

# THE IMPACT OF MENTAL MODELS ON THE TRANSITION FROM COMMUNISM TO CAPITALISM. THE COMPARATIVE CASE STUDY OF AZERBAIJAN AND POLAND

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## TRANSITION FROM COMMUNISM TO CAPITALISM. THE COMPARATIVE CASE STUDY OF AZERBAIJAN AND POLAND

### ABSTRACT

**The purpose of the article.** The breakdown of the so-called Eastern Bloc, the disintegration of the Soviet Union, and the demise of communism fueled transition processes in Central and Eastern Europe, Western Asia, and Central Asia. The great majority of transformation difficulties across different areas demonstrate that when pursuing the process of a structural change, it is important to take into account diverse sets of formal and informal institutions preserved in each country. Each country has a unique set of formal and informal institutions. These differences are easily observed between Poland and Azerbaijan. The aim of this paper is to compare and contrast the outcomes of Poland and Azerbaijan's transitions from communism to capitalism and to identify the primary factors driving these two different transformations.

**Methodology.** The paper presents two complementary methods to compare the transitions from communism to capitalism in Poland and Azerbaijan. The first method involves secondary analysis, where existing data from reputable sources such as the European Bank for Reconstruction and Development (EBRD) database, the Bertelsmann Transformation Index (BTI), and country reports

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are compiled to provide insights into economic, political, and social indicators. Additionally, a comparative case study approach is employed, using Geert Hofstede's six cultural dimensions framework to explore the cultural influences on transition outcomes. By integrating these methods, the study aims to offer a comprehensive analysis of the transformation processes in Poland and Azerbaijan.

**Results of the research.** The results of the analysis presented in the paper support the hypothesis that the historically-shaped differences in mental models and strong ties to international protectors determined the paths of transformations in Poland and Azerbaijan. The primary similarities and contrasts in the mindset are justified by the colonial or imperial history of the nations.

**Keywords:** transformation, communism, capitalism, formal and informal institutions, inclusive and extractive institutions, mentality, Azerbaijan, Poland.

**JEL Class:** E02, E70, O43.

## INTRODUCTION

The collapse of the so-called Eastern Bloc, the disintegration of the USSR and the fall of communism drove the transition processes in Central and Eastern Europe, Western Asia, and Central Asia. The vast majority of transformation problems throughout the different regions show that while following the process of structural transformation, it is important to take into consideration various sets of formal and informal institutions preexisting in the analyzed countries.

Each country has an exclusive set of formal and informal institutions. These differences are easily observed between the Central European countries and the Western Asian countries. A comparison between Azerbaijan and Poland is very interesting from many perspectives<sup>1</sup>: both Azerbaijan and Poland are the countries where the historical “Silk Road” passes through and stemming from it, these countries have minor impacts on each other from cultural, educational and even political points of view; both nations once experienced communism; and these countries are bordered by a country which is able to spread its political and economic impact all over the neighboring regions, i.e., Russia. Other than the above-mentioned facts, some noticeable cultural and historical differences exist which seem to make countries transform their political and economic structures differently. The aim of this article is to investigate the importance of cultural factors which take form throughout the years in the context of transition in Azerbaijan and Poland.

To test the aforementioned hypothesis, the paper will start with the literature review. What will be touched upon next is the analysis of paths of Azerbaijan and Poland from communism to capitalism. The subsequent chapter presents the assessment of the political and economic international environments in Azerbaijan and Poland using the European Bank for Reconstruction and Development data, Bertelsmann Transformation Index and the country reports. What is covered next is the comparison of the mentality of Azerbaijani and Polish people according to Geert Hofstede’s six cultural dimensions. The final chapter summarizes the conclusions.

The main focus in this research is the internal determinants of institutional change. The significance of external factors will also be addressed. As most of countries are not closed to the international environment, they are easily influenced on some levels. While a few countries are both strong and influential that they can dictate their culture and formal institutions on others, countries like

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<sup>1</sup> The transition in Ukraine and Poland was compared by Christopher A. Hartwell (Hartwell, 2016). His analysis is more exclusive than presented in this thesis and goes even beyond the institutions which have been mentioned so far. As there are several fundamental differences between Azerbaijani and Polish systems, this paper focused on striking differences in the transformation of these two countries.

Poland and Azerbaijan are more or less affected by these stronger centers in different spheres of influence. Dominant centers tend to be bordered by countries with similar political and economic systems, which, in fact, express certain values. Therefore, they are willing to impose an institutional order in the countries of their surroundings that have a similar institutional order.

The existence of “external protectors” is necessary for institutional change in a country. If the process of institutional change in a country goes in a different direction than the system of the external protector, it will impede the evolution. Therefore, it is not only internal factors that play an important role. External determinants also influence the above-mentioned evolution in countries, and the case of Poland and Azerbaijan also demonstrates it.

Considering the uniqueness of the topic, two methods will be used in the paper. These are:

- 1) The secondary analysis method which involves compiling existing data from reputable sources such as the European Bank for Reconstruction and Development (EBRD) database, the Bertelsmann Transformation Index (BTI), and country reports are compiled to provide insights into economic, political, and social indicators.
- 2) A comparative case study approach is employed, utilizing Geert Hofstede's six cultural dimensions framework to explore the cultural influences on transformation outcomes.

## **1. LITERATURE REVIEW**

According to North (1990), the performance of economies is influenced by institutions and as the institutions evolve over time, the differential performance of economies is also observed. He defined institutions as the humanly created constraints under which human interaction occurs or simply, as the rules of the game in a society. Mental models and institutions also play an essential role (North, 1990). North defined mental models as a key driver of the society (North, 2005). For Denzau and North (1994), mental models or beliefs are induced by reality, which subsequently induces institutions to shape the society, which in turn alters the policies in action, which in the end, change the reality and revise the beliefs (or mental models). While examining institutional inertia, Rosenbaum (2021) mentions that institutions are represented in mental models and reproduced through social interaction shaped by such models. Lawson (1994) emphasizes that it is important for individuals to be aware of a rule, so that they can choose whether or not they will follow the rule. Moreover, as long as actions are repeated frequently, the rule following may turn to be a rule (Dequech, 2013). Alongside economic institutions, political institutions are also necessary, however, economic institutions are fundamental (Acemoglu and Robinson, 2013). According to

Boettke (2003), political institutions have to be put into force when the size of the market goes beyond the realm where reputation can be an effective vehicle to limit human behavior.

The term “institution” is defined in several ways. Norms, values and accepted ways of doing things make up informal institutions, no matter if they are political, economic or social ones. However, formal institutions are formed by binding laws, regulations and so on. According to Pejovich (1999), informal institutions include customs, traditions, religious beliefs and moral values. He hypothesizes that these norms of behavior have passed the test of time. North (1990, 1991) mentions that formal institutions comprise contracts, constitutions and forms of government. Generally, the interaction of formal and informal institutions influences the direction of the economic, political and social system (Rosenbaum, 2021). When defining informal institutions, Porter (2010), Lee (2007) and Steer (2010) emphasize their socio-cultural orientation, endogeneity, personhood and flexibility as their most essential features, while informal institutions are defined by Knight (1992) as automatic embedded structures functioning outside formal channels.

Generally, two approaches to defining informal institutions can be distinguished:

- 1) People’s patterns of behavior are determined by informal institutions as mental models.
- 2) People’s interactions with one another are accompanied by cultural patterns of behavior (Pieczewski and Sidarava, 2022).

Contrary to Cubitt and Sugden (2003) and Sugden (2015), who argue that mental models do not have to represent institutions as rules, Rosenbaum (2021) mentions that in order to efficiently influence the human behavior, institutions must be represented mentally. According to Searle (2005) actors can follow or unfollow a particular rule only if they have awareness about it. At some point, a conscious way of following a rule may turn into a habit which, of course, will immediately be abandoned if it hinders a pre-existing positive trend (Rosenbaum, 2021).

Mental models help us gain insights into their perceptions of the purpose and function of rules which make up institutions (Rosenbaum, 2021). To be more precise, reasoning and decision making of individuals and their behavior, to some extent, are shaped by mental models which are also introduced by Denzau and North’s (1994) work into institutional analysis (Jones et al., 2021). Being the product of social interactions, negotiations and agreements, mental models are regarded as the key representations of institutions. On a large scale, social relations (rather than physical relations) order different factors in the sense that the representations are constructed. For instance, it is a social causality that a decline in crime rates is achieved as a result of harsher punishments. This is

value added by Rosenbaum (2021) to the concept of mental models that the facts represented by them include assumed (casual) relationships between objects and subjects, presumed effects of our own actions and the actions of others in a particular context. Basically, Pieczewski and Sidarava's (2022) first definition of informal institutions is based on the above-mentioned arguments.

Prioritizing the second approach, the works of Acemoglu and Robinson (2008, 2013) prove extremely useful. In their works the authors develop a framework to integrate economic institutions and political institutions. They mention that all economic institutions are created by the society, while political institutions are chosen by the society to achieve the economic prosperity of a nation, some people or elites. North Korea is a good example in this context, as in the 1940s, the communists imposed today's economic institutions of North Korea on its citizens and the appropriate political institutions surround its economic institutions to make huge fortunes of the elite of the Communist Party. Economic institutions determine the choices of society, which will have economic consequences. However, there might be a conflict among different groups in order to distribute scarce resources. In this case, political power, which originates from political institutions, becomes the ultimate arbiter (Acemoglu and Robinson, 2012).

Acemoglu and Robinson (2012) outline the importance of differentiating inclusive and extractive political and economic institutions. Inclusive economic institutions allow people to participate in economic activities. They include secure private property, public services and the freedom to exchange goods, which encourages investment and economic development. However, extractive economic institutions give power to a small elite and this is likely to discourage investment and economic development (Acemoglu and Robinson, 2012).

Acemoglu and Robinson (2012) also emphasize the strong synergy between extractive economic and political institutions. They explain that extractive political institutions concentrate power in the hands of a narrow elite who also structures economic institutions to extract resources from the rest of the society. This, once again, proves the fact that economic institutions naturally accompany corresponding political institutions (Acemoglu and Robinson, 2012).

The authors' perception on the synergistic relationship between extractive economic and political institutions goes far beyond a few sentences. They mention that there is a strong feedback loop which covers the fact that political institutions enable the group of people controlling political power to opt for economic institutions with few constrains or opposing forces (Acemoglu and Robinson, 2012). To be more precise, small elites design future political institutions and their evolution, which in turn, enriches the same elites at the expense of the rest of society. Acemoglu and Robinson (2012) underline the reality that the resources,

these economic institutions generate, enable these elites to build armies and security forces to defend their absolutist monopoly of political power.

What the authors mean by absolutist political institutions is the narrowness of the distribution of political power. Under absolutist political institutions, those who wield political power are able to construct economic institutions to become rich. In contrast, political institutions that distribute power widely in the society and subject it to constraints are pluralistic. Rather than being vested in a single individual or a narrow group, political power rests with a broad coalition or a plurality of groups (Acemoglu and Robinson, 2012).

Considering the aforementioned facts, it is obvious that there is a close relationship between pluralism and inclusive economic institutions. However, what makes South Korea and the United States boast about their inclusive economic institutions is not only their pluralistic political institutions, but also their sufficiently centralized and powerful states (Acemoglu and Robinson, 2012). What is usually experienced, when there is a broad distribution of political power in a country, is not the existence of inclusive institutions, but chaos and antagonism. Thus, states should achieve pluralism and political centralization in order to structure inclusive political institutions. When either of these conditions fails, then institutions are referred to as extractive political institutions (Acemoglu and Robinson, 2012).

Economic institutions, which are the choice of society, can be inclusive and encourage economic growth. Yet, they can be extractive and hamper economic growth (Acemoglu and Robinson, 2012). However, economic institutions do not only determine aggregate economic growth, but also determine the way this pie is divided among individuals. Normally, all individuals might not agree with the piece they take away from the pie and, as a result, there might be a conflict of interests among individuals over the choice of economic institutions (Acemoglu and Robinson, 2006). In this case, political institutions play a significant role and the set of economic institutions an individual or a group with more political power prefers, will prevail. While inclusive political institutions encourage great mass of people to participate in the governing processes, exclusive political institutions exclude the majority of society from these processes.

Throughout history, institutions have been devised by human beings to reduce uncertainty in exchange. Together with the standard constraints of economics, they determine transaction and production costs and therefore, the profitability of economic activity. Institutions evolve and they connect the past with the present and the future; history in consequence is largely a story of institutional evolution in which the historical performance of economies can only be understood as a part of a sequential story. As the structure of an economy provided by institutions evolves, the direction of economic change could be shifted from growth to stagnation or decline (North, 1991).

North (1991) explains the evolution of institutions by trade which expanded referring to economic history over time. He starts with a small scale village trade constrained by only informal institutions which leads to very low transaction costs. As trade expands beyond a single village and the size of the market grows, transaction costs increase significantly. What is ideally needed to cut the costs of transacting is to dedicate resources to enforcement and measurement, but in the absence of a state that enforced contracts, religious precepts usually imposed standards of conduct on the players. Contract negotiation and enforcement raise their heads as major problems as long-distance trades develop. These problems were solved by notaries, consuls and merchant law courts, but the expansion of the market entailed more specialized producers, which in turn requires accelerating percentages of the resources to be engaged in transaction (North, 1991).

Although there is no necessary reason to trigger the evolution of institutions in a society, referring to the above-mentioned facts, it is natural that institutions can evolve over time (North, 1991). The current institutional development of Azerbaijan and Poland is determined by formal and informal institutions.

## **2. POLISH AND AZERBAIJANI PATHS OF TRANSFORMATION FROM COMMUNISM TO CAPITALISM**

### **2.1. Poland's Transition from Communism to Capitalism**

In Poland, the transformation of formal institutions began in the political sphere in 1989 (Kojder, 1988). Encouraged by Gorbachev's reforms in the Soviet Union, in 1988 the Polish communist authorities began negotiations with the democratic opposition (Hackett et al., 1999). From February 6 to April 5, 1989, official negotiations between the authorities of People's Republic of Poland, the democratic opposition and the Church resulted in the first partially democratic parliamentary elections since the Second World War in June 1989 (Smoczynski, 2019).

As a result of these elections, Poland became the first Eastern Bloc country where members of the democratic opposition gained real clout in power (Pachocinski, 1989; Pieczewski and Sidarava, 2022). These elections are seen as a breakthrough in the process of political changes in Poland and herald a decisive acceleration of political and economic transformation. Fully free parliamentary elections were not held in Poland until October 1991. Therefore, this time, Poland became the last post-communist state to hold completely free elections (Pieczewski and Sidarava, 2022). In 1992 the Polish parliament passed the so-called mini-constitution and on April 2, 1997, a new constitution which is the second longest in Europe in terms of a number of articles, was adopted by the



National Assembly of Poland, approved by a national referendum on May 25, 1997, promulgated by the President of the Republic on July 16, 1997, and came into effect on October 17, 1997 (Banaszak, 2005).

Poland became a democratic country as a result of the transformations of the late 1980s (Szczepanski and Śliz, 2010). Polish democracy has gained strength and experience over time. Pieczewski and Sidarava (2022) consider the Polish political system and its official institutions as inclusive political institutions. For them, regarding informal political institutions, the situation is worse, considering its instability. There are many flaws here, especially when it comes to building a civil society. According to Pieczewski and Sidarava (2022), Poles consider themselves lovers of democracy and freedom, but at the same time, they still have little experience of functioning in such a system.

Socialism left an imprint on the Polish mindset. Looking further back, the authoritarian rule of the interwar political movement Sanacja played a significant role (Kowalski, 2014; Hartwell, 2018). Previously, during the partitions, most Polish lands were under the influence of Russian dictatorship, which impacted the Polish political culture (Davies, 2005). For historical reasons, Polish society has developed harmful habits of thought in the political sphere, including a lack of common sense, political radicalism and easy succumb to populism. According to Pieczewski and Sidarava (2022), all these problems stem from the long-term lack of an open and free political life and the lack of civil society and political experience. Nonetheless, Polish democracy is developing and maturing, and by 2015, Poland was gradually rising in the institutional indicators of democracy (Pieczewski and Sidarava, 2022).

The political reforms in Poland led to a rapid deconstruction of the foundations of a centrally planned economy, which was supported by an American economist, Jeffrey Sachs and monitored by the IMF (Sachs, 1999). After only ten days of work, the Polish parliament passed a package of bills that formed the basis for the transformation of the Polish economy (Balcerowicz, 1992). The program was called the Balcerowicz Plan, after its creator, a Polish economist Leszek Balcerowicz.

The goal of the program was to create a macroeconomic system that would function smoothly and efficiently, based on private property, free competition, an open economy, strong money, and limited state intervention (Skodlarski, 2012). Although Poland's stable development was the immediate objective, privatization of more than 8,400 state-owned enterprises was seen as a key to the country's transition to a market economy (Rondinelli and Yurkiewicz, 1996). This was a challenging task, but it was accomplished in the early 1990s.

While Poland's macroeconomic reforms had been successful, they had not been implemented without overcoming legal obstacles. The economy was restructured in order to create a market-oriented business climate, legal and

institutional system was built in response to the social needs (Rondinelli and Yurkiewicz, 1996). In the early years of transformation, deindustrialization occurred, but it did not follow the characteristics of modernization (Pieczewski and Sidarava, 2022). Industrial production fell by 22% while unemployment rose to 12,98% and national income fell by 13% (IMF, 1993; MacroTrends, 2024). There was a talk of a transformational crisis. Between 1990 and 1991, investment growth dropped by 10%, inflation reached an annual rate of 585% and consumption decreased by 9%, the lowest decrease of all post-communist countries (Prasad et al., 1992; Pieczewski and Sidarava, 2022). The social costs of the reforms contributed to the preservation of the Balcerowicz Plan (Skodlarski, 2012).

Since 1995, the phenomena observed in the structure of the Polish economy can be assessed positively. Under the influence of market impulses, the development of areas producing consumer goods and infrastructure accelerated, mirroring trends in Western Europe in the 1960s, while the technological backlog was starting to come down (Kaliński, 2009). From 1993 to 2004 (with the exception of 2001), the dynamics of Polish GDP were higher than the EU average, and the growth of GDP was accompanied by a change in the structure of how it is created (Pieczewski and Sidarava, 2022). The share of industry and agriculture decreased, while the share of services grew, and the Polish economy developed and modernized (Blazyca and Rapacki, 2001; Lipowski, 1999). The vast majority of formal economic institutions established in Poland after 1990 should be considered inclusive (Pieczewski and Sidarava, 2022).

Poland had always had a clear goal of joining the European Union and NATO, which became apparent after the fall of the Soviet Union and the weakening of Russia. Most Polish politicians agreed that this was the best way to protect Poland from future threats. This goal was pursued by all subsequent government teams.

Poland's choice to have this "external protector" was aimed at ensuring its economic development, political stability, and international security. It should be emphasized that this had enormous public support. In December 1991, Poland signed an Association Agreement with the European Communities. In the following years, Poland showed remarkable consistency in proclaiming its European credo, which consisted of three main theses: in terms of its identity, Poland is a European country par excellence and has a "natural right" to be a member of the most important European institution; EU membership is of vital interest to Poland; Warsaw would make a constructive contribution to strengthening the EU (Pieczewski and Sidarava, 2022). Parallel to the talks on EU membership, Polish diplomats were negotiating accession to NATO, which was finalized in March 1999. Poland became a full member of the EU in May 2004 (Kuźniar, 2008).

Painful economic reforms and setting a course towards the European Union and NATO did not come from a vacuum. It stemmed from historically shaped cultural preferences and mental models. According to Pieczewski and Sidarava (2022), here are those from the recent past that preceded the transformation: (1) It is necessary to take into account the fact that the economy of the Polish People's Republic was not “purely communist”. Polish agriculture remained largely private, resisting collectivization at the turn of the 1940s and 1950s. Over 80% of its farmland was privately owned and owned by a capitalist family. This reminded us of the advantages of private ownership of the means of production and must have had a profound impact on the thinking of society as a whole. (2) The Solidarity Movement of the 1980s reminded society of freedom, democratic values, and the benefits of civil society. The martial law introduced in 1981 reinforced the belief that the socialist order was alien to Polish culture and that it was maintained only thanks to the strength of the Moscow hegemony. (3) A large portion of the Polish population declared themselves practicing Catholics. Independent and at odds with the communist authorities, the church had its own information policy and greatly influenced Polish thinking. The church was a defender of Western values, albeit more conservative. (4) The emigration of Poles to the West (temporarily or permanently) contributed to the creation of an “ideal type” of political and economic system in the Polish consciousness. For most Poles, despite communist propaganda, it was to be found in the West. (5) Many intellectuals and academics (economists, lawyers, political scientists, and even civil servants) did not forget the benefits of democracy and the market economy. Many of them had direct exposure to Western science through scholarships and internships. Once opposition parties were formed, they provided their expertise to solidarity leaders, thereby shaping their political and economic views. During the transformation they were ready to join the ministries as professionals.

## **2.2. Azerbaijan's Transition from Communism to Capitalism**

In the political sphere, the transition of formal institutions started in the late 1980s in Azerbaijan. During Gorbachev's era there was increasing unrest in the whole USSR, especially in the Caucasus (de Waal, 2003). There was an ethnic conflict in Nagorno-Karabakh which accelerated the dissolution of the USSR, while some think that this was a classic Russian strategy, which had been developed to influence the region even after the breakup of the union, which was probable (Cornell, 2007). Furthermore, in 1987, *Perestroika*, which means “reconstruction” was implemented within the Communist Party in an attempt to end the Era of Stagnation of the USSR (Rempel, 1996). *Glasnost* was another policy aimed at leading to maximum openness in the activities of state institutions and freedom of

information (McForan, 1988). As a result, some independent publications and political organizations started appearing in Azerbaijan as well as other Eastern Bloc countries (Hunt, 2015). One of the most prominent political organizations in Azerbaijan was the Popular Front of Azerbaijan, which was founded in July 1989 and gained more support in the fall of 1989. The movement's main objective was to gain independence from the USSR (Öztürk, 2013).

One of the biggest steps towards democracy in Azerbaijan was taken on May 21, 1990. The first democratic republic of the East, which was Azerbaijan Democratic Republic that declared its independence in 1918, became memorable according to the relevant presidential decree.

Finally, on August 30, 1991, the declaration on "Restoring the state independence of the Republic of Azerbaijan" was adopted at the extraordinary session of the Supreme Soviet (which was a parliament) after intensive discussions (de Waal, 2003). The document emphasized that the Republic of Azerbaijan is the successor of the Democratic Republic that existed during 1918–1920 (King, 2006). At the same time, the parliament adopted a decision on the preparation of one more law – the Constitutional Act to create the constitutional foundations of Azerbaijan's state independence. However, on November 12, 1995 the first Constitution of independent Azerbaijan was adopted by the popular referendum (United Nations in Azerbaijan, 2003). On September 8, 1991, the first presidential elections were held in Azerbaijan. Ayaz Mutallibov, the first secretary of the Central Committee of the Communist Party of Azerbaijan, was elected as a president in the elections, which were boycotted by most of the political forces in the country, including the Popular Front of Azerbaijan (Nohlen et al., 2001). The democratic wing had to wait a little longer for the power as they had also lost the first multi-party elections to Azerbaijan Communist Party in 1990 (The CIA's – The World Factbook, 1995).

On June 7, 1992, the Popular Front of Azerbaijan came to power and the members of the democratic opposition gained influence (Nordsieck, 2010). These elections are regarded as a turning point in the process of political changes in Azerbaijan, triggering economic and political transformation as the Popular Front of Azerbaijan adopted the laws on freedom of the press, education and prioritized a liberal economic course (Nordsieck, 2010).

As a result of the transitions of the late 1980s and of the beginning of the 1990s, Azerbaijan turned out to be a democratic country (Bolukbasi, 2011). Over time Azerbaijani democracy experienced ups and downs, but one can claim that the political system had comprised different parts of both inclusive and exclusive political institutions. Considering its consistency and stability, the situation concerning informal political institutions are even better. Going back to the beginning of the 20th century, when the first democratic republic survived for 23 months and to the one-year rule of the Popular Front whose members regarded

themselves as the successors of Mahammad Amin Rasulzade who was the President of Azerbaijani National Council during the first Azerbaijani Democratic Republic, it is realistic to consider Azerbaijanis as the lovers of democracy, but they still have little experience of living within the system (Bakiler, 2009).

In spite of the seventy-one years of tragic communist experience, Azerbaijani political culture was not exposed to serious disorder (Cornell, 2011). By the February Revolution, Azerbaijani lands had been under the control of the Russian authoritarian regime for almost a century, but in 1918, sacrificing some of its lands, Azerbaijan managed to declare its independence and the government's reforms became successful on the path to democracy (Swietochowski, 1985). In 1991, Azerbaijan became independent for the second time in the middle of economic and political crises and the relevant steps towards democracy were taken, which had already been restarted by 1988, in response to the society's demand. Considering the aforementioned facts, political radicalism and giving in to populism are not widespread in Azerbaijan (King, 2006).

When it comes to economic reforms initiated in the 1990s, gradualism was chosen in Azerbaijan, rather than a radical deconstruction of a centrally planned economy which took place in the Eastern European countries, such as Poland (Popov, 2013). As an oil agreement was signed with eleven prominent oil companies on September 20, 1994, there was a basis for the transformation of Azerbaijani economy (Woodward, 1998).

The main idea was to create a system based on:

- a) privatization of the state-owned properties;
- b) free competition;
- c) monitoring the financial sector;
- d) an open economy;
- e) improving conditions for entrepreneurs (www5).

As a result, for the first time in the Commonwealth of Independent States Azerbaijan's lands, which had been owned by the state within the communist system, were privatized. Significant amount of foreign investment flowed in to the economy during the initial years. What is more important is that an effective fiscal policy was implemented in Azerbaijan which led to gradual decreases in the budget deficit (Aliyev and Gasimov, 2018).

As the structure of the centrally planned economy did not meet the needs of the new economic system, a more effective legal and institutional system was built. However, in the first years of its economic independence, a terrible transformational crisis was endured in Azerbaijan. GDP fell sharply by 94% between 1991 and 1992 (World Bank Open Data, 2021). During these years production dropped dramatically by 93%, from \$1.46 billion to \$0.10 billion (World Bank Open Data, 2021).

Only after 1999, a positive trend was observed in Azerbaijani economy. In 2000, food production index exceeded 50 for the first time after 1992 (World Bank, 2020). In 2005, Azerbaijan's GDP surpassed the Pre-Soviet GDP and reached \$13.25 billion (World Bank Open Data, 2021).

The priorities of Azerbaijan's foreign policy concerning a direction that had been taken towards Turkey and indirectly NATO became obvious as the international situation changed (Ministry of the Republic of Azerbaijan, 2013). By the beginning of the 21st century, Azerbaijan had preferred a balanced policy in the chaotic Caucasus. However, in the 21st century, Azerbaijan took advantage of several crises in both Iran and Russia, and strengthened its ties with Turkey and NATO (Öztarsu, 2011). Considering last energy agreements with several European countries and the European Commission, it must be mentioned that partnership with the EU is one of the main goals of Azerbaijan (EC – European Commission, 2022).

Opting for Turkey as an “external protector” was important, because it ensured Azerbaijan's international security and political stability (Hale, 2000). It is worth to outline that close relations with Turkey were highly appreciated also in the society. What is more, in 2010, the Agreement on Strategic Partnership and Mutual Support between Azerbaijan and Turkey for strategic partnership and security co-operation was signed (Abbasov, 2011). The Agreement consists of 23 articles and five chapters: “Military-political and security issues”, “Military and military-technical cooperation”, “Humanitarian issues”, “Economic cooperation”, and “Common and final provisions” (Akhundov, 2011).

The 21st century was critical in the history of Azerbaijan, when strategic choices were made in the directions of development and strategic partners of the state. There were many reasons for choosing Turkey as a strategic “external protector”: (1) The role of Turkey in the history of “independent” Azerbaijan. Turkey was one of the first countries to recognize Azerbaijan's independence on June 4, 1918 (Treaty of Batum) and the first to recognize Azerbaijan's restoration of independence from the Soviet Union in 1991. Since then, Turkey has been a staunch supporter of Azerbaijan in its efforts to consolidate its independence, preserve its territorial integrity and realize its economic potential (Hille, 2010); (2) Changes in the direction of Turkish foreign policy. Although the “East” policy had already been Turkey's main priority by the 21st century, Turkish politicians started to take serious steps to integrate especially Turkic nations after its accession negotiations with the EU came to a standstill in 2016. In this context, Azerbaijan was a key factor, because it was physically impossible for Turkey to establish relations with other Turkic nations in the Central Asia without fostering cooperation with Azerbaijan (Gokalp, 1968; Arin, 2013); (3) Azerbaijani students who had graduated from Turkey's top universities, contributed to the partnership of Azerbaijan and Turkey. For the first time in 1920, several students were sent to

Turkey by the Ministry of Education of Azerbaijan Democratic Republic to study and to return to the country as they were required to work for four years on government assignments after graduation (Jafarov, 1998; Aghamaliyeva, 1998). After Azerbaijan restored its independence in 1991, governments increased their efforts to allow more Azerbaijani students to study in Turkey through different scholarships. Additionally, Turkey has taken some initiatives to open several schools in Azerbaijan which function according to the Turkish education system.

### **3. THE ASSESSMENT OF POLISH AND AZERBAIJANI TRANSFORMATIONS**

#### **3.1. Brief Overview of Azerbaijani and Polish Transformations**

After 30 years of Azerbaijani and Polish transformations, these countries have noticeably different results. The Azerbaijani Gross National Income (GNI) amounted to USD 54 billion in 2021, while it was only USD 6,69 billion in 1991. The Polish GNI experienced a more significant increase throughout these years: in 1991, GNI in Poland was USD 81 billion, while it amounted to USD 647 billion in 2021 (United Nations Statistics Division, 2023). According to the World Bank Data, GNI per capita, PPP in Poland reached USD 36,330, while it was USD 6,310 in 1993. The Azerbaijani GNI per capita, PPP rose from USD 3,230 to USD 15,520 between 1993 and 2021 (Chart 1). Azerbaijan's Human Development Index (HDI) value for 2021 was 0,745 – which put the country in the High human development category – positioning it at 91 out of 191 countries and territories (Chart 2). The HDI value for Poland in 2021 was 0,876 – which put the country in the Very High human development category – positioning it the 34th Human Development Index (Chart 3). In 2021, Poland's life expectancy at birth became 76,5 years, while this figure for Azerbaijan was 69,4 years. The mean years of schooling for 2021 was 10,5 years in Azerbaijan, while the mean years of 13,2 were observed in Poland in 2021 (Human Development Reports, 2022).

#### **3.2. The Assessment of Polish Transformation**

The year 1989 was the turning point in Poland's transition from communism to democracy (Bertelsmann Transformation Index, 2022). At the beginning of the reforms, democratic and market-economy reforms did not proceed at the same pace. The economic transformation took place quicker than the political one. Despite this, the results of the beginning of the transformation were characterized as positive (Pieczewski and Sidarava, 2022). In June 1989, a semi-free parliamentary election took place in which 35% of seats were freely contested and won by Solidarity. One of its activists, Tadeusz Mazowiecki, was able to seize this opportunity to form a coalition government committed to further democratic

changes. Constitutional amendments were subsequently introduced, including a new electoral law and the removal of the communist party's role (Bertelsmann Transformation Index, 2022). In general, since the system change in 1989 and the changes to the Constitution, the political system has fulfilled the criteria for a rule-of-law democracy (Pieczewski and Sidarava, 2022).

Since the beginning of the 21st century, the Polish party system has been institutionalized after some major realignments. Disputes between the former communists and the heirs of the Solidarity movement are no longer visible. Instead, the latter has been able to dominate politics today by splitting into two movements (Bertelsmann Transformation Index, 2022). The country was able to build a democratic state successfully by 2020. Nevertheless, nowadays, as the ruling coalition of right-wing parties has the office of the President, the government and a parliamentary majority, a deterioration of democracy is observed (Pieczewski and Sidarava, 2022). The ruling party has started to jeopardize liberalism and pluralism and place some limitations on media and judiciary mechanisms. However, the government is now confronted with serious criticism from the European Union (Bertelsmann Transformation Index, 2022).

As with many other countries, Poland endured two waves of COVID-19 in 2020 and a third wave in early 2021, which strained the economy (Table 1). On March 15, 2020 Poland closed the borders to neighboring countries and passed several shields to support various economic sectors, employees, schools and universities. Poland's policy responses to the pandemic included tax relief for companies, short-term labor, and additional subsidies for families suffering from a loss in employment. The cost of the interventions added up to about 13% of GDP, and around 60 legal acts were created or changed due to the pandemic (Bertelsmann Transformation Index, 2022).

Poland's recovery and resilience plan is based on €23,9 billion in grants and €12,1 billion in loans. In addition to the green and digital transition, which aims to reduce coal's share of energy generation and to provide 500,000 households and 1,400 schools with high-speed internet by fiber-to-the-home infrastructure in five less populated regions respectively, it foresees strengthening health-sector capacity and supporting businesses in their post-COVID-19 pandemic recovery (EBRD, 2021).

### **3.3. The Assessment of Azerbaijani Transformation**

Azerbaijan's transformation went in a different direction to Poland's. During Gorbachev's perestroika, the Armenian invasion of Azerbaijan's territories reunited the Azerbaijani people and fueled the nationalist movement led by the People's Front (de Waal, 2003; Bertelsmann Transformation Index, 2022). This movement positioned itself as a political alternative to the Soviet leadership of the



country and overthrew the last communist leader, Ayaz Mutallibov few years after Azerbaijan's independence on October 18, 1991 (Bertelsmann Transformation Index, 2022). The leader of the People's Front, Abulfaz Elchibey, who was elected president of Azerbaijan on June 17, 1992, is considered the most democratic president in recent history of the country (Nordsieck, 2010; Bertelsmann Transformation Index, 2022). One of the most important steps which he took was to push Soviet troops out of Azerbaijan, but this cost him his office. Elchibey was overthrown in a military coup backed by Russian security forces, and a civil war was likely to happen. In the state of chaos, Heydar Aliyev took power and managed to bring stability to Azerbaijan. Aliyev's most significant achievement was to sign the "contract of the century" with Western companies to develop Azerbaijan's oil industry (Woodward, 1998; Bertelsmann Transformation Index, 2022). This strategic move helped Europe diversify its energy supplies away from Russia. Nowadays, what puts Azerbaijan in a fragile position is the arrival of Russian "peacekeepers" who keep provoking both sides after the Second Karabakh War in 2020. In addition, the economy which is mainly dependent on oil and natural gas, remains vulnerable (Bertelsmann Transformation Index, 2022). In 2014, the oil price plummeted by 59,2% in seven months. On June 20, 2014, the oil price peaked at \$107,95 a barrel, but by June, prices plunged to \$44,08 (Ismayilzada, 2021). Due to falling oil prices, the economic downturn accelerated again in the spring of 2020. From April to May, four banks lost their licenses (Bertelsmann Transformation Index, 2022). The government had projected 3% growth that year, but the Asian Development Bank cut its growth forecast for Azerbaijan to 0,5% in 2020 from its previous projection of 2,4% (Bagirova and Antidze, 2020; ADP, 2018).

The discontent grew after a strict lockdown was introduced by the government due to the coronavirus outbreak (Bertelsmann Transformation Index, 2022). However, Azerbaijan was quick to react to the pandemic. In March 2020, a Presidential Decree outlining the emergency response package of measures was signed, and the Cabinet of Ministers agreed on the COVID-19 Response Action Plan in April. According to the government's scaled-up support program, they provided a support package of AZN 3,3 billion (around 4,8 per cent of GDP), later increased it to include additional tax benefits and a one-off extension of social assistance. The package included social protection measures such as direct cash transfers and an expansion of unemployment insurance to support the unemployed and informal workers, social assistance to support low-income households and vulnerable groups and so on. The main interventions to support businesses were cash payments to employers and entrepreneurs in COVID-19-affected areas (EBRD, 2021).

## **4. AZERBAIJANI VS. POLISH CULTURE ACCORDING TO HOFSTEDE'S 6-D MODEL**

### **4.1. Theoretical Background of Hofstede's Cultural Dimensions**

Being the main element of Oliver Williamson's Four Levels of Social Analysis (2000), it is useful to take into account the social embeddedness level, which is made up of norms, traditions, customs, mores and so on. Religion is another important part of this level. However, there are only a few people who have examined the aforementioned top level, such as Robert Putnam, Victor Nee, Robert Leonardi and Raffaella Nanetti, while most institutional economists take it as given. Analyzing that throughout the centuries, institutions experience changes very slowly at this level, North (1991) queries, "What is it about informal constraints that exerts such a profound influence over the long-run character of economies?", although neither North, nor Williamson answers this query (Williamson, 2000).

According to Williamson (2000), it can be assumed that many of the informal institutions have spontaneous origins – which is to say that the deliberative choice of a calculative kind is minimally implicated. As some of these institutions function with conventions or have symbolic values within the small group of true believers, they are adopted and become quite stable. To sum up, the history of the development of countries shows that institutions have a long-lasting permeation on the way a society conducts itself (Williamson, 2000).

After three decades of transition, it is interesting to see what informal institutions look like in Poland and Azerbaijan. The assessment of Azerbaijani and Polish cultures has been covered using Hofstede's 6-D Model.

### **4.2. Hofstede's Model Applied: Azerbaijan vs. Poland**

In 2001, Hofstede proposed a popular classification. A four-dimensional model, which comprises power distance, individualism, masculinity and uncertainty avoidance, was presented in Hofstede's early research (Hofstede, 2001). Long-term orientation and indulgence were also added to the model during later studies (Lee et al., 2022; Heydari et al., 2021). Hofstede's model has long been accepted by many researchers as a reliable tool to describe not only national cultures but also organizational cultures (Siemiński et al., 2022). A cultural dimension, according to Hofstede (2011), is a measurable aspect of culture that enables it to be positioned in relation to other cultures.

People's attitudes toward inequality between citizens are shown by the power distance, i.e., it indicates the extent to which less powerful members of the society (deprived of power) accept an unequal distribution of power or simply, an inequality. In cultures with high power distance, arising from the nature of life,

authoritarianism and hierarchical order, in which everyone has a place, are accepted by the society. The society with a low distance from authority endeavors to equalize the distribution of power. Specifically, countries with low power distance are considered more democratic and pluralistic (Hofstede, 2001)

With an exceptionally high score of 85, Azerbaijan is a country where power holders are extremely far off in the public eye. Although Azerbaijan is considered a country located geographically in Europe, its high score is closer to Asian than European countries (www6). In this society, everyone accepts a hierarchical structure with no further justification and where everyone finds their place (Pukin, 2020: 167; Pieczewski and Sidarava, 2022). Hierarchy is seen as a reflection of inherent inequality, and the fact that power is distributed differently justifies the fact that those in positions of power enjoy greater advantages than those in less powerful positions, such as wealth, prestige and superiority (Siemiński et al., 2022). Status symbols play a significant role because of the disparity between those with less power and those with more power.

At a score of 68, Poland is less than Azerbaijan, but still a hierarchical society compared to the rest of the EU. This indicates that, like Azerbaijan, people accept a hierarchical order in society as something natural (Pieczewski and Sidarava, 2022). Centralization is popular, subordinates expect to be told what to do, and the leader is a benevolent autocrat. In both countries, religion is a key contributor to the high power distance index, as Catholic and Islamic countries are characterized by a greater distance to power (Pieczewski and Sidarava, 2022; Al Asmi and Caldwell, 2018).

In social sciences, the concepts of individualism and collectivism have been discussed in numerous contexts. For instance, closely related concepts can be tracked down in the fields of values, social systems, morality, governmental issues, religion, mental differentiation, philosophy, economic development, innovation, the construction of constitutions and cultural patterns. Predictions of behavioral patterns from these structures have been quite successful (Triandis and Gelfand, 1998: 118). In our context, individualism characterizes the extent to which the links between people in society are loose or integrated into society (Hofstede, 2001). In individualistic societies, accompanied by a loosely-knit social framework, individuals look after themselves and their immediate families and they sometimes prioritize their own interests at the expense of the society (Andrijauskienė and Dumčiuvienė, 2017; Pukin, 2020; Siemiński et al., 2022). Collectivism, in contrast, refers to societies based on loyalty and relationships (Andrijauskienė and Dumčiuvienė, 2017). In collective cultures, individuals see themselves as firmly associated with their society, will quite often embrace the standards and obligations predominant in the society as rules, and join a lot of significant worth to their associations with different individuals from the society (Siemiński et al., 2022). It is posited that highly individualistic cultures encourage

a high level of invention and innovation (Andrijauskienė and Dumčiuvienė, 2017). Moreover, there is a positive relationship between the wealth of a country and the degree of individualism in a society. A higher degree of individualism is characteristic of rich nations, while collectivism is the prevailing aspect of underdeveloped nations (Pieczewski and Sidarava, 2022).

Azerbaijan has a collectivist culture, scoring a low 22. This is obvious in the early coordination and close, long-haul obligation to a solid, durable 'in group'. Strong relationships are fostered in these societies, where members of the group take care of and protect one another (Pieczewski and Sidarava, 2022). The importance of loyalty outweighs the majority of other societal norms. Offense results in humiliation and loss of face in these societies.

With a score of 60, Poland's society is more individualistic than Azerbaijan's society. This indicates that a loosely-knit social structure in which individuals are expected to take care of themselves and their closest social surroundings is preferable (Pieczewski and Sidarava, 2022). Anger leads to feelings of guilt and low self-esteem; the boss/worker relationship is an agreement in view of common benefit, employing and promotion choices should be founded on merit only, while management is the administration of people. Hence, one cannot expect extraordinary loyalty of workers to their group. If a worker sees a better opportunity, they will take advantage of it (Siemiński et al., 2022). Polish culture sits at the intersection of eastern and western traditions. The Polish person need a hierarchy in spite of their individualism. In this culture, the combination of a lower power distance score than Azerbaijan and a higher individualism score creates a distinct “tension” that makes the social relationship delicate yet intense. As a result, people in Polish culture are advised to establish a second “level” of communication, making personal contact with everyone in the structure and giving the impression that everyone is important, even if they are not treated equally (Pieczewski and Sidarava, 2022).

The masculinity versus femininity dimension, the most criticized part of the 6-D model, investigates whether a society exhibits more feminine characteristics, such as focusing on quality of life, relations, modesty and concern for others, or more masculine characteristics, such as assertiveness, accumulation of wealth, ambition and competitiveness. The difference in values between men and women is greater when a society places a greater emphasis on masculinity (Su, 2022: 58; Pieczewski and Sidarava, 2022; Pukin, 2020). Employees are not actively engaged in management due to frequent job changes and a lack of identification with the organization in masculine cultures, where major decisions are typically made at the top of an organization. Cultures that place a greater emphasis on feminine values have labor policies that are more family-friendly and maintain a balance between professional and family responsibilities (Sun et al., 2022). Promoting cooperation, a warm, non-conflictive environment and socio-emotional

encouragement assist workers with adapting to the vulnerability connected with new ideas (Kaasa, 2013). According to Dimitrov's research (2014: 32), the below results are quite important:

- feminine values are less influenced by society than men's values;
- on the one hand, men's values can be very assertive, competitive, and totally different from those of women to modest, caring, and similar to those of women on the other;
- ladies in female nations have similar humble, caring qualities as the men, while in masculine nations they are more decisive and more aggressive, yet not so much as the men.

The masculinity index for Poland is high (64). As a result, it is expected that society is driven by competition and that the winner determines success. Despite the fact that breaking the law is common and legal nihilism is widespread, everything that is not allowed in society is forbidden and illegal. As it is a masculine culture (similar to English-speaking countries, for example), Polish people live to work, and fighting is used to resolve conflicts (Pieczeniowski and Sidarava, 2022; et al., 2022).

With an intermediate score of 50, Azerbaijan has a little bit of everything. Masculine in some areas and feminine in others, but there is no discernible cultural value that is predominant. As Azerbaijan is a country where there are more Islamic individuals, promoting and enforcing justice are considered the main responsibility, remembering The Qur'an (4:58) requires that "When ye judge between people that ye judge with justice" (Al Asmi and Caldwell, 2018). This masculine accentuation on equity is balanced by the Azerbaijani cultural commitment to open hospitality and ubiquitous profound familial love – distinctly feminine moral virtues consistent with the Ethic of Care (Held, 2006).

Everyday life involves some degree of uncertainty. Every culture tries to control uncertainty through technology, beliefs, rules, and rituals. Over time, different mechanisms of coping with uncertainty emerged (Siemiński et al., 2022). The degree to which a country is subject to uncertain events, unconventional environmental threats or the society feels threatened by ambiguous situations and the degree to which it tries to avoid these situations or to minimize risks by adopting strict codes of behavior, believing in absolute truths, establishing formal rules, and being intolerant toward deviant ideas and actions is what is meant by the term "uncertainty avoidance" (Hofstede, 2001). Countries that avoid uncertainty the most place a higher value on authority, status, seniority, age, etc. Their people try to stay out of these kinds of situations by providing job security, not tolerating radical behaviors, and trusting only their own knowledge and judgment (Su, 2022: 58). By enforcing strict laws, such as "there is only one truth" as well as safety and security measures, these cultures attempt to reduce the likelihood of such situations. These people tend to stay with their current employer

for longer and are more emotional and motivated by inner nervous energy (Dimitrov, 2014: 32). Countries with low uncertainty avoidance have fewer rules and regulations and are more tolerant of deviant behavior and opinions as well as religions and philosophies (Dimitrov, 2014: 32). Their people frequently permit the coexistence of diverse ideas; representatives will more often than not work independently and autonomously (Su, 2022: 58). According to Andrijauskienė and Dumčiuvienė (2007), innovation performance suffers as a result of uncertainty avoidance. Arguments are made to emphasize that societies that accept uncertainty achieve higher innovation levels, while cultures with strong uncertainty avoidance may be more resistant to innovations (Andrijauskienė and Dumčiuvienė, 2007).

The way that members of a given culture deal with anxiety, future unpredictability and something away from the status quo is connected to the uncertainty avoidance dimension (Hofstede, 2011). Poland (93) and Azerbaijan (88) both have very high scores on this dimension, indicating that they adhere to strict moral and ethical norms. Societies with a high score on uncertainty avoidance value reliability and security, and may oppose innovation (Siemiński, et al., 2022). Both of these societies prefer pragmatic approaches, so individuals are encouraged to prepare for the future (Andrijauskienė and Dumčiuvienė, 2007). Even if the rules do not work, there is an emotional need to follow them in both countries. Security is essential for individual motivation. According to the research, a person's fear of going bankrupt or losing their job or position in an organization is a significant barrier to starting the process of implementation of changes (Siemiński et al., 2022).

Changes are related to short-term and long-term orientations (Hofstede, 2011). The distinction between the short-term and long-term dimensions refers to how accustomed members of a culture are to delaying the fulfilment of their material, emotional, and social requirements (Su, 2022: 58). Long-term orientation depicts the manner by which the general public keeps up with relations with the past while at the same time confronting difficulties of the present and future time (Siemiński et al., 2022). Furthermore, long-term orientation portrays how individuals foster abilities and skills for future advantages (Pieczewski and Sidarava, 2022). Prudence, stamina, perseverance and attempts to build a market share are all things that cultures with a long-term orientation tend to value. However, respect for tradition, the exercise of social responsibility and preserving the honor of others in the industry are believed by individuals with short-term orientation (Pukin, 2020: 168). It is generally accepted that focusing on the long term is beneficial to innovation performance. Some research found that societies with a focus with a long-term orientation have better innovation capabilities. In addition, it is suggested that innovative nations place a strong emphasis on achievement and long-term planning – pragmatism (Andrijauskienė and

Dumčiuvienė, 2007). Scholars believe that a long-term orientation was one of the main reasons for the rapid economic growth in East Asia in the late 20<sup>th</sup> century (Su, 2022: 58).

Poles are more normative than pragmatic, as evidenced by their low score of 38 in this dimension – which is comparable to that of Western nations. They must discover the “absolute truth” and think in a way that is typical. They show a lot of respect for traditions, do not save much for the future, and are focused on getting results quickly that they can boast about in front of the rest of society (Pieczewski and Sidarava, 2022). This index's identified value proves that Poles demonstrate a strong preference for consumption rather than accumulation (Siemiński et al., 2022). Azerbaijan's culture, which received a relatively high score of 61, is more pragmatic than normative. People in societies with a pragmatic orientation, which is a typical Eastern model, believe that the truth varies greatly depending on the circumstances, context, and time. They demonstrate a propensity to save and invest, thriftiness, perseverance, and the ability to easily adapt traditions to changing conditions (Pieczewski and Sidarava, 2022).

The sixth dimension, the latest added to the 6-D Model, is indulgence (Hofstede, 2011). Indulgence versus restraint alludes to how much a society allows its people to address essential issues and enjoy their longing to appreciate life and delight. A culture of indulgence permits individuals to appreciate life somewhat unreservedly and urges them to fulfil fundamental, regular human cravings (Su, 2022: 59). A culture of restraint holds that people should not be self-indulgent, but should have a greater sense of purpose and responsibility, and that desires should be controlled by strict social norms (Siemiński et al., 2022). People choose between indulgence and restraint based on three important value dimensions: the degree of need for happiness, the value placed on the manageability of life, and the value placed on contentment (Su, 2022: 59).

Azerbaijan's low score of 22 on this dimension demonstrates a culture of restraint. Societies with restraint tend to be pessimistic and cynical. Additionally, they control their desire fulfilment and place little value on leisure activities. In this kind of cultures, people believe that the actions they take are constrained by social norms, and they think it is wrong to indulge (Pieczewski and Sidarava, 2022). Poland's score of 29 is still low, although higher than that of Azerbaijan, so it can also be categorized as restrained (www7).

## 5. DISCUSSION

Cultural types and the consequent differences convert into political and economic inclinations and behavior. They are the very foundation of how members of society see the world, what they find attractive, what they are willing to accept, and what they reject because it goes against their beliefs. In this way, the

particularity of culture regularly decides on the state of the institutional matrix (Pieczewski and Sidarava, 2022).

The greatest contrasts between Azerbaijani people and Poles are observed in the following indicators: long-term versus short-term orientation, individualism versus collectivism, and masculinity versus femininity. On the other hand, they are almost identical when it comes to uncertainty avoidance and indulgence. The West and the East have had an impact on both countries. They are the result of these nations' recent and ancient histories. Poland has always been part of Latin culture, while Azerbaijan is in the circle of Islamic culture. Azerbaijan has a huge Muslim population, while Poles adhere to Roman Catholicism. The Republic of Poland began its expansion to the east in the 16<sup>th</sup> century; as a result, the Polish kingdom gained control of the majority of the present-day neighboring nations (Pieczewski and Sidarava, 2022). In the same century, the Safavid Empire, which was founded by pro-Shia Turks, managed to unite North Azerbaijan (the Republic of Azerbaijan) and South Azerbaijan (which is a region situated in Iran with a Turkic-speaking majority) as well as spread its influence all over the Middle East and Anatolia (Efendiyev, 2007)

Poland lost its statehood in the 18<sup>th</sup> century. The majority of its territories was ruled by tsarist Russia, while the rest fell under the rule of Prussia and Austria-Hungary (Pieczewski and Sidarava, 2022). What is now Azerbaijan was included in the Russian empire. Except for a period of Khanates, when most of present-day Azerbaijan was ruled by Khans of Turkic (Azerbaijani) origin, the rest of the 19<sup>th</sup> century and most of the 20<sup>th</sup> century saw it within Tsarist Russia, then the Soviet Union (Swietochowski, 1985).

## **CONCLUSION**

Poland and Azerbaijan began their transformations almost simultaneously. During the vital early period, different factors drove these nations to take various directions of progress. The political elites and the majority of Polish society chose to establish democracy and a market economy and sought a protector in the West (Pieczewski and Sidarava, 2022). For Azerbaijan, picking the way of change was "unintendedly" dramatic. Towards the collapse of the USSR, an ethnic conflict in Karabakh, which was fueled by Russia, was opposed by a democratic movement (Cornell, 2007; de Waal, 2003). Supporters of democracy and a market economy, who considered Turkey to be their natural protector and followed a pro-Western policy, and supporters of authoritarianism could not come to an agreement to combine their powers to overcome separatism. As a result, the democratic government was overthrown in a military coup backed by Russian security forces (Bertelsmann Transformation Index, 2022).



Explaining the reasons behind two ways of institutional change, the focus was firstly on historically shaped mental models. The “Solidarity” movement, the influence of the Catholic Church, the numerous private contacts between Poles and the West, and the Polish intellectual elite’s contact with the West, all contributed to the choice made by Poles during the final decade of the socialist era.

The main reasons for the Azerbaijani path of transition are made up by the conservatism of society, which mainly stems from Islamic norms. Azerbaijani people’s low level of national awareness after seventy-one years of Russian authoritarian regime, made it impossible to define and prioritize goals and political instability caused by separatism and subsequent military coups.

Institutional change can be powerful just when it is upheld by appropriate mental attitudes that are exemplified in informal institutions. Despite the existence of the necessary informal institutions in society, political and social consensus was not achieved immediately after the collapse of the Soviet Union, which was the main obstacle to Azerbaijan's transformation into a stable economic growth.

Secondly, it was crucial to choose a strategic external protector. In addition to the significant issue of economic dependence, these choices had a more in-depth cultural background. For a long time, Poland had been all the more firmly connected with Latin culture, and in the midst of communism, the Western model was the ideal they looked for (Pieczewski and Sidarava, 2022). By Perestroika, which had an impact on the political and economic attitudes of all post-Soviet nations, Azerbaijani people did not know as much about life in the West as Poles did, and they were more associated with Islamic norms (Rempel, 1996). The fixing of Poland’s binds with the EU constrained it to embrace the formal institutions of the West and sped up institutional changes. However, without Western support, Azerbaijan’s formal institutions were unable to function.

Wealth and quality of life indicators, as well as institutional indicators, demonstrate that the Polish transformation is widely regarded as a success. According to the respective indicators, Azerbaijan has not been able to diversify its economy away from hydrocarbon reserves. As a result, the Azerbaijani economy is unable to experience a steady growth, and the indicators are significantly behind those of Poland (Bertelsmann Transformation Index, 2022).

Differences in mentality are still evident today. Poles place a high value on individualism and masculinity, and their power distance indicator is lower than that of Azerbaijan. Universalist values, in contrast to Azerbaijan’s, predominate, highlighting the necessity of objective laws that apply to all members of society (Pieczewski and Sidarava, 2022; Siemiński et al., 2022). Azerbaijan has a high power distance indicator, a sign of a clear hierarchy and unequal power distribution in society. Additionally, there is a low level of individualism. Azerbaijan is a mix of both masculinity and femininity: there is no discernible

cultural value that is preeminent, despite the fact that some areas are more masculine than others and others more feminine, which are obviously balanced by the harmony of Islamic values and Azerbaijani culture (Al Asmi and Caldwell, 2018). The need for control and support from the state is reflected in the high level of particularism, which is associated with traditionalism.

While the study aimed to shed light on the impact of mental models on the transformation from communism to capitalism in Poland and Azerbaijan, it is important to acknowledge one main limitation. In order to explore cultural differences between these two countries, Geert Hofstede's cultural dimensions were used, but it is vital to mention that this framework may not comprehensively reflect the entirety of mental models. Mental models are shaped by a range of factors beyond Hofstede's dimension, such as social interactions. While it is important to involve Geert Hofstede's six cultural dimensions into the research, it must be noted that further studies including social interactions in a society are needed.

Considering Bertelsmann Transformation Index (2022), Azerbaijan and Poland have different results in terms of political, economic and governance indexes. According to Poland's respective scores, most Polish political and economic formal institutions can be considered inclusive institutions, although the informal institutions continue to considerably deviate from Western standards, particularly in politics (Pieczewski and Sidarava, 2022). Meanwhile, economic and political institutions in Azerbaijan include different elements of inclusive and exclusive institutions. However, some changes are predicted to happen in both political and economic life of Azerbaijan's society, as political and economic cataclysms are likely to occur in both Russia and Iran.

A major policy implication for Azerbaijan is to foster cooperation with Western institutions like the EU and NATO, which is necessary for promoting political stability, democracy and economic diversification. Considering the wrong reaction of the 1980's society to the regional uncertainties, national awareness and cultural understanding should be fostered through investments in education and awareness campaigns. Anticipating geopolitical shifts is paramount for the government to maintain stability and advancing development agendas.

When it comes to Poland, strengthening relations with the EU can bolster socio-economic progress and institutional frameworks. In order to sustain democratic values, disparities between formal and informal institutions should be addressed. Vigilance, evidence-based policymaking, and robust monitoring mechanisms are indispensable for navigating future challenges and maximizing Poland's potential.

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**APPENDIX**

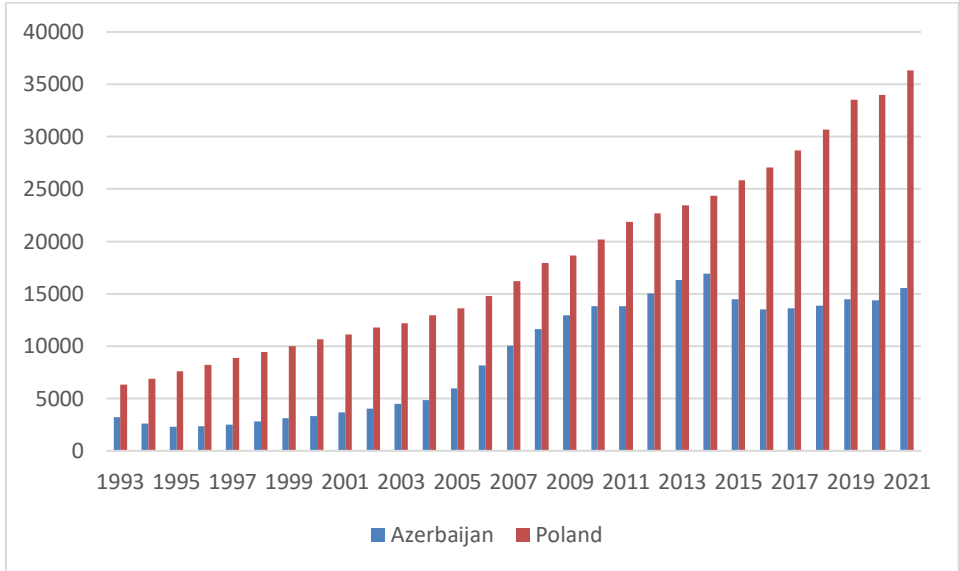


Chart 1. Azerbaijan vs. Poland. GNI per capita, PPP (current international \$) in 1993–2021

Source: (www1).

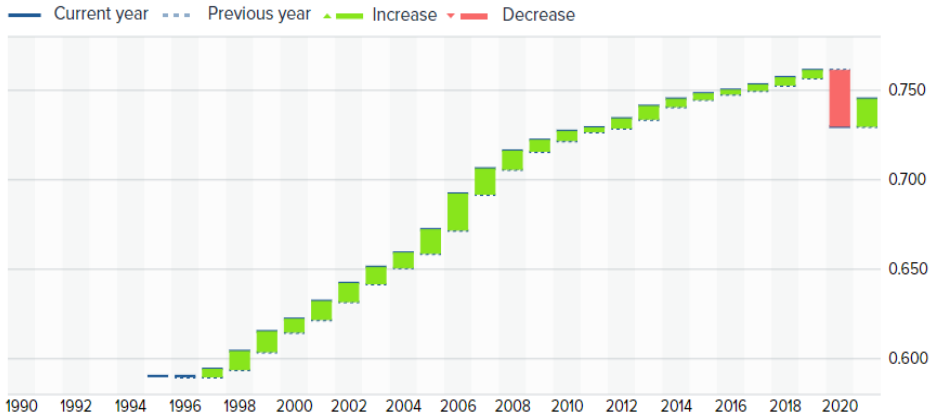




Chart 2. Human Development Index in Azerbaijan in 1990–2021

Source: (www2).

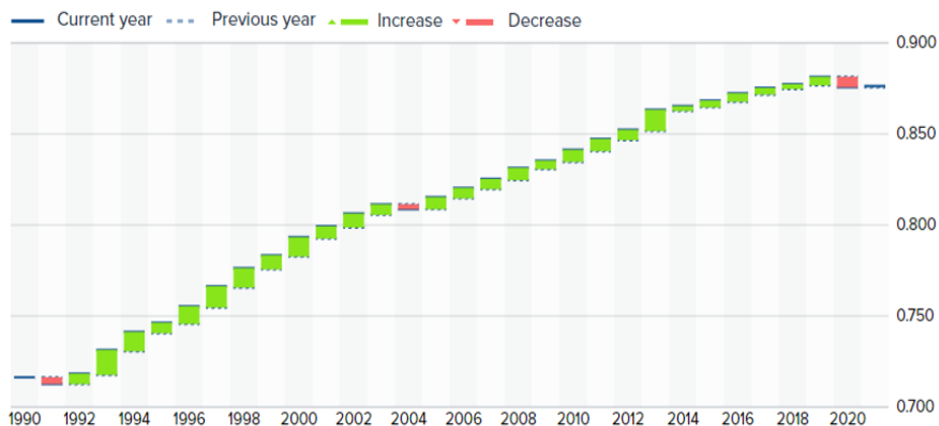


Chart 3. Human Development Index in Poland in 1990–2021

Source: (www3).

Table 1. Macroeconomic indicators in Poland in 2018–2020 (in %)

	2018	2019	2020
<b>GDP growth</b>	5.4	4.7	-2.5
<b>Annual inflation (year end)</b>	0.9	3.0	3.4
<b>Government balance/GDP</b>	-0.2	-0.7	-7.1
<b>Current-account balance/GDP</b>	-1.3	0.5	2.9
<b>Net FDI/GDP</b>	-2.6	-2.0	-2.1
<b>Public debt/GDP (year end)</b>	48.8	45.6	57.4
<b>Unemployment rate (year end)</b>	3.8	2.9	3.3

Source: (www4).

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