

TALES FROM EASTERN EUROPE:
CHALLENGES AND BENEFITS
OF RUNNING A TRANSLATION
COMPANY IN POLAND

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CULTURE SHOCK

Running a translation company in Poland comes with its own unique challenges. As a long-time American expatriate living in Poland for 17 years, I hope that I will be able to provide a unique perspective on this matter. I moved to Poland in 1993 and founded Argos Translations in 1996. Since then, I have experienced many of the ups and downs of running a company in Poland. While not all of these experiences may easily transfer to other East European countries, I think there are several key themes that do apply to other countries in the region.

When someone decides to move from one country to another, people often mention culture shock and the need to adapt to the new culture. Well, I am not sure you can really prepare anybody for the red tape facing businesses in Poland. The first thing you'll need to get used to when setting up your business here is the bureaucracy and, boy, let me tell you, it's fierce! For Americans reading this, it's like having to go to the DMV (Division of Motor Vehicles, for non-Americans, the definition of a nightmare when it comes to red tape and bureaucracy) and deal with lines, forms and grumpy clerks on a daily basis. Now of course bureaucracy is bad everywhere in the world. I am sure there is no country where waiting in lines and talking to clerks is a pleasant experience. The

fundamental difference in Poland is that so many areas of business operations are government controlled. So, what I am saying here is that you have far more contact with the government when running a business in Poland, which means you are in contact with bureaucracy.

THE TAXMAN COMETH

Even though I am an American, I have never run a business myself in the US. So, I don't really have any point of comparison. But, I don't think the IRS (US tax authorities) strikes fear into the hearts and souls of entrepreneurs quite the way the Polish Urząd Skarbowy does (ooh..., even writing the name sends chills running down my spine...). Why are we so afraid of the Polish tax authorities? Sometimes I wonder myself, but I think you can truly recognize fear in the eyes of others, and, in Poland, everyone is deadly afraid of the taxman. Unfortunately, there is good reason for this. There have been some well-documented cases of the Polish tax authorities bankrupting companies and then admitting, oops, we made a mistake. One of the most famous cases was of Roman Kluska, the CEO of Optimus, a publicly traded IT company. The tax people fined his company and put him in jail because of the way he interpreted the VAT

regulations (which are terribly unclear). Then, after a considerable amount of time and damage, both personal and commercial, the authorities admitted that he had been doing it correctly and they just said, sorry about that... Clerks yield huge power without consequences if they err. That is what scares us entrepreneurs and explains why we cower when we face the taxman. He can ruin our lives and we've seen him do it.

I am mentioning the fear of the taxman here because I think it's a fundamental problem. The taxman is king in Poland, and whatever he says goes. When I say the taxman I am actually referring to all clerks who have the power to fine a business here, they don't necessary have to work for the tax office.

As a result, we do everything the taxman tells us to do, even the absurd because we are constantly scared that he'll be coming to get us next. When you combine this fear with unclear and antiquated laws, you can imagine the difficult situation business owners face. Anybody you talk to will ultimately tell you there are no shortcuts -- just obey the rules, even if they seem absurd. Ultimately it boils down to this: if you want to take advantages of the opportunities of doing business in Poland, then this is the price you have to pay and, in case you are wondering, yes, there are opportunities and benefits of setting up in Poland. I'll get to these later.

CHECK, CHECK AND DOUBLE-CHECK

Back in the good ole days of communism there weren't many free market enterprises around that needed government regulation. But since 1989 many laws and regulations have had to be put together hastily. Needless to say, not all these regulations were completely thought through. This is quite understandable because the task of moving from a communist system to a free market system can be quite daunting, as you can imagine. The result of this quick transition from one system to another is a commercial code that is full of loopholes and inconsistencies. Every year improvements are made, but it's a long road.

As a result, what you are allowed to do, and what is against the law is simply not clear in many circumstances. What makes it even worse is that a tax clerk in one town can interpret the law differently from a tax clerk in another town. When you combine these inconsistencies with the fear of the taxman described above, what you get is a lot more work for the average business. Businesses in Poland must constantly protect themselves by asking for written opinions and confirmations from their local tax office. Once a business has a decision on paper then it is safe to move forward and operate according to this decision, but without a confirmation, you may be doing things that will cost you thousands or millions in back taxes and fines.

The result of all this red tape is actually higher employment. You need to employ more people in order to monitor and make sure you are

complying with the law. The tax authorities need to employ more people to deal with all the requests for clarification being sent in by all the businesses.

UM, EXCUSE ME, BUT I AM NOT RUNNING A SOAP FACTORY HERE

The Polish Labor Code is a real work of art that anyone considering entering the Polish market should get acquainted with. The laws that are in place, which govern the hiring, firing and the overall relationship between employee and employer are extremely antiquated. Many of the rules and laws in place are fine if you run a soap factory, but they aren't terribly convenient if you want to run a service business, or a translation company, or any office-based business .

Health and safety in the workplace is obviously an incredibly important issue. Everyone wants their employees to be safe. It is particularly important for a factory to have very clear and strict regulations concerning the working environment, otherwise people can injure themselves when working with machinery. Unfortunately this "factory mentality" has been applied to office work as well. I don't want to bore you with a long list of rules and regulations that need to be adhered to in an office environment, but let's just say I never knew the office could be so dangerous! Health and safety is heavily regulated and the government takes this seriously. We receive visits from inspectors every year or so and if any regulations are broken, we risk paying heavy fines. In addition,

according to law, companies are required to hire a full-time health and safety specialist once there are more than 100 people employed. This person needs to make sure the company adheres to all the health and safety laws and needs to continually train new and existing employees to keep them safe. In reality, this means we have to pay money to someone to take up our employees' time and point out how we can get fined and what needs to be done to avoid penalties. This is endless....

VACATION REGULATIONS

As an American, one of the things I have always admired about Europe is the amount of vacation European employees receive. I think its really healthy and the US could learn from this. Personally I am in favor of having well rested employees and I don't mind the vacation policy in place in Poland. But, once again, I am trying to help someone anticipate potential culture shock, and if you are coming from the US, you might be shocked at the number of days off that Polish employees are entitled to.

To begin with, a fresh new employee (university graduate) is entitled to 20 working days of vacation. After two years of work this number goes up to 26 days. In addition to these vacation days, there are 11 national holidays in Poland. So, cumulatively, each member of your staff has 37 working days off, which amounts to nearly two months.

Now there are of course some crazy regulations in regard to vacations as well and the consequence of breaking any of these is --

you're going to get fined, of course... So here we go. Employees MUST take 14 days of their vacation in a row. This means part of our job as an employer is to manage our employees' vacation and make sure they take at least one two-week vacation during the year. That's mandatory. That is the law. If an employee wants to work from home, we have to pay to cover the costs that they are incurring by not working in the office (stuff like desks, chairs, heat and electricity). Also, there are some pretty dumb rules connected to business trips. One of the stupidest being that if an employee wants to connect their business trip with a vacation and take advantage of the fact that the company is flying them somewhere, they have to pay tax on this as if it were a bonus paid in cash.

SOCIAL FUND

Ah, yes, the social fund. Another classic -- one of my all time favorites. Basically, here we have an example of something that could potentially be very good and positive that has gone horribly wrong. Here's the deal. In Poland if you have over 20 employees you are required by law to set up a social fund. The company is required to pay a certain amount of money per employee into the fund and this is a tax deduction, so that's great! The problem is with how to use this money later. It would be great if you could fund company parties, gifts, awards, or any other benefit that would be available to all employees. But alas, no! This is not what the creators of this fine idea had in mind. According to law, the neediest employees, the employees with the most children, must get more than the employees who are better off financially. As

an employer we are supposed to ask about our employees' financial situation and their personal circumstances and, on that basis, we must distribute more funds to those in greatest need. Oh my....

LAND OF OPPORTUNITY

Ok. Enough whining. If it were so bad then why would I be here, right? Exactly! It's not all bad, that's for sure. There are plenty of opportunities for businesses in Poland and by far the greatest benefit of running a business in Poland is access to high quality staff. I feel it's important to point out that I find the quality of staff available in Poland as impressive as the formerly mentioned challenges are daunting.

SMART, EDUCATED, HARD WORKING, TALENTED

Whether we are talking about software engineers, IT specialists, people who can be trained as either localization engineers or DTP specialists, PMs, sales people, vendor management specialists, accounting specialists (that have to deal with all these crazy regulations) and, of course, translators, QA specialists or other linguists Poland is a treasure trove of talent. Now, I mean no offense to anyone, but I think the average young educated person in Poland (and probably other places in Eastern Europe) is more likely to be a better employee than his/her counterpart in Western Europe and the US. Why? I think the fundamental difference is that the average young person in Eastern Europe was not born into a world where they already had a great deal. It's gotten to the point in the

WE CAN COMPETE WITH THE BIG BOYS ON SALARIES AND WAGES

US and Western Europe, where if you are born into a middle class family you basically have most of what you need and want. Of course this is an enormous generalization, but what I am trying to say is that what many people in a German or American household might consider to be standard, can be something not easily available in a Polish household. The result, in my opinion, is drive. In general, young Poles are driven to achieve success much more strongly than their counterparts abroad. This drive results in all kinds of good things: hard work in school, ambition when it comes to learning foreign languages, and high motivation to work hard and succeed, once getting to the workplace.

I also think a typical young person is far less pampered in Poland. That means they have to learn things on their own -- they have to be self-sufficient in order to achieve their goals. In short, they can't depend on their parents and others to give them what they need. Now, of course, this is not going to be possible forever. As the country becomes more and more wealthy, I believe the level of drive will diminish in Poland as well. Also, please don't get me wrong. I am not saying there are no young driven talented people in Western Europe and the US. I am only saying that the pool of talented and motivated young people in Eastern Europe is greater than in Western Europe and the US.

Ok, so one clear advantage has been identified. The average young new employees come to work eager to learn, eager to succeed and with some strong skills (such as the ability to speak one or more foreign language). That is great when hiring new employees, but the market is also excellent when it comes to hiring the best talent available on the market. Argos is very fortunate to be a company that exports 99% of its services. As a result, we are not bound completely to Polish economic and market conditions. This means that in Poland we are able to compete on salary with the biggest and best employers in the world! There are plenty of great multinationals in Poland, but they didn't come to Poland to pay German or UK wages, they want to pay wages competitive in Poland. As a result, we are able to compete when it comes to compensation. So, we end up with the best employees available on the market. This, to me, is a huge competitive advantage for our company. I just can't believe that a translation company in London can hire someone who has worked in a Big Six consulting company, for example, or in another famous multinational. We regularly hire people like this. Since the translation business is ultimately a service business that depends on the people offering the service, at the end of the day, we have higher quality people and can provide a higher quality service. This is not something to be underestimated and is a huge benefit of operating a translation company in Poland.

BASIC THINGS COST LESS IN POLAND

This is stating the obvious in many ways, but everything from office space, to energy and wages costs less in Poland. Again, as a translation company that does not sell much here in Poland, this is a significant advantage. We are competing against companies that are based in higher cost locations and so this makes us more price competitive and more profitable. You are always better off if you can provide a high quality service from a lower cost country. Again, this is something that won't last forever as the Polish economy is growing fast and wages and prices continually go up. But, this still is a benefit and is clearly one of the advantages of operating in Poland.

great country to live in with wonderful people, and I encourage all those who are interested in expanding into Eastern Europe to consider Poland as a great choice (even with the horrible taxman!).

IN CLOSING

Overall, you have to be enormously patient to set up and run your business in Poland, but there are huge rewards to be reaped. I have to believe that much of the bureaucracy is the same in other East European countries because switching from a communist to free market system is going to leave a mess behind that will take awhile to straighten out. At the same time, I believe that the drive I see in young Poles is also existent in other East European countries. It's really a trade off. If you can manage to get set up, then you are going to be in good shape. I am confident that over the next 5-10 years the government will continue to iron out the inconsistencies in the regulations and will continue to make Poland a more business friendly country. Until then, it's still a

ABOUT ARGOS

Argos Translations provides translation/localization services that help companies compete globally and ensure products successful entry into foreign markets.

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(data by Forrester Research)

When introducing, or marketing a product in a foreign country, remember that language will be the primary sales barrier you will need to overcome.

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