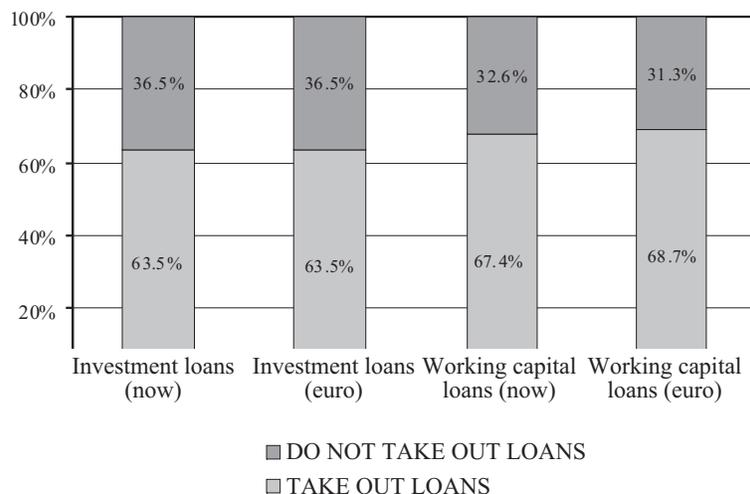
Source: authors.



**Figure 3.** The instruments used by Polish companies to protect against currency exchange risk

Source: authors.

From the point of view of the impact of Poland's entry into the euro zone on the competitive potential of Polish companies, another important issue is the currency structure of investment and working capital loans taken out by the companies studied at the time of conducting this research and after Poland's accession to the euro zone (Figure 4, Table 6 and Table 7). According to the declarations, 63.5% of the total number of companies researched take out investment loans. This percentage is not expected to change after Poland has adopted the euro. The situation is similar in the case of working capital loans. 67.4% of the studied business enterprises finance their current operations through loans and the respondents do not anticipate any considerable changes in this respect after Poland's accession to the euro zone.



**Figure 4.** Loans taken out by Polish companies

Source: authors.

At the time of conducting this research approximately 66.39% of all investment loans taken out by the companies researched were in Polish zlotys, 20.32% in euros, and 9.75% in Swiss francs. Loans in American dollars, British pounds and Japanese yen together accounted for less than 4% of all the loans taken out. The respondents do not anticipate any significant changes in respect of the share of American dollars, Swiss francs or British pounds in the currency structure of investment loans after Poland's entry into the euro zone.

**Table 6**

Investment loans

Taking out investment loans in currencies	Now – % share	After Poland's entry into the euro zone – % share
PLN – Polish zloty	66.39	10.65
EUR – euro	20.32	74.35
USD – American dollar	3.13	4.28
CHF – Swiss franc	9.75	10.65
GBP – British pound	0.13	0.07
JPY – Japanese yen	0.28	0.00
Total 100%	100	100

Source: authors.

When this research was conducted the share of the euro in the currency structure of working capital loans taken out by the researched companies amounted to nearly 19%, which is a level similar to that declared by the respondents for investment loans. As regards the remaining currencies, the currency structure of working capital credits is also very similar to the currency structure declared for investment loans. It is somewhat worrying, however, that respondents declare that after Poland's entry into the euro zone 10.65% of investment loans and 9.68% of working capital loans taken out by their companies will be financed in Polish zlotys. This indicates that some Polish entrepreneurs are still not aware of the fact that after Poland's accession to the European Monetary Union loans taken out in Polish zlotys will be converted to euros.

**Table 7**

## Working capital loans

Taking out working capital loans in currencies	Now – % share	After Poland's entry into the euro zone – % share
PLN – Polish zloty	67.39	9.68
EUR – euro	18.52	75.63
USD – American dollar	3.90	3.83
CHF – Swiss franc	9.93	10.58
GBP – British pound	0.26	0.28
JPY – Japanese yen	0.00	0.00
Total 100%	100 %	100 %

*Source:* authors.

#### 4.4. Poland's entry into the euro zone and the competitive strategy of the companies

As regards their competitive strategy, the companies surveyed indicated the following consequences of Poland's entry into the European monetary union:

- an increased share of material and intermediate product supply from other EU markets (level 3.46);
- an increased share of production commissioned under the brands of companies from other EU markets (3.44);
- an increase in the role of price competition rather than competition through differentiation (3.42).

Two groups of companies in particular, those which employed between 50 and 99 people and those which employed between 250 and 499 people, declared that Poland's entry into the euro zone would bring about an increase in the share of material and intermediate product supplies from other EU markets and an increase in the role of price competition rather than competition through differentiation (3.63 and 3.54; 3.63 and 3.54, respectively). Additionally, companies employing 100 or more people expressed the opinion that adopting the euro would result in an increase in production commissioned under the brands of companies from other EU markets. Respondents were the most sceptical about the possibility of outsourcing production operations involving partners from so-called other markets (level 2.65), the possibility of such cooperation involving partners from other EU markets (2.69), as well as the possibility of more frequent cooperation in the area of human resource management (e.g. temporary employment, employee leasing, training) with companies from other EU markets (2.88).

The respondents were also requested to assess the instruments of competition they employed now and after Poland's entry into the euro zone in relation to their key competitor in the Polish market and in other EU markets. All the averages of the answers obtained are in the range between 3.4 and 3.7. This means that the companies researched considered themselves to be slightly more effective than their key competitors in respect of all the specified instruments of competition (product price, delivery conditions, payment conditions and servicing costs). As regards the Polish market, the companies anticipated that entry into the euro zone will decrease the possibility of competing through prices (which may be connected with the anticipated price increases mentioned earlier) but will increase the possibility of competing in the area of delivery and payment conditions as well as servicing costs. According to respondents, Poland's entry into the euro zone will improve the possibilities of using all the specified instruments of competition, and the greatest improvement is anticipated in respect of delivery and payment conditions.

The significant role of an improvement in payment conditions is also confirmed by the results of a survey conducted by IBRKiK (The Institute for Market, Consumption and Business Cycles Research) (Marczewski 2008), according to which as many as 56.9% of companies which export mainly into EU markets and 51.9% of companies which export mainly into eastern markets were in favour of the possibility of conducting transactions between domestic partners in euros even before Poland's accession to the euro zone.

#### 4.5. Poland's entry into the euro zone – the enthusiasts' and sceptics' perspectives

The respondents' opinions about the necessity of Poland joining the euro zone indicate that Poland rather ought to adopt the common currency (the overall average of answers being a level of 3.83) (Table 8). It seems significant that all the companies see this need, regardless of the potential expressed by their level of employment.

**Table 8**

Overall average and averages in groups according to level of employment

	Overall	<50	50–99	100–249	250–499	>499
The necessity of Poland adopting the common currency	3.83	3.87	3.72	3.87	3.72	3.96

Source: authors.

The respondents can be classified into three groups: euro-sceptics, euro-neutrals and euro-enthusiasts. As a result of dividing (recoding) the answers to the question *In your opinion will Poland's adoption of the euro change the level of your company's competitiveness?*, three separate groups of respondents were distinguished: euro-sceptics, euro-neutrals and euro-enthusiasts. Those who indicated on the questionnaire answers 1 – *The level of competitiveness will definitely not increase* and 2 – *The level of competitiveness will rather not increase* were recoded in the euro-sceptic subcategory; those who indicated answer 3 – *Difficult to say* were assigned to the euro-neutral group; and those who indicated answers 4 – *The level of competitiveness will rather increase* and 5 – *The level of competitiveness will definitely increase* were classified as euro-enthusiasts. It turns out that the majority of the respondents are euro-enthusiasts (52.1%), and just over one-fifth are euro-sceptics (22.2%).

## 5. CONCLUSIONS

The selected results presented above of an empirical research conducted among 230 companies from the whole of Poland regarding the influence of Poland's potential entry into the euro zone on the international competitiveness of Polish companies. The majority of the companies are in favour of Poland's entry into the euro zone. In the nationwide sample of companies the predominant group are euro-enthusiasts. At the same time, however, this enthusiasm is accompanied by

an inability to predict the influence of Poland's accession to the monetary union on the competitive and internationalisation strategies that the companies employ. It is understandable that the companies find it difficult to relate the potential opportunities and threats of "operation euro" to the actual operation of their businesses as changes in the business environment is the factor that entrepreneurs find the most difficult to cope with.

In order to neutralize the threats connected with entering the euro zone and to maximize the advantages that this entry will provide for companies, some well-thought-out economics policy measures should be taken. Various actions aimed at creating a business environment which will promote international competitiveness among companies are likely to strengthen the positive impact of Poland's entry into the euro zone. From the many possible recommendations the authors, due to the space limitations of this paper, have selected just a few.

First, it is necessary to fulfil the fiscal criterion by stabilizing the system of public finance. An analysis of some examples of countries which already are in the euro zone (particularly Greece, but also Portugal and Spain) shows that joining the euro zone before sorting out public finances may cause problems to exacerbate and surface with considerably greater force in the future (particularly at the time of a worldwide economic slump). It has to be remembered that a country which does not conduct an independent monetary policy is more susceptible to asymmetric shocks. Also, it will no longer be possible to dampen the impact of such shocks through a depreciation of the zloty, which helped Poland considerably during the 2008 economic crisis. Therefore one of the fundamental recommendations for the government would be to conduct an appropriate policy of public finance balancing, particularly mid-term budget balancing, which would make it possible to dampen the shocks through using discretionary fiscal policy. Achieving the fiscal criterion through artificial means by using 'accounting tricks' (e.g. changing the method of calculating the budget deficit or debt, or excluding certain items from the expenses of the public finance sector) will not have any beneficial long-term consequences and sooner or later will expose the weakness of the system. It also seems essential to reform the system of public finance, which would enable greater flexibility in the country's budget and ensure at least a mid-term balance. This reform should include, among others, a reform of the social security system. One of the problems here is the overly-extensive KRUS (Agricultural Social Insurance Fund), which apart from small-scale farmers includes also farmers who own large areas of land as well as people who run their own businesses and who ought to belong to ZUS (Social Insurance Institution). The next issue is a reform of the healthcare system, where it is necessary to introduce changes particularly in respect of hospital inpatient care. It is a mistake to tolerate hospitals running up debts and then to periodically write the debts off. Blocking

such reforms is a manifestation of politicians' short-sightedness and harmful populism. Moreover, in the area of monetary policy it is necessary to concentrate on ensuring the stability of the currency, as the stability of the currency and of prices are important in the preparatory period before entering the euro zone. It is also extremely important to prepare for maintaining the stability of the exchange rate while the country is in ERMII. Another challenge will be to set an appropriate reference rate to, on the one hand, maintain the competitiveness of the economy and, on the other, to avoid the necessity of currency revaluation, as was the case in Slovakia. Government institutions and companies must be prepared for adopting the euro, and this requires time. It is also advisable to design certain protective actions for the lowest-earning social groups. Although the introduction of the euro is not likely to have a significant influence on price levels, the cappuccino effect may result in lowering the purchasing power of consumers, especially those on the lowest incomes who spend a significant part of their earnings on food.

Among the threats to companies which may appear when Poland joins the euro zone, the respondents are most afraid about increases in the prices of products and services. These opinions correspond to the opinions expressed by Polish society as a whole as regards the effects of adopting the euro in Poland (Maciejewicz 2008). Although economic statistics, scientific analyses and expert opinions clearly indicate that the current members of the euro zone did not experience any significant increase in the prices of products and services when they adopted the common currency (Bielewicz 2009: 164–166; Adamiec 2010: 11; Torój 2010), politicians and the media sometimes tend to suggest that price increases are inevitable, which instils fears connected with the common currency into society (Maciejewicz 2008).<sup>4</sup> In reality the rates of price increases were different in the different countries of the euro zone. However, looking at the inflation rates in the euro zone countries, it must be borne in mind that price levels are affected also by factors unconnected with joining the monetary union, and the role of the euro in this respect should not be either under- or overestimated (Torój 2010). Bukowski et al. (2010: 154) using a large-scale dynamic stochastic equilibrium model of the

<sup>4</sup> The experiences of Slovakia can serve as an example. An analysis of the price changes in different groups of products in the first year after adopting the euro confirms that the average Slovak consumer had no reason to associate adopting the euro with an increase in the cost of living. The prices of the majority of products actually decreased, especially in the case of transport (by 5.38% in comparison to the previous year) and food (by 3.82% in comparison to the previous year). Particularly in this last group the price dynamics are of great importance to the average consumer. However, the price reductions obviously cannot be associated with adopting the common currency: they happened as a result of the deep crisis in the world economy. Still, the exchange rate stability guaranteed by the euro system certainly helped to keep the prices at a low level (Adamiec 2010: 9).

Polish and European economy explained that in the first year one can observe a small, temporary increase in the level of inflation by 0.1% above the established level. But the fixed exchange rate will prevent the shock from spreading abroad. It can reduce the consumption and investment demand in the first year of adaption and hence so the decline of production and employment. But as the shock is temporary it will not reduce the number of vacancies. The increase in unemployment is practically zero and the loss of employment is due to a slightly lower professional activity. The shock is temporary in nature. But according to the model, an initial decrease of investment and capital results in a slightly lower product and the consequences of the shock can last for five years.

The task of designing proper regulations which will protect society from unwarranted price increases and of designing a proper information campaign rests with the legislative and public institutions as well as business organisations. Nevertheless, there can be no doubt that companies themselves will play a significant role as regards observing those regulations, and the introduction of the euro will be a test for Polish companies in respect to their attitudes towards dishonest price conversions.

Poland's prospective entry into the euro zone certainly ought to become the subject of an expert debate, free of emotion or political arguments. Such a debate is also necessary because there is a need for informing and educating Polish entrepreneurs and the whole of society about the consequences of Poland joining the euro zone. It is useful to refer to the results of reliable research and expert analysis, like the study conducted by Bukowski et al. (2010). The experts using the model presented that the combined effect of the economic mechanisms related to the introduction of the euro – changes in the level of transaction costs, exchange rates, interest rates and inflation – will be positive in the long-run. The impact of monetary integration on GDP is unambiguously positive. A lack of knowledge in this respect breeds unfounded fears and incorrect assumptions. What is somewhat worrying is the clearly visible implementation of the conception of a political economic cycle in Poland.

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