

Chudzicka, Jadwiga

**Article**

## Insourcing as a new trend in global business

Foundations of Management

**Provided in Cooperation with:**

Faculty of Management, Warsaw University of Technology

*Suggested Citation:* Chudzicka, Jadwiga (2013) : Insourcing as a new trend in global business, Foundations of Management, ISSN 2300-5661, De Gruyter, Warsaw, Vol. 5, Iss. 2, pp. 7-24, <https://doi.org/10.2478/fman-2014-0009>

This Version is available at:

<https://hdl.handle.net/10419/184551>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



<https://creativecommons.org/licenses/by-nc-nd/3.0>

## INSOURCING AS A NEW TREND IN GLOBAL BUSINESS

Jadwiga CHUDZICKA

Faculty of Management, Warsaw University of Technology, Warsaw, Poland

e-mail: j.chudzicka@wz.pw.edu.pl

**Abstract:** In the face of world economic crisis, it is worth considering ‘what changes in thinking are needed to revive the global economy?’ Traditional management methods have already lost much of their potential. Keeping the compliance of job category with human nature is an important factor supported by insourcing. The purpose of this study was to answer the question whether the current economic situation in the world is more profitable to firms sending domestic jobs overseas, or perhaps – in the end – it is better to use insourcing services, providing employment to workers in their home countries.

**Keywords:** insourcing, outsourcing, co-sourcing, transatlantic exchange, repolonisation of economy, depopulation, ecology, unconventional fuels, Total Participation Management, reindustrialisation.

### 1 Introduction

The economic slowdown, declining consumption and production are forcing entrepreneurs to change their way of thinking about the management of companies. Shared long-term admiration for the ease of communication and exchange of information through computer networks, in particular, a global system of interconnected computer networks (the Internet), enables teamwork of a global nature, and it seems necessary for most companies to compete within global markets.

Communication techniques are constantly being improved, which makes global partnership and teamwork much easier than ever before. At the same time all industries and markets around the world confront real keen competition, by introducing new materials and products, linking people and resources, *ipso facto* making it difficult to conduct local, private and often family businesses successfully, also they have concern on how to attract customers.

Last global economic recession has forced customers to tighten their belts, but their needs and expectations for higher quality goods and services have also increased. Therefore, it is essential for businesses to more effectively manage with competitors. The opening up of new markets is very often connected to a new government, but also consumers all over the world learn about new products from radio, TV, on the Internet and through contacts with foreign tourists. Today’s customers expect more socially responsible and environmentally friendly actions from businesses. If we take into consideration the alarming environmental changes,

it must be stated that this is an exciting time for companies wishing to introduce new products, which are more environmentally friendly, and more successfully compete in the global markets. When the companies create a more competitive infrastructure, it will generate new jobs and new opportunities in the areas of purchasing, operations, logistics and supply chain management.

This article intends to answer the question ‘how to become a better manager in today’s global economy?’ Looking at the activities of many companies that have been successful in Poland and abroad, we can see the fundamental change in management principals during the last 2 years. These changes are introduced gradually and carefully, after the necessary calculation was made and taking into account many factors that might affect the new profit strategy.

A new approach for the company management depends on the gradual abandonment of the, still popular, outsourcing and move on to insourcing, by bringing many jobs performed in other countries back to home – mostly the jobs outsourced to Asian countries. This could have major strategic importance for a company as well as for the country, because unemployment rate will get reduced which in consequence results in a chance to reindustrialisation contributes to the country’s economic growth.

Overview of the organisational management of the well-known companies around the world in the past 2 years and most of all realised the benefits of insourcing and leads to the conclusion that this form of doing business is essential for economic recovery, but if it is to benefit a particular company, it cannot be hastily

adopted strategy without prior profitability assessments. It means that many companies have to introduce co-sourcing strategy, i.e. combining insourcing, where a service is performed by staff from inside an organisation, and outsourcing, where mostly simple business services are performed by an external service provider.

## 2 Overview of sections

Each of the presented sections focuses on the advantages and disadvantages of traditional management by using outsourcing, the examples of large foreign companies after a careful calculation and for various reasons considered in-house production more profitable than outsourcing, and brought home projects that are performed in other countries. This article proposes insourcing which should be gradually introduced in place of outsourcing. Those who are conducting business activities in Poland as well as senior leaders who have achieved success in the country and abroad were also described. Subsequently, the industrial development difficulties resulting from high unemployment, demographic decline and a large scale emigration were defined. At the same time a positive image of Poland viewed by foreign businessmen was presented, which is reflected in the large foreign investments in Poland. This article also reports conclusions regarding the efficacy of insourcing acquired from the analysis of information about Poland and the world. Finally, it seems that the most advantageous form of business – especially for large companies – is co-sourcing. An important observation is that insourcing can contribute to reindustrialisation in different countries.

The introduction (Section 1) gives a brief overview of the background with particular emphasis on the need for reorganisation in the companies, which are major component of economic recovery. The whole introduction contains the scope and direction of this study. A new approach to business activities was suggested that would likely replace the present conventional outsourcing method. The new approach is not only to improve a specific company's situation, but also should bring benefits to the country. This section contains a short description of other sections of the article.

Section 3 describes the traditional managing methods using outsourcing. It examines the effects of globalisation from the perspective of different groups of workers and brings forecasting of future events. The last subsection

of this section describes the social effects of outsourcing.

Section 4 defines the concept of insourcing and indicates typical situations in which it can be applied. Examples of companies that have already employed insourcing or tending to its application and Deloitte Research analysis, which show an upward tendency of insourcing are presented in Section 5.

Section 6 brings an answer to the question whether the present century is the age of insourcing. However, the investigations of Section 7 testify that insourcing will be more effective if entrepreneurs apply the full participation of workers in the company management.

Section 8 points out that the revival of industry might cause environmental problems, arising mainly from the currently used technologies for extraction of unconventional fossil fuel resources. The subject of Section 9 is business in Poland. The examples of business leaders who invest successfully not only in the country but also abroad are described, included the cooperation with Fiat Automobile Co., which – to the detriment of Polish workers – applied insourcing, partially relocating car production from Poland to Italy. Section 10 provides an answer to the question: if Poland had an opportunity for reindustrialisation, would it benefit from insourcing? An analysis of the overall situation was made, pointing out the difficulties in the development of industry from high unemployment, demographic decline and large scale emigration. The interest of large foreign companies investing in Poland offers hope for the revival of economy. In summary (Section 11) the final conclusions are presented, pointing to insourcing as a proper form of doing business in the current situation, but perhaps some of the services should be left to outsourcing. Therefore, before deciding to bring home, detailed calculations have to be made, examining the cost-effectiveness of such a change for a specific company. The last section contains bibliography.

## 3 Traditional management methods through outsourcing

In a global economy for a number of years, we have had a tendency of relocating investment funds and companies outside the country and home markets, thereby enabling the interconnection of different markets throughout the world.

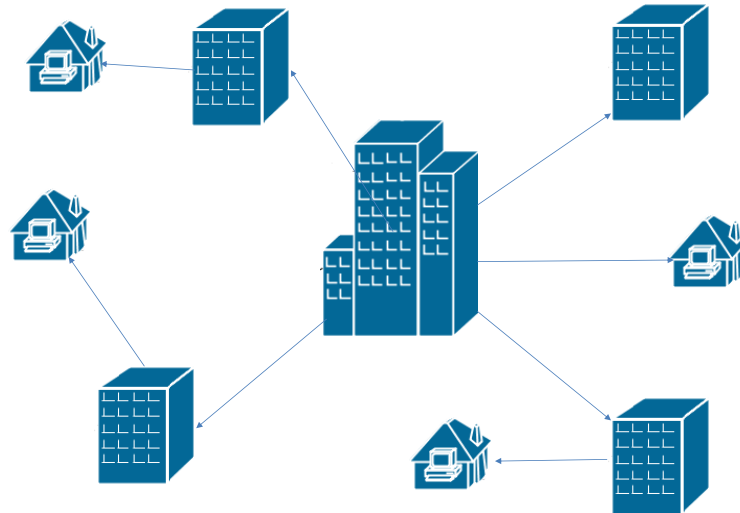


Figure 1. Outsourcing  
(source: own elaboration)

Among the main reasons companies opted to outsource is cheaper overseas labour, e.g. in Asian countries, than in their home countries. This way of doing business is called outsourcing.

The extensive use of outsourcing services from design work to the cottage industry is represented symbolically in Figure 1, where the parent company is located in centre and the arrows indicate the companies participating in the commissioned work (the smallest buildings symbolise simple works, not requiring any special skills). Proponents of globalisation believed that the positive aspects of such procedure can help developing countries to 'catch up' much faster with industrialisation through increased employment and technological progress, and the Asian economies are often singled out as examples of globalisation success. In contrast, opponents of globalisation argue that it weakens national sovereignty and allows rich countries to send domestic jobs overseas where labour is much cheaper. A comprehensive description of the globalisation effects can be found in Ref. [1]. Apart from the benefits many risks are recognised that can have an impact on the future of businesses and entire societies.

What is the truth about globalisation? Is it a progress or speculation? To a large extent it depends on our own individual view on the matter of globalisation and outsourcing. It is worth examining this problem from the point of view of different groups of employees.

For business leaders and representatives of the economic elite, globalisation is good. Cheaper overseas labour

allows them to build factories in places where the labour costs and health care are low, and then selling the finished goods in places where wages are high. Profits will increase due to the significantly reduced wages for employees that causes stock prices increase, and there by big profits may be expected by institutional investors and some wealthy individuals. But globalisation does not concern just managing directors and high-ranking individuals. Furthermore, it goes far beyond the immediate area in the global market. For employees of technology centres in India as well as for employees of automobile factories in China, globalisation means that they must compete with job applicants from all over the World. Some of these changes in globalisation in the United States are due to the North American Free Trade Agreement (NAFTA). NAFTA, among others, shifted car production from the United States to Mexico, a developing country, where wages are much lower than in the United States. After few years later, some of these jobs have been transferred to third world countries in East Asia, where wages are even lower. In both cases, car manufacturers expected that consumers in the United States will continue to purchase these products by paying according to American prices. While critics of globalisation believe that globalisation may entail the loss of jobs in developed countries, those who support globalisation argue that employment and technology import to the developing countries accelerate industrialisation and also increase the standard of living of those populations. In the battle of globalisation, outsourcing is a double-edged sword. On the one hand

edge, low wages in other countries allow the sale of clothing, cars and other goods at reduced prices in Western countries, where shopping is very deeply rooted in their culture. It allows companies to increase their margins. At the same time, the customers can save money when purchasing these goods, which enables some supporters of globalisation to give statements that sending work abroad contributes to the reduction of wages as well as reduce price levels. Low-income employees may also benefit from such profits as, for example the increase in stock prices. Many employees have shares in investment funds and when companies outsource jobs outside, the share prices of these companies rise in the stock market, so does the value of the investment funds. The beneficiaries are not only managers but all share holders of those companies. The most vulnerable are ordinary workers. A colourful description comes from Lisa Smith [3], writing that ‘public audit institutions encourage business leaders to see that the tide does not necessarily lift all boats’. In many cases, low-income employees are suffer the most, because they do not have transferable skills. Therefore, it is considered to retrain workers, but it is easier to say than to be done.

### 3.1 How does the future look like?

One can expect an increasing flow of cross-border money, information, people and technology transfer. We are dealing with a classic situation where the rich get richer and the poor are becoming poorer. While the global standard of living increases as industrialisation takes root in third world countries, but in developed countries it falls. Today, the gap between rich and poor countries widens, as the gap between rich and poor in these countries.

The homogenisation of world is another aspect of globalisation, with the same cafes on every corner and the same signboards on buildings in almost every city and in every country (IKEA, McDonald's, Tesco and others). Undoubtedly, globalisation facilitates networking and exchange between cultures, but also tends to the reduction in cultural diversity. Interlinked global financial markets bring about local problems to international issues on the market level. Many countries participate in the ongoing technological race where a research on new solutions is coming to the fore. When the production moves to countries such as China, it gives access to new technologies. Uncritical outsourcing led to a situation that in the field of modern

technologies China is beginning to pull out the lead. In several years they may become leaders. We might of course speculate what kind of measures should be applied to determine which state is the most competitive. An attempt to answer this question was made in the article issued in FoM [9]. The authors presented a series of indicators that can be used to measure the level of innovation. There is no doubt that in order to compete in the global markets, it is necessary to be focused on innovativeness. Regardless of the criteria for pre-competitive research, China is becoming an economic power which must be taken into account even by the United States. There is no long-term vision in western countries, which allowed Chinese to take the right course. What to do to enhance the odds in the ongoing race? Before coming up with a better solution, education, flexibility and adaptability is the key for survival. So far, politicians and business leaders are only in agreement on the appreciation of the value of well-educated, flexible and adaptable employees. At the individual level, the actions may be taken on this issue, investing in higher education than the current system. Only the patents guarantee success in the technology race. The inventors will become leaders in a short time. But is it enough to win this race against countries such as China?

In my opinion, we should change our approach toward the companies’ organisational structure. For example, a mass job outsourcing in production, particularly from the United States, which began many years ago continue to flow overseas. A few years ago it seemed that only hamburgers will be produced in the United States. It was widely believed that the fate of American industry is a foregone conclusion. However, now, more and more companies, often very significant, have calculated that outsourcing did not pay off in the end. But countries like China gain in an easy and fast way to access new technologies due to outsourcing. Business, even for strategic reasons, should be conducted in their home countries, and only simple works in the production should be outsourced to cheap labour countries.

### 3.2 Social aspects of outsourcing

We should not forget about social, often painful, consequences of outsourcing. A tragic example of outsourcing to developing countries was a disaster on 24 April 2013 in Bangladesh when the Rana Plaza building collapsed outside Dhaka killing more than 1,000 workers

and a similar number were injured in the accident. It housed five garment factories, several shops and a bank employing around 3,000 people. The weight and vibration from large power generators likely contributed to the cracks appeared on exterior walls. The architect designed the five-story building planned for offices and shops. The structure was potentially not strong enough to bear the weight and vibration of heavy machineries. The owner, Sohel Rana, had built the top three floors illegally without permission and turning it into a factory. Shortly before the crash, the workers had discovered visible cracks on the walls and ran out, but the managers ordered them to return to work. A few moments later the building collapsed. More than half of the victims were women – seamstresses. Bangladesh is the world's second-leading exporter of clothing next to China. The factories manufactured apparel for brands including Phantom Apparels, Phantom Tac, Ether Tex, New Wave and German companies. It is worth noting that a shirt made in Bangladesh costs around 3 US dollars and the same shirt in the United States costs over 13 US dollars. This shows the conditions in which the workers been employed, the most vulnerable in society, and become the victims of globalisation. Some people refer to the whole situation even more bluntly, saying that they are contemporary forms of slavery. But we can also ask whether these workers consider themselves victims. For them it is the only a way of led their life, because they have no other choices. Some companies, like Zara, withdrew business from Bangladesh after this tragedy but the authorities are reluctant to that. Export earnings of textile and garments, mainly to the United States and Europe, fetched about 20 billion US dollars. It is better to give some thought to the selection of local contractors instead of total termination of business cooperation. The Bangladesh Government's agreement allows the apparel industry workers to organise themselves in trade unions without prior consent of the factory owners assuring them that there is light at the end of the tunnel. Before the crash the consent of factory owners was needed. In addition, the minimum wage is set to rise.

Next section presents a new trend in business based on insourcing.

#### 4 Insourcing – a better solution?

Insourcing is the opposite of outsourcing. Ref. [13] demonstrates the practical applications of supply chain management in today's workplace, also contains a concise definition of *insourcing*<sup>1</sup>, that is 'to begin performing in-house some activity that was formerly outsourced'. There is an equally brief definition of insourcing in the Business Dictionary<sup>2</sup>, it means 'delegating a job to someone within a company, as opposed to someone outside of the company (outsourcing).' A broader definition from the online Encyclopaedia<sup>3</sup> states that insourcing is the 'cessation by a company of contracting a business function and the commencement of performing it internally.' All definitions focus on the job assigned to someone within the company rather than someone from outside the company. It is worth considering what the reasons are.

One of the reasons for insourcing may refer to a project that has been outsourced previously will be now performed within the company. Because of the dissatisfaction, the company to reverse the decision made earlier to moving back insourcing is to assign the work to company employees to perform better. The decision to use insourcing may also arise from a desire to retain control over critical business processes or to integrate core competencies into the organisation. Another reason for insourcing might be security of employment and the avoidance of compulsory redundancies in the company by recruiting workers at risk of reduction to perform the tasks carried out so far by outsourcing. The activities carried out within the framework of insourcing can also be provided in paid form to external entities. Insourcing is also defined as transfer of productive activity and related jobs from abroad into the domestic economy (other term: *inshoring*). The reason is simply strategic with the aim to ensure control over the key business processes, reduction of taxes, reduction of unemployment or transportation costs, improving service quality and customer satisfaction, etc. Insourcing is considered to be a complex and costly method which should be implemented gradually and carefully. The choice of strategies (outsourcing or insourcing) should be preceded by, e.g. profitability analysis taking into account many factors, not just salary.

<sup>1</sup> [13], p. 546.

<sup>2</sup> <http://www.businessdictionary.com/definition/insourcing.html#ixzz2ggoHgBVr>

<sup>3</sup> Internet, Wikipedia, Category: insourcing.

It may occur that the best solution in a particular case is the choice of the third form, which includes both outsourcing and insourcing. The third way of doing business is named *co-sourcing* or *selective sourcing* and is defined by authors as ‘the sharing of a processor function between internal staff and an external provider’ in chapter 4 entitled *Strategic Sourcing for Successful Supply Chain Management* of part II of Ref. [13].

## 5 Insourcing as a new trend in many companies

Insourcing gains a higher acceptance in business. Factories, assembly plants and with them jobs start to come back mainly to America from China and other cheap labour countries. Some industry sectors again examining their position trying to assess whether outsourcing services are profitable. It is clear that one of the reasons for contracting out business process outside their country is the companies were tried to gain foot hold in the Chinese market. But when Thomas Mayor, a senior adviser of manufacturing strategy at Booz & Company<sup>4</sup> tried to find out what are the real savings, he received generally evasive answers, e.g. that the employees of the finance department were up for it but still no savings were found. Finally, John Higgins, CEO of Neutex producing low-voltage light bulbs, decided to carefully evaluate whether the production in China is really profitable. He considered all the factors that led him to move production to Asia. He took into account not only easy to count and obvious costs, such as production and transportation, but also other factors such as the ability to respond quickly to new circumstances, customer satisfaction, protection of patents, expensive but sometimes necessary travels, frequent ‘bickering’ with subcontractors and other that effect on the final result. Surprisingly, the game is not worth the candle. As a result, J. Higgins broke the contracts with subcontractors in China and despite the mixed feelings and distrust of shareholders moved the entire production to Houston in 2010. Since then he has created approximately 150 jobs and is happy with the decision. Encountered industrialists – among them competitors – were initially surprised by the decisions made by Higgins’ decision, but now they are trying to follow him [10].

Here are some examples of interest in insourcing:

- sales recruitment specialists Pareto (i.e. commercial mediation and economic consulting), based on the figures released for the final quarter of 2012, combine with preliminary numbers and projection for 2013 indicate a significant rise in uptake of the company’s insourcing services and the highest ever number of the organisational flexible recruitment solutions, which provide UK business leaders with additional sales people for the forthcoming year without the commitment to hiring long-term staff or adding to companies headcount<sup>5</sup>,
- American Federation of Government Employees (AFGE), tells lawmakers to end taxpayer subsidies to contractors, instead of that to take advantage of insourcing work to be performed by reliable and modestly paid federal employees<sup>6</sup>,
- the growing popularity of insourcing encouraged Apple Company to invest around 100 US million dollars in 2013 in domestic production. In some industries, however, can still be seen trend to overseas jobs, that is, to outsourcing<sup>7</sup>.

Deloitte [4] survey shows a growing trend of insourcing. A small but growing number of instances of companies bringing home the information technology work which in the past were carried out. Almost half, a full 48% of the respondents in the 2012 survey said that they had terminated an outsourcing contract before completion ‘for cause or convenience’. And among those who terminated the agreements midcourse, 34% chose to get the work done in-house. Deloitte said in his 2012 report that although insourcing is a small trend as compared to the global outsourcing juggernaut, given the maturity of the outsourcing industry, we are seeing more and more clients struggling with the question of whether an outsourcing deal that is not meeting expectations should be re-tendered or insourced. The survey involved 22 primary industries across 23 countries.

Most customers still prefer to fix broken deals by either renegotiations with the current contractor or re-tendering the work. Deloitte examines what is fuelling the change toward insourcing. The three main drivers

<sup>5</sup> Sales Recruitment Specialists Pareto Law Report Largest Ever Uptake of Flexible Recruitment Solutions in Company History - Yahoo! News (accessed 24 April 2013).

<sup>6</sup> AFGE Tells Lawmakers to End Taxpayer Subsidies to Contractors - Yahoo! News (accessed on 24 April 2013).

<sup>7</sup> The Highest Paying Jobs In 2013 - Yahoo! News Malaysia (accessed on 24 April 2013).

<sup>4</sup> Prestigious consulting firm, founded in the United States in 1914, offering management consulting.

are the perceived needs to improve customer service, to gain a greater control over functions that were previously outsourced, and to reduce costs. Although insourcing to reduce costs may seem counter-intuitive – given that most firms outsource in the first place to reduce expenses – companies were not always able to realise the cost benefit they expected from their outsourcing programs. If the economic gains are less than expected, then the organisation may decide to bring back some or all of the previously outsourced work to in-house. Still, insourcing can be quite a difficult challenge, even if the cause of such a change is convincing. One reason for that is the difficulty in hiring all the appropriate hands to the task requirements. The need to build internal capabilities for a job that has long been outsourced, and the potential for costs increases are also factors companies must evaluate. Deloitte emphasises that the first step to decide whether outsourcing arrangement should be insourced or re-tendered is a thorough business case based on accurate and full set of costs associated with the change.

## 6 Is the age of insourcing?

In recent years, there has been a change in the approach to the production of goods; it is noted that production in cheap labour countries does not always pay, so the companies began to re-create more jobs in their home countries. In particular, it is clearly visible in large U.S. companies. Decisions by large companies such as General Motors moving production back to home countries tend to ask a question whether the age of insourcing has already come.

Major changes in thinking about business followed with the development of the Internet. Historical and geographical social divisions are of the past. Today we are looking for people who have the Internet, no matter their place of residence. Since the birth of the Internet, we were told that the possibility of unlimited communication will foster the growth of small and agile organisations—microenterprises interconnected and using a network for contacts. Indeed, due to the Internet, economic activity between companies becomes cheaper and easier to carry out. Prospective entrepreneurs can raise funds, for example through *Kickstarter* (the world's largest funding platform for creative projects) or they may find mandatory contract work and contract workers via the Internet on *Eance* and *oDesk*, online staffing platforms. But the emergence of different types of technology and software for companies, advanced

measurement, analysis and forecasting tools brought a huge profit for Goliaths of American industry. Partially, because they maintain higher levels of business activity what increases transactional data that maybe used to develop more sophisticated credit lending models, to outsmart smaller competitors through the use of a larger number of consumer insights. In the past, a regional bank could have an advantage when lending to local companies on the basis of an intimate, thorough knowledge of the borrowers and communities. Nowadays, computer credit scoring models calibrated on the results of millions of earlier loans allow predicting better loan redemption than a man could do. But perhaps more important is the fact that the use of data will help to manage employees making these giant corporations much more efficient. Technologies facilitate the coordination of activities of employees and monitoring in real-time. As a result, managers receive up-to-date relevant information about assigned work to employed staff.

Economists George Baker and Thomas Hubbard research interests focused on the transport companies in 2004. They looked at the way of making decision whether to hire the company's truck drivers or to employ independent drivers with their own equipment and facilities. As a result, the transport company started to hire its own employees, and the reason – as it turned out – was the spread of GPS technology and monitoring. Before electronic surveillance, the companies considered it more sensible to make agreements with the owner-drivers relying on their incentives to complete the route and run their own vehicles well. At present, the employees can be supervised to a much greater extent by the use of monitoring systems than the contractors from outside the company. The technology itself can cause all employees will work more efficiently providing through real-time networks necessary information. That kind of activity is a little bit treacherous toward employees and resembles a little bit Big Brother attitude.

A group of economists from Stanford University conducted a scientific test on telecommuting at China's largest online travel agency. The researchers concluded that the experiment was so successful because the activities of workers could be easily followed minute by minute even from a far distance through the proprietary software used by the call-centre workers in the office. The researchers also found that the telecommuters were performing better but were neither happier nor



the likelihood of their dismissal was not smaller than their workmates working in the corporate boxes. The ability to coordinate and monitor more easily and at low cost events and scandals within the firms had wide repercussions. Many predicted that a better flow of information will allow the decentralisation of power, while there was more consolidation of power among executives. Professor Julie Wulf of Harvard Business School has documented the ‘flattening’ of business in the United States over the past 25 years resulted in fewer levels of management between top level and lower level management. But this is not because the decisions were pushed into lower-level managers. Simply, nowadays top-level managers are ‘closer to the business’ through communication technologies.

Reliable intuition of Nobel laureate in economics, Ronald Coase, has led to the conclusion that ‘as the companies grow larger; the cost of labour at home can get out of control’ [8]. But the emergence of new technologies has forced to a re-verification of the theory. Despite all the predictions that it would be different, it turned out that large organisation and not agile micro-enterprises benefit most from the 21st century technology.

An interest to bring jobs back home concerns most of the mega companies, such as General Motors, which in summer 2012 took the initiative to transfer 90% of their information-technology based jobs to conduct in-house. The decision was noteworthy because GM has contributed in this way to the job creation in the United States at a time when the country’s economic recovery was still anaemic and unemployment level high. General Motors is also planning to create their own payroll, limiting the transfer of work to subcontractors. Another giant who stood at the forefront of this revolution is General Electric. Complex GE in Louisville, Kentucky, is the sixth huge production buildings, each size of a large shopping centre. Plants were well-equipped, not only in production tools but also had its own power station, fire department, long parking lot with traffic lights to facilitate movement when employees arrive for shifts. GE continued to grow, employment grew up to 23 thousand people in 1973 [10]. But then came worse times for American workers. The number of employees was less than 2,000 people in 2011. Few years ago, the sale of some objects as relics of the past. But to everyone’s surprise there has been a complete change of course in 2012. The company said that outsourcing as a business is

thing of the past and started manufacturing in its old buildings, dormant for several years, which are previously manufactured in China and Mexico. The recovery of these places cost approximately 800 million US dollars but the directors believe that the spot can earn more, so it is worth to spend such a huge amount. The reasons why the factories were returned to home countries may vary. Certainly it is not about the manifestation of economic patriotism. It is true, for example, a label ‘Made in USA; is of great importance for Americans but not as much as to overpay for products manufactured in the country. Many businesses operating in China worry about quality issues in manufacturing their products over there and are moving back from China. Others, producing technologically advanced products, claimed the patent protection. Farouk Company might be a good example producing modern hair dryers. To protect against unfair competitors they moved the entire production from China, South Africa and Korea to Houston (Texas).

Raymond Vernon, an economist at Harvard University, has developed in the 1960s the product life cycle theory which worked well for the last 20 years in our consumer world. He believed that the United States will have an advantage over other countries because as a wealthy and technologically advanced country they will be able to produce constantly new high-quality products. To ensure the most effective work, everyone involved in the creation of new products from the engineers, marketers to the workers should work closely together in order to improve quickly projects and to streamline the production process if needed. They should also maintain contacts with consumers, because it allows a quick response to their needs and requirements. Vernon noted that when the market is growing and the product becomes standard; its production is spreading to other countries and raises the competition. A further step is to shift production from wealthy countries to those with low wages. When the manufacturing method is no longer a secret when manufactured elsewhere, for example in China or Korea, because in a competitive environment it is essential to cut costs. It was estimated that even in 2000 an average wage of an American worker was enough to employ 20 or even 30 Chinese workers. The world is rushing faster and faster, we are dealing with a high rate of development of Information and Communication Technologies (ICT) and increasing trade liberalisation. These factors meant that many companies moved straight to the last phase of the Vernon cycle, designing

and marketing in the home country, but often the product goes into full production to a very remote corner of the world. This way of globalised production affected alarmingly diminished jobs in factories in the first decade of this century. It seemed that nothing could stop the process, but recent decisions made by giants such as GM, GE and many other companies may give rise to optimism, at least to the American people. The aforementioned GE, still in the end of the first decade of this century, has designed innovative 'filled' with electronic devices and because of savings moved their production to other countries. This, however, carried the risk of copying their modern technologies, for example by the Chinese. Therefore, it was decided to estimate taking into account current trends in the global economy, whether it brings profit to use outsourcing. Various factors were taken into account. The replacement of a coal by shale gas on a large scale significantly reduced the cost of power consuming factories in the United States. It was also noted that oil prices are on average three times higher than in 2000, which significantly increases the cost of ocean transport. The increase of wages in countries where the production was located leads to lower profits. Wage levels in China has increased five-fold since 2000 and it is estimated that it will continue to grow by about 18% per year. The productivity in the United States grows that labour costs are still the declining proportion of full manufacturing costs. Because of the global crisis, the unions at General Electric have agreed to a two-tier wage structure and currently 70% of employees receive nearly 8 dollars per hour less than in 2005 [10]. These factors taken into account in the GE calculations are fairly universal and most can be used by other companies, especially American ones. There are other reasons why to turn to insourcing services. For example GE board of directors complained about the lack of any communication with the people working on assembly lines in China. Therefore, they returned to the Vernon theory and hire a team of people working closely together from designers, marketers to the workers. Because everyone could watch the whole process of development and production, it raised some ideas to improve the work and as a result it led to a drastic reduction in time for equipment installation from 10 h in China to 2 h in Louisville. As an example, insourcing is profitable, may be GeoSpring water heater, GE's innovative product, whose production was moved from China which brought a decrease of material costs

and work amount, and increased quality. Even its energy efficiency was improved. As a result, the company reduced the GeoSpring price by almost 20%. There was also a significant reduction in delivery time. So far, the delivery from the factory to stores took up to 5 weeks. Currently, the device goes from factories to the warehouse at the back of the plant where might be taken straight to the shops. This example may serves as a model for other companies those believe that the design phase is the most important factor enabling them to hire a cheap factory anywhere – if only of validated quality – and then the language which workers speak does not matter. It is worth noting that technological development over the years amplifies the quality of products and if the sole purpose is the pursuit of the reduction of labour costs, it will create a gap between the designers of new equipment and the workers who make them. The enthusiasm for cheaper production can also easily overlook a gradual loss of their skills, gradual homogenisation of products, decline in the quality and lack of innovation. Harry Moser, founder of the Reshoring Initiative, assisting companies to more accurately assess their total cost of off shoring believes that 60% of businesses that use foreign factories has wrongly calculated costs. They looked at the rates of the workers and forgot about the hidden costs. Moser estimates that one quarter of what is produced outside the United States can be produced more profitably in the country. In general, it is assumed that production will go smoothly. Meanwhile, there are many obstacles: the goods may be damaged in the containers or does not meet the standards, or their shortage will slow down a quick realisation of a lucrative contract to avoid falling asleep behind the competition. Then the solution is to hire airlift to quickly deliver the goods, but in this situation it is difficult to talk about savings. Nevertheless, such action shall be taken not to lose the customer. The GE and GM example is followed by other companies bringing production back to the country. Otis elevators production comes to South Carolina, Whirlpool will produce blenders in Ohio, Wham-O moved out from China and is going to make a Frisbee in California. This could mean the beginning of industrial production renaissance. The aforementioned Lou Lenz from GE also draws attention to the decreasing length of the product life cycle, giving the example of refrigerators, which, until recently, the new model could keep the market up to 7 years and now at most 3 years.

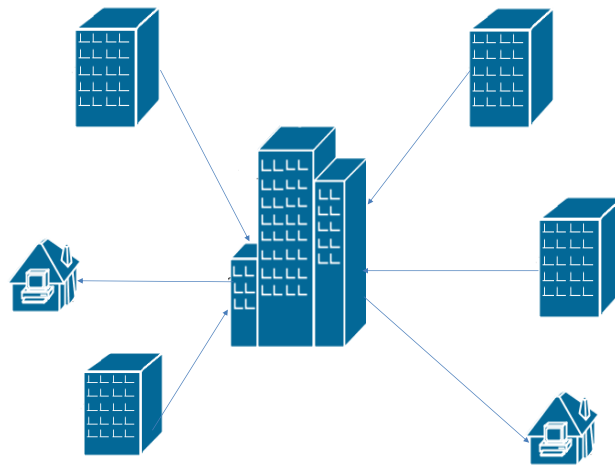


Figure 2. Insourcing of partial outsourcing  
(source: own elaboration)

This new phenomenon of acceleration production cycles is an additional reason for placing the plant in the home country, as it gives a competitive advantage. It is possible to mention more factors for insourcing.

Today, even in production of everyday objects are used high and latest technologies and this increases the attractiveness of locating plants in the country, as manufacturers have more patents to protect and workers with higher qualifications from developed countries than their Chinese counterparts. Short time between successive generations of the product enforces good communication and cooperation between different categories of employees from designers to workers. GE managers declare that factory should be a sort of laboratory in which research and development at the time of production can be worth a lot more than the savings on the cheap day's work in a rented assembly plant somewhere. The GE Appliance Park has seen big changes; during 2012 the number of employees in production has nearly doubled compared to the previous year. The company employed a few hundred designers and engineers. The company predicts that 75% of revenue from household appliances by the end of 2014 will deliver US-made products. It is estimated that the recovery in the property market will result in sales increase of such products. However, the initiated economic recovery process is not merely turning away of the existing trend of moving production abroad. Managers are making it cautiously because certain outsourcing situations are still advantageous for both sides. If the company uses, e.g. the sewing production on a massive scale somewhere in Bangladesh, it is not

necessary to employ eminent specialists for this job and the production might be performed there. This situation illustrates Figure 2, where the smallest buildings symbolise the simple works not requiring special skills.

It is worth noting that the advantage of automation improves productivity and the rate of employment in the industry in comparison with the peak level of the 1960s and 1970s is never to come back. Insourcing does not solve all problems, but it will simplify transportation, enable transparency in cost management and allows more efficient movement in a competitive market.

## 7 Full participation in management

If a company is located in the home country the most important requirement should be the improvement in the process of management system. Workers participation in all spheres of work management increases labour efficiency. In conventional management the decision making is the domain of managers, but it would be better to expand it on competent workers. Identifying employee competencies can contribute to improved organisational performance. It turns out that the secret to business success of many companies necessarily depends on the latest technologies which use mainly IT companies, like Microsoft or Google. Success can also be achieved if more attention will be paid not to products but to the people who make them. This philosophy is applied primarily in private enterprises, companies with employee share ownership and *non-profit* organisations. The success of such

an approach in management is achieved due to the high involvement of employees in organisation activity as if the company was owned by each of them. In such organisations, employees participate in the management and company's financial results. This in turn makes the staff very strongly identified with the organisation and become extremely innovative. This phenomenon is called Open-Book Management (OBM) or culture of ownership. Jack Stack and Bo Burlingham in the book devoted to the process of introducing management based on transparency [11] provide examples of highly successful companies in the world, in which the ownership of culture emerged. Southwest Airlines – low cost airline – is a conspicuous example of staff retrenchment which did not have to cut jobs after the terrorist attacks on the World Trade Center September 11, 2001. Pioneers of the new approach might be found in almost every industry: *Whole Food Market* – a network of organic shops, *Herman Miller* furniture industry, or *Harley-Davidson* in the automotive world. The secret is the use of culture of ownership in these companies which allows them to reach the most untapped resources in traditional business, namely enthusiasm, intelligence and creativity of working people everywhere and at every position. Building a culture of ownership is primarily promoted by Jack Stack, long-time president of *SRC Holdings Corporation*, where he had the opportunity to put into practice a new approach to the management of the company. This has brought tangible results, the company initially employed 119 workers involved in the regeneration of diesel engines, and today *SRC Holdings Corporation* employs more than 1,200 people in nearly 20 companies. Lasting success, however, requires constant innovations. Stack noted that the process of building a culture of ownership is not just paying bonuses or the establishment of employee share purchase options. In the successful culture of ownership, each employee must have seen the fate of the company as if he were the only owner. Achieving this level of involvement was extremely difficult, but Stack realised that the reward will be huge – a company will be able to consistently stay ahead of the market. Stack draws from his own successes and failures in the *SRC* to show how any company can teach its employees to think and act like owners, how to implement an effective program for the exchange of capital and promote continuous learning at every level of the organisation, how to encourage employees to seek competitive solutions, how to extend the concept of leadership and delegate responsibility

for operations and how to build a workforce that will be promptly ready to use every possible opportunity. Jack Stack, pioneer of *Open-Book Management*, who is also the founder of the consulting firm *The Great Game of Business* and author of the best-selling book of the same name lays out an entirely different way of running a company, a revolutionary approach to management. He introduces to the managers and executives – both large and small companies, a new way of running a business that created unprecedented profit and employee engagement. Participation in management may be partial or total. The concept of full participation has long been known – it was introduced by Graham and Titus [2] already in the 1970s. The policy of full participation in management is closely characterised by R. Stocki, P. Prokopovich and G. Zmudain and their book dedicated to this issue [12]. They explain that ‘the uniqueness of the approach of Total Participation Management (TPM) is based on the fact that participation in it is not seen as an option, but as a definitional feature of man, and therefore includes not only managers, but all, without exception, employees’. And further: ‘(...) managers who apply the full participation differ from others in their individual assumptions about other people. These seemingly simple assumptions have major implications for business.’ [12, p. 25].

In my opinion, this new face of business has a chance of success, if the selected team of employees will feel a bond with the workplace, will be not treated objectively, and regardless to the occupied position in the organisation will be treated as partners, not mere mercenaries. Such an approach encourages employees to discuss and seek new and better solutions. The worst is when under the employee guise of submission and obedience hides hatred and contempt for managers. This can lead to large rotations and achieving bad results in the company.

## 8 Industrial renaissance and ecology

The world needs more and more energy. Experts estimate that by 2035 the consumption might increase by one-third, mostly in developing countries such as India and China. Fortunately, at least for the United States, technological progress is opening up new possibilities to extract unconventional fossil fuels and light tight oil. Poland also hopes for the extraction of shale gas in the country which will allow reducing its dependence on imported gas from Russia. The International Energy Agency (IEA) predicts that by the end

of the decade the United States will be the largest producer of oil, and by 2030 it will become the exporter<sup>8</sup>, and this may contribute to the recovery the U.S. economy. Unfortunately, there are also disadvantages, namely environmental problems. Bigger extraction of fossil fuels will lead to increase in greenhouse gas emissions (although not as big as coal combustion). Abundance of fuels will cause a reluctance to seek and develop alternative energy sources. As a result the stopping of greenhouse effect becomes less and less realistic. Shale gas extraction could also cause earthquakes. Scientists suspect that hydraulic fracturing fluid injected deep into the ground at a high pressure is a catalyst for releasing inherent stresses within the tectonic system and facilitates the mass movement of rock. It was found that in the first decade of the 21st century, the observed seismic events at the fracking locations in the United States has increased even ten-fold. Most of the quakes are too small to feel but there are also larger earthquakes that damage homes. There is evidence that another danger comes from the industrial wastewater being pumped to facilitate the underground fracturing process that releases natural gas. Locals complain that the ground water they drinking is contaminated with either gas or chemicals. These facts clearly show that the coal-to-gas switching causes the reduction of green house carbon dioxide emissions but results in other considerable risks.

In Poland we have only 51 exploration wells and the process of further exploration of shale gas may be postponed by a recent decision of the European Parliament. On 9 October 2013 the European Parliament adopted (by a narrow majority: 332 votes in favour, 311 against and 14 abstentions)<sup>9</sup> stringent environmental regulations for shale gas. These regulations have a request for a mandatory environmental impact assessment to be observed adequately: already at the initial stage of gas exploration, and not – as now – only at the stage of exploitation. In fact, it remains to be seen whether the European Parliament's request will be accepted by the Council of the European Union in the further proceedings but the controversies are huge.

Some countries, Poland and the United Kingdom, opposed restrictions believing that the exiting applicable environmental regulations are sufficient. The modification proposal of the European Parliament would result

in unnecessary prolongation of work and necessary increase in shale drilling expenditures which may result in disinterest of potential investors. Poland has high expectations for the extraction of shale gas on a large scale and this restrictive directive is particularly painful for us.

## 9 Doing business in Poland

There is a great diversity of conducting business activities in Poland. We have businessmen, mainly top ranked by the Polish edition of Forbes magazine who invest in Poland as well as in abroad. To reduce production costs they often choose countries in Eastern Europe. For example, Leszek Czarnecki (ranked #4 on the Forbes 2013 List) is a businessman from Wrocław, main shareholder and/or co-founder of several financial companies in Poland but also in the countries of former Soviet Union. He is associated primarily with banks: Getin Noble Bank, Idea Bank, Idea Bank Ukraine, Sombel bank (Belarus), Idea Bank (Russia), but also including insurance, leasing, brokerage, real estate (LC Corp.) and other financial companies, for example, MW Trade. Many of these companies operate in Poland, providing employment for our citizens.

Another businessman interested in Eastern Europe is Jerzy Starak, ranked #6 on the Forbes 2013 List (year before ranked #5). There are two industries in the range of his interests: pharmacy and food industry. Polpharma is a core of the pharmaceutical empire of Jerzy Starak, the largest producer of medicines in Poland and a key competitor in Russian and Kazakh market.

Polish symbol of success in the automotive industry are Solange and Krzysztof Olszewski (ranked #18/19 on the Forbes 2013 List), the founders and owners of Solaris Bus & Coach, a major European manufacturer of bus, trolley bus and tram manufacturer based in Bolechowo near Poznań. Vehicles produced here are exported to 26 countries.

It is also worth noting that the success of Bogusław Cupiał ranked #9 on the Forbes 2013 List – the founder and owner of Tele-Fonika (plant in Myślenice), the third wire and cable manufacturer in Europe.

It should be mentioned that there are many other businessmen investing primarily in Eastern Europe, for example, Marek Piechocki (ranked #13/14 on the Forbes List), involved in the clothing industry, associated with such companies as House or Reserved. Until now there are over 97 stores outside Poland with a total

<sup>8</sup> *Nowy szok naftowy*. Polityka, No. 47, 2012, p. 7.

<sup>9</sup> *Wiercenia w łupkach pójdą wolniej*. Rzeczpospolita, 10 October 2013, p. B2.

shopping area of 90,000 m<sup>2</sup>. The reserved brand was also launched in Lithuania, Latvia, Ukraine, Russia, Czech Republic, Slovakia, Romania, Bulgaria and Hungary.

The best abilities to operate in an international context must be ascribed to Jan Kulczyk who is specializing in international investments, according to Forbes Magazine, he is the richest citizen of Poland. The investor, entrepreneur, owner of Kulczyk Holding and Kulczyk Investments, operates on four continents: Europe, Asia, South America and Africa. 70% of its assets are invested outside Poland. It encourages others to invest particularly in Africa and believes that this is a chance for Polish sectors, like mining or energy, although this is not an easy area to do business. He is involved in four strategic sectors: mineral resources, energy, infrastructure and real estate. He also has stakes in London Stock Exchange listed oil and gas exploration company Ophir Energy, with a predominantly African portfolio. Kulczyk Investments is seen among the best-known and top-rated commodity trading companies in the world. As an international investment house, Kulczyk Investments has invested in a wide range of sectors and industries establishing new enterprises.

At the other extreme are Polish small businesses, which often cannot cope with foreign competition and declare bankruptcy. This is clearly an example of the food industry. The omnipresence of foreign supermarkets selling products for lower prices often eliminates small Polish retailers. At the same time a call for repolonisation of Polish economy becomes more fashionable. Such a policy does not allow foreign investors to take over Polish companies (sometimes hostile takeover). A classic case is Grupa Azoty when the State action and pro-Polish attitude of the other shareholders were unwilling to agree to a takeover of the company by a Russian investor. Another example is the Bogdanka coal mine supposed to take over by the Czech investor NWR, however, the State Treasury in cooperation with the OFE funds controlled the purchase and sale of Bogdanka controlling interest, prevented the acquisition of the mine.

At the beginning of this section, examples presented show how many of Polish entrepreneurs is seeking to invest abroad. We might ask a question whether foreign businessmen are interested in investing in Poland. We always hear complaints about the complex and lengthy procedures discouraging potential investors. Maybe not a very big interest in our country stems

from insourcing. A good example would be the production of Italian cars in Poland, which has more than 90 year's history. Fiat automobiles have been made in Poland since 1921 by a newly created Polish-Italian company Polski Fiat. Ten years later they started the production of the first Polish car branded as the 508 Balilla, and then Fiat 518 Ardita, trucks 618 and 621 and the Fiat 500 and 1500 Topolino in 1937. The outbreak of World War II and later the Cold War interrupted connections of the Polish automobile industry with Fiat for many years. Turning point in the history of Fiat in Poland was May 28, 1992, when a contract was signed for the formation of the Fiat Auto Poland located in Bielsko-Biala. The company continued the production of the brand Polski Fiat 126p. All Fiats of the last limited *Happy End* series were yellow and the last one left the factory on 22 September 2000 with the unit number 3 318 674. Since then the factory in Tychy started producing Cinquecento, Uno (1994), Siena and Palio Weekend (1997), Seicento (1998), Panda (2003), and a new Fiat 500 (2007) models to expand later the range of vehicles manufactured in Poland by a new Lancia Ypsilon (2011). Currently, Fiat Auto Poland is the largest manufacturer (6 million cars from the beginning, including production of the FSM – more than 9 million produced) and a leading exporter in Poland (more than 4 million cars). Fiat Panda had been the most popular model of the factory in Tychy, the largest factory of Fiat in Europe in 2009 and second in the world after the Brazilian factory in Betim. In spite of this fact the company has decided to end production and moved to the factory in Pomigliano d'Arco near Naples in exchange for manufactured Lancia Ypsilon model so far in Termini Imerese, Sicily. In mid-2011, the Tychy plant started production of the Lancia Ypsilon II. In December 2012, the plant informed of the necessity of workforce reduction of about 1,500 employees, curtailment of production, and the end of Panda model production [6]. Italy was severely hit by the global economic crisis which confronted it with supporting big firms. Like many American companies, the Italians preferred to employ their countrymen. Unfortunately, the reduction of workforce had deep impact on our employees.

## 10 Polish approach to reindustrialisation

Experts believe that we are in the initial phase of reindustrialisation, but in countries such as the United States comply with the requirements of industrial de-

velopment at home. Harold L. Sirkin of the Boston Consulting Group found out that in the coming years jobs are expected to rise from 700 thousand to 1.3 million in the United States industry and added 10 million jobs by the end of the decade. As many as 48% heads of companies with revenues exceeding 10 billion US dollars are considering moving some production back to the United States [10].

The U.S. economy is competitive for many reasons. For example, the labour productivity is higher than in the EU, which permits cheaper production. The massive exploitation of shale gas in the United States reduces energy costs. The Americans – women and men – agree to work up to age 66 and a short annual leave. It seems that it is easier to develop a new industry there.

The question is how other countries and Poland will cope with the changing situation in the world and in the face of economic expansion of China. The transatlantic Free Trade Zone may offer hope to the negotiations between the European Union and the United States. A free-trade agreement with the United States is economically and geopolitically crucial to the EU. It should be borne in mind that each country primarily is guarding their interests and Poland must take it into account. Poland should acquire investments that would introduce our country into a European network of manufacturers. So far, our export is not impressive to the United States, stood only at 3.7 billion US dollars, but we should advertise our food products which are enjoying growing popularity among international consumers.

Is it possible to affirm that Poland meets all the requirements for industrial development? The situation is not encouraging, since there has been a sharp increase in bankruptcies in the recent years. The vast majority of the closed plants are small and medium-sized companies what is not surprising if we take into account the structure of our industry.

Even worse, the upward tendency in closing businesses could be observed in the first half of 2013. Export Credit Insurance Corporation (KUKI) reported that only in June 2013, 85 companies declared bankruptcy, by 41.7% more than in May of this year and by 25% more than in June 2012. According to KUKI's forecasts throughout 2013 the number of bankrupt companies might have exceeded 1,150, the rate of closed businesses rose 31.9% more than in 2012<sup>10</sup>. Fortunately,

ly, the dynamics of the bankruptcy falls – according to new estimates 960 operators is to declare bankruptcy this year<sup>11</sup>. The construction industry reported the greatest intensity of bankruptcy. The entrepreneurs' hopes of improvement are raised in EU funds for the 2014–2020 period and in the Apartment for Young Program.

Central Statistical Office (*Główny Urząd Statystyczny - GUS*) studies show that the busiest people in Poland are private entrepreneurs. Often, they are afraid that if even they take a short lease something might happen in a company. It is worth to keep in mind that we do not have such a long tradition of running our own businesses such as residents of the United States. People who are descendants of entrepreneurs do not have so many fears, are more likely to invest in new ideas, and are not afraid to take risks. With the support of the family learn how to negotiate, execute and manage business expectations. It is more difficult to those who are businessmen in the first generation and those there are probably more. They had better to gain experiences working for another company. If the company owner happens to be a gracious mentor who supports and introduces the ins and outs of the business, you will think about starting your own business.

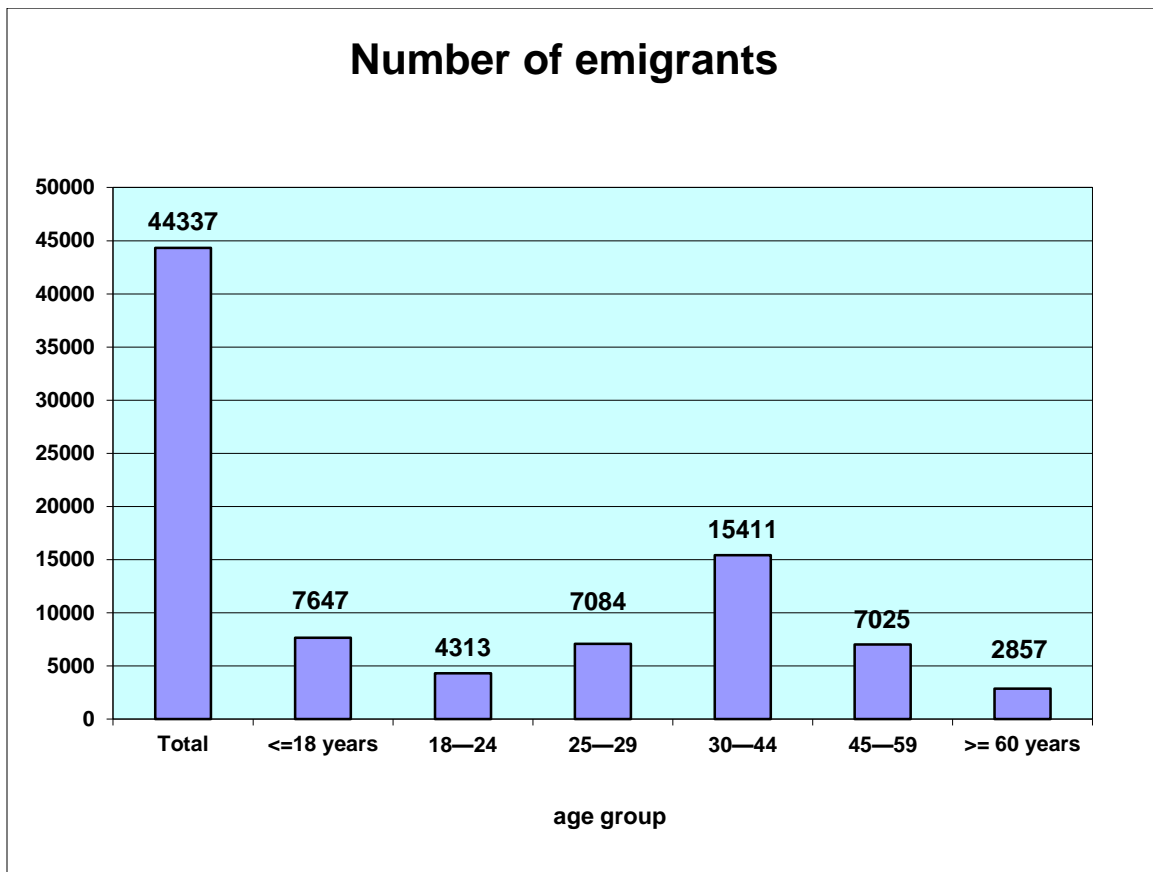
Shutdown results in high unemployment in Poland at the level of several percent and migration abroad. Central Statistical Office data collected during the National Census in 2011 show that nearly 2.02 million of Poles stayed abroad for at least 3 months. Mostly young people, better educated and speaking foreign languages go abroad. Data show that 19.0% of immigrants were aged 25–29, compared with a rate of 17.0% aged 30–34. Older people are more afraid taking risks associated with leaving their home country. Of the immigrant group aged over 55, was only 9.0%. Sixty-five percent of all immigrants were city-born residents. In terms of gender, it was found that a little more women than men immigrated, mostly to the UK<sup>12</sup>.

According to Central Statistical Office the largest group of Poles who have migrated for 1 year or more in 2011, were rather young people aged 30–44 (see Graph 1).

<sup>10</sup> *Gospodarka. Rzeczpospolita*, 9 July 2013, p. B4.

<sup>11</sup> *Upadnie mniej firm niż przewidywano*. *Puls Biznesu*, 9 October 2013, p. 11.

<sup>12</sup> *Dwa miliony Polaków na emigracji*. *Metro*, 12 June 2013, p. 4.



Graph 1. Emigration from Poland for permanent stay by age, 12 months or more, 2011  
(source: own study based on CSO data [7])

In total, in the age category 25–44, the number of emigrants is more than half of the total number of emigrants recorded in 2011. The smallest group of emigrants is older people, aged over 60. It is worth noting that in 2011 was recorded generally more immigrants than emigrants in our country. The prevailing groups of immigrants were men. In the group of women the number of emigrants exceeds the number of immigrant women (see Graph 2). The total migration balance is in favour of immigrants, so it may be assumed that Poland is perceived outside positively.

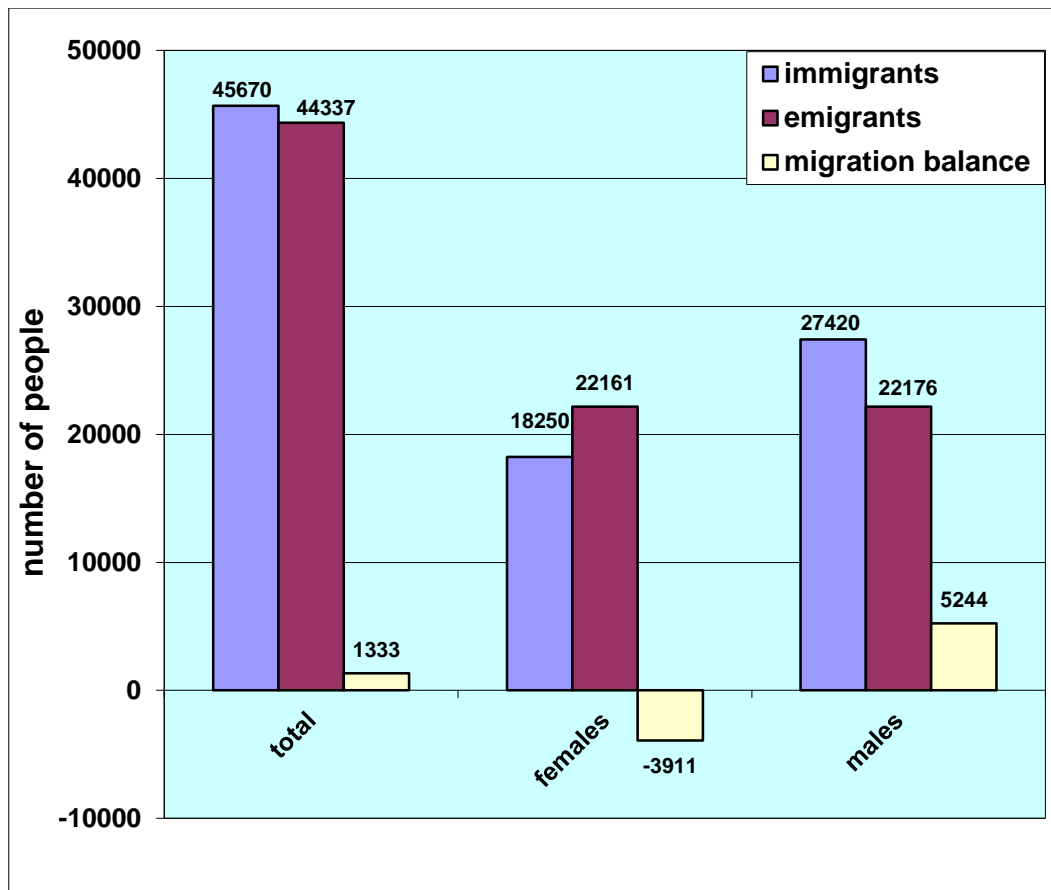
Such a positive image of our country has been pictured by Ruchir Sharma in his book<sup>13</sup>, head of the developing countries at JP Morgan, a global financial empire with assets of two and a half trillion dollars. Ruchir Sharma notes that Poland had better rates during the crisis than other countries of the region because it has not adopted the Euro; more efficient use of European Union subsidies than, e.g. in Romania, and a large internal market which allows overcoming the effects of the global

slowdown. According to the author, pragmatic Poland is located in the most promising region of Europe and together with the Czech Republic creates a ‘sweet spot’, the promised land of our part of the world [5].

It is very encouraging the our image abroad is considered positively, while here in Poland we have to cope with the long-lasting 10.0% unemployment rate caused by the closing of many companies, which in turn results in large-scale emigration of mostly young people. Ministry of Labour reported on October 7, 2013, that more than 2 million people are still unemployed (2,082). Unemployment rate at the end of September as in August 2013 was 13.0%. At the same time we faced an alarming low birth rate leading to the depopulation of the country. These facts do not offer too many reasons for great optimism when it comes to the development of business at home. Young people struggling to find a fair paid job, led the government to seek solutions to solve this problem. Package of changes in the amendment of Act employment were offered.

<sup>13</sup> Sharma R. Breakout Nations/PAP/ITAR-TASS/Shemetov Maxim /*Jak cię widzę, tak cię piszę.*





Graph 2. Net migration for permanent stay by gender, twelve months or more, 2011  
(source: own study based on CSO data [7])

The proposals include: more than 70 thousand zloty loans to start a business, the exemption of companies employing young people with contributions to the Labour Fund, financing of examinations and training loans. The future will tell whether this will contribute to the repolonisation of economy.

Potential businessmen, despite incentives from the government, are cautious when making decisions about their own businesses. The emergence of many new companies in Poland probably would lead some immigrants who have migrated for business purposes, to return to the country, but the future entrepreneurs have to calculate well, if they will find buyers for their goods or services. And this is the era of the global crisis and it is not easy. Therefore, any initiatives of our businesses that have an effect on a large scale export of our goods are very enjoyable. We can have an example of an Ursus company, based in Lublin, which signed at the end of September 2013 a contract with the Ethiopian holding company for the supply of three thousand tractors. At the same time Ursus is trying to improve their products in order to win the competition; at the

beginning of October 2013, the company presented its youngest child – a tractor with engine power: 150 hp.

The above arguments lead to the conclusion that it would be premature notion that insourcing is an opportunity for reindustrialisation in Poland. Nevertheless, the thinking should go ahead to monitor and learn from the experiences of entrepreneurs in other countries where insourcing is already used. However, in near future, the hope for the revival of the economy is placed in the interest of foreign companies investing in Poland. Poland has a chance (it was confirmed also by Janusz Piechociński, deputy prime minister and minister of economy, in an interview with TV channel Polsat News on 4 October 2013) for two automotive mega-investments: General Motors engine plant of 1.5 billion dollars and Michelin tires of 390 million. It follows the GM's policy which do not give up entirely on outsourcing services although focuses largely on sourcing recently. GM plant producing diesel engines will be built in Tychy and provide employment for approximately 200 people. This is a very important factor for Tychy because the Polish branch of Fiat,

which has its assembly plant there, fired more than 1,400 people at the beginning of 2013.

The second major investment is located in Olsztyn. The company name is not mentioned in the ministerial agreement documents (either by Janusz Piechociński in the aforementioned interview) but it will probably be the Michelin company, which has already invested 500 million Euro in a tire factory in Olsztyn. Here, the company intends to spend 390 million Euro more and employ 51 people<sup>14</sup>.

At the beginning of October 2013 good news reached Poland, this time about Amazon.com planned to invest in Poland. Amazon.com is an American international company with headquarters in Seattle, United States. It is the world's largest online retailer and one of the pioneers of this business. Amazon.com started as an online bookstore, but soon diversified, and is now one of the largest online trading companies. Tim Collins, director of Amazon's European operations, announced that Amazon company tends to open three distribution centres by 2015 in Poland and in three consecutive years will create 6000 permanent jobs and 9000 seasonal jobs. The company is going to move the distribution of their goods from Germany and will operate from Poland catering also for customers in Western Europe. German workers demanded a wage increase, so the Americans might expect that our employees will not have big requirements. Although, we benefit from 6000, the workers should not be exploited, and recommended strict control agreements would be the part of works of the Ministry of Work and Social Policy.

## 11 Summary

In my view, the competitiveness of companies can provide the selection of the 'golden mean', i.e. the use of co-sourcing strategy. The entrepreneurs could gradually introduce insourcing but leaving some outsourcing services. This proposal relates primarily to large companies that previously applied outsourcing but many other businessmen who have not applied outsourcing or co-sourcing yet could also count on higher profits and contribute to the development of their own country. This solution can for instance be attractive to companies that are in transition due to a merger or acquisition.

<sup>14</sup> <http://biznes.gazetaprawna.pl/artykuly/724223,fabryka-general-motors-w-polsce-amerykanie-moga-zainwestowac-1-5-mld-zlotych.html>, 'Fabryka General Motors w Polsce? Amerykanie mogą zainwestować 1,5 mld złotych' (accessed 8.08.2013).

Of course, this should be carefully calculated taking into account different aspects depending on the nature of business and not only economic factors. Cheap labour in Asian countries is still tempting, so a form of outsourcing can be used directly in production, such as the massively simple work in sewing rooms. Entrepreneur will be benefited with lower costs of production and will provide a source of income.

In contrast, a more strategic activity, the companies should keep to themselves. Work requiring the involvement of technical ideas and innovations as well as the integration of employees to feel responsible for the whole company require insourcing services. In this way the company will be able to retain control over the most important parts of a product or service, which is of great importance for its strategy. It is worth noting that insourcing can bring benefit not only to the company but also to the country because the hiring of their employees contributes to the reduction of unemployment in the home country. In addition, this is a contribution to the reindustrialisation.

Co-sourcing provides companies with the flexibility to decide in which areas you want to use outsourcing or insourcing and where, when and for how long.

On a global scale, taking into account the fact that the organisational revolution of the world is headed by giants such as General Motors and General Electric – flagships of the U.S. economy, it can be assumed that other companies will benefit from their experience and give rise to the great wave of reindustrialisation. The only question is whether it will mean the end of the global crisis. The return of factories to home countries is probably not enough to resolve the crisis in the labour market, but the use of modern management, based on the full participation of employees may contribute to the development of the economy and assist in the recovery of lost opportunities in previous years.

## 12 Bibliography

- [1] Chudzicka J. - *Informatyka w świecie globalnym – szanse i zagrożenia*. Informatyka w globalnym świecie (ed. J. Kisielnicki), Warszawa: PJWSTK, 2006, pp. 174-183.
- [2] Graham B.S., Titus P.S. - *The Amazing Oversight: Total Participation for Productivity*. New York: Amacom, 1979.
- [3] Lisa Smith, <http://www.investopedia.com/articles/07/globalization.asp> (accessed on 25.04 2013).

- [4] Internet,  
<http://blogs.marketwatch.com/thetell/2013/03/25/insourcing-trend-gaining-favor-deloitte-survey-shows/>, "Insourcing trend gaining favor, Deloitte survey shows" (accessed on 25.03.2013).
- [5] <http://fakty.interia.pl/news-polska-jest-paskudna-ale-to-ziemia-obiecana-wrozba-sukcesu-z,nId,983478> (accessed on 17.06.2013), Tytuł: Polska jest paskudna, ale to "ziemia obiecana". Wróżba sukcesu z "JP Morgan".
- [6] Internet,  
[http://pl.wikipedia.org/wiki/Fiat\\_Auto\\_Poland](http://pl.wikipedia.org/wiki/Fiat_Auto_Poland).
- [7] Internet,  
[http://www.stat.gov.pl/cps/rde/xbcr/gus/RS\\_rocznik\\_statystyczny\\_rp\\_2012.pdf](http://www.stat.gov.pl/cps/rde/xbcr/gus/RS_rocznik_statystyczny_rp_2012.pdf), p. 207.
- [8] Internet,  
<http://www.wired.com/wiredenterprise/2013/01/essay-insourcing/>, by Ray Fisman and Tim Sullivan (accessed on 01.04.2013).
- [9] Nasierowski W., Arcelus F. - *What is Innovativeness: Literature Review*. Foundations of Management – International Journal, Vol. 4 No. 1, 2012, pp. 63-74.
- [10] NatachaTatu - *Nasze kochane fabryki*, Forum, No. 4, 2013, pp. 16-19. Based on Le Nouvel Observateur and The Atlantic, 2012.
- [11] Stack J., Burlingham B. - *A Stake in the Outcome: Building a Culture of Ownership for the Long-Term Success of Your Business*. New York: Crown Business, 2003.
- [12] Stocki R., Prokopowicz P., Żmuda G. - *Pełna partycypacja w zarządzaniu: tajemnica sukcesu największych eksperymentów menedżerskich świata*. Oficyna a Wolters Kluwer business, 2<sup>nd</sup> edition, Warszawa 2012.
- [13] Wisner Joel D., Tan Keah-Choon, Leong Keong G. - *Supply Chain Management: A balanced Approach*. South-Western/Cengage Learning, 3<sup>rd</sup> edition, 2012.