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Social Factors in the Emergence of Polish Corporate Governance

Second, Revised Edition: 2025

WSB-NLU
Nowy Sącz

MONOGRAPH

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Duszyński, M. E. (2025). *Social factors in the emergence of Polish corporate governance* (2nd ed.). Wyższa Szkoła Biznesu – National Louis University.

First Edition: 2020
Second, Revised Edition: 2025

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PUBLISHER

WSB-NLU w Nowym Sączu Grunwaldzka 17, 33-300 Nowy Sącz, Poland
https://wydawnictwo.wsb-nlu.edu.pl

DOI: 10.66935/978-83-65926-18-0

ISBN: 978-83-65926-18-0

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For Mike

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Foreword to the second edition

This book sits within the contemporary business history school while itself mirroring much of Poland's systemic evolution. From early discussions and framework development in the early 2000s, conducting qualitative research to obtain necessary data gathered in the period 2007-2014, the work was ultimately published in 2020. The publisher, WSB-NLU is a leading higher education institution that went through the entire post-communist systemic transformation experience, as it was created in 1991 and evolved with the Polish system, taking on a notable role in the education of early managerial elites in Poland.

In 2025 an opportunity arose to reapproach the nearly two decades of analytical efforts for a second edition. Unfortunately, a full update was impossible, as a new set of primary research was needed covering the last decade, while the original interviewee contacts were mostly lost (denying the chance for a notable longitudinal study of Polish systemic evolution). Instead, an update, a delicate contextualisation was chosen, bringing in some developments from recent years to show what came after the researched period of systemic change. All else remains mostly unchanged (some small changes to the text or data were possible with historical hindsight), presenting not just the historical facts but also keeping the research perspective of the time.

The two primary conceptual proposals made so many years ago, have emerged in recent Polish scientific discourse – the application of corporate governance to a much wider group of enterprises than just listed companies (corporate governance as a systemic framework for Polish managers, owners and investors) and the need to analyse the influence of Polish culture on corporate governance and business institutions. As a result, the qualitative work done for this book across the 2000s and early 2010s may still be useful by shining a light on the early years of systemic transformation and providing highly contextualised, deep, "lived" perspectives from individuals who worked in those challenging times and watched the Polish business system develop around them.

Following the editorial changes at the publisher, the second edition now follows APA, the current bibliographical standard used by WSB-NLU.

Introduction

This book looks at the social underpinnings of corporate governance emergence within the modern Polish business system. The analytical timeframe is set from just prior the 1989 threshold to the early 2010s, covering nearly a quarter century of Poland's systemic development. It is the result of data collection process that spans a long, eight year period (2007-2014).

The analytical timeframe has not changed for the second edition.

In 1989 a completely new political, social, economic and business system emerged when the country left behind a planned economic and totalitarian model of the Soviet bloc, and took on the values and norms of free-market capitalism and liberal democracy. In 1999, Poland joined NATO, which only a decade before was a Western alliance hostile to any Soviet states. Fifteen years after the change, in 2004, Poland accepted the Acquis Communautaire[1] of the European Union and became one of its 25 (then) member states, which accelerated the nation's progress towards Western standards of development, institutions and practices. In 2008, as a relatively developed European state, it began to experience the global financial crisis, confirming its inclusion into, and advanced integration with the global capitalist economy.[2] In 2010, the country suffered its greatest political crisis, when 96 people (including the country's President) died in an airline crash in Russia, splitting the nation in half.[3] This political and ideological division remains very much alive in 2025 with the leading right-wing "Law and Order" party organising monthly remembrance vigils in the capital Warsaw. 2012 marked a major moment in Poland's institutional development – the country co-hosted with Ukraine the UEFA European Football Championship, a sign of full acceptance in the family of European nations, and an international PR event towards which a major national effort was undertaken. Massive stadiums were built as were new railways, while major airports underwent overhauls and development, matched

[1] The entire body of European laws that includes all the treaties, regulations and directives passed by the European institutions as well as judgements laid down by the Court of Justice.

[2] By 2009 the World Bank recognised Poland as a "high income" country (Polish Business Hub, 2025), while in 2018 the FTSE Index moved Poland from the "emerging" economic category to "developed" category, based on creditworthiness and citizen incomes (Radu, 2018).

[3] By 2025 the conflict still rages. The division centres on "Russians killed them" conspiracy promoters that include the major right-wing political parties, which are opposed by the rationalist leftists and centrists, favouring the "an ill-prepared flight crew had a tragic aviation accident" perspective.

by development in the hospitality industry. Poland successfully co-hosted with Ukraine, bridging old conflicts and closing (for a time) many old wounds between the countries.

The quarter of a century, from member of the Warsaw Pact and nation under Soviet control to full European Union rights and a successful international event organiser, became the first transformation era, worthy of detailed analysis.

The first decades of post-communism and relative independence, in terms of systemic design and implementation, provided ample research material for a variety of social science disciplines as thousands of researchers from across the world work towards developing an understanding of what occurs during the process of peaceful, gradual systemic change.[4] Although much research must be country specific, as the national contexts that set the conditions for changeover differ, often to a large degree, there exists much that can be applied to many (if not all) post-communist states, as they have generally accepted the same fundamental principles of democracy and capitalism. Admittedly, the level of implementation of the two principles varies between nations, but the results of research conducted in a country where the application of a given aspect of systemic change is more advanced, can serve policymakers, politicians and researchers elsewhere as a useful guide to the challenges, cause-and-effect linkages and possible pitfalls, as well as showing the end result of the policy to be implemented.

Today, Poland is in its fourth decade of independence and with its burgeoning economy, presents a robust and developed image to own politicians and journalists as well as international analysts and observes. Yet, during the early stages of post-communist development the reformers missed important opportunities, which in turn mean a Poland less developed, less wealthy, less modern than what the reformers expected when they challenged the communist supremacy. The contrast between early ideals and modern practice was highlighted when in 2012 the Chairman of the Warsaw Stock Exchange (WSE), an organisation logically expected to be at the forefront of Polish corporate governance development, was forced to resign after being caught insisting that WSE companies invest in a movie production starring his girlfriend. Sobolewski, when defending his actions showed no understanding of issues such as “conflict of interest”, “abuse of power” while admitting to using his corporate email account to approach WSE-traded companies with “informal” requests for financial support (Pieńczykowska, 2013). By 2025 Poland was a witness to scandals regarding abuse of Covid-19 funding distribution, failed construction of a gas-powered electricity plant due to political infighting (Rosiński, 2022) or the constantly delayed construction of Poland’s biggest

[4] Which is much different from armed/violent overthrow, or revolution, that is well-known from history and has taken place in other countries.

airport – the Central Aviation Port (Walków, 2025) to name three out of hundreds of examples of economic, business and governance underperformance.

Critics of pessimism in governance effectiveness,[5] an approach voiced in this book, will argue that Poland is stable and developing, that through the 2010s and 2020s the country has benefitted from immense transfers of EU funds and thus continues to maintain positive growth, allowing it to stave-off the worst of global economic turmoils, such as the Global Financial Crisis of the 2008-10 caused by global corporate governance failures (Organisation for Economic Co-operation and Development [OECD], 2010). They will point out that the country also continues to successfully defend against Eurozone crises, through maintaining a national currency, the "Polish złoty" (PLN). Unfortunately, the EU finds itself in greater and greater turmoil due to misguided policies (e.g. migration, extreme environmentalism) or its stance towards the Russia-Ukraine war. The coming years will bring changes in EU funding priorities and, with major cutbacks in accessible financial assistance, the need for proper governance of companies, institutions and even government will be vital. Systemic underdevelopment in the face of continued global vicissitudes will, in all likelihood, lead to the collapse of many enterprises and impact the economy, not only reducing immediate growth but also affecting long-term strategic developmental opportunities.

As systemic transformation progressed from its initial, post-changeover stage, where the sole challenges were the dismantling of the communist system and the creation of new, more effective institutions, towards a stage where the new system emerged as a coherent social, political and economic entity,[6] new issues came forth that deserved ample attention from journalists, researchers, policymakers and politicians. Corporate governance emerged in the mid-1990s across Central and Eastern Europe (C&EE) as an important issue in the formation of a coherent and effective free-market capitalist system. In Poland, its early appearance was powered by four key issues. First, reactions to pressing immediate problems, such as giving workers certain gains to assure their approval to company privatisation, which was of a consensual nature. Second, the longer-term search for qualified Executive Board cadres as thousands of State-Owned Enterprises (SOEs) were privatised and required effective supervision and management (Ministerial demand for them was much greater than possible supply of competent people). At the start of the third decade of independence, private companies grew in scope and numbers to nearly 3.9 million by 2011 (Statistics Poland, 2012)[7] and notable challenges to their

[5] Understood as pessimism in the effectiveness of the entire corporate governance framework rather than the „pessimism of managers" that affects corporate governance performance, as defined by authors such as Xia et al. (2025).

[6] Regardless of its specific weaknesses or detailed areas lacking appropriate solutions.

[7] By 2025 the number was stable at approximately 2.9 million (Statistics Poland, 2025).

effective management emerged, which led to the search for better governance practices. And finally, privatised SOEs were joined by large international companies that saw Poland as a desirable market and good location for their operations, which boosted the requirement for following international standards of governance from their Polish staff.

Nation-specific processes such as those in Poland, quickly matched the worldwide analyses and debates on corporate governance reforms, Corporate Social Responsibility (CSR) and the role of Multinational Corporations (MNCs) that were initiated as a result of large company less-than-perfect competitiveness and notable underperformance backed by misguided investments for which no responsibility was assigned (OECD Observer, 2004). Weak performance by Anglo-Saxon companies was contrasted with continued strong results by companies from Asia and Germany, which were organised and operated according to different rules.[8] As research expanded and understanding grew, corporate governance began to be perceived as an important tool in creating and upholding national economic competitiveness via the effective functioning of corporations seen as the prime drivers of industry upgrading and development, innovation generation and the emergence of new industries (e.g. Dicken, 1998). Pioneering work done by the OECD (1999, 2004, 2015, 2023) highlighted the importance of corporate governance for the wider national economy as a development booster and a factor responsible for improving the investment climate (through financial market stability).

Multiple corporate scandals that erupted across the developed Western world since the 1990s showed their true force at the start of the 21st century and highlighted the need for continued corporate governance reform (Lis & Sterniczuk, 2005). American Enron, British BCCI or Italy's Parmalat were matched in Poland by PKN Orlen (oil and gas) and PZU Życie (insurance) scandals, and the bankruptcy of LTCM in the USA was mirrored by the collapse of *Warszawska Grupa Inwestycyjna* and various Polish banks and investment companies that put their faith in advanced mathematics and forgot about common sense. The debate over executive remuneration continuously reigns in every country around the world, as information leaks about CEO wages and/or severance packages, selfish decision-making, providing jobs to family members or outright transfers of company assets to own entities. In Poland this is visible through extraordinary salaries of top corporate managers and the creative bypassing of salary restrictions in state-owned companies, where top management pay is (supposedly) controlled and limited via formal

[8] Asian companies, such as those from Japan or South Korea, possessed a hierarchical structure and were backed by a strong banking sector, while the German companies had access to the powerful German banking system. Admittedly, in the third millennium these models have come under pressure (see: Löfstedt & Vogel, 2001).

Parliamentary legislation.[9] There is no difference between issues related to CEO pay in London, New York and Warsaw, although admittedly, the scale might be different, yet when we consider Purchasing Power Parity, the levels of CEO pay are very similar (and clearly exorbitant).[10]

Across the years, a wide variety of actors have become actively involved in the global corporate governance debate: from national organisations and institutes (e.g. the Centre for International private Enterprise in the USA, the European Corporate Governance Network and the Polish Institute of Directors) through global NGOs (e.g. World Bank and OECD) to national governments and supranational bodies (e.g. Russia introducing the Russian Corporate Governance Code in 2002, or the EU creating its Euro-shareholders Confederation). On the international arena, the OECD published in 2004 its most influential set of guidelines that set common criteria and key debate points that have become a global reference point for national and regional research into the topic (republished and enhanced in 2015 and 2023).[11]

While a global, comprehensive, universally-applicable code of governance has not yet emerged, across continental groupings and individual nations a wide range of actions have been undertaken to boost corporate governance effectiveness via public-private partnerships, setting minimal international legal standards, forming national-level organisations that represent shareholders and developing national corporate governance codes. Yet, on a national level, an effective code cannot materialise without cooperation of both the government (possibly in cooperation with international organisations) that sets rules and legislative solutions as well as the private sector, from which more and more standards and initiatives emerge.

The 2008-10 global economic crisis became a testament to the immense problems plaguing corporations, large firms, interactions between public and private institutions, as greedy banks keen to maximise their profits offered NINJa (No Income No Job) mortgages to undeserving clients and plunged the financial system into a downward spiral of mistrust (resulting in withholding of funds and dramatic increases in interest rates) that exposed further corporate wrongdoings and weaknesses. Five areas became visible as requiring immediate action: corporate risk management, pay and bonuses for

[9] "Ustawa kominowa" introduced in 2000, was designed to restrict the size of SOE management wages: Law on the Remuneration of individuals managing certain legal entities from 3 March 2000 (Dz.U. Nr. 26, poz. 306). This Law was updated in 2016 (Dz.U. 2016 poz. 1202).

[10] The 2013 Swiss efforts aimed at capping CEO salaries showed the first attempt at curtailing senior management selfish utility maximisation by nations angered at the brash mistreatment of private and national funds by banks and investment houses that lead to the current global depression.

[11] Due to the historical constraints of this book (first quarter century after the 1989 transformation threshold), the 2004 OECD edition is referred to as the key conceptual document of the era, which notably affected the development of corporate governance theory and practice in that period.

senior executives, supervising functions of the Supervisory Board, transparency and the need for increasingly proactive shareholders (OECD, 2010). Rescue plans initiated in various nations (e.g. the Obama plan) by the end of 2008 led to a public outcry about the direction in which public money was spent (and required extensive borrowing that would affect future generations or changes in tax policy). Corporate responses to the crisis and financial rescues by national governments further enraged citizens, observers and the media, as companies that first lined up for public bailout money, when faced with stringent requirements, either declined altogether or borrowed and quickly returned public funds. The wave of bonuses and profit projections at the end of the second financial quarter of 2009 only served to illustrate the need for sizeable in-depth reform of corporate governance (Schultz, 2009).

By 2025, the time of publishing this book's second edition, Poland has shakily survived the Covid-19 upheaval, where the economy, the entire business community, public and private finance and Polish society all went through immense vicissitudes – companies collapsed, state financial assistance was often misallocated, the government showed itself to be notably less-than-ideal when it came to crisis management at such a level and citizens lost trust in many institutions. However, 2025 Poland became a nation with a large and modern economy well-integrated into the European supply networks, manufacturer of successful exports, home to notable small and medium-sized entrepreneurship, and a business community pursuing efficiency and competitiveness through innovation and implementation of advanced technologies. The Polish stock exchange is the most visible example of successful development – continued upgrades to its corporate governance regulations (Warsaw Stock Exchange [WSE], 2016, 2024) strengthened the governance regime at a time, when international capital flooded the WSE across 2023, 2024 and 2025 and the major stock indexes experienced unprecedented growth (WIG20 of 36% and the wider WIG of 39% YoY) and several trading days of 2025 had the highest turnover in WSE history (Kubicki, 2025). Simultaneously, the Polish government enacted a major 2022 updating of the Polish Commercial Companies Code (*Ustawa o zmianie ustawy – Kodeks spółek handlowych*, 2022) and implemented the EU Corporate Sustainability Reporting Directive (CSRD) through an update to the Accounting Act (Ustawa o zmianie ustawy o rachunkowości, 2024). Overall, the last decade saw Polish corporate governance move in three broad directions: more formal oversight within companies (especially through the 2022 Commercial Companies Code reform), stronger shareholder and investor protections (notably through the 2019 WSE changes) and wider disclosure duties, first for non-financial information and then, through CSRD, for more extensive sustainability reporting. For listed companies, the WSE code helped

set expectations between statutory reforms, while using a comply-or-explain model rather than imposing every principle as a legal obligation.

A major thrust of this book's first edition, which matched the work of McCahery and Vermeulen (2010) regarding the application of corporate governance to non-listed companies (or to the entire business system), has materialised in recent Polish research and practice. Family businesses are a prominent focal point, where research (e.g. Socha & Majda-Kariozen, 2017; Ramadani et al., 2020) treats governance as the way ownership, management, and family relationships are organized, and discusses tools such as formal boards, advisory bodies, shareholder agreements, family constitutions, and succession planning. A 2020 study of Polish family firms found that preserving family control and independence can be important alongside long-term value creation and growth (Węcławski & Pernsteiner, 2020). State-owned enterprises became another important non-listed context, with Polish scholarship examining the formal rules governing boards and state oversight, as well as informal relationships between company leaders, Supervisory Boards, officials, and stakeholders. One study found that actors can perceive governance influences differently, suggesting that written procedures alone do not capture how governance operates in practice (Wąsowska & Postuła, 2018).