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ECONOMIC CONTROL FUNCTIONS IN POLAND IN 2013

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Abstract

The map and the accompanying description present the variability of revenues and the spatial distribution of the corporate headquarters of the 2000 largest companies registered in Poland as of 2013, excluding banks. The study demonstrated a strong concentration of the decision-making and control functions in Warsaw. It found variability depending on the type of activity and ownership. The study also confirmed previous findings about economic management models and their links to the administrative and settlement hierarchy (Śleszyński 2002, 2007).

Key words

geography of enterprise • corporate geography • control function • decision function • economic power • enterprise • Poland

Introduction

In a market economy the location of a business has significant consequences. The location of an economic control function is linked with the following roles (Śleszyński 2002, 2007):

1. The economic role, the most complex of the three roles, determines the contribution to the local GDP and tax returns depending on whether a company has or does not have branch networks or other kinds of remote offices. Branch networks and other types of remote offices are typical of large service sector companies, especially in banking. Other aspects of the economic role involve the contribution to the overall level of investment and the multiplier effect, which in this case involves the pulling power that a large business exerts on other businesses, such

as financial, legal, logistic and advisory services in a given area.

2. The social role includes two strictly interlinked groups, i.e. economic effects (such as the impact on the unemployment rate and the migration of highly skilled personnel) and reputation effects (heightened prestige of a town or region directly translated into such an effect as attractiveness to investors).

3. The political role, when a business becomes represented in the local authorities and gains real influence on the local administration and the management of the town or region.

The location of a company's headquarters and that of its actual place of business are not always one and the same. This is particularly true in companies with numerous branches, including especially those belonging to the financial sector (banking and insurance) and the service and commerce sector, but less those belonging to the manufacturing sector. This means that the location of the corporate headquarters is indicative more of the distribution of decision-making centres, i.e. of the control function, than of the actual location of the production resources. Therefore the distribution of corporate headquarters is indicative of the 'management space'.

In practice, economic control functions are present in nearly all settlements. Depending on its size and specialisation the geographical coverage of this function, and consequently its significance, varies. In most cases, the significance of a company is explicitly linked to its size measured by its financial power (i.e. revenues, profits, and investment), labour force, etc.

The earliest Polish studies on the distribution of enterprise management locations were carried out in the 1960s (Eberhardt & Wróbel 1963; Eberhardt 1968, 1987) and covered spatial impacts and the distribution of corporate headquarters vs. branch networks in the trade sector. During that era, the location of corporate headquarters was a result of central planning, while various administrative agencies were normally controlled from a central location in the country's capital. The administrative function had a prime influence on urban creation. Guzik and Gwosdz (2000) report that in 1974 the industrial sector was managed from eight ministries and 74 of their subordinate organisations.

Research into the economic control function accelerated after the fall of communism and the transition to a market economy (Rakowski 1996; Wyżnikiewicz 1997; Guzik & Gwosdz 2000; Nowosielska 2001; Wendt 2001; Śleszyński 2002a, 2006, 2007, 2014; Lijewski 2003; Rogacki 2006; Taylor & Ciechański 2014, 2015), including targeting the global scale (Zioło 2006; Kilar 2014). These efforts of Polish geographers of industry are discussed by Domański (1997) and Śleszyński (2007).

Data sources and methodology

This analysis uses annual financial data on Polish companies published by the *Rzeczpospolita* daily. Its report "Lista 2000" (or "List 2000") (*Rzeczpospolita* in 2014) is based on the financial reports of companies, but excludes banks and public institutions, such as central and local administration. Nearly all of the companies included are bodies incorporated under Polish law and specifically the Code of Commercial Companies. The companies are ranked by their overall size of revenues from all their activities. In 2013, the list was topped by a company with 113.9 bn zloties in revenues (Polski Koncern Naftowy Orlen S.A.), while the bottom companies had 120.3 m zloties (Top-Farms Głubczyce sp. z o.o.).

The map and body of the text lists by corporate headquarters the revenues from the overall activity of these 2000 largest companies. The corporate headquarters were found in 521 different towns, including an overwhelming majority in Warsaw (482; Fig. 1). The revenues of the whole group totalled 1,732 trillion zloties and accounted for 50.2% of Poland's gross output.

The data were broken down in a number of ways. The primary breakdown followed the

Statistical Classification of Economic Activities in the European Community (NACE) and its simplified version that aggregated industries into four major economic sectors: agriculture (section A), industry (B, C, D, E, F), less specialised services (G, H, I, S, T) and highly specialised services (J, K, L, M, N, O, P, Q, R, U). The subdivision of the services sector addressed its strong heterogeneity. None of the top 2000 Polish companies in the report represented sections: P, R, S, T, U. Additionally, an ownership breakdown was used: municipal-owned, state-owned, privately-owned and foreign-owned.

To find distribution patterns in terms of the functional-settlement hierarchy, localities were divided into four categories:

- capital city (Warsaw);
- other metropolitan cities with a core with more than 500 thousand inhabitants (Gdańsk-Gdynia-Sopot, Poznań, Wrocław, Łódź, Katowice conurbation and Kraków) including 19 cities with company headquarters;
- other regional and subregional towns (holding powiat status in the Polish administrative breakdown), including 44 towns;
- other localities, including 458 towns and villages.

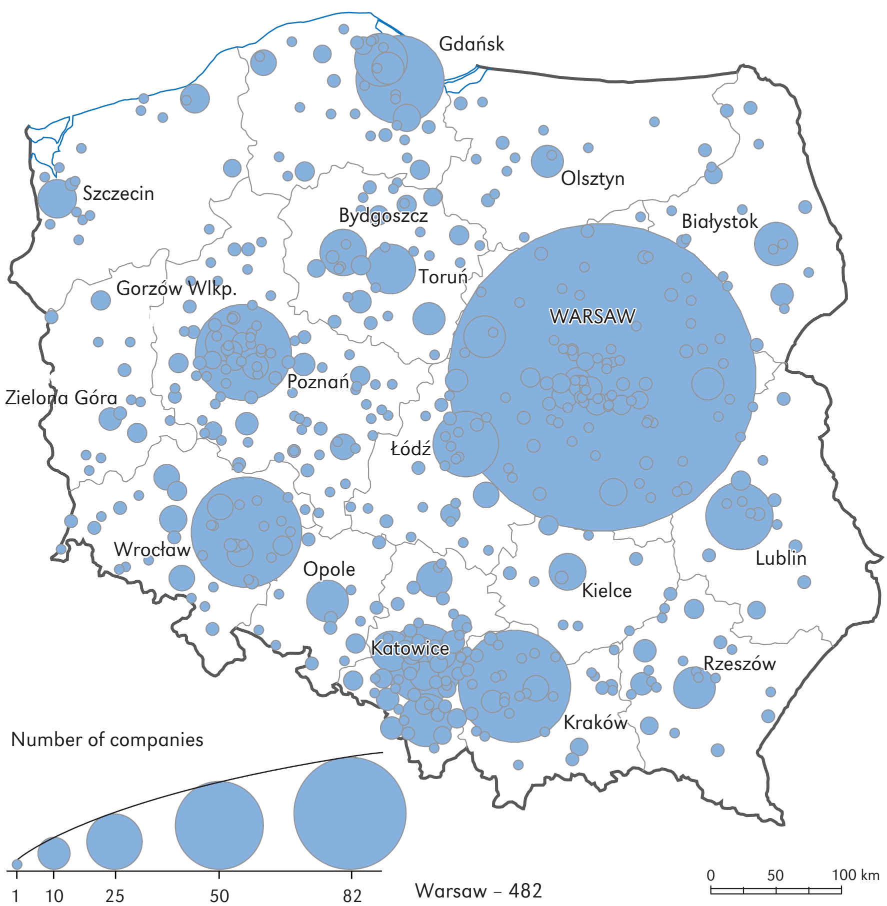

Figure 1. Distribution of companies on *Rzeczpospolita's* "Lista 2000" by corporate headquarters in 2013

Source: based on data shared by *Rzeczpospolita* in 2014

Results

Table 1 summarises data on the concentration of company revenues in these localities. Companies located in Warsaw generated 501.2 trillion zloties in revenues, or 28.9% of the total revenues in the study. The top 10 cities concentrated 62.6% revenues and the top 100 – 88.6%. This shows that economic power is concentrated in a relatively small number of localities including the capital city.

Table 1. Revenue concentration by localities in 2013

Top localities		Trillion zloties	% of total
1	Warsaw	501.2	28.9
10	Warsaw and the 9 following localities by total revenue	1,084.1	62.6
100	Warsaw and the 99 following localities by total revenue	1,534.6	88.6
Total 513 localities		1732.3	100.0

Source: based on data shared by *Rzeczpospolita* in 2014

Table 2 lists these localities. After Warsaw the second city is Płock due to the location there of the corporate headquarters of Poland's largest company PKN Orlen (Polski Koncern Naftowy Orlen S.A.). This and 14 other "Lista 2000" companies controlled 138.8 trillion zloties in revenue. Subsequent towns and cities included: Poznań (63 companies, 90.6 trillion zloties), Gdańsk (54, 89.4), Kraków (82, 68.9), Katowice (44, 56.5), Wrocław (81, 50.1), Kostrzyn nad Odrą (2, 33.7), Łódź (32, 29.7) and Lubin (4, 25.3). Most of these were large metropolitan cities (e.g. according to the ESPON classification), relatively strong industrial centres with some of Europe's and the world's largest manufacturing plants in their sectors (Lubin has the copper conglomerate KGHM while Kostrzyn nad Odrą has the pulp and paper company ICT Poland).

At national level the largest proportion of revenues was accounted for by the sector of industry (53.7%), followed by services (45.7%) with a minor share of agriculture (0.6%; mainly Lasy Państwowe, or State Forests National Forest Holding).

A more detailed breakdown of revenues by categories of localities is shown in

Table 2. Top 10 cities with largest total revenues in 2013

Locality	Number of companies	Total revenues	Percentage share in sectors (sections of NACE classification)				
			total	agriculture	industry (BCDEF)	less specialised services (GHI)	highly specialised services (JKL NOPQ)
Warsaw	482	501.2	100.0	1.4	35.4	43.2	20.0
Płock	15	138.8	100.0	0.0	85.3	14.7	0.0
Poznań	63	90.6	100.0	1.3	40.1	47.2	11.4
Gdańsk	54	89.4	100.0	0.0	62.2	33.9	4.0
Kraków	82	68.9	100.0	0.0	34.3	59.2	6.5
Katowice	44	56.5	100.0	0.0	70.2	28.8	1.0
Wrocław	81	50.1	100.0	0.0	30.4	49.0	20.6
Kostrzyn nad Odrą	2	33.7	100.0	0.0	2.6	97.4	0.0
Łódź	32	29.7	100.0	0.0	24.5	70.0	5.6
Lubin	4	25.3	100.0	0.0	97.3	2.2	0.5
Total of Poland	2,000	1,732.3	100.0	0.6	53.7	36.0	9.7

Source: based on data shared by *Rzeczpospolita* in 2014

Figure 2. The location of company headquarters follows the functional-settlement hierarchy., The concentration of companies representing highly specialised services is the highest (9.7%) at the top of the hierarchy, represented by the capital city of Warsaw. Localities at the bottom of the hierarchy concentrated the largest proportion of revenues from the industry sector (68.1%).

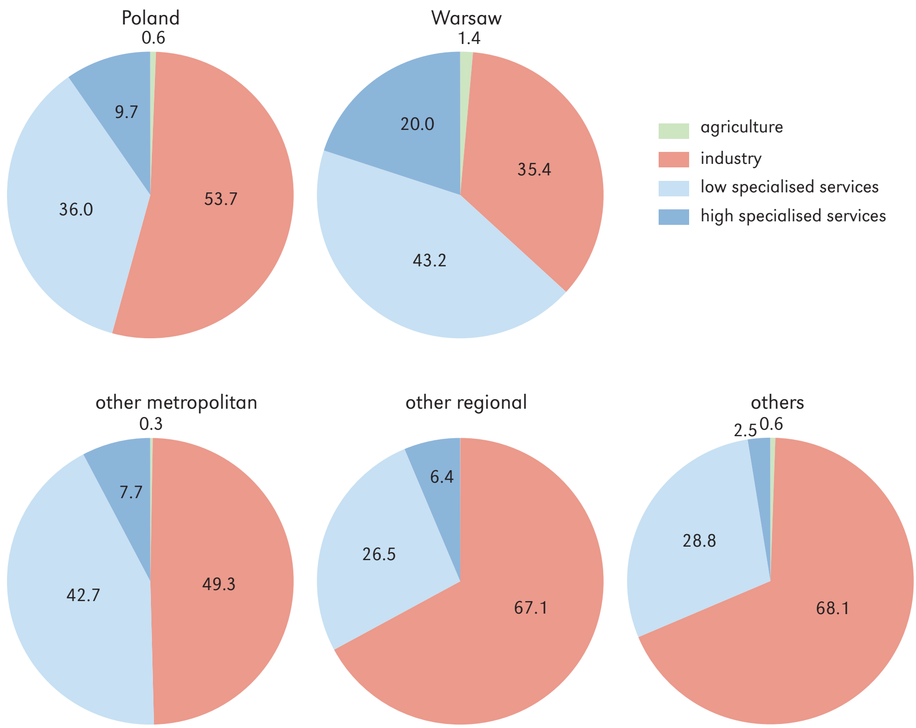

Figure 2. Sector structure of revenues by type of locality with company headquarters in 2013

Source: based on data shared by *Rzeczpospolita* in 2014

Interesting patterns were also found in the ownership structure. At national level foreign control accounted for the largest share of the total (43.3%). This indicator was particularly dominant in a number of western Polish voivodeships (Lubuskie – 81.2%, Wielkopolskie – 60.8%, Zachodniopomorskie – 52.3%). The opposite was true of provinces in the east of the country (Lubelskie – 9.9%, Podlaskie – 14,8%). It would be interesting to determine to what extent this pattern is determined by the geographical location vis-à-vis Western Europe, including Germany, which after the shift to a market economy in 1989 became Poland's main trading partner. Indeed, the existing picture would suggest an influence of geographical proximity on the location of foreign investments (Domański 2000) in both existing companies and greenfield projects. Interestingly, this import-export link is also influencing the development of other structures, including an adaptation of the higher-level road network (Śleszyński 2008).

Discussion and conclusions

The findings presented above are corroborated by other similar studies carried out first on a small sample of Poland's 500 largest companies (Śleszyński 2002) and then on a sample of 10,000 companies (Śleszyński

Table 3. Ownership structure by the criteria of voivodeship and largest shareholder in 2013

Voivodeship	Total revenues (trillion zloties)	Ownership			
		municipal	state	private	foreign
Dolnośląskie	121.1	0.6	4.1	53.8	41.4
Kujawsko-Pomorskie	64.0	0.6	4.2	69.5	25.6
Lubelskie	38.0	1.3	13.3	75.4	9.9
Lubuskie	49.7	0.0	0.0	18.8	81.2
Łódzkie	52.6	0.6	1.2	54.0	44.2
Małopolskie	114.3	2.6	1.6	51.6	44.3
Mazowieckie	711.1	0.4	17.3	37.7	44.5
Opolskie	15.4	2.2	0.0	54.4	43.4
Podkarpackie	28.5	0.0	0.7	72.7	26.7
Podlaskie	22.5	1.1	0.0	84.1	14.8
Pomorskie	118.4	0.5	58.6	20.1	20.7
Śląskie	167.7	0.4	16.8	38.2	44.5
Świętokrzyskie	21.6	0.0	0.0	58.5	41.5
Warmińsko-Mazurskie	14.3	0.0	0.0	52.5	47.5
Wielkopolskie	172.1	1.0	5.7	32.4	60.8
Zachodniopomorskie	20.9	0.9	9.8	37.0	52.3
Poland total	1,732.3	0.7	14.3	41.7	43.3

Source: based on data shared by *Rzeczpospolita* in 2014

2007). The study found considerable degrees of spatial concentration of the largest companies. The concentration in Warsaw had been inherited from the socialist system where the strong political and administrative function located in the capital city determined the location of economic management centres in the realities of a command economy. In future, a certain degree of deconcentration of the corporate headquarters of major companies measured both in terms of turnover and the number of entities may be expected. Even then, however, Warsaw will remain the single dominant centre.

The analysis of the location of Polish company headquarters has shown interesting dependencies in the country's urban and metropolitan networks. It transpires that the systems of spatial distribution of control functions in the economy (corporate headquarters) and of administration (centres of administrative power) only really overlap at the central level. The dominant role of Warsaw in the sense of economic management is indeed strongly linked with its administrative function. This was also a typical situation during the command economy period when central planning by central authorities was crucial. Therefore, the current distribution of company headquarters might be regarded as a legacy of the communist period. This would mean that the degree of decentralisation of the control function in the economy is a rough measure of the decentralisation of national administration in general.

Several voivodeship capitals (e.g. Zielona Góra, Gorzów Wielkopolski and Opole) play almost no role in economic management (among major companies), while role of some medium-sized towns is considerable (Płock, Bielsko-Biała).

Warsaw should be expected to survive as the leading centre of economic management. This will be due to the fact that despite the decentralisation and deconcentration trends observed in the Polish economy, the dominant role of the capital city will continue to have a pulling effect on the location decisions of new businesses. This would produce a spatial structure of the control function in the economy similar to those observed in countries such as France (Paris), the UK (London), Austria (Vienna) and Spain (Madrid). Findings about the spatial distribution of company head offices in Poland seem to be supported by similar studies elsewhere in post-communist Central Europe (Csomós & Derruder 2014).

The patterns mentioned earlier and which are dependent on the accumulation of economic management can be distilled down to three hierarchical types (Fig. 3):

A. Dominant role of Warsaw (highly specialised services).

B. Dominant role of metropolitan and regional centres except Warsaw (less specialised services and/or manufacturing).

C. Dominant role of minor centres (including with manufacturing).

A general interpretation of this analysis could be that the location of company headquarters depends on how advanced is the activity pursued by the company. The more advanced the industry the higher up the network of national administrative hierarchy the location is.

Studies of the distribution of company headquarters may be helpful in explaining the processes of social and economic transformation, including economic decentralisation. They could also be applied in research on the development of new settlement structures, especially urban systems.

Editors' note:
Unless otherwise stated, the sources of tables and figures are the author's, on the basis of their own research.

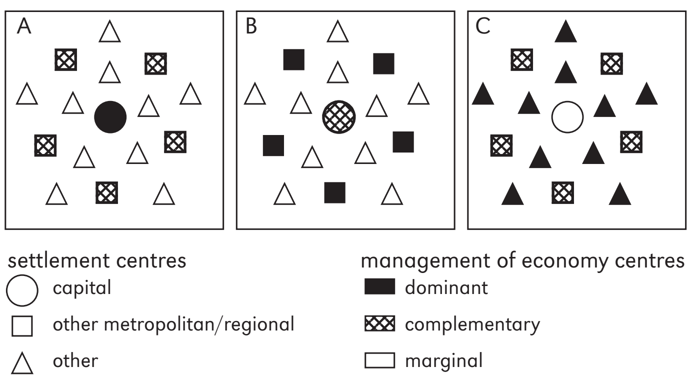

Figure 3. Hierarchical types of economic management in Poland

A – dominant role of Warsaw (highly specialised services), B – dominant role of metropolitan and regional centres except Warsaw (less specialised services, partially manufacturing activities) and C – dominant role of minor centres (partially manufacturing services).

Source: after Śleszyński 2002, modified

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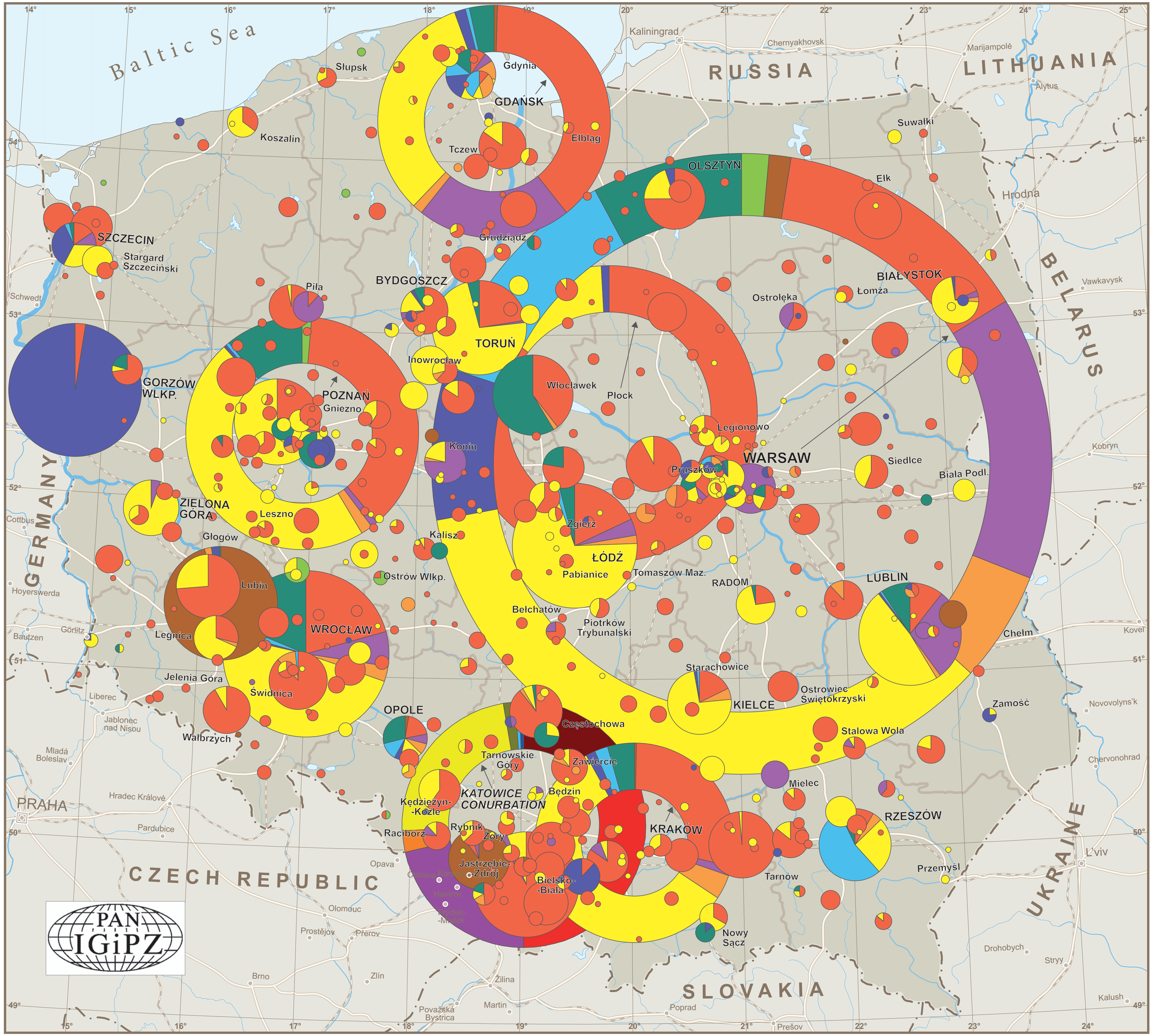


Scale 1:3,000,000

0 25 50 75 100 km

Total income (billion zloties)

50
25
10
5
1

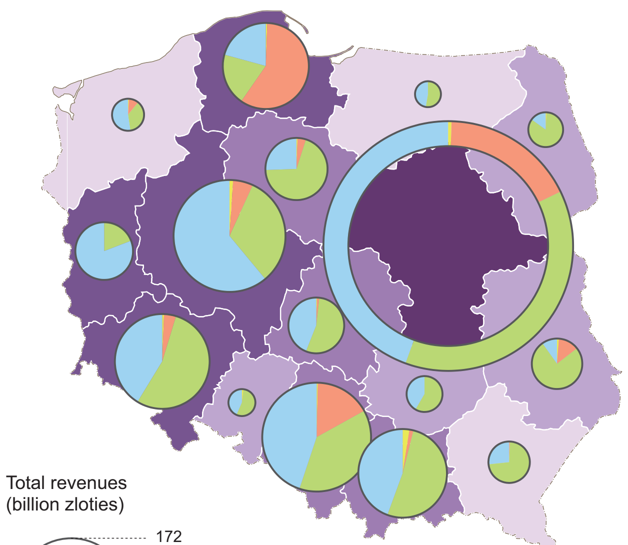
Warsaw – 501,2 bn zloties
Płock – 138,8
Poznań – 90,6
Gdańsk – 89,4
Kraków – 68,9

Activities

- agriculture
- mining and quarying
- manufacturing
- electricity, gas, water and other supply
- construction
- wholesale and retail trade
- transportation, storage and tourism
- information and communication
- financial, professional and other service activities

* *Katowice Conurbation* (Bytom, Chorzów, Gliwice, Dąbrowa Górnicza, Jaworzno, Katowice, Mysłowice, Piekary Śląskie, Ruda Śląska, Siemianowice Śląskie, Sosnowiec, Świętochłowice, Tychy, Zabrze) – 98,0 bn zloties

Ownership structure by voivodeship



0 50 100 150 200 km

Total revenues (billion zloties)

172
100
50
14

Mazowieckie voivodeship – 711 bn zloties

Total revenues per capita

15 20 40 100 134 thous. zloties

Ownership

- municipal
- state
- private
- foreign

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