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Łukasz Sułkowski
Halina Sobocka-Szczapa

Preface

The processes of globalization are now undoubtedly a key determinant of economic entities actions. Through innovative technology and freedom of exchanges we have to deal with plenty of current information, increasing speed of events, the need to assimilate other patterns of behavior and growing importance and strength of various types of relationships with the international environment. On the other hand, the decision making is increasingly affected by the results of the activities of people, businesses and institutions functioning somewhere nearby. Therefore globalization – is a multidimensional phenomenon, taking place in both the economic and social sphere – which make that organizations should include in their activities varied procedures by which they will shape their competitiveness.

The complex nature of globalization was reflected in the studies that were included in another booklet in the series “Entrepreneurship and Management”. Among the 11 articles there are in fact those that directly describe the external conditions for actions of economic entities in the processes of globalization (support local entrepreneurship, financial markets, corporate social responsibility, aspects of information), as well as those, that allow to familiarize oneself with the methods which affect the increase of the organizations competitiveness in these processes (marketing and logistics management, strategy development and knowledge management scenarios, jobcoaching, quality management). Accordingly, the whole elaboration was divided into two parts, that reflect the range of the discussed problems.

In the first part, entitled “The environment as a determinant of the organizations functioning”, there are six studies. In the first of these, entitled **„The Need to Support Regional Entrepreneurship. The Evidence from Poland’s Eastern Border Regions and the Region of Łódź”**, Małgorzata Jabłońska made a detailed analysis of the factors, that were treated as determinants of selected regions attractiveness for the development of enterprises, and thus the development of regional entrepreneurship. An attempt was made to characterize these regions in terms of attractiveness and power of attracting development factors, mainly due to the fact that in each of these regions entrepreneurs meet the specific micro- and macroeconomic determinants.

The next two articles were devoted to financial issues associated with the operation of business entities. In the elaboration of Paweł Trippner, entitled **„Assessment of Financial Investors’ Assets Level and Importance on Financial Market in Poland”**, the author estimated the potential of the major collective investors in the financial market. Financial market, from the point of view of the organization, plays an important role of a power source in development / investment processes, because it is the place where the cash needs of those who have the cash at the moment and those who currently lack and need it meet. Therefore, it is important that the economic condition of collective investors was adequate to the expectations of both, managers and employees. The analysis of four groups of collective investors on financial market in Poland: Banks, Insurance companies, Investment funds and Open Pension Funds, led to the conclusion that their importance on a financial market and especially on the capital market in Poland is still rising, although undoubtedly, the year 2014 will bring changes on financial intermediaries’ market situation. The reasons are: changes in law of social security system, improving conditions of polish economy, households and enterprises. The importance of open pension funds will not be any longer so significant. The more important role on the market should play banks and investment funds, especially those with high – risk investment portfolios, such as a private equity funds.

The article of Mirosław Wypych, entitled **„Foreign Capital in Poland during Recession”** describes the role of the foreign capital in the functioning of the polish economy, which certainly is important for its development. The study attempts to analyze changes in the level and structure of a foreign capital in Poland in the years 2008–2013 that is during the period of economic downturn following the global financial crisis. This analysis shows that during the recession caused by the global financial crisis, Poland has been perceived as a country attractive to foreign investors. During the crisis, financial stability of the country, in which parent companies have their seats, is more important for

foreign investors than financial security of the host country. This finds its confirmation in an intensification of transactions of the so-called special purpose vehicles, upward trend in the level of dividends and interest paid to foreign investors and downward trend in the level of profit reinvestment.

Continuation of studies related to the assessment of the international market's impact for the functioning of the organization, and especially for the development of corporate social responsibility, we find in the article of Krystyna Kietlińska, entitled „**The Forms of Social Engagement of Polish Firms**”. The research carried out in 2012 shows that the main implementers of CSR are large firms with foreign capital. They know the idea of CSR from the experience of Western firms. The main objective is the image and to build better relations with their environment. On this background the article shows the ranking of companies participating in “Leader of Philanthropy” competition. The contacted research proves that the social engagement of polish firms is at the early stage of development. The number of firms increase, but there are mainly large companies. The main reason that the small business share in social engagement results from the limited amount of financial resources at their disposal.

An important element in a market economy for the functioning of the economic entities is information. It is one of the main factors affecting their competitiveness. In the work, entitled „**Informative Aspects of Innovation Implementation within Organisations**”, Joanna Kijewska and Witold Nowak indicate the importance of information in the implementation of innovation in organizations. In conditions of the dynamic development of the scientific and technological knowledge, the question is no longer if there is a need to imply innovation but how to do it efficiently. Within the process of innovation implementation, the organisation's management selects the appropriate ideas, makes the decision and takes the action to implement a new or a significantly improved solution. In this paper, the factors interrelated with the process of innovation implementation were analysed. The information asserts itself as a significant factor which influences the process. The neoinstitutional view on the information in organisations was a starting point for analysis. A conceptual framework of the information attributes, which influence the quality of the implementation of an innovation, was proposed. The applied research method is the secondary data analysis, which was based on the theoretical literature, as well as the empirical research results.

However, in a last article in this part, entitled “**A Comparative Study of Attitudes Towards Entrepreneurship between Polish and British Students**” were shown the international aspects of entrepreneurship, which are becom-

ing an increasingly important field of research. Authors of the study, Michał Chmielecki and Robert Seliga draw attention to the fact that in stimulating entrepreneurship, it is important to note the difference in terms of attitudes towards entrepreneurship, due to the cultural diversity between countries. They stressed therefore worrying problem of lack of research, including comparative studies, especially outside the US. Conclusions from the study should be of great importance both for policy makers and educators. Article identifies areas for diversification of entrepreneurial attitudes of students from Poland and the UK.

In the second part, entitled “Methodological aspects of the organizations’ management”, there are five articles, in which the area of interest of the authors was their studies in terms of the possibility of applying new methodological solutions to management. The introduction to this section is the elaboration of Łukasz Sułkowski, that have a theoretical character, which the title is: **„Management – from Epistemology by Methodology to Social Practice of Academia. Cognitive Challenges in Management Science 2”**. The paper depicts the connections between cognitive problems (from the epistemological point of view), management methodology and social practice. Management sciences are parts of historical discourse and because of that epistemological and methodological levels have an impact on social practice. The main concern of this paper is the role of the management scientist, consultant and teacher. The analysis suggests that academic teacher and researcher are social roles with a character that can be called universal. Practitioner is associated rather with pragmatic aspect of management science. Practitioners are often regarded as managers, but their roles in the organisation might as well be non-managerial. The roles are very often combine with each other, what means that, there is a necessity of intervention and dialogue between academic and managerial world.

In the next elaboration, **„Marketing and Logistics Management as an Innovative Direction of Management in the SME Sector”** Danuta Janczewska points to the necessity of the interdisciplinary approach to management processes. Interdisciplinary perception of phenomena and processes in the company contributes to the growth of knowledge about the processes in the company and allows a broader look at the changes in the environment. The foundation of the activity of SMEs sector businesses is a much lower level of material resources than it is in large enterprises, thus building the intangible resources by improving logistics and marketing skills often means investing in enhancing the competitiveness of SME companies. Identification of areas and possibilities to benefit from the implementation of marketing and logistics

management as an innovation in the management of the SME company requires broad knowledge and collection of data about the possible use of innovation in the enterprise. Innovation strategy formulation – is associated with the logistics of supply and distribution, by gathering information about the environment, activities of competitive businesses. It becomes necessary to raise the level of education of modern managers through participation in training and postgraduate studies both in the field of logistics and marketing.

The need for the other approach for processes of managing in organizations was also reflected in the article of Remigiusz Tunowski, entitled **“Intelligence Business in Organization. Benefits, Risks and Developments”**. According to the Author, due to growing needs of the organization in the scope analysis, interpretation and the data processing, introducing systems Intelligence Business class (BI) is essential. They should become an inherent element of running a business in the 21st century, constituting the support and influencing for streamlining the decision making, what in the end should contribute to the efficient rise of the organization. However – what was underlined in deliberations – alone implementation of the BI system doesn't constitute the guarantee of these effects. It must correlate with decisions streamlining the functioning of the organization, mainly through the possibility of creating the intelligent organization, based on the knowledge and trainee on one's mistakes. Therefore the purpose of the study was to identify the benefit and threats of the BI implementation in organization and discussing directions of the development of systems of the Intelligence Business class, based on the review of current achievements of the learning. In consequence of deliberations conducted they were filing for drawing the complete model of the maturity up, but first of all taking soft elements into account in it – apart from the infrastructure and the applied technology – what would allow the transparent appointing directions of the BI systems development.

The next study (by Halina Sobocka-Szczapa, entitled **„Jobcoaching – a Method of Age Management in an Organisation”**) deal with the issues associated with the methodology of the personnel management. Population aging phenomenon, which takes place globally, forces organisations to change their approach to human resource management. An interest in humanistic approach to management issues, including human resource management, that has been recently popular among HR experts, became the starting point for the analysis presented in this paper. It seems that jobcoaching is closely connected with this notion, which is aimed at understanding and improving a lot for the person in the world of organisation, especially when people have the possibility to be active on the labour market for a longer time. Similarly, as

in case of the basic assumptions of the humanistic approach to management, jobcoaching puts to the fore the need to understand the personal experience of the members of the organisation. The use of age management by organisations, as a way to maintain older workers labour market participation, entails a clear advantages. However, age management should not be considered as an approach directed solely to the older people, because such action would expose managers to the allegation of discrimination other employees. It should be rather understood as a policy of equal opportunities for all employees. However, due to external factors, age management is usually seen in terms of the need to encourage people from the upper bound of the working age population, as well as post-working age population, to be economically active.

In the last elaboration, entitled **“Kaizen as a Philosophy of Quality Management Improvement in a small Production Company”**, Barbara Kamińska points out that nowadays quality is one of strategic concepts from the point of view of companies, especially production-oriented ones. The lack of quality often eliminates a product from the basket of further potential choices. That means that quality is a prerequisite in the contemporary, highly competitive and saturated market. In order to ensure quality, enterprises introduce various concepts and methods to support quality management. They include, among others, the kaizen philosophy, which allows to minimize unnecessary actions (losses). It is especially recommended for small firms as an inexpensive method assuring high quality of products because they are constantly improved, which, in turn, guarantees maintaining a high position among competitors. This article aims to introduce the concept of kaizen by describing how it works and considering whether it can be successful in Polish companies.

Studies included in the publication are characterized by high scientific and cognitive values, that is evidenced by getting a positive publishing reviews. The issues discussed in them, are extremely important for the functioning of the organization. In particular, it is important to identify a variety of opportunities to use past experiences, that can lead to an overwhelming improvement of the companies' effectiveness. In many cases, a combination of theoretical considerations with empirical analyzes enabled a greater understanding of the presented issues. Therefore, the presented articles may be an important complement to the literature, primarily economic, but also social. They can also be used in the teaching process.

Part 1

The Environment as a Determinant of the Organizations Functioning

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The Need to Support Regional Entrepreneurship. The Evidence from Poland's Eastern Border Regions and the Region of Łódź

Abstract:

The purpose of this paper is to identify the factors which have the greatest impact on the development of regional entrepreneurship in the border regions of Eastern Poland and in the Łódź region. An attempt was made to characterize these regions in terms of attractiveness and power of attracting development factors mainly due to the fact that in each of these regions entrepreneurs meet the specific micro- and macro-economic determinants.

Key words: entrepreneurship, regional entrepreneurship, regional policy, regions, Eastern Poland.

Introduction

Entrepreneurial potential is regionally diversified. Regional entrepreneurship in the aspect of peripheral regions, such as the border regions of Eastern Poland and the central region – Łódź, is a subject of this paper (analysis for the provinces of Lublin, Podlaskie, Subcarpathian, and Łódź). The previous analyses indicate that in terms of entrepreneurial potential Polish eastern border regions rank last. The regions are characterized by unfavourable conditions for development of entrepreneurship, mainly due to poorly developed economic base. National Regional Development Strategy include border areas, particularly those that are located on the external borders of the EU, as the problem

area, subject to strategic intervention in regional policy implemented by 2020. The Łódź region is in opposition to the Polish eastern border regions and is characterized by a higher growth potential. Conclusions drawn from the Łódź region can serve as recommendations and allow the identification of differences in the determinants of regional entrepreneurship in the regions located in the area the state border and those who are better placed.

The purpose of this paper is to identify the factors which have the greatest impact on the development of regional entrepreneurship in the border regions of Eastern Poland and in the Łódź region. An attempt was made to characterize these regions in terms of attractiveness and power of attracting development factors mainly due to the fact that in each of these regions entrepreneurs meet the specific micro- and macro-economic determinants. Proper identification of the determinants of entrepreneurship in the regions covered by the analysis will make it possible to shape the policy to support the process of regional entrepreneurship. Implementation of this objective, however, requires first to develop a methodology for determining the level and dynamics of the development of regional entrepreneurship.

Regional entrepreneurship

Entrepreneurship of the region is treated as a synonym of the sector of enterprises operating in the region. This is a narrow approach to regional entrepreneurship [Kola-Bezka 2013, p. 52]. The concept of regional (macroeconomic) entrepreneurship is intrinsically related to the development of the region, which is accomplished by the establishment of new enterprises, their gradual development, creation of new resources, markets, technologies, products, and services, processes and transactions leading to the increase of their value [Lichnia 2011, p. 11]. The literature also suggests that regional entrepreneurship can be defined as the activities of the entities operating in the local area, which lead to the establishment of new enterprises in the area, resulting in economic development, thereby increasing the standard of living of its inhabitants and such activities of local authorities and business environment which stimulate the establishment of new enterprises and the development of technical and social infrastructure [Saar 2011, p. 12].

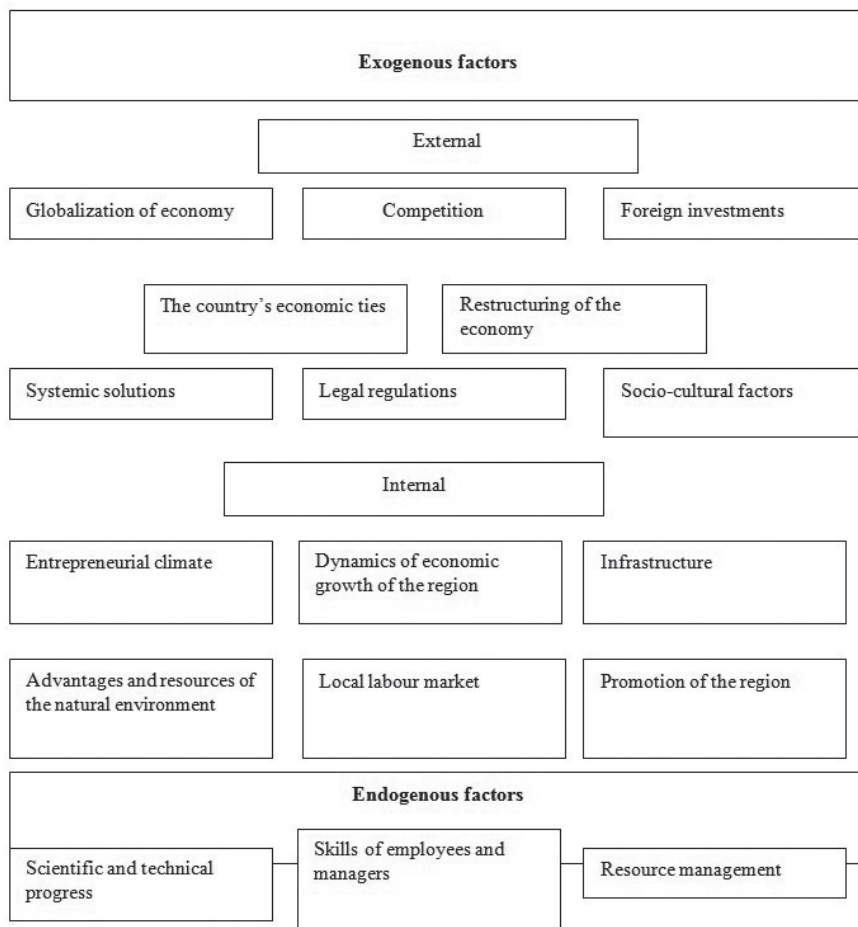
In broad terms, the regional entrepreneurship refers to the activities of the public and social sector [Kola-Bezka 2013, p. 35].

Enterprises classified as SMEs are the causative entities for regional entrepreneurship. Micro-, small- and medium-sized enterprises represent the overwhelming majority of enterprises operating in Poland (in the EU, 99.8% of all enterprises are SMEs). In the light of the Central Statistical Office (CSO)

data, SMEs operating in Poland generate nearly three-quarters of Polish GDP and every second zloty (47.3%) in the structure of the share of GDP. In 2011, all enterprises invested 161.24 billion zlotys. The SMEs' investments amounted to 80.8 billion zlotys, or 50.1% of total investments. Micro-enterprises invested 17.5% (28.3 billion zlotys), small-enterprises 11.6% (18.8 billion zlotys). Investments of small- and medium-enterprises accounted for 21.0% (33.8 billion zlotys) [Raport.Polskie MSP na drodze ku nowoczesności, Lewiatan 2013]. The level of entrepreneurship in Poland is relatively high. According to the data presented by the Polish Agency for Enterprise Development (PARP), the rate of entrepreneurship, defined as the share of adults who have set up their own business or take steps to this end, is for Poland 25%, while the EU average is 23%. In addition, the Polish economy ranks sixth in the EU in terms of the number of enterprises. According to Eurostat data, there are 1.52 million enterprises in Poland and their number is gradually growing. In the past ten years, the number of new companies exceeded the number of those liquidated. In the year 2012 the number of newly registered enterprises amounted to approx. 518 thousand, an increase of almost 27% compared with the previous year. In turn, the number of liquidated companies in this year was about a quarter smaller than in 2011 and amounted to 311 thousand. In comparison with the EU average the SME sector in Poland is increasingly dominated by micro-enterprises and the share of small firms is about half that of the EU. The share of micro-enterprises in the total number of companies in Poland is 95.9% (in the EU – 92.5%). The share of small firms in the SME population in Poland (3.1%) is about half the size of the EU average (6.2%), while the share of medium-sized enterprises is close to the EU average (0.9% – Poland, 1.0% – EU). majority, i.e., 92.1% of all entrepreneurs in SME sector are natural persons conducting business. Legal persons and entities without legal personality represent 7.9% of small- and medium-sized enterprises. The Polish SMEs operate primarily in services and trade [Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce w latach 2011–2012, 2013, p. 42].

Each region has developed entrepreneurship in a different way. This is mainly due to the fact that there are no two regions, which would be characterized by the same set of factors determining the establishment of enterprises on its territory. The differences stem both from internal (endogenous) and external (exogenous) factors.

Figure 1. Exogenous and endogenous factors determining regional entrepreneurship



Source: author's own compilation.

Exogenous factors are related to the environment in which the enterprise operates. Those which relate to external conditions to the region, are universal, because create equal conditions for operation of economic entities. In contrast, exogenous internal conditions occur with varying intensity in different regions [Kola-Bezka 2013, p. 55]. They reflect the opportunities and risks which are inherent to the implementation of national economic policy. These are macro-economic factors. They can be divided into three main groups:

- Economic,
- Legal,
- Institutional.

Compilation of micro- and macro-economic factors is a contribution to the creation of conditions conducive to the generation of entrepreneurial behaviour in the region. These factors decide also about the investment attractiveness of regions.

Table 1. Investment attractiveness of provinces (2008–2012)

	Resources and labour costs	Activity of provinces for investors	Transport accessibility	Size of the market	Level of development of economic infrastructure	Level of social infrastructure	Level of public safety
Masovian	12	1	1	1	3	4	12
Silesian	1	5	6	2	2	1	
Greater Poland	3	4	2	7	6	10	5
Lower Silesian	5	3	5	4	1	3.	15
Pomeranian	7	6	11	3.	9	5	14
West Pomeranian	9	2	4	8	7	6	16
Łódź	4	7	7	9	8	7	10
Kuyavian-Pomeranian	6	8	9	11	16	8	7
Lubush	13	11	3	10	12	14	11
Lesser Poland	2	9	10	5	5	2	9
Opole	11	14	8	6	4	13	8
Warmian-Masurian	14	12	15	13	13	11	6
Świętokrzyskie	10	16	12	15	14	9	2
Podlaskie	16	15	14	12	15	15	4
Lublin	15	10	13	16	11	16	3
Subcarpathian	8	13	16	14	10	12	1

Source: Author's own study based on: Atrakcyjność inwestycyjna województw i podregionów Polski 2012, Instytut Badań nad Gospodarką Rynkową, Gdańsk 2012, pp. 41–60.

Research results presented above show the image of Polish regions in terms of investment attractiveness which is one of the most important determinants of local and regional entrepreneurship. Investment attractiveness is primarily understood as the ability to encourage investing by offering a combination of location advantages possible to achieve when doing business. The advantages result from the specific characteristics of the area in which business is conducted. These benefits are referred to as location factors [Atrakcyjność inwestycyjna województw i podregionów Polski 2012, p. 11]. Instytut Badań nad Gospodarką Rynkową [Gdansk Institute for Market Economics] has identified seven groups of factors which have the greatest impact on the creation of new businesses in the surveyed regions.

Entrepreneurship in the eastern Polish border regions: Analysis

Eastern provinces (regions) of Poland are classified as the least economically developed European regions. In connection with the implementation of the cohesion policy, which aims to reduce development disparities of regions, more attention has been paid to the eastern Polish regions, as well as the border regions, which are largely at risk of marginalization.

There are many definitions of a border region. However, in the literature, it is most often an area which is a part of a geographic space determined by its position along the state border, on its one side. It is a subsystem of a territorial socio-political system which is the State, but at the same time it is composed of subsystems, i.e., local territorial political and social systems. In relation to other administrative regions its specificity lies in the territorial environment which makes it more vulnerable to changes in international relations than inland regions [Miszczuk 2013, p. 60].

Polish Eastern regions are among the least economically developed regions of the European Union. Historical factors relating to the effects of World War II and the policy pursued by the communist government are responsible for this situation. As a result of this policy 40% of investments have been located in the Upper Silesian Industrial District. The unfavourable government policy was characterized by centralization of decision-making and resulted in the gradual deepening of the development disparities between the regions of Eastern Poland and the rest of the country. From the moment of Poland's accession to the European Union the economic development of these regions has been determined mainly by progressive economic transformation and European integration, and cohesion policy implemented under European integration, which aims to promote the harmonious development of the European Union by reducing disparities between the levels of development of regions.

The advantages of Polish eastern border regions include: the level of education higher than in other regions and emerging clusters of modern industries, i.e., aviation, milk processing, cement, and automobile tires which are defined as regional growth centres.

Table 2. Characteristics of the provinces of Lublin, Subcarpathian, and Podlaskie

Province (voivodeship)	Description
Lublin	<ul style="list-style-type: none"> - The third largest region in Poland, it represents 8% of the area of Poland, - It is inhabited by 2.2 million people, - Represents 25% of the area covered by the Operational Programme Development of Eastern Poland - Borders with Belarus and Ukraine, - 4 cities with powiat (county) status, - 213 municipalities, - 3645 solectwos (villages), - The least populated and urbanized region, - Low level of accessibility, - Slowing dynamics of development, - Low share of market services and industry, - High share of agriculture, - Low labour productivity, - Unfavourable structure of the economy, - Low competitiveness, - Poor innovation, - The dominance of agriculture as a sector with low added value, - Predominance of low-tech industry, - Low rate of modernization and replacement of fixed assets, - Large surplus of labour supply over demand despite the lower unemployment rate, - High level of hidden unemployment, - low standard of living of the inhabitants of the region, - Fragmentation of agricultural holdings, - A decrease in acreage due to the resting of land (fallow culture) and afforestation, - Tourism is an advantage of the region, - Favourable position on the international transport route - the pan-European East-West corridor, which allows access to foreign markets, especially Ukraine and Belarus, - Key industries include: renewable energy, biotechnology, furniture industry, information technology, aviation, construction, agriculture, tourism, processing and food industry, science, chemistry, medical services.

Subcarpathian	<ul style="list-style-type: none">- The region represents 5.7% of the country's area and 18% of the Eastern Poland's area,- Is 15th in the country in terms of GDP per capita,- Low wages (ranks 16th in the country),- Low number of economic entities,- Low number of business entities with foreign capital,- Poor technical, social, and economic infrastructure,- Poor investment attractiveness,- Large role of industry,- The industrial structure is dominated by aviation, electromechanical, chemical, and food industry which together produce 70% of industrial production of the province,- In terms of employment medium- and large-sized enterprises of the public sector prevail,- Climatic and geographic conditions create unfavourable conditions for agriculture,- The share of rural population is 60% and is the largest in the country,- Villages are overpopulated- Small farms dominate in the region, with an average size of 3.5 ha,- Good conditions for the development of tourism, recreation, and leisure,- The occurrence of mineral waters is an asset,- Key industries include metallurgy, furniture, information technology, aviation, agriculture, tourism, food processing and food industry, machinery, and chemicals.
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Podlaskie	<ul style="list-style-type: none"> - The region represents 6.5% of the country's area and 20.4% of the Eastern Poland's area, - Podlaskie is a typical agricultural region, - Over-staffing accompanied by frequent unemployment and a low degree of marketability of production, - An average area of agricultural acreage of one farm is significantly larger than the national average, - Podlaskie is characterized by one of the lowest levels of economic development, - Podlaskie has one of the lowest shares of industry in gross value added, - A large share of the SMEs sector is concentrated in the cities, - Lack of interest by foreign investors, - Low attractiveness of the region, - Low level of GDP, - Market capacity is small, - Low degree of urbanization and infrastructure development, - Underdeveloped industrial production, - Not very competitive staff - Low adaptability of the unemployed to the new conditions, - Inadequate instruments and institutions of business environment focused on learning, - A region of high purity and naturalness of the natural environment, - Multicultural and multinational region, ethnically the most diverse in the country, - Attractive to tourists, - Poor transport network, - Lack of access to water supply and sewage system, - Key industries include: furniture, tourism, food processing and food industry, and machinery.
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Source: Author's own study based on: Strategia rozwoju społeczno-gospodarczego Polski Wschodniej do roku 2020 [Strategy for Socio-economic Development of Eastern Poland until 2020], the Ministry of Regional Development, Warsaw 2008, pp. 17–19 and Raport. Rozwój struktur klastrowych w Polsce Wschodniej [The development of cluster structures in Eastern Poland], the Ministry of Regional Development, Warsaw 2007, pp. 131–132.

Polish eastern border regions are the regions which do not create favourable conditions for the generation of pro-entrepreneurial behaviour. Due to the unfavourable employment structure (agriculture plays the dominant role here), these are poorly industrialized regions, underinvested, outdated with a rare network of cities, characterized by the poor condition of technical infrastructure and low efficiency of public administration. Consequently these provinces have poor innovation and poor competitiveness. The aviation industry is the only dominant innovation industry in the regions of Eastern Poland. The aviation enterprises in Eastern Poland represent 90% of the whole Polish aviation industry.

Entrepreneurship in the Łódź region: Analysis

Łódź Province is one of sixteen provinces in Poland. It is situated in the central part of the country and borders the following provinces: Greater Poland, Kuyavian-Pomeranian, Masovian, Opole, Silesian, and Świętokrzyskie. The size of the province is 18,219 square kilometres. Łódź Region consists of 21 powiats [counties] and 3 towns with powiat status. There are 177 municipalities in the region, including 133 rural municipalities, 18 municipalities and 26 urban-rural municipalities [Statistical Yearbook of the Regions 2012: Poland]. In 2010, more than 256 thousand enterprises registered in the REGON register were operating in the Łódź province which accounted for over 6% of all enterprises registered in Poland. In 2010, there were over 101 enterprises registered in the REGON register per 1,000 inhabitants in the region (Table 5.2). In this respect Łódź ranked ninth in Poland, as in 2009. In the ranking of start-ups per 1,000 inhabitants the province ranked eighth (sixth in 2009). At the same time in the ranking of liquidated companies the region has moved from the last position to the 12th, ahead of four regions. In respect of SMEs with foreign capital the region has maintained its tenth place [Raport o stanie małych i średnich przedsiębiorstw w Polsce 2011, p. 14].

Łódź Province is associated mainly with the rapidly developing textile industry, which experienced its glory days in the first half of the nineteenth century. The dominant role of this sector of industry accounted for the development of the region, its industrial specialization, and economic monoculture. Economic and political changes have triggered entrepreneurial attitudes among inhabitants which were reflected in the increase in the number of small and medium-sized enterprises since the early 1990s which were often established on the basis of the declining large textile enterprises [Sokołowicz 2008, p. 72]. In consequence of unfavourable development conditions of the region

the dynamics of development has weakened resulting in the outflow of people to other major cities, mostly to nearby Warsaw. This is a negative phenomenon mainly because the region used to concentrate highly skilled workers and professionals educated at universities of Łódź. The advantages of the region include significant lignite resources owing to which the region has a surplus of cheap electricity, and very large reserves of thermal waters, which can be the basis for the development of renewable energy and spas in the region.

The potential of the region lies in its central position, both in the context of Poland and regions of Central and Eastern Europe. Foreign direct investments offer opportunities for the region to locate modern services and new industries. Large enterprises which decide to make investments in the Łódź region have a choice of two basic scenarios. They can either make investments in the technology park or in the Special Economic Zone (SEZ).

Technology Parks are a common solution conducive to the development of local entrepreneurship. These entities are characterized by the fact that 'in their area advanced technologies are produced and services are provided to related companies.' Internal organization of Technology Parks is a combination of business and residential areas. These are the tools of regional development [Mazur 2004, p. 29]. Today, four science and technology parks operate in the city of Łódź and in the region. They operate on the basis of mutual cooperation of local authorities with local initiatives in order to ensure preferential conditions for doing business. The objectives lying behind the idea of technology parks include attracting investors and creating new jobs.

From the perspective of harmonious economic development, special economic zones play a significant role in creating conditions for the development of industry. The main tasks of the SEZs include promotion of entrepreneurial behaviour and optimization of the use of factors of production for the successive reduction of unemployment in the region. The Łódź Special Economic Zone was set up in order to reduce the high rate of unemployment, create new competitive activities and modernize sectors of the local economy. The total area of the Zone is 1200 hectares and has been divided into 44 sub-zones.¹ The actions of the Zone revolve around creating conditions for the functioning of new investors. Various initiatives taken by the authorities at the regional level are primarily aimed at achieving a high economic growth rate thus reducing development disparities. Without doubt the new enterprises contribute to this end.

¹ Polska Agencja Rozwoju Przedsiębiorczości [Polish Agency for Enterprise Development].

Table 4. The number of newly registered enterprises

Province (voivodeship)	Year				
	2009	2010	2011	2012	2013
Łódź	40,502	45,208	37,818	36,522	37,648
Masovian	85,024	109,522	91,802	90,166	96,580
Lesser Poland	55,340	63,312	52,490	51,212	51,634
Silesian	70,510	81,362	63,686	61,516	62,164
Lublin	27,166	31,260	26,404	25,634	26,972
Subcarpathian	25,862	28,314	24,492	23,286	25,868
Podlaskie	16,216	18,136	15,840	15,600	15,196
Świętokrzyskie	16,766	19,250	16,146	15,654	16,994
Lubusz	18,850	20,902	17,472	17,138	16,956
Greater Poland	76,779	65,970	58,142	56,546	58,260
West Pomeranian	35,566	36,804	33,586	31,114	33,070
Lower Silesian	50,254	55,728	49,868	48,086	48,752
K u y a v i a n - Pomeranian	33,162	34,896	32,818	29,730	32,764
Pomeranian	44,636	48,890	43,530	41,530	44,412
W a r m i a n - Masurian	22,870	24,380	19,740	19,282	20,528
Opole	13,836	15,222	12,190	11,218	12,776

Source: Author's own calculations based on the data of Central Statistical Office (CSO).

According to the CSO data for the past five years, there are still development disparities between the Polish provinces. Most new companies register in the Masovian province. This is due to the fact that many see a chance for a market for their products and services in the capital, among others, because of the high population density. The data concerning the very city of Warsaw, however, distort the image of the whole province, and therefore the region has the highest rates of development and the lowest unemployment rates in the country. The lowest level of entrepreneurship is in the Opole province and the regions located on the eastern border.

The development of entrepreneurship is determined by the dynamics of formation of new enterprises. The analysis shows that in the last year the Łódź region generated 37,648 new enterprises, but the dynamics of their establishing is much greater in the region of Lublin. The presence of a large city in the region which acts as a regional growth pole contributes to establishing new enterprises; Lublin is a good example here.

Conclusions

Research on regional entrepreneurship often argues that economic, legal, and institutional factors have a significant influence on the decision to start a new project. They are often cited as the main barriers to the development of the SME sector in Poland. This group of factors determining entrepreneurial behaviour in the regions depends on the policy of the regional government. This policy should therefore be carried out in such a way that these conditions would stimulate economic activity, rather than impair it. The issue of public aid is particularly important in the development of entrepreneurship.

The development of regional entrepreneurship is largely affected by the institutional environment of enterprises. Business environment institutions, their effectiveness and efficiency help businesses survive the most difficult moments in the first period after start-up. Business environment institutions include technological parks, entrepreneurship incubators (business incubators), transfer and technology centres, investor service offices in municipalities, loan institutions, private equity funds and venture capital funds. The academic entrepreneurship should be mentioned here. It determines the creation of links between the sphere of science and the sphere of economic practice.

This paper focuses on the determinants of development of entrepreneurship in the border regions of Eastern Poland, specifically in relation to the provinces of Lublin, Podlaskie, and Subcarpathian. These regions are characterized by specific conditions, mainly due to the specific border conditions in which they operate. The relatively low level of economic development of neighbouring countries hampers the development of entrepreneurship in these areas. As well as their location on the external border of the European Union. A study conducted by an international team of experts² indicated that the inhabitants of the eastern Polish regions estimate that accession to the EU had a significant impact on the development of entrepreneurship in the region.

² Research carried out in 2011. By an international team working at the Department of European Integration and Regional Studies at the Nicolaus Copernicus University in Torun, under the guidance of prof. W. Kosiedowskiego.

Studies have shown that the Belarusian respondents at 54% until they see the benefits of such accession [Kola-Bezka 2013, p. 126].

Lublin province ranks low in comparison with other regions in terms of basic indicators of the level of entrepreneurship. A little over 26 thousand new enterprises in the private sector were established in the province in 2013. The development of entrepreneurship is characterized by a low growth rate. Due to the unused resources in the labour market and the lack of opportunities for earnings the region is characterized by a low standard of living. Using the positive aspects of the region, resulting in an increase in regional competitiveness, job creation and the development of inter-regional cooperation through the implementation of development policy should lead to sustainable development. Border regions of Subcarpathian province are characterized by good conditions for the development of tourism, recreation, and leisure. These factors are also barriers to the development of agriculture which is not very effective in these areas. Compared with other regions, Subcarpathian province has very poor key indicators determining the level of entrepreneurship. Regions of the province of Podlaskie are characterised by a very low level of economic development. The city of Białystok, which generates new enterprises, especially macro-enterprises, is the great advantage of the region. The Łódź province deserves special attention on account of the analysis of regional entrepreneurship. The region is centrally located, with great development potential and is characterized by high dynamics in terms of new enterprises and strong investment incentives which determine its location attractiveness.

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Assessment of Financial Investors' Assets Level and Importance on Financial Market in Poland

Abstract

The main purpose of the submitted article is the estimation of financial investors' potential in Poland. There are four groups of collective investors on financial market in Poland like Banks, Insurance companies, Investment funds and Open Pension Funds, which have been analyzed. Their importance on financial market and especially on capital market in Poland is still rising. The dynamics of their assets value in 2009 – 2013 periods has been analyzed. Financial investors' assets and Gross National Product in Poland ratio has been calculated. The influence of the financial crisis and post-crisis time on the investment portfolios structure has been also reviewed.

Key words: Collective investors, open pension funds, investment fund, financial instruments, investment portfolio.

JEL codes: G20, G23.

Introduction

Financial intermediaries are very important elements in the financial system of the state. They operate in the financial market as institutions that make possible for households and businesses to convert savings into investments. They create very strong demand on securities, which are issued on this market. The cores of the market are collective investors, like banks, insurance companies, investment funds and open pension funds.

The aim of this paper is to analyze the level of financial investors' assets and its evaluation in 2009 – 2013 periods. The paper formulates a research

hypothesis, according to which in 2009 – 2013 period level of financial investors assets gradually increased as a result of the end of financial crisis time and high-risk forms of investment have been playing more important role in their investment portfolios.

The essence of the business cycle

A business cycle is a term which refers to the fluctuations in values measuring the amount of business activity occurring in a given country or region. They characterize the rate of changes in business around a long-term growth trend [Burda, Wypłosz 2000, p. 46].

The following economic indicators are most frequently used to evaluate the currently dominating trend:

- Gross Domestic Product,
- Level of employment,
- Price level,
- Exports value,
- Imports value,
- Investment expenditure,
- Personal income and expenditure,
- Income and profits of companies,
- Stock index value.

The following are the phases of a business cycle [Burda, Wypłosz 2000, p. 79]:

- expansion phase – production, employment, investment, demand and prices increase while unemployment decreases,
- peak phase – the end of growth, the aforementioned values stabilize at a high level,
- contraction phase – unemployment grows while production, employment, investment, demand and prices fall,
- trough phase – the end of contraction, the aforementioned factors remain at low level.

Depending on their length, business cycles may be divided into [Barczak 2006, p. 117]:

- Short (Kitchin cycles) – lasting 2–4 years, caused by inventory and wholesale price changes as well as settlement of bank operations,
- Medium (Juglar and Kuznets cycles) – lasting from 8 to 23 years, related to accumulation of production factors over a long period (investment, construction migration),

- Long (Kondratiev wave) – lasting from 40 to 60 years, connected with discoveries and innovations and the process of their spreading over the world (electricity, steam engine, railway, computer, the Internet).

The financial crisis of 2007–2009 started with the collapse of the market of high-risk mortgage loans in the United States.

The crisis was triggered by banks giving subprime mortgage loans with high repayment risk to people with little financial capacity. Those loans became securities for bonds sold on a large scale by private financial institutions (including the biggest American and European banks) as investment or speculation. There was little awareness of how risky the bonds were, as it was the time when real estate market was growing, while at the same time the major rating agencies awarded high safety rates to those bonds. Individual insolvency of debtors resulted in the lack of cash on the credit market and instability of those institutions.

After two – year of financial crisis its impact on financial markets is still present. A lot of financial institutions, enterprises and households still suffer from its negative effects.

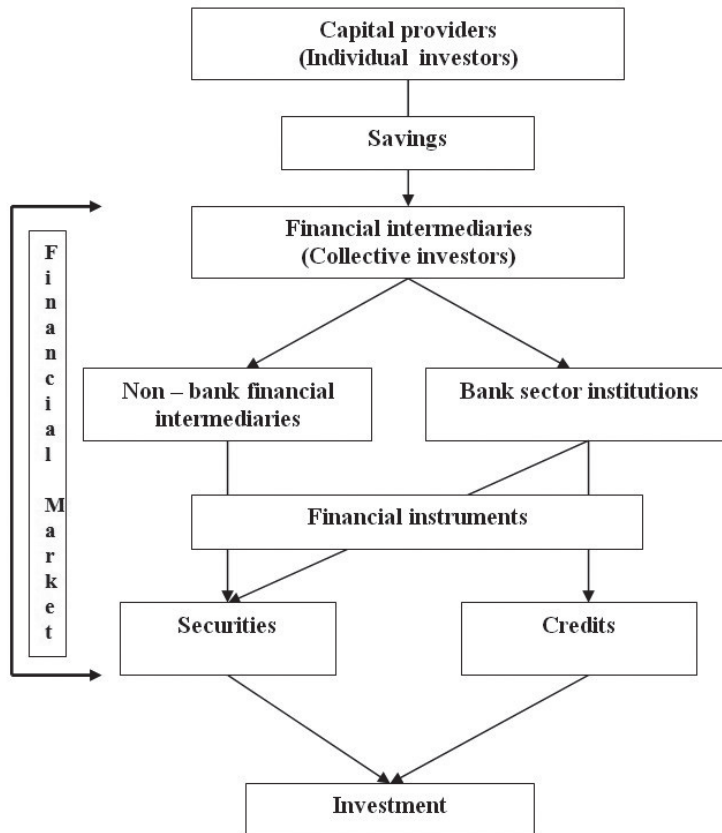
The role and importance of financial institutions in the financial system

The financial system is a mechanism regulating financial relations between entities belonging to private, state and financial spheres, consisting of financial institutions, financial instruments, financial markets and rules defining the way they function [Wypych 2000, p. 104].

From the point of view of this analysis the segment of financial institutions is fundamental, in particular institutional investors who fulfill the valuable function of financial intermediaries. Using the financial instruments available them to transform savings to investment.

Institutional investors are public trust institutions. They possess the competence and the necessary knowledge in the field of investing funds on the financial markets. Households and companies entrust these specialized institutions with their surplus of funds (savings) to be invested in certain securities. Thanks to the professional management of funds investment risk is effectively lessened through diversification of the contents of investment portfolios, as well as through the choice of instruments with different level of risk and potential return [Owsiak 2002, p. 227].

The transformation process of savings into investments by using collective investors has been shown on figure 1.

Figure 1. Mechanism of transformation of savings into investment

Source: own work based on Czekaj 2008, pp. 4–6.

The arguments which prove superiority of collective investment over individual one are the following [Proniewski, Niedźwiedzki 2001, p. 82]:

- professionalism – financial intermediaries employ highly qualified personnel and have better understanding of the financial market and the instruments it offers, which enables taking optimal investment decisions,
- investing flexibility – financial intermediaries have more opportunities to diversify the investment portfolio depending on the changing situation on the financial market,

- concentration of savings – financial intermediaries having considerable financial resources at their disposal may take advantage of the scale and as they have more bargaining power they may purchase financial instruments on better conditions than individual investors,
- diversification of investment – having bigger financial resources they stand a better chance of adjusting the structure of their investment portfolio with reference to the relation of risk-return. Thanks to the diversification of investment portfolio, financial intermediaries may decrease the level of risk of its content.

Furthermore, other aspects of collective investment need to be emphasized. When investing their savings through financial institutions individual investors are freed from the necessity of constant monitoring of the financial market situation as well as gathering information about it in order to take the right investment decisions. Having bigger capital gives collective investors wider and more direct access to many financial instruments, which are not available for individual investors.

Major collective investors include:

- commercial banks (especially investment banks),
- insurance societies,
- pension funds,
- investment funds.

Commercial banks – the most common type of these banks are the credit-deposit banks which gain their capital from clients in the form of deposits and investment. They are the only institutions able to accept money from their clients on term deposits and transform them into credit funds. They also operate on the financial market using that part of the money procured from clients in the form of deposit or bonds which were not assigned for credit. The funds are engaged mostly in low-risk financial instruments such as treasury bills and bonds and less in high-risk securities like stock – exchange companies' shares [Szelągowska (red) 2009, pp. 28–29].

Banks whose main aim is to invest in securities are investment banks. These are institutions primarily dealing in the capital market and its instruments. We should differentiate between the operations of investment banks on the primary and secondary market. In the former they prepare and carry out the issue of securities as well as advise their issuers. In some cases banks take over the risk connected with success of the issue functioning as guarantors. On the secondary market investment banks activities may have two forms [Jacob, Klein 1998, pp. 17–19]:

- investing in securities (as a dealer),
- carrying out client's orders to purchase or sell securities, sometimes also safe-keeping them.

Besides, their other functions include financial advisory services as well as mergers and acquisitions services.

Insurance companies – the aim of the insurance societies is to provide financial protection to insured people, which enables limiting negative effects of risk. These institutions gain capital in the form of insurance premium paid by clients. The insurance holders pay premium as a way of financial protection of themselves and other people insured in case action committed takes place [Marcinkowska 2007, pp. 42–44].

Insurance companies must be solvent. This involves their having own capital at the adequate level and conducting investment deals complying with the statutory requirements and limitations. The main aim of their investment activity is to achieve profitability with the maximum high level of safety and maintaining asset liquidity [Sułkowska 2001, p. 119].

The safety requirement makes it necessary for insurance companies to reduce the risk by diversification of the investment portfolio and high content of safe investment. Through investment the accumulated insurance capital returns to the financial system of the country and performs productive, pro-supply role. The main categories of insurance companies' investment are:

- mortgage,
- real estate,
- securities (mostly safe – treasury bills and bonds),
- bank deposits.

Open pension funds – open pension funds are economic entities collecting contributions in order to turn a profit to those who pay them. As the consumption of the invested savings happens only after reaching pensionable age, the time scale of the investment of pension funds is relatively long. The general aim of the business of pension funds on the financial market requires minimal investment risk, therefore they must comply with various safety norms according to which the funds invest in financial instruments. This applies especially to open pension funds and funds connected with pension plans of employees, and to a lesser extent funds based on individual pension accounts – those three forms of savings accumulation are part of a social protection system and their activity is related to the social policy of the state (in the case of open pension funds accumulation of savings is enforced by the system) [Dybał 2008, p. 13]. Due to the change of legal acts starting from 2011 year the importance of open pension funds on financial markets has deteriorated. From May 1, the level of pension

contribution decreased by 5 percentage points to 2,3%¹. February 1, 2014 treasury part of pension fund assets were transferred to the Social Insurance Institution, which meant to transfer the approximately 51,5% of the accounts of open pension fund members in the Social Insurance Institution accounts².

Investment funds – investment funds most distinctly represent the idea of collective investing. In comparison to the other financial intermediaries investment on the financial market is their primary aim. Their clients are mainly individual persons, who for various reasons are not interested in investing their savings on their own. The services of these institutions are frequently used by other entities (banks, insurance companies, open pension funds), because the investment offer of investment funds is highly diversified while the management of the accumulated capital is professional. Moreover the fees charged by these funds are relatively low [Dawidowicz 2008, pp. 10–11].

As was mentioned before collective investors influence the national financial system and economic development. They form a crucial element of the demand side of the financial market. Accumulated capital is invested in financial instruments, contributing to the development of the monetary market, and particularly the capital market. Both of these markets are used by companies when financing current business activities or investment ventures. Demand for capital from companies depends on various factors such as macroeconomic, line of industry and internal issues. When making a decision to finance business through the financial market the company must take into account the fact that the capital obtained must be repaid and interest must be paid in return for using this capital. Such decision should, therefore, be preceded by a survey of the market and based on reliable economic calculus.

The level of financial intermediaries' assets in Poland in 2009–2013

The object of this analysis is the evaluation of influence of the situation on the financial market on the potential of institutional investors in Poland. This includes two areas:

- evaluation of assets possessed by collective investors as well as their structure,
- change of the level of assets engaged by investment funds and open pension funds in high-risk financial instruments.

¹ The Act of 25 March 2011 amending certain laws related to the functioning of the social security system, Journal of Laws of 2011 no 75, item 398.

² The Act of 6 December 2013 amending certain acts due to the determination of rules of pension payments from the funds accumulated in open pension funds, Journal of Acts of 2013, item 1717.

Table 1. Value of WIG and WIG – 20 indexes in 2009–2013

Index	2009	2010	2011	2012	2013	2013/2009
WIG	39 985,99	47 489,91	37 595,44	47 460,59	51 284,25	28,3 %
WIG – 20	2 388,72	2 744,17	2 144,48	2 582,98	2 400,98	0,5 %

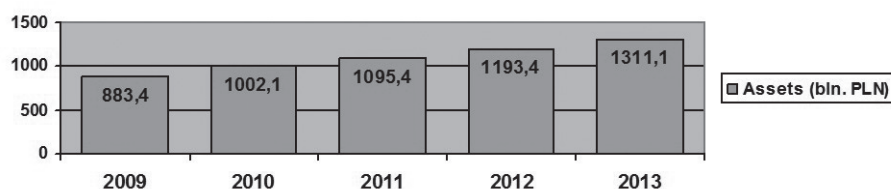
Source: own analysis based on www.gpw.pl – access date: 27.11.2014.

WIG means Warsaw Stock Exchange Index and WIG – 20 contains 20 biggest companies on capital market in Warsaw. During the analyzed period growth of both indexes was observed annually with the end of the growth period in 2010. In 2011 significant decrease of their value was registered, which was the effect of a considerable fall of the prices of shares on the Warsaw Stock Exchange. During the four analyzed years the index referring to all shares on the trading floor increased significantly by over 28%, while the index based on the 20 largest companies has just increased its value by less than 1%.

The conclusion can be drawn, that changes in pension system in Poland and riots in Ukraine at the end of 2013 year have influenced much more on bigger companies' shares prices on Warsaw Stock – Exchange.

The diagrams below and the table represent financial potential of collective investors in 2009–2013. The level of assets held by the segment of financial investors and its relation to Polish GDP is illustrated. In addition, the table presents the structure of this segment of the financial system.

Figure 2. Financial investors' assets in Poland in 2009–2013



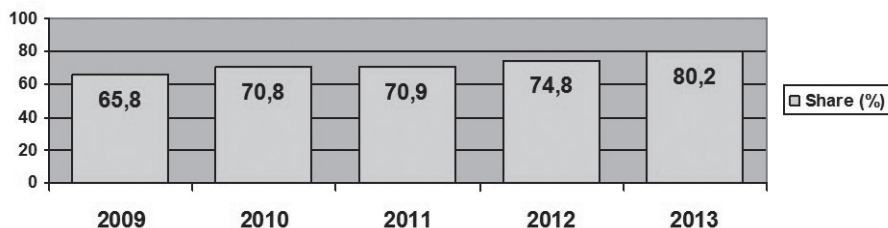
Source: own analysis based on www.knf.gov.pl – access date: 26.11.2014.

Table 2. Financial investors market distribution in 2009 – 2013 period (share in %).

Institution	2009	2010	2011	2012	2013
Banks	63,4	61,0	63,8	59,9	58,4
Open Pension Funds	20,2	22,1	20,5	22,6	22,8
Investment Fund Companies	10,6	11,5	10,5	12,2	14,4
Insurance Society	5,8	5,4	5,2	5,3	4,4

Source: own analysis based on www.knf.gov.pl – access date: 25.11.2014.

Figure 3. The share of financial investors' assets to GDP in Poland in 2009–2013



Source: own analysis based on www.knf.gov.pl and www.stat.gov.pl – access date: 28.11.2014.

It is important to note that despite the fluctuations on financial markets, changes in social security system and uncertainty on Ukraine the level of financial investors' assets in Poland has been annually growing. The level of growth in four-year period was more than 48%, which must be considered as a positive result. In 2010 year total assets of financial intermediaries in Poland for the first time have reached 1 billion PLN limit. Quite favorable situation on Warsaw Stock – Exchange has affected the growth of importance of investment funds and pension funds at the expense of reducing the level of bank deposits.

In 2012 share of banks in financial investors market for the first time has fallen under 60% limit. In analyzed period share of banks has been reduced by 5 percentage points.

In 2009–2013 period the importance of investment funds has increased. Their market share has increased by 3,8 percentage points.

The growth of open pension funds market share was due to constant flow of cash to portfolios from the contributions paid by the future pensioners. It can be assumed that 2013 year was the last one with such a high share of open pension funds in financial investors' market. The changes in law which have been described in previous part of this article shall negatively influence the importance of open pension funds as financial investors starting from 2014 year.

Very important conclusion is that the rate of financial investors' assets growth has been faster than the rate of GDP growth. As a result the ratio between financial investor's assets level and value of GDP in Poland has increased in four-year period by 14,4 percentage points, for the first time reaching 80% limit.

The last part of the present survey analyzes the level of engaging in the high-risk instruments by Open Pension Fund and investment funds. In the

case of Open Pension Fund the components of their portfolios include (until 2013 year):

- Shares,
- Treasury debtor securities and bank deposits,
- Others.

In the case of investment funds they were divided as follows:

- Aggressive,
- Mixed,
- Safe (treasury bonds, money market),
- Private equity,
- Others.

Table 3. Structure of investment portfolios of Open Pension Funds in 2009–2003

Instrument	Share (%)					2013/2009 (p.p.)
	2009	2010	2011	2012	2013	
Shares	30,7	36,6	31,2	35,2	41,8	+ 11,1
Safe	61,9	58,3	56,9	54,2	50,4	(11,5)
Others	7,4	5,1	11,9	10,6	7,8	+ 0,4

Source: own analysis based on www.knf.gov.pl – access date: 27.11.2014.

The table above confirms positive trend in term of the level of engaging of pension funds in shares. During analyzed period the share of stock – exchange companies high – risk securities has increased by more than 11 percentage points. It's a clear signal that their portfolios managers have been convinced that this market has strong increasing potential.

Low level of inflation in Poland has directly influenced the interest of treasury debt securities. The low level of return from these securities has affected the more than 10 percentage points fall of their shares in open pension funds portfolios.

As mentioned in previous part of this paper 2013 is the last year of this kind of open pension funds investment portfolios structure. Treasury debt securities have been on 1 February 2014 transferred to Social Insurance Institution. From this date open pension funds investment portfolios are very similar to mixed and aggressive portfolios of investment funds.

Table 4. Structure of the investment funds market in Poland in 2009–2013 period

Instrument	Share (%)					2013/2009 (p.p.)
	2009	2010	2011	2012	2013	
Aggressive	29,1	27,2	19,3	16,8	16,0	(13,1)
Mixed	40,5	25,3	18,9	13,8	11,3	(29,2)
Safe	22,9	26,7	31,3	37,7	34,2	+ 11,3
Private equity	2,3	12,4	18,8	16,0	19,7	+ 17,4
Others	5,2	8,4	11,7	15,7	18,8	+ 13,6

Source: own analysis based on www.izfa.pl – access date: 04.12.2014.

Data presented in table above clearly shows trend on investment funds market. High -risk funds annually are less popular among investors which gave the effect of more than 42 percentage points decrease of aggressive and mixed funds' share in the market. Investors gradually transferred their savings to low-risk funds which gained 34% share in the market (11,3 percentage growth in four-year time).

Noteworthy is the increased of share of private equity funds. These funds have shares of not listed on Warsaw Stock – Exchange companies. They are quite a new investment product in polish financial market but as can be noticed in table above are becoming more and more popular among investors in Poland.

Conclusions

The hypothesis, formulated in this paper has been partially revised positively. The level of financial investors' assets in Poland in after – crisis period has gradually increased during 2009–2013 years. Their financial potential is annually growing, that is reflected in increasing ratio between their assets and value of GDP in Poland. This ratio level has reached at the end of 2013 year 80% limit for the first time in history.

The importance of open pension funds and investment funds has gained during analyzed period at the expense of the importance of banks deposits and assets of insurance companies.

The second part of hypothesis cannot be clearly revised positively. Indeed the share of high-risk instruments in open pension funds portfolios has increased and the same situation can be observed in term of private equity in-

vestment funds but in the same period very significant loss of aggressive and mixed investment funds' share in the market has been recorded.

The final conclusion is that 2014 year will bring changes on financial intermediaries' market situation. The reasons are changes in law in social security system, improving condition of polish economy, households and enterprises. The importance of open pension funds will not be any longer so significant, the more important role on the market should play banks and investment funds, especially those with high-risk investment portfolios, such as a private equity funds.

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Foreign Capital in Poland During Recession

Abstract

The system transformation which started in the last decade of the previous century and the accompanying transition into market oriented economy have contributed to the increase of foreign investors' interest in committing their capital in Poland. The interest grew even more after Poland joined the European Union. With limited national financial resources and great demand for the same, foreign investment has been a desirable factor supporting and accelerating economic growth.

The objective of this paper is to evaluate the changes in the level and structure of foreign capital in Poland in the years 2008–2013, that is during the period of economic downturn following the global financial crisis. The point is, first of all, to find an answer to the following question: to what extent has the economic destabilisation caused by the crisis influenced the decisions of foreign investors concerning investing their capital in Poland? This allows to verify the following scientific hypothesis: during crisis stability of the financial system of the country in which parent companies have their seats is more important for foreign investors than financial security of the host country. The analysis covers total foreign capital, that is both direct and portfolio investment, as well as derivatives and credit facilities. The empirical part of the study has been based on the information published by the National Bank of Poland.

Key words: foreign instruments, recession, economic growth, financial instruments

Introduction

The system transformation, which started in the last decade of the previous century, and the accompanying transition into market oriented economy have contributed to the increase of foreign investors' interest in committing their

capital in Poland. The interest grew even more after Poland joined the European Union. With limited national financial resources and great demand for the same, foreign investment has been a desirable factor supporting and accelerating economic growth. It contributes, at the same time, to strengthening the competitive position of Poland on the international level. Apart from positive effects of the foreign capital impact on economy, however, the related threats should also be noticed. They are connected for example with the fact that part of foreign investment has a speculative character. This may result in fluctuations in the level and structure of foreign investment, depending on the economic situation in global markets. Similarly to other Eastern European countries Poland is perceived by foreign investors as a territory with high investment risk. During escalation of crisis speculative investment is withdrawn from such countries in the first place which results in specific repercussions on the entire economy.

The objective of this paper is to evaluate the changes in the level and structure of foreign capital in Poland in the years 2008–2013, that is during the period of economic downturn following the global financial crisis. The point is, first of all, to find an answer to the following question: to what extent has the economic destabilisation caused by the crisis influenced the decisions of foreign investors concerning investing their capital in Poland? This would allow to verify the following scientific hypothesis: during crisis foreign investors believe that stability of the financial system of the country in which parent companies have their seats is more important than financial security of the host country where subsidiaries are located. The analysis covers total foreign capital, that is both direct and portfolio investment, as well as derivatives and credit facilities. The empirical part of the study has been based on the information published by the National Bank of Poland.

Symptoms of recession

The basic macroeconomic indicators describing Polish economy after 2007 clearly indicate that we have to do with a destabilisation of conditions of the functioning of business entities. No GDP decrease has been recorded, just a slowdown of its growth rate, and therefore in economic terms there has been no crisis but only a recession. In the light of the data presented in table 1 it is perfectly clear that economic downturn in Poland has been a consequence of the global financial crisis which began in the second half of 2007 in the United States after which it swept through most countries of the world, in particular the highly developed ones. Its effects left a mark on global economy, from the point of view of both micro- and macroeconomics, as well as on capital flows.

In the present-day world economy there are very close interrelations among individual countries and any changes in the economic situation of one country influence other states. The relations between Polish economy and global commodity and capital markets have made it impossible for our country to avoid the consequences of the financial crisis.

Table 1. Selected macroeconomic indicators in Polish economy in the years 2007–2013 (year-on-year) in %

Year	Corresponding period of the previous year = 100					Registered unemployment rate
	Gross domestic product	Export	Investment expenditures	Sales in industry	Market capitalisation	
					(as on 31.12)	
2007	107.2	110.2	120.4	110.7	169.9	11.2
2008	103.9	107.0	110.7	103.6	43.1	9.5
2009	102.6	93.7	99.2	95.5	153.9	12.1
2010	103.7	112.9	100.2	109.0	111.3	12.4
2011	104.8	107.9	110.6	107.5	80.7	12.5
2012	101.8	104.3	97.2	100.5	114.2	13.4
2013	101.7	105.0	99.0	102.1	108.1	13.4

Source: own calculations based on [*Roczne wskaźniki...*].

The GDP dynamics in 2008 decreased significantly when compared to 2007. The same applied to export, capital expenditures and sales in industry. The consequences of recession impacted in the first place and to the greatest extent the capital market (Warsaw Stock Exchange). The value of shares listed on the Warsaw Stock Exchange decreased in 2008 when compared to the previous year by nearly 57%, whilst in the subsequent years the dynamics of market capitalisation was characterised by considerable changeability. What is surprising here is the decrease of registered unemployment rate from 11.2% in 2007 to 9.5 % in 2008 (it has been the lowest level from the beginning of system transformation).

In 2009 the value of export, capital expenditures and sales in industry was lower than a year before. The improvement of situation in subsequent years was temporary. Fluctuations in the dynamics of industrial production and capital expenditures may suggest that production powers in enterprises was not used to the full, which, in turn, ended in the lack of interest in creation of new jobs. As a result the unemployment rate shows a growing tendency [Wypych 2014, p. 667].

Foreign capital as a development factor

When describing foreign capital in national economy, it should be clearly underlined that it has different forms. It is commonly assumed that the main ones include direct and portfolio investment. From the point of view of impact of foreign investment on the efficiency of economy, and in particular industry, it is assumed that the former is of fundamental importance, since portfolio investment has to a large extent a speculative character whilst its scale depends mainly on interest rate changes. Portfolio investment does not have any significant impact on structural transformations of national economy and its competitiveness but is used mainly to finance the budget deficit and, to a certain extent, determine the development of exchange market. Both direct and portfolio investment includes two types of financial instruments, that is equity instruments (shares and other forms of equity) and debt instruments (debt securities).

The important thing in the case of direct investment is a legal aspect of investing capital by foreign investors. According to the provisions of the *Act on companies with foreign capital participation of 14 June 1991* (Dz. U. of 1991, No. 60 item 253 as amended) a foreign entity may run its business activity on its own behalf (direct activity) or participate in the running and results of such activity run by a domestic entity (indirect activity). A foreign entity may run a business activity only in the form of a limited liability com-

pany (*spółka z ograniczoną odpowiedzialnością*) or joint stock company (*spółka akcyjna*). This means that these may be companies with foreign participation only, or mixed companies. The decisive and only fact which determines whether a given company is a company with foreign participation is whether any foreign entity holds some of its shares. The actual value of participation of a foreign entity in the share capital of a company is of no importance here, however the degree of capital participation of a foreign investor determines the extent of its control over the company – it is, however, a problem of an ownership supervision.

In the case of portfolio investment no active control over the issuer of securities is involved and investors settle for realisation of profit. Profit is generated on the basis of differences in interest rates or currency fluctuations. For this reason the decisions of investors interested in securities are most usually grounded on credit rating of a given country. The rating is prepared by independent financial organisations (rating agencies) and its purpose is to establish the risk connected with a given state. No security issued by an authorised entity in a given country may have higher rating than the bonds issued by the government of such a country. Portfolio investment plays an important part in financing budget deficit since a considerable part of treasury bonds is purchased by foreign investors.

Apart from direct and portfolio investment foreign capital includes such instruments as trade credits (connected with deferred payments and advance payments in export and import transactions), loans and borrowings from equity-related entities, funds in cash and bank accounts owned by a foreign entity and deposited in the receiving country, etc. (they are described as “other investment”). Furthermore, derivatives, which are not securities and whose value depends on the underlying asset such as, for example, share price, bond yield, interest rate, exchange index, etc., are a separate and specific category of foreign capital. Derivatives fall into two categories: symmetric instruments (forwards, various types of exchange transactions) and asymmetric instruments (options) [*Międzynarodowa pozycja...*, 2013, pp. 49–50].

The most important facts which prove a positive impact of foreign investment in Poland include participation in financing of budget deficit, increase of capital expenditures, imitation effect, employment growth, improving the qualifications of employees of enterprises with foreign capital participation, technological progress, export increase, increase of cooperation with domestic companies. Furthermore, foreign investment stabilises the balance of payments and exchange rate [Wyżnikiewicz 2001, p. 7, Rzepka 2005, p. 52, Wieczorek 2005, p. 77]. Negative consequences of the impact of foreign capital include

attempts to evade paying taxes, slight tendency to reinvest profits, low proportion of *greenfield* type investment (constructed from the ground up), high share of supply import, lack of inclination for research and development activity [Prusek 2005, p. 86, Kotula 2004, p. 28, Pawłowicz 2008, pp. 13–18, Wypych 2007, pp. 468–469].

Dynamics and structure of foreign capital in the years 2008–2013

The level of the foreign capital invested in Poland expressed in absolute terms in the years 2004–2013 nearly tripled (from 638 billion PLN to 1,840 billion PLN). In the period covered by the analysis (2008–2013) there was a 60% increase which means that macroeconomic destabilisation resulted for example in a slowdown in the inflow of foreign capital to the Polish economy. The information on the dynamics of foreign investment, taking into account its generic structure, is presented in table 2.

Table 2. Dynamics of foreign investment in the years 2008–2013 taking into account its types

Item	2008	2009	2010	2011	2012	2013
Direct investment, in which	111.8	108.7	126.3	105.6	105.1	104.8
– equity investment	107.1	109.3	121.7	99.4	107.0	104.9
– debt investment	126.0	106.9	138.3	119.9	101.4	104.3
Portfolio investment, in which	90.3	126.2	133.4	110.7	122.0	100.2
– equity investment	59.2	136.8	152.0	87.6	132.6	110.5
– debt investment	105.3	123.5	128.0	118.6	119.3	97.4
Other investment, in which	142.7	105.2	105.0	114.6	92.3	103.0
– trade credits	119.1	98.3	95.6	122.4	88.6	101.5
– loans and borrowings	148.7	103.5	104.5	118.0	96.7	100.3
– cash	140.1	105.5	120.6	103.0	76.7	108.1
Derivatives	342.8	29.7	457.1	136.0	89.5	83.5
Total foreign capital	115.8	110.0	122.1	109.8	105.3	102.7

Source: own analysis based on *Międzynarodowa pozycja...*

In the first place it should be emphasised that along with the entire period we can see a positive dynamics of value of the total foreign capital. It applies also to direct investment. In the case of portfolio investment a slump was recorded only in 2008 (10% drop when compared to the previous year), that is in the beginning of the recession. Also the next slowdown phase made itself felt: the level of portfolio investment in 2013 did not change with respect to 2012. There were, however, fluctuations in the case of other investment (drop in 2012), in particular in the case of derivatives. Derivative instruments are associated with high risk and therefore they are very sensitive to any changes in the level of macroeconomic indicators such as interest rates, exchange rates or share prices.

It is also very clear that fluctuations in the dynamics of direct investment are less considerable than in the case of portfolio investment, whereas fluctuations in the dynamics of equity investment are larger than in the case of debt investment. This results from the specific character of financial instruments: shares involve higher risk than bonds. The structure of foreign direct investment is dominated by equity instruments (over 2/3), whereas the structure of portfolio investment – by debt instruments (over 3/4). The legitimacy of the hypothesis presented in the beginning is most clearly visible with respect to other investment. Limitation of the degree of crediting and cash in the years 2009 and 2012 is directly related to recession phenomena observed in the countries from which majority of investment getting to Poland comes (Germany, France, the Netherlands).

The next two tables present the information concerning the structure of foreign investment. Table 3 lists the main types of foreign investment, whereas table 4 – the basic financial instruments reflecting foreign capital.

Table 3. Structure of foreign capital in Poland in the years 2008–2013 by type (%)

Item	2008	2009	2010	2011	2012	2013
Total foreign capital	100.0	100.0	100.0	100.0	100.0	100.0
Direct investment	44.3	43.7	45.2	43.5	43.4	44.3
Portfolio investment	20.0	22.9	25.0	25.3	29.3	28.5
Other investment	34.6	33.1	28.6	29.8	26.2	26.2
Derivatives	1.1	0.3	1.2	1.4	1.1	1.0

Sources: as in the case of table 2.

Direct investment and equity instruments are of greatest importance. From the point of view of economy such a situation is very advantageous since both direct investment and equity instruments are relatively stable. It is due to the fact that investing capital in such a form involves long-term decisions. Profitability of such investment is determined by the following factors: prospects for the increase of national demand, market size, value and competitive position of enterprises in which capital is invested. If the economic situation of the host country and conditions of running business activity deteriorate, it is much harder to withdraw the capital involved in direct investment and equity instruments. In such a case investors are forced to take restructuring measures to minimise losses while trying, at the same time, to earn profit anyway [Konieczny, Wypych 2006, p. 265].

Table 4. Structure of foreign capital by financial instruments in the years 2008–2014

Share	2008	2009	2010	2011	2012	2013
Equity instruments	35.9	36.7	37.2	33.5	35.3	36.5
Debt instruments, in which	28.4	30.0	32.4	35.2	37.3	36.2
– bonds and treasury bills	14.6	16.5	18.4	20.1	23.0	
Trade credits	4.3	3.8	3.1	3.3	2.8	2.8
Loans and borrowings	22.6	21.2	18.5	19.6	18.0	17.3
– in which government loans	2.9	3.3	3.2	3.7	3.6	
Cash	7.5	7.3	7.2	6.7	4.9	5.1

Sources: as in the case of table 2.

What should be underlined is the increased share of treasury debt instruments (mainly treasury bonds) and government loans in the total value of foreign capital. The value of the bonds issued by the State Treasury and owned by foreign investors amounted in 2000 to 37.6 billion PLN and increased to 108.3 billion PLN in 2004 (Poland's accession to the EU) and exceeded 400 billion PLN in 2012. The data include the bonds issued both in Poland and abroad. The value of loans and borrowings, on the other hand, granted to the government sector changes depending on the current demand: for example in 2004 it amounted to 64.2 billion PLN, in 2008 to 32.7 billion PLN and

in 2012 to 62.6 billion PLN. In 2013 treasury bonds made up 97.7% of all bonds owned by foreign investors. Thus foreign investment contributes significantly to the financing of budget deficit despite the fact that at the same time it is reflected in the national debt. Poland's sovereign debt as at the end of 2013 in relation to foreign capital was 62.5%, whilst participation of government sector in sovereign debt amounted to 40.2% [*Międzynarodowa pozycja...*, 2014, p. 27].

Recession versus foreign direct investment

Analysis of the dynamics and structure of foreign capital does not provide a complete answer to the question posed in the beginning, since it is based on the information on the situation at the end of every year. Changes in the investment level at year end take into account investment inflows and outflows. It seems that we may get a more reliable picture of relationships between the economic downturn and investment on the basis of the analysis of inflow and outflow of foreign direct investment. As it has been indicated earlier foreign direct investment is more stable and more than other elements of foreign capital connected with the host country economy. Foreign direct investment occurs at the same time in three areas: of international transfer of capital, specialist expertise in management and new technologies and enterprise. Access to new technologies, new forms of management and production organisation contributes to modernisation and improved functioning of local enterprises. In the case of direct investment additional elements, such as unearned income and scope of reinvestment of profits, may be taken into account additionally.

Table 5 presents global information concerning capital flows connected with foreign direct investment with particular attention paid to European Union and Poland.

Table 5. Capital flows in the case of foreign direct investment in the years 2008–2014 (billion USD)

Item		2008	2009	2010	2011	2012	2013
World	inflow	1816.4	1216.5	1408.5	1651.5	1350.9	1451.9
	outflow	2006.3	1449.8	1504.9	1678.0	1390.9	1410.7
European Union	inflow	545.3	359.0	379.4	441.6	258.5	246.2
	outflow	982.0	381.9	497.8	536.5	323.1	250.5
Poland	inflow	14.8	12.9	13.8	20.6	6.1	-6.0
	outflow	4.4	4.6	7.2	8.2	0.7	-4.8

Source: Own analysis based on *Word...*

Impact of the financial crisis on the level of foreign direct investment is quite clearly noticeable. Both in the world and in the European Union the outflow of the capital related to direct investment in the years 2008-2012 is greater than capital inflow, whereas in the European Union the disproportions are greater. In 2013 global capital inflow for the first time slightly exceeded capital outflow. The situation in Poland looks different. In the years 2008–2013 there was a constant and clear advantage of investment inflow over investment outflow, whereas in 2011 a record level of inflow of foreign direct investment was seen (over 20 billion dollars). In 2012 capital outflow was at the minimum level whilst in 2013 a paradoxical situation arose in Poland – the values of both capital inflow and outflow were negative. What contributed to it was a large scale of the so-called capital in transit. It includes transactions of special purpose vehicles which transfer funds between countries at a request of a parent corporation and for the purpose of tax optimisation. This is one of the consequences of global crisis and it confirms legitimacy of the hypothesis presented in the introduction.

This means that during recession Poland was an attractive country to investors. According to the report of Ernst & Young Poland is a leader in respect of investment increase in Europe. In 2012 it recorded the highest rise in the number of investment projects among European countries (22% more than in 2011), whilst Europe recorded a 2.8% decrease. Foreign direct investment contributed to the creation of 67% more jobs than in the previous year (the result for the entire Europe is +8%). The report placed Poland in the first place in the region of Central and Eastern Europe as regards investment competitiveness. Also in 2013, in the European attractiveness survey conducted by Ernst & Young, Poland took the first place in Central and Eastern Europe as the most attractive country in the region [*Atrakcyjność inwestycyjna ...*]

Revenue from foreign direct investment is an important issue from the point of view of the hypothesis formulated above. Relevant information is presented in table 6.

Table 6. Revenue from foreign direct investment in Poland in the years 2008–2013 (billion PLN)

Year	Types of revenue			Total revenue
	Dividends	Reinvestment	Interest	
2008	28056.1	-1535.8	4910.5	31430.8
2009	23289.2	17726.8	5515.7	46531.7
2010	22828.7	22447.8	6944.9	53221.4
2011	28427.8	21326.5	8977.7	58732.0
2012	30458.4	18578.4	10142.2	59179.0
2013	33019.2	17310.2	7294.2	57623.6

Source: own analysis based on [*Bezpośrednie inwestycje ...*] [*Polskie i zagraniczne ...*]

Economic destabilisation has not contributed to reduction of total revenue earned by foreign investors. On the contrary, a tendency for its increase can be observed. On the other hand, the structure of revenue has changed. The level of paid dividends and received interest has grown, whereas the value of retained profit has decreased since 2011. This means an outflow of capital from Poland. Such situation has been caused by a limited access to attractive investment projects on the one hand, whilst on the other hand by deliberate actions the purpose of which is to supply capital to parent corporations with their seat abroad through the agency of the subsidiaries located in Poland.

Summary

During recession caused by the global financial crisis Poland has been perceived as an attractive country to foreign investors. This finds its confirmation in the data concerning fluctuations in the value of capital flowing in from abroad after 2008. Foreign capital completes insufficient accumulation of Polish economy. Besides, foreign investment plays an important part in the financing of budget deficit. Despite the fact that it finds a reflection in a high level of Poland's debt, such a situation should be evaluated positively. What should be emphasised in the first place is a relatively high participation of foreign direct investment which is more stable than other types of foreign capital.

Analysis of structure of foreign capital broken down by type and of revenues from foreign direct investment proves, at the same time, legitimacy of the hypothesis presented in the beginning according to which during crisis financial stability of the country in which parent companies have their seats is more important for foreign investors than financial security of the host country. This finds its confirmation in an intensification of transactions of the so-called special purpose vehicles, upward trend in the level of dividends and interest paid to foreign investors and downward trend in the level of profit reinvestment.

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The Forms of Social Engagement of Polish Firms

Abstract

The development of the idea of Corporate Social Responsibility (CSR) depends mainly on the changes in international market and growing competition between countries and enterprises. These factors influence on the behavior of enterprises. This means that the goal of business action is not only profit-making but also fulfilling social needs. The goal of this paper is to present and assess social in Poland. Starting with the concept and scope of CSR, the article presents benefits from responsible business activity and implementation of this idea in Poland.

The research carried out in 2012 shows that the main implementers of CSR are large firms with foreign capital. They know the idea of CSR from the experience of Western firms. The main objective is their image and to build better relations with their environment. On this background the article shows the ranking of companies participating in “Leader of Philanthropy” competition. It allowed to choose four firms as an example of good practices in social engagement. Social activity of chosen firms was addressed to:

- employees,
- children,
- local community,
- the sick, the disabled and the poor,
- animals.

The contacted research proves that social engagement of Polish firms is at the early stage of development. The number of firms increase, but there are mainly large companies. The main reason that the small business share in social engagement results from the limited amount of financial resources at their disposal.

Key words: social engagement, Polish firms, beneficiaries.

Introduction

The globalization processes, changes in international markets as well as growing competition caused that since the beginning of the XXI century an increasing interest of business in social issues has been observed. This means that the goal of business actions is not only profit-making, but also the implementation of certain social objectives. This trend is called Corporate Social Responsibility (CSR) and means including in the strategies of firms the interests of various social groups, such as: employees, local community, NGOs, local government, etc. The aim of this paper is to present and assess social activities of selected firms located in Poland. The basis for the selection of socially engaged firms were the results of the “Leader of Philanthropy” contest that took place in 2013.

The concept and scope of Corporate Social Responsibility

At the beginning of the XXI century the idea of Corporate Social Responsibility (CSR) was recognized around the world and responsible business became a global phenomenon. The business sector, which objective, by definition, is profit, takes actions on behalf of its stakeholders and the community, treating these not as a cost, but as an investment that leads to the achievement of the main objective.

The main idea of CSR was formulated at the European Summit in Lisbon in 2000. The European Council presented a 10-year socio-economic program for the Union, called the Lisbon Strategy [www.odpowiedzialny.biznes.pl]. The goal of the strategy and the associated actions, called the Lisbon process, is to make the European Union the most competitive and dynamic knowledge-based economy in the world, capable of sustainable growth with more jobs and social cohesion.

In the next year (2001), in order to induce public debate on corporate responsibility, the European Commission presented a document called the Green Paper on Corporate Social Responsibility. The consultation process proceeded with participation of such EU institutions as the Commission’s directorates-general for employment, social affairs, enterprise and industry, information society, trade, and the environment. The debate was also made by representatives of the business sector, trade unions, media, NGOs and academic institutions [www.odpowiedzialny.biznes.pl]. A year later, the Commission presented a strategy for the implementation of responsible business practices in the EU.

The appropriate institutions were set up, national parliaments started legislative processes, and the research programs were launched. The consultation

on the Green Paper resulted in development of a new document – the White Paper: Communication on CSR. It was addressed to European institutions, Member States, social partners, business and consumer organizations.

In Poland, the concept of corporate social responsibility is developed by the oldest and the largest non-governmental organization – Corporate Responsibility Forum (*Forum Odpowiedzialności Biznesu*). It is a “think and do tank” organization which promotes doing business in a responsible manner, which means taking into account the impact of the firm on the society and the environment. The mission of the Corporate Responsibility Forum is promoting the idea of responsible business as a standard in Poland in order to increase the competitiveness of enterprises, social satisfaction and to improve the environment.

Based on the presented CSR concepts it is difficult to formulate a definition of this phenomenon. According to the European Commission’s proposal CSR is based on the idea according to which the firms decide to help create a better society and a cleaner environment. In other words, it is a style of business management integrating social, environmental, ethical and human rights issues with business activities and the strategy, in collaboration with the stakeholders [Promoting a European Framework for Corporate Social Responsibility].

Polish authors define corporate responsibility in a similar way: “CSR is the way of firm management assuming that business decisions take into account the interest of the shareholders (owners, investors) as well as the needs of stakeholders – customers, employees, suppliers, local communities, and the environment” [Stafiej- Bartosik, Łukasiak 2008].

CSR implementation measures (instruments)

The following are the measures taken by economic entities in the process of implementation of the concept of corporate social responsibility:

- **socially engaged marketing – an activity that takes into account both marketing objectives and social needs,**
- **socially** responsible investments – funds which are invested in accordance with ethical principles,
- initiatives for the benefit of the local community, including:
 - collaboration with local authorities,
 - long-term investments for the benefit of the local community,
 - charity projects,
- ethics programs – preventing, detecting, disclosing and correcting unethical behavior,

- eco labeling and social marking – administering information on socially responsible activities such as care for the environment, human rights, etc. to the labels and packaging,
- corporate governance – concerns i.a. protection of minority shareholders' rights, respect for the rights of stakeholders, transparency of information,
- reports used to communicate with the environment through the presentation of the plans and achievements of the firm in the economic, environmental and social area [Łukaszewicz-Kamińska 2011, p. 84].

Firms' benefits from responsible business activities

Considering the Corporate Social Responsibility in the longer perspective, a range of benefits can be formulated that the realization of this idea can bring. The most important are:

- Increased interest of investors. Lenders are more interested in cooperation with responsible firms that are geared not only to achieve good financial results, but also to build a positive image and good relations with its environment. For many investors the financial credibility of the firm is dependent on its social credibility.
- Increase of competitiveness. The introduction of the principles of responsible business is one of the strengths, enabling firms to gain a competitive advantage. Transparent CSR policy can be one of the ways of building the firm's position in global markets, where expectations for meeting standards of responsible business are highly valued.
- Improved relations with the community and local authorities. The participation of the firm in the life of the local community, making long-term and significant social investments facilitate its efficient and harmonious functioning.
- Increased loyalty of consumers and stakeholders. Increased social awareness makes trust in the firm and its image an important factor in consumers' choices. More and more people pay attention to the compatibility of the product or service with the requirements of ecology, the principles of social responsibility in the manufacturing process and the overall reputation of the firm.
- Shaping a positive image of the firm among employees. Corporate Social Responsibility may play the role of a non-financial motivator for employees. Employees value more the functioning of the company if they see that part of its activity is devoted to solving social problems, also important for them.

- Attracting and retaining the best employees. When the image of the firm improves and trust among employees increases, the attractiveness of the firm in the labor market increases as well, which makes it possible to attract new and keep the best employees [Gainer 2011, pp. 190–198].

Corporate Social Responsibility in Poland

The reasons for interest in the concept of CSR

The concept of Corporate Social Responsibility in Poland has been noticed and gradually implemented as a result of the development of this idea in the highly developed European countries. The main reason for the interest of Polish firms in engagement in social issues was the desire to improve their image. The research conducted in Poland suggests that this image is perceived rather critically. Respondents emphasize the negative personality traits of entrepreneurs (superiority, flaunting their wealth, regarding oneself to be someone better) and reprehensible moral attitudes (dishonesty, failure to comply with the law) [Roguska 2004]. This negative perception of Polish business gives hope that firms will try to change this image through prosocial activities.

Implementation of the idea of CSR

The possibility of implementation of the idea of Corporate Social Responsibility in Poland depends primarily on the size of the firm and the source of capital. From this point of view, firms can be divided into two groups:

- large firms, mainly with foreign capital,
- SMEs dependent in their activities on domestic capital.

The main implementers of CSR are large companies with foreign capital. They have the necessary knowledge about CSR based on Western models of prosocial activities. The main objective of enterprises operating in this area in Poland is to improve the firm's image and to build better relations with its environment.

Difficulties in the implementation of the so formulated objectives of social activities are caused by many reasons. The most important include:

- Deficiencies in the social activity management system. In many firms there is no cost-benefit analysis and they do not assess the impact of their social activities on the prestige and profits. In most cases, the main measure of social activity is the amount of money spent.

- Low social awareness of consumers (customers). Potential beneficiaries often accept passive social engagement of firms, or lack thereof. They do not react to unethical attitude of firms and to the lack of compliance with accepted standards of products and services offered [Kuraszko 2008, p.14].
- The research carried out in 2008 showed that 90% of managers of the largest Polish firms act in accordance with ethical principles in relations with the employees [Rok, Stolorz, Stanny 2009].

The situation in small and medium enterprises is much worse [Kuraszko 2008, p. 13]. Their prosocial activities are limited to the sponsorship of local initiatives, thus improving relationships with local authorities and the local community. The main causes of low interest of SMEs for social issues are, i.a. insufficient knowledge on the idea of CSR and the lack of financial resources.

The second mentioned reason is connected with the necessity of the struggle to stay in the market, which is directly related to maintaining the firm's liquidity [*Spółeczna odpowiedzialność biznesu...*2007].

Despite these limitations, some small firms are starting to gain experience in this area. However, many SMEs still do not see the impact of their social engagement on the improvement of their financial performance.

The range and scope of social activities of Polish firms

The research method

The information about the engagement of Polish firms in social activities is a result of research. The research in this area in our country is carried out randomly, and each covers a slightly different problem range. One of them is the "Leaders of Philanthropy" contest. Although every company registered in Poland can take part in the contest, due to the very precise and consequently obeyed selection criteria the number of participants is rather small.

The prerequisite for participation in the contest is filling out the survey, in which it is necessary to show the total amount of financial donations provided for social purposes in the previous year as well as a gross profit of the firm. The survey must be accompanied by a full list of donations with detailed information on the beneficiaries and the value of resources donated to them. In addition, during the verification of data firms are required to submit the profit and loss account together with the auditor's opinion.

Ranking of companies is developed in two categories:

- firms which provided the most funds for social purposes in the previous year,
- firms which provided the largest percentage of their pre-tax income for social purposes [www.forumdarczyncow.pl].

This contest has been organized for 7 years – since 2007.

Ranking of companies participating in “Leaders of Philanthropy” competition

The total value of donations provided by firms during 7 years increased steadily. An exception was the year 2010, when the value of donations decreased, which could be a consequence of the economic crisis (see Table 1).

Table 1. The value of donations in the “Leaders of Philanthropy” contest in the period 2007–2013

Year	The number of companies in the ranking	The total value of donations	Average for 1 donation
2007	24	50 348 076	2 097 837
2008	28	76 415 926	2 729 140
2009	22	73 961 625	3 361 892
2010	25	49 131 709	1 965 268
2011	31	81 771 133	2 637 778
2012	25	82 899 417	3 315 977
2013	22	130 825 731	5 946 624

Source: Pękocka M. (2013), *Coordinator of the „Leaders of Philanthropy” contest*, www.forumdarczyncow.pl.

The presented data shows that the number of donors varies. It was the highest in 2011 (31 companies) and the lowest in the years 2009 and 2013 (22 firms each year). As regards the value of donations, both the total value and the average for 1 donation has been increasing steadily. An exception was the year 2010, in which the total amount of donations was the lowest, what influenced the average value per donor. Can this be justified by the impact of the crisis on the decreasing interest of firms in philanthropy?

The majority of contest participants are large firms that operate internationally. There are also Polish firms among them, which operate in foreign

markets. Local firms represent only a small percentage of all contest participants. The firms which provided the most funds for social purposes in 2013 are presented in Table 2.

Table 2. The firms which provided the most funds for social purposes in 2013

No.	Firm	Sector	The value of donations	Percentage of total amount 100,00
1.	PZU	Banking, finance and insurance	65 841 924	51,3
2.	KGHM Polska Miedź	Fuel, energy, mining, chemical and industrial production	22 000 000	17,8
3.	PKO Bank Polski	Banking, finance and insurance	12 473 512	9,5
4.	Polski Koncern Naftowy Orlen	Fuel, energy, mining, chemical production	7 920 108	6,0
5.	PGE Polska Grupa Energetyczna	Fuel, energy, mining, chemical production and construction	5 042 883	3,7
6.	Procter & Gamble DS Polska	Good consumption	4 452 065	3,5
7.	Bank BGŻ	Banking, finance and insurance	3 200 000	2,4
8.	Atlas Group	Fuel, energy, mining, chemical production	1 940 750	1,5
9.	Pelion	Pharmacy	1 732 604	1,3
10.	Bank Ochrony Środowiska	Banking, finance and insurance	1 370 000	1,0
Total			130 825 731	100,0

Source: Pękocka M. (2013), *Coordinator of the „Leaders of Philanthropy” contest*, www.forumdarczyncow.pl.

The data presented in Table 2 shows that the dominant groups of donors are firms belonging to fuel and energy, and banking and finance sectors. Nominally, the largest donor in 2013 was PZU, which donations accounted for more than half of the total funds provided by the 10 most generous firms. The scale of charity looks slightly different when we analyze the percentage of donations in the pre-tax profit (see Table 3).

Table 3. Firms which provided the largest percentage of their pre-tax profit for social purposes in 2013

No.	Firm	Sector	The value of donations	Percentage of donations in firm's pre-tax profit (%)
1.	Atlas Group	Fuel, energy, mining, chemical production	1 940 750	5,91
2.	Bałtycki Bank Spółdzielczy	Banking, finance and insurance	124 800	5,86
3.	VOTUM	Services, trade	163 892	2,56
4.	Pelion	Pharmacy	1 732 604	2,26
5.	Bank Ochrony Środowiska	Banking, finance and insurance	1 370 000	2,23
6.	Konimpex	Services, trade	364 940	1,94
7.	Vive Textile Recycling	Services, trade	483 494	1,91
8.	Bank BGŻ	Banking, finance and insurance	3 200 000	1,79
9.	PZU	Banking, finance and insurance	65 841 924	1,63
10	Góraźdże Cement Group	Fuel, energy, mining, chemical production and construction	1 339 755	0.67

Source: Pękocka M. (2013), *Coordinator of the „Leaders of Philantropy” contest*, www.forumdarczynow.pl.

This percentage shows that the most generous firms (having donated the highest amount of money) spend only a small percentage of their income for social purposes. An example is PZU, which allocated for social purposes the largest amount of funds (nearly 60 million zł), which accounted for only 1.63% of its income. This resulted in the 1st position in the first ranking and only 9th position in the second one.

There are also opposite situations - the firms that have donated so modest sums that they were ranked at a distant place, allocated for social purposes a large percentage of their income (see Baltic Cooperative Bank). Which ranking is more objective, then? It probably depends on the purpose the ranking serves. If we take into account the value of funds allocated for social purposes then the first criterion will be more important. However, if we want to assess the degree of engagement and the generosity of donors – the second criterion will be more reliable.

Social engagement of selected firms

As examples of good practices in social engagement two firms were adopted for the analysis, that did not always take part in the “Leader of Philanthropy” contest or were ranked at more distant places.

Their characteristic feature is that they are located in Lodz or have their branches here and represent different types of activities. These include:

- The insurance company AVICA
- Consulting firm Infosys BPO
- Pharmaceutical firm Pelion Health Group,
- Telecommunications company Orange,
- Bank – mBank, till 2012 – BRE Bank SA.

The types of social activities of the above firms vary.

Four of them have set up their own foundations (AVIVA, Pelion Group, Orange and mBank). This made the activities of these firms more visible because the name of the foundation is typically derived from the name of the founding firm.

Social activities of presented firms can be considered from different points of view. From the point of view of the type of beneficiaries, this activity can be addressed to:

- employees,
- local community,
- children,
- the sick, the disabled and the poor,
- animals.

From the point of view of the type of business, it can be:

- health,
- education,
- culture,
- sports,
- environmental protection.

The AVIVA insurance company takes actions both to the benefit of its employees as well as externally. The employees of the company have the ability to implement their pro-social projects that are funded by the company. This combines social activities with the improvement of relations between employees. As a part of such understood volunteering actions are taken to the benefit of children and animals.

The company carries out its social activities through its own foundation. The main areas of social activity of the company are education and health. Actions are directed primarily to children and youth. One of the actions is the organization and financing of the “Street to School” program, which aim is to equalize educational opportunities of young people. Subsequent programs are relating to health. These include (i.a.):

- Support program for the patients of the Child Health Center (Centrum Zdrowia Dziecka);
- The „Share Your Health” project in collaboration with the Against Leukemia Foundation.

The company also cooperates with the Stefan Batory Foundation implementing cultural and educational programs.

Noteworthy is the fact that the AVIVA Foundation organizes and finances support program for Polish participants in Paralympics, by funding scholarships, organizing social campaigns and supporting their image in the media [www.odpowiedzialny.biznes.pl, www.pozytek.gov.pl]. Infosys BPO has not set up its own foundation but actively supports a number of foundations and associations in our city (Lodz). Social activity of the firm focuses mainly on education, culture, sport and the labor market. The firm especially takes care of animals in the Zoo in Lodz.

As a part of the firm's education supporting activities Infosys provides financial support for selected kindergartens, schools and orphanages. An example of culture supporting actions is organization of annual Infosys Ballylodz festivals that popularize the culture of India in the Lodz community. Involvement in sports activities reflects, i.a. in organizing volleyball (Infosys Volleyball Cup), rugby (Rugby Raban) tournaments and bicycle rallies.

Worth emphasizing is the firm's support for the labor market by engaging in the Youth in Łódź program [www.odpowiedzialnybiznes.pl, www.pozytek.gov.pl]. The pharmaceutical Foundation Pelion Healthcare Group took a high place in the "Leader of Philanthropy 2013" contest. Its activities are mainly related to the company's profile, i.e. health.

The firm operates through its own foundation called "I care for health" (Dbam o zdrowie). This activity is directed both to the firm's employees and to the external beneficiaries.

Employees have the chance to integrate through visiting the sights of Łódź within the "Let Łódź surprise you" (Niech Łódź Cię zaskoczy) campaign. They also have the opportunity to support their foundation by giving the tip of their salaries for its purposes.

Employee volunteering is realized through participation in the organization of the World Day of Dignity (Dignity Day), when youth meetings in schools with well-known personalities are organized.

External activities of the Foundation "I care for health" cover many initiatives. The most important are:

- the implementation of the medicines financing program for people in difficult financial circumstances,
- the organization of the marathon: I care for Health - Łódź Marathon,
- launch of the „Eco-project” program, which aims to raise awareness of the local community of the negative effects of pollution. The employees established „Eco Team” that initiates various pro-environmental actions.

Noteworthy is the firm's patronage over old pharmacies and pharmacy museums across the country [Polscy liderzy korporacyjnej filantropii, <http://www.forbes.pl>]. Telecommunications company Orange operates mainly through its own foundation under the same name. The main area of interest of the company is supporting children and young people in need of assistance in the field of education and health.

The most important activities in this area include:

- helping children and young people access modern education,
- domestic violence prevention program, which is implemented during sessions and workshops involving young people and educators,
- financial support and cooperation with the largest social organizations in Poland (Academy for the Development of Philanthropy, Synapsis Foundation, Friends of Integration Association) in order to help children and young people,
- rehabilitation program for young children with hearing loss,

- financial support for other foundations and associations helping sick children, such as the Foundation for Children with cancer (*Fundacja na Rzecz Dzieci z chorobą nowotworową*), Association for Children with Disabilities (*Stowarzyszenie Pomocy Dzieciom Niepełnosprawnym*),
- financial support for people in need,
- support for customers in a difficult situation (disasters, natural disasters, etc.),
- participation in annual activities of the Great Orchestra of Christmas Charity Foundation,
- support for cultural institutions such as Grand Theatre of the National Opera [www.odpowiedzialnybiznes.pl, www.pozytek.gov.pl, www.orange.pl, www.orange-cs.pl].

Social activity of the mBank (till 2012 – BRE Bank SA) is addressed to both the employees and external beneficiaries. The offer for mBank employees is very broad and includes (i.a.):

- courses and training organized in order to upgrade their skills,
- providing medical care in private health care,
- additional life insurance,

the organization of the event: „Let’s do something Good Together,” which is a kind of employee volunteering funded by the Foundation,

The „Christmas full of dreams” program. This is an annual Christmas campaign for people in the charge of public benefit organizations.

mBank acts externally through its own foundation. It cooperates with other foundations and associations throughout Poland. The activities of the Foundation focus on the problems of education, health and culture.

The main activities in the field of education include:

- funding awards for laureates of economy knowledge contests,
- bridge scholarship programs for students from rural areas and small towns,
- material aid for schools,
- sponsorship of research and publications.

In the field of health and social care the following activities are taken (i.a.): cooperation with the Polish Humanitarian Organization (Polska Akcja Humanitarna),

- participation in the „Pajacyk” project, which aim is to level educational opportunities of children from poor families,
- cooperation with the Synapsis Foundation in the implementation of the „Autism Academy for NGO’s. Roads to social and professional activation of people with autism”.

In the field of culture the Foundation supports cultural events, publications, authors and organizers of cultural activities. In addition, it cooperates with the Royal Castle in Warsaw and the Amber Museum in Gdańsk [*Polscy liderzy korporacyjnej filantropii 2014*].

Conclusions

The conducted research proves that social engagement of Polish firms is at the early stage of development. The annual increase in the number of firms involved in this type of activity may be the confirmation of the fact that companies see the need of engagement in solving social problems and the impact of such activities on the development of their business.

Characteristically, socially engage mainly large companies, often with foreign capital. This is probably due to the fact that they are recognizable firms that treat CSR as an element of competition. In turn, companies with foreign capital are often obliged to undertake this type of activity.

Small share of SMEs in social activities results, on the one hand, from the lack of knowledge and experience in this field and, on the other hand, from the limited amount of financial resources at their disposal. The presented examples of prosocial Polish firms do not allow to draw conclusions, but they allow to present some observations.

The presented firms can be divided into two groups:

- those that have a program of social activities and consistently implement it (AVIVA, mBank, Orange);
- those that operate spontaneously and occasionally.

In the first group, the activity is directed both to the employees and to the external beneficiaries. In the latter case, actions are also taken in collaboration with non-governmental organizations and even with the local community. Four of the analyzed firms have set up their own foundations, which activities have a wide range and apply to health, education, culture and sport (except Pelion Groups). The environmental and social exclusion issues are taken rarely.

Children and young people are the main beneficiaries. Support for these groups is postulated by all the analyzed firms. When it comes to the generic range of activities, most companies take the whole range of activities in education, health and social care, culture and sports. The exception is Pelion Group, which undertakes social activities related to the profile of its business – that is supporting and organizing actions in the area of health and social care.

The question arises: what are the reasons for low interest of firms in social issues?

The main barriers are:

- lack of understanding of the concept of Corporate Social Responsibility among the majority of firms,
- lack of awareness of the benefits resulting from social engagement,
- lack of capital, especially in case of SMEs,
- mistrust of the beneficiaries,
- lack of professionals showing ways of implementation of the CSR and the benefits of such activities.

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Informative Aspects of Innovation Implementation within Organisations

Abstract

The aim of this paper is to analyse the informative aspects of implementing innovations within contemporary formal organisations, in particular, in enterprises. The paper concerns the information quality and its influence on the process of innovation implementation. Today, in conditions of the dynamic development of the scientific and technological knowledge, the question is no longer if there is a need to imply innovation but how to do it efficiently. Within the process of innovation implementation, the organisation's management selects the appropriate ideas, makes the decision and takes the action to implement a new or a significantly improved solution. In this paper, the factors interrelated with the process of innovation implementation were analysed. The information asserts itself as a significant factor which influences the process. The neoinstitutional view on the information in organisations was a starting point for analysis. A conceptual framework of the information attributes, which influence the quality of the implementation of an innovation, was proposed. The applied research method is the secondary data analysis, which was based on the theoretical literature, as well as the empirical research results.

Key words: innovation, information quality, new institutionalism.

Introduction

The innovation, in the Oslo Manual [OECD and Eurostat, 2005, p. 46] is defined as the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations. The process of innovation implementation encompasses all scientific, technological, organisational, financial and commercial steps which lead to the usability of implemented innovations within organization. Cruz-Cázares et al. [2013, p. 1239] stress the idea that the innovation inputs produce innovation outputs, through a complex process. Therefore, the key to increasing firm performance and competitiveness is to focus on the undertaken process's efficiency.

Although there are various approaches to the innovation, the innovation's local character is its defining characteristic. This means, that even if other organisation has already applied a specific product, process and method, when that product, process or method is being applied to the particular organisation, it is an innovation in it [Cempel 2013, p.27]. It also may be stated that every innovation implementation is unique.

Analysis of the innovation concepts from an informative perspective attempts to consider the information as one of the inherent aspects of the innovations initiatives. The information aspect is assumed here as the one, which influences the innovation initiatives, and further determines the competitive strength of the organisation (particularly enterprises).

The aim of the paper is to discuss the informative aspects of implementing innovations within contemporary formal organisations, in particular, within enterprises. The paper first analyses, on the basis of the neo-institutional approach, stages of the process of innovation implementation when the information quality is essential. Then, the notion of the quality is set beside the information. Finally, on the basis of the literature review, the required information's attributes are listed.

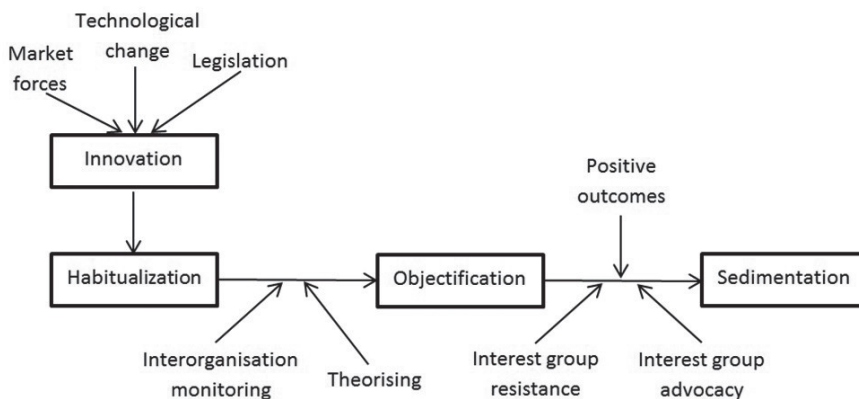
Neo-institutional view on the information in organisations

The role of information during the innovation implementation process may be analysed from two basic perspectives: the decision-making leading to initiation of the particular solution introduction and the course of the implementation itself. The former, as will be proven, is above all a matter of the organisation's decision-makers relations with a particular organisational field and the information flow on that level, the latter, seems to be much more a matter of intra-organisational processes and staff relations. The main theoretical framework of

the presented considerations is constituted on the basis of concepts presenting the New-Institutional Economics perspective.

The P.S. Tolbert's and L.G. Zucker's concept of (micro)institutionalisation seems to be particularly relevant to highlight the importance of the information flow between the organisation's decision-makers and organisational field in innovative processes. Above-mentioned authors present a view of institutionalization of structural arrangements in organizational fields – as defined by P.J. DiMaggio and W.W. Powell [1983, p. 147]. The institutionalization process can be divided into three fundamental phases following appearance of innovation in organizational field: habitualization, objectification and sedimentation (Figure 1) [Tolbert 1996, pp. 175–190].

Figure 1. Processes of institutionalization



Source: Tolbert, P. S., Zucker, L. G., The institutionalization of institutional theory [in:] S. Clegg, C. Hardy and W. Nord (Eds.), *Handbook of organization studies*, 1996, p. 182.

The first of above-mentioned stages – process of habitualization, is initiated when, as a result of a specific organizational problem or set of problems, new structural arrangements appear. Further, the structural arrangements are being formalized in the policies, strategies and procedures of a particular organization (or various organizations facing similar challenges). Such formalization results in a so-called pre-institutionalization of structures - their creation in organizations is rather an independent activity, even if happens simultaneously. It may be explained by the influence of decision-makers' common core of knowledge (e.g. gained in the standardized educational processes) and diffusion of particular ideas making an innovation attractive in management professional environments. Even though imitation may be observed, it is not

caused by a sense of the necessity of a particular structural arrangement application among organisational decision-makers since the utility of the innovation has not been proved and accepted yet [Tolbert 1996, pp. 175–190]. Referring to the main topic of the article, it may be noticed that at that stage the flow of information from the organizational field is not essential for the decision-making process in the organization. Established external social norms concerning particular problem solution do not exist and managers make relatively independent decisions basing mostly on the current intra-organisational information.

When the structure is diffused and gains a more permanent and widespread status, it indicates that the next process – objectification, is ongoing. In that phase some degree of social consensus among organisational decision-makers concerning the value of a structural arrangement appears, that results in its increasing popularity. The process of consensus emergence may be driven through two different (and sometimes interrelated) mechanisms. Firstly, organisational decision-makers during the new structure risk assessment may take into consideration information on the choices in other organisations. In other words objectification of a structural arrangement is in some degree an outcome of a competitive game. Such phenomenon may be also treated as a cost optimization strategy, because adoption of ‘pre-tested’ solution involves fewer resources than creating new structural arrangements. Thus, as a particular choice becomes more popular, the influence of individual, independent assessments is decreasing and the role of information flow from the organisational field in decisions on innovation implementation is increasing. Secondly, objectification process may be driven by other significant social actors – so-called ‘champions’ – sets of individuals having a material stake in the diffusion of the structure. Such group is likely to appear when numerous potential ‘consumer’ of the innovation exist (number of organizations face a similar functioning problems). Champion’s success depends on their capacity to effectively conduct the theorization process in three essential aspects: creation of an organisational problem definition, presentation of a particular innovation as a solution to the defined problem and providing positive perception of a structure as their effective solution [Tolbert 1996, pp. 175–190].

Structural arrangement is fully institutionalized as a result of sedimentation – phase characterized with continuity of structure existence in organizations’ functioning regardless of organizational members’ generational changes and prevalence among organisational actors identified during theorization. However, promotion by champions and positive perception of desired outcomes in organisational fields are in some cases not sufficient enough for a structure

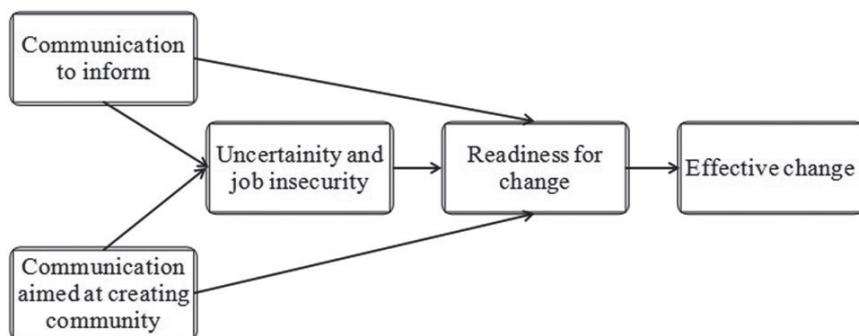
to attain full institutionalization. They have to be accompanied with relatively low resistance by opposing (particularly intraorganisational) groups or effectively counteract their entropic tendencies to provide a widespread adoption of an innovation among organisational relevant adopters [Tolbert 1996, pp. 175–190].

New institutionalism offers also another insight into the significance of information in the innovation processes. Namely, application of the information asymmetry concept demonstrates how unequal distribution of information and its quality may influence the implementation of new solutions. Eric von Hippel's analysis proves how information asymmetry on the market determines the innovation activities and their profile. It is particularly clearly visible in a comparison of product and service development processes that proves a tendency of users and manufacturers to develop different types of innovations. Information asymmetries between those two basic categories result from the fact that users generate need and context-of-use information, while manufacturers specialized in a particular type of solution create generic solution information. These both categories of information (need and solution) are often costly to transfer (so-called 'sticky' information), what results in users' more accurate and more detailed view of their own needs and manufacturers' better model of the solution approach. Such information asymmetry entails that 'users tend to develop innovations that are functionally novel, requiring a great deal of user-need information and use-context information for their development', while 'manufacturers tend to develop innovations that are improvements on well-known needs and that require a rich understanding of solution information for their development' [Von Hippel 2005].

The second mentioned issue – significance of information quality for the innovation implementation from the intra-organisational perspective, seems to be rather unrecognized. The available literature on the link between information quality and employees' attitudes towards organizational change (innovation implementation certainly should be treated as such) is rather limited. More attention is paid to the role of communication process characteristics in general, but it is rather rarely analysed from the perspective of its quality [Wyer, Albarracin 2005, p. 297]. However, the information quality may be treated as one of the general communication process's aspects. According to Wim Elving, an essential role of change communication is to inform the members of organization about the particular change initiative (in the analysed context caused by innovation implementation) and its influence on their situation. However, a fundamental distinction on communication as a mean to provide information and to create a community spirit has to be underlined

(as illustrated on the Figure 2) [Elving 2005, pp. 130–131]. Obviously both aspects of organizational communication are interdependent and from the presented article's perspective it is hard to decide which function seems to be more significant. Both – the informative and communitarian function of communication may be described as having an effect on employees' readiness for change (planned innovation initiative) as Figure 2 suggests. Thus information asymmetry between different positions in organizational structure seems to condition the course of innovation implementation, because of its influence on employees' attitudes toward particular initiative and social processes that it releases. Most of the attention in organizational change literature is drawn to the importance of information transfer from management staff to rank and file workers. However, analysing the influence of information quality on innovation implementation seems to require putting it the opposite way as well. The flow of information from individual employees operationally implementing the innovation to the management staff seems as relevant to its success as the influence of information transferred top-down.

Figure 2. The transmission of information about the object's features in the communication process



Source: Elving W.J.L., *The role of communication in organisational change*, „Corporate Communications: An International Journal”, Vol. 10 Iss: 2/2005, pp. 129–138.

However, taking the postmodernist view on organizational theory and management, possible resistance, ambivalence or unpredicted reaction of employees towards innovations implemented in organizations are ordinary, and repeatedly desired phenomena. It is obviously contrasting with a view that dominates the managerial mainstream in organizational studies. The latter is associated with an assumption that resistance to change is a negative phenomenon because it reduces its initial energy – moderates and weakens organiza-

tional change propagation [Czarniawska 2010, pp. 162–163]. In the article topic's context it leads to an unexpected conclusion – information quality loss does not have to be perceived as a negative or harmful phenomenon during innovation processes (or organizational changes in general), if it is taken into consideration by innovation agents. In some circumstances 'translation' of the distributed information may even create added value. The conducted analysis indicates that the information issues should be incorporated into the research of the innovation implementation. The information importance in the institutionalization processes was highlighted. The information was also analysed in the terms of the innovation and diffusion phenomena. The information asymmetry among the market participants and within organization was taken into consideration. Although, the information is considered as an important factor, the researches which indicate directly what characteristics of information lead to the improvement of the innovation implementation are rather rare. The information quality is commonly assumed as the information which leads to the appropriate decisions in the implementation process and that quality, according to the conducted analysis, is rather unrecognized. Therefore, the further considerations in the paper focus on the category of information quality in terms of the innovation initiatives.

The conceptual framework of information quality

Based on Kolman [2009, pp. 57–59] approach to the category of quality it is an abstractive notion and is not measurable¹. Since, there is no well-established physical unit, which defines the quality in a universal way, and that precludes from measuring the quality. Following Kolman's [2009] concept, the quality is analysed by the degree to which the real object satisfies the requirements as defined for that object. Mantura [2012, p. 14] states that 'the quality is the set of attributes and the quality of an object is a set of attributes belonging to it'. Therefore, it is assumed here that, for the specific tasks the specified states of objects attributes are required. The object which is considered in the paper is an information. An information quality is analysed by, firstly, defining the set of attributes which belong to it, and secondly, by identifying which states of each attributes need to be achieved in terms of the beforehand specified requirements. It is indicated that there is a diversity and incoherence of presented ideas of the notion of information, including different approaches to terminology. Some authors treat information as an original term (undefined)

¹ In the metrology, the measurement is the comparison of two objects in which the one unit is the module unit [Kolman 2009].

whereas other authors formulate definitions, which vary significantly' [Mantura 2010, pp. 47–49]. The notion of information is defined as 'the products of human thought operating in minds which reflect reality and create immaterial reality' [Mantura 2012, p. 21]. Through information the empirical system and its objects are recognized and the observer's individual abstract system is created. The ratio of similarity, between the real system and the abstract system indicates the information quality [Kijewska, Nowak 2014, pp. 109–126]. The information attributes which lead to the increase of the ratio of similarity, between the real system and the conceptual construction of reality, are of central importance.

Thus, in order to reflect the reality precisely, the organization members, particularly management staff, need to select the appropriate information. According to the recognized input information the organizational actors select the appropriate ideas, make the decision and take action to implement the innovation, the new or significantly improved solution. The information quality also influences the implementation process within the organization's internal environment. In the next chapter, based on the literature review, requirements for the information attributes were listed in terms of the process of innovation implementation.

The requirements for information in the process of innovation implementation

In order to single out the requirements for the information attributes, a secondary data analysis was carried out, and as a result, following five general requirements are proposed.

The information characteristics influence the decision process. Decision making is a complex process consisting of evaluation, comparison and the final choice [Myšičková et al. 2011, p. 15]. Because people lack the full understanding of complex social systems and the human environment, they economize on brainpower by relying on incomplete models or theories [Eggertsson 2013, p. 3]. The incomplete information and the insufficient information quality have the effect of the decision-making process under the uncertainty and risk. Therefore, it is required that the information attributes and its state decrease the uncertainty and reduces the risk during a certain decision process.

Furthermore, as Mantura [2012, p. 24] noticed, 'the one of the most important interpersonal and social relations (much evidence indicates that this is the most important relation) is the communication and related to it the term "message"'. Following Mantura's definitions, 'the communication is the exchange of information between entities and a message is a coherent piece

of information transferred between entities'. By the communication process, the input message (the source, coherent piece of information) is transferred by the communication channel to the output message (the received message). The similarity between the input message and the output message lead to the requirement that the information attributes and its states prevent form the information loss and assure the resistance to the information noise.

Economic decision making is usually described as a form of value-based decision making, in which individuals are assumed to first evaluate the different choice alternatives, and then compare the different values, and finally choose the one with the highest value [Myšíčková et al. 2011, p. 2]. The issue of the decision making process is incorporated into various economic theories. Following Schlüter [2007, pp. 1092–1093] analysis, 'the New Institutional Economy (NIE) assumes actors that have bounded rationality. Neoclassical economics, from which NIE has partly developed, assumes rational actors. That means, actors taking economic decisions know about the costs and benefits associated with different choices and they choose what would, "objectively", be in their best interest, therefore maximizing their own benefit. But when actors take decisions within information constraints, they might take "wrong" decisions [Schlüter 2007, pp. 1092–1093]. Therefore, it is required that the information attributes and its states provide the message which increases rationality of the decision, or reduces the bounded rationality in the decision processes.

Following Loikkanen et al. [2009, p. 35], different information and a number of information sources are needed in different phases of the innovation process. The challenge to acquire information is constantly growing and an enterprise's competitive success critically depends on its ability to monitor and quickly seize external sources of information. Not only there is a mobility of information increase but also there is a quantity of information growth. Therefore, an organization's competitive success depends also on its ability to select the information, which is then processed within organization and transformed into knowledge. There is a high reach of the available information, and the cost of its communication falls, but the individual's abilities to process the information significantly differ. Kowalczyk [1981, p. 25] indicated, that there is a correlation between the information and the individual's capabilities and awareness. There is no information without the appropriate receiver. The individual's capabilities influence the processing of information, and it is required that the information attributes and its states facilitate the real-time processing personalized to the individual's capabilities and the environment's conditions.

The last but not least requirement for information incorporates the cost of information. The costs of acquisition of information and its processing need to be considered in relation to the profit which the organization gains from the information, especially when the cost of information ranges from free of charge to extremely expensive.

Based on the analysis of the literature the requirements for the information quality were listed in terms of its conformance to the innovation implementation process. The given requirements indicate attributes of the information that are analysed in the process of the innovation implementation. The further researches, which is stated here, need to be conducted to precise the list of information attributes and define its appropriative states for the specified innovation process.

Conclusions

The aim of the presented paper was to analyse the importance of innovation implementation informative aspects within contemporary formal organizations, with particular attention put on enterprises. The presented theoretical background drawn from the neo-institutional perspective enabled to point the fields (or phases) of innovation implementation that seem to be particularly dependent on information quality transmitted from organization's external environment and within the organization itself. The dynamic environment forces contemporary organizations not only to initiate the process of the innovation implementation but also consider the information quality within the process. The analysis of the processes of institutionalization, the innovation diffusion phenomena and the information asymmetry indicated the information quality substance in the innovation implementation process and, in that, in the organizations competitiveness. The information quality was defined by the set of attributes of the information. The requirements for the information quality in terms of the innovation process were listed out. The presented directives related to the information quality role in innovative processes require empirical verification in further research phases.

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A Comparative Study of Attitudes towards Entrepreneurship between Polish and British Students

Abstract

Background

Entrepreneurship continues to gain momentum as a significant and relevant field of research. Policy makers in the rush to stimulate entrepreneurship in various countries, often rely on the success stories and prescriptions documented in the entrepreneurship literature in which most studies are set in the United States.

Research aims

The article presents exploratory study addresses the subject of cross-cultural differences in attitudes towards entrepreneurship by focusing attention on two particular types of cultures of entrepreneurship British and Polish.

Method

The quantitative research (survey) was conducted in May 2014 among 153 Polish and 94 British graduate and postgraduate management students.

Key findings

The findings have some distinctive implications for government, policy makers and educators through determining the attitudes towards entrepreneurship among students.

Key words: culture, entrepreneurship, attitudes, approaches, survey, analyses.

Introduction and background

While entrepreneurship is one of the most studied topics in economics and business research, findings have not been consistent regarding the attitudes towards and perceptions of entrepreneurship in different cultural and economic contexts.

However, entrepreneurship continues to gain momentum as a significant and relevant field of research. Policy makers in the rush to stimulate entrepreneurship in various countries, often rely on the success stories and prescriptions documented in the entrepreneurship literature. Given that most of the social science research in general, and entrepreneurship research in particular, has been generated in the U.S. and transferability to contexts where the task and psychic environments may be vastly different remains in question [Thomas, Shenkar, Clarke 1994, pp. 675–686]. International comparative studies of attitudes towards entrepreneurship are still quite rare.

Entrepreneurship

Entrepreneurs have already been described as the makers of new worlds [Czarniawaka & Wolff 1991], innovators and catalysts of change who continuously do things that have not been done before and who do not fit established patterns [Schumpeter 1965]. They identify, assess, evaluate, manage and transfer risk [Deakins 1999]. Literature on entrepreneurs has stemmed from three main sources:

1. economic writers who stress the role of the entrepreneur in economic development;
2. social and business writers who stress the influence of the social and business environment on entrepreneurship;
3. psychologists who focus on the personality traits of entrepreneurs [Deakins 1999].

Academics have been defining characteristics of entrepreneurs for many years. See table 1. For the summary of this research.

Table 1. Characteristics of entrepreneurs

Date	Author/s	Characteristics
1848	Mill	Risk bearing
1917	Weber	Source of formal authority
1934	Schumpeter	Innovation
1954	Sutton	Desire for responsibility
1959	Hartman	Source of formal authority
1961	McClelland	Risk taking, need for achievement
1963	Davids	Ambition, desire for independence
1964	Pickle	Drive, human relations
1971	Palmer	Risk measurement
1973	Winter	Need for power
1974	Borland	Internal locus of power

Source: based on J.A. Timmons, S. Spinelli (2007), *New Venture Creation: Entrepreneurship for the 21st Century*, 7/e, McGraw-Hill, Irwin.

At the same time the concepts of entrepreneurship have been changing. Most popular concepts are presented in table 2.

Table 2. The concepts of entrepreneurship

Author	The concept of entrepreneurship
R.W. Griffin [1996, pp. 730–731]	The process of organizing and running a business and taking the risk involved and performing an active role in management.
St.P. Robbins D.A. DeCenzo [2002, p. 104]	The process of initiating business start up, organizing the necessary resources and take risks in pursuit of the prize.
R.D. Hisrich M.P. Peters [1992, p. 10]	The process of creating something different, because of its value in the framework of which necessary time and effort is devoted to achieve this goal, assuming the accompanying financial, psychological and social risk, and expecting obtaining financial rewards and personal satisfaction.
B. Piasecki [2001, p. 25]	Entrepreneurship is the process: - which includes the action taken for the analysis of opportunities of start and development (or just development) of the venture, its financing and the possibility of meeting the effects of such action; - which can take many different forms and shapes, including initiation of a venture, creativity and innovation in developing new products or services, managing an existing venture in such a way that it develops quickly and continuously, seeking financial and material supply sources for potentially growing number of ventures, accepting risk in the development of new or expansion of existing ventures (these elements are the part of the entrepreneurial process, although not all of them must participate in each activity).
F.L. Frey [1993, pp. 27–28]	Starting a venture and (or) its growth, which occurs through the use of innovation, by management assuming the risk.

J. Penc [1997, p. 335]	The behavior of a person or organization that relies on seeking and applying new solutions, which require more energy, initiative and resourcefulness and the ability to estimate the necessary effort and possible benefits available under existing constraints and opportunities, and the willingness to take risk and responsibility for their decisions and actions.
J. Timmons [1990, p. 5]	The process of creating or identifying opportunities and using them despite of their current resources (...). It is an creative act of an entrepreneur who finds in him and devotes enough energy to initiate and build a company or organization, rather than just observe, analyze and describe it.
N. Churchill [1983, p. 27]	The process of discovery and development of capabilities to create new value through innovation, acquisition of necessary resources and managing the process of value creation.
J.A. Schumpeter [1960, p. 60]	Recognizing opportunities for implementation of ventures that are profitable and risk-taking to implement them.
W. Adamczyk [1996]	An organized sequential process oriented under certain circumstances at using innovative idea in order to generate benefits in the market.
S. Sudoł [2002, p. 33]	Feature (way of behaving) of entrepreneurs and companies, that means the willingness and ability to undertake and solve creative and innovative new problems, while taking into consideration its risks, the ability to use the available opportunities and flexibility to adapt to changing conditions
T. Kraśnicka [1999, p. 98]	Entrepreneurship is an activity that stands out by: activity and dynamism, innovation, looking for changes and reacting to them, perceiving opportunities and their use, regardless of the resources (at the moment), willingness to take risks, which main motive is to multiply the capital.

Source: A.S. Thomas, O. Shenkar, L.D. Clarke (1994); Griffin R.W. (1996); Robbins St.P., DeCenzo D. (2002); Hisrich R.D., Peters M.P. (1992); Piasecki B. (red.). (2001); Frey R.F. (1993); Penc J. (1997); Timmons J. (1990); Churchill N., Levis V. (1983); Schumpeter J.A. (1960); Adamczyk W. (1996); Sudoł St. (2002) Cit. 's. Ł. Sułkowski, *Barriers to entrepreneurship in the management of hospitals in Poland, L'entrepreneur face aux politiques publiques europeennes*, ed. C. Martin, T. Rkibi, PGV/ ISLA, Lisboa 2012.

Since the early 1980s, entrepreneurship has emerged as a topic of growing interest among management scholars and social scientists. The subject has recently grown in legitimacy, particularly in business schools [Cooper 2005]. This interest has been spurred by a set of recent developments in the United States: the vitality of start-up firms in high technology industries, the expansion of venture capital financing, and the successes of regional clusters, notably Silicon Valley. Management scholars and social scientists interested in entrepreneurship have tended to focus their attention on studying new business formation. Unfortunately not much on differences between Polish and British attitudes towards entrepreneurship has been published so far.

Forces shaping attitude towards entrepreneurship

There are several forces shaping attitudes towards entrepreneurship.

For instance studies have shown that entrepreneurs grew up in families where the father was self-employed [Cooper & Gimeno 1992; Cromie, Callaghan, & Jansen 1992] and where the family was involved and supported early start-up activities [Carroll & Mosakowski 1987; Huisman 1985] found significant variation in entrepreneurial activity across cultures and indicated that cultural values greatly influence entrepreneurial behavior.

McGrath, MacMillan, and Scheinberg [1992] in their comparison of entrepreneurs and non-entrepreneurs found significant differences in cultural values and beliefs. There is numerous research indicating that culture affects entrepreneurship. Lent et al. [2000] for instance suggest that the immediate personal environment (e.g., close family) as well as the broader socio-cultural context (e.g., national culture) can influence an individual's career choice. With regard to entrepreneurial career decisions culture can influence entrepreneurial intentions through social norms.

Culture is defined as a set of shared values, beliefs, and expected behaviors [Hofstede 1980a]. Hofstede [1980] and House et al. [2004] think that cultural characteristics exert a significant effect on the characteristics of the organizations in that society.

Hofstede's dimensions analysis can help in better understanding the intercultural differences within regions and between countries in attitudes towards entrepreneurship. There are several dimensions developed by Hofstede.

“On the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look

after him/herself and his/her immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty. The word 'collectivism' in this sense has no political meaning: it refers to the group, not to the state. Again, the issue addressed by this dimension is an extremely fundamental one, regarding all societies in the world" [<http://www.geert-hofstede.com/index.shtml>; accessed: 5.08.2014].

People from individualistic cultures are interested in their own freedom and goals and their own individual growth and achievements and show relatively little engagement in a group life. That is why in business environment, such people are expected to work on their own, often in accordance with their own interest.

Power distance shows the degree to which people from a certain culture accept or do not accept the inequality power of authority, hierarchy and differences in statuses. The high power distance cultures accept the hierarchy as a norm, when low power distance cultures try to maintain their society more equal in status and power. The high indication of power distance score of a culture defines this culture as hierarchically structured and authority accepting. In business environment, the power distance dimension shows to which extend people would accept the supervision, obey the authorities and follow the hierarchical scale. People from low power distance cultures, expect to be considered and treated equally as their supervisors or managers. They do not like to be regarded as the subordinates, moreover, they expect to work in a team, where everyone has the same rights and everyone works hard as others in order to reach the common goal [Hofstede and Hofstede 2005, p. 46].

Masculinity helps to define and explain the roles of genders in different cultures. In masculine societies men are strongly believed to be ambitious, aggressive, confident and domineering. They are expected to concentrate on the gain of material goods, when women, on contrary are expected to be family oriented and focused on interpersonal relations, as they must be modest and reserved. In masculine cultures men are expected to be more focused on achieving professional goals rather than women, because women are expected to take care of a family and home [Hofstede and Hofstede 2005, p. 402].

The uncertainty avoidance index deliberates the degree to which people feel threatened and insecure in the new, uncertain and ambiguous situations. Those cultures with the high score in the uncertainty avoidance try to avoid new and different from the usual situations. In contrast, people from the cul-

tures with the low score in UAI are not afraid of new, unclear and indefinite situations. In low uncertainty avoidance cultures, people prefer unregulated pace of work, not structured processes and less control from the manager, while they feel uncomfortable with strictly arranged rules, structures and policies. They need to feel some kind of freedom to undertake the new task, new challenge for their personal satisfaction, even if they are not expected to do so [Hofstede and Hofstede 2005 p.184].

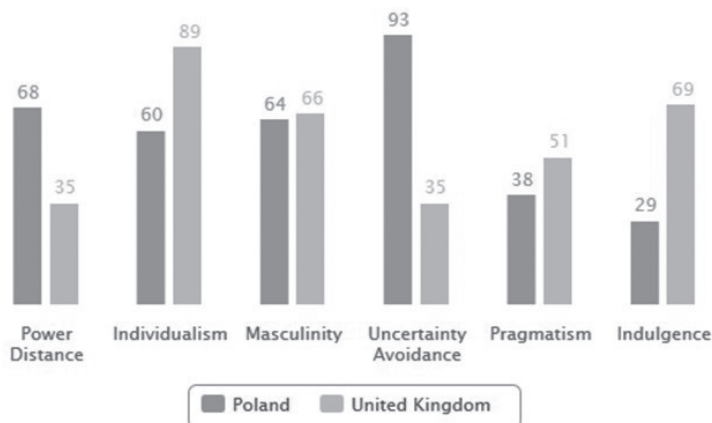
The long-term orientation dimension can be interpreted as dealing with society's search for virtue. Societies with a short-term orientation generally have a strong concern with establishing the absolute Truth. They are normative in their thinking. They exhibit great respect for traditions, a relatively small propensity to save for the future, and a focus on achieving quick results. In societies with a long-term orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results. Long term orientation refers to the fostering of virtues that are oriented toward future rewards. Short-term orientation emphasizes the past and present, in particular with respect to traditions, preservation of "face", and social obligation" [Hofstede and Hofstede 2005, p. 210].

Indulgence versus restraint is the sixth cultural dimension studied and elaborated by Hofstede and Michael Minkov in 2010. Hofstede defines Indulgence and Restraint as a tendency to allow relatively free gratification of basis and natural human desires related to enjoying life and having fun. Restraint: a conviction that such gratification needs to be curbed or regulated by strict social norms [<http://www.geert-hofstede.com/index.shtml>; accessed: 5.08.2014].

Normative versus pragmatic. People in normative such societies have a strong concern with establishing the absolute Truth. They exhibit great respect for traditions, a relatively small propensity to save for the future and a focus on achieving quick results. In pragmatic orientation societies, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness and perseverance in achieving results [<http://www.geert-hofstede.com/index.shtml>; accessed: 5.08.2014].

Picture 1. Hofstede dimensions – Poland and the UK

The comparison between Poland and the UK looks as follows (see picture 1).



Source: <http://geert-hofstede.com/poland.html>.

In many of the aforementioned definitions, the following variables describe entrepreneurship as:

1. The process of innovative and creative markets activities or organizational changes (technological and organizational innovation),
2. Taking risks in business or tolerance of uncertainty aiming at the development of the venture (the tendency to act under uncertainty),
3. Flexibility in relation to strategy and market activities and the willingness to change and intraorganizational flexibility (market and organizational flexibility),
4. Exploration and exploitation of opportunities inherent in the environment of the organization and the unique competitive advantages of having support in the organizational resources (exploration opportunities)
5. The set of entrepreneurial characteristics such as innovation, creativity, willingness to take risks, and orientation to change (the entrepreneurial personality) [Sułkowski 2012, pp. 382–398]. It's worth stressing that all of that variables depend on culture especially on one particular dimension called by Hofstede uncertainty avoidance index.

Numerous researchers acknowledge the importance of the cultural context for career decisions [e.g. Lent, Brown & Hackett 2000; Flores, Robitschek, Celebi, Andersen & Hoang 2010; Leong 2010].

Hayton, George, and Zahra [2002] stress that cultural values serve as a filter for the degree to which a society considers certain entrepreneurial behaviors as desirable. Hence, numerous authors have emphasized the importance of understanding the impact of cultural norms on entrepreneurship.

Unconscious, deeply embedded and even irrational shared values shape the way people perceive entrepreneurs and entrepreneurship. Cultural values indicate the degree to which a society considers entrepreneurial behaviors, such as risk taking or independent thinking, to be desirable. Cultures that value such behaviors promote a propensity to develop and introduce innovation, whereas cultures that reinforce conformity, group interests, and control over the future are not likely to show risk-taking and entrepreneurial behavior. Therefore, it is important to understand the research on national culture and its potential influence on entrepreneurship.

McClelland predicted that cultures which valued achievement orientations would exhibit higher levels of entrepreneurship. Even examples of personality dimensions believed to be culturally determined include innovativeness, locus of control, risk-taking, energy level [Thomas & Mueller, 2000].

Authors believe that the most important areas influencing attitudes towards entrepreneurship in international comparative context will concern:

- culture (shaping among others entrepreneurial intentions (including career choice), attitude towards risk taking, perceptions of own skills and abilities,
- country's infrastructure allowing entrepreneurs to relatively easy start their business

That led us to creation of 5 research questions:

- RQ 1 Do Polish and British students vary in terms of their perception on their entrepreneurial abilities and skills i.e. whether they believe they have the skill and capabilities required to succeed as an entrepreneur?
- RQ2 Do Polish and British students vary in terms of their perception on, chances of establishing their own business?
- RQ 3 Do Polish and British students vary in their perceptions regarding the ease of starting a firm?
- RQ 4 Whether both groups consider entrepreneurship to be highly desirable career alternative for people with their education?
- RQ 5 Whether both groups consider starting a firm as the best way to take advantage of their education?

Methodology

Empirical illustration of the approach of Polish and British students to the issues of entrepreneurship was based on quantitative research carried out in Poland and the UK among Polish and British students. It should be noted that this is the pilot study and the results cannot be generalized.

The research was conducted in May 2014. Participants in this study are 247 students from 6 Universities in 2 different countries. Tables 1–3 show sample characteristics. The sample from Poland (Warszawa, Łódź, Kraków, Poznań) consisted of 153 graduate and postgraduate students, the sample from the UK (London, Leeds, Edinburgh), consisted of 94 graduate and postgraduate students.

Table 1. Characteristics of the respondents – location

Lp.	Location	Number of respondents	Percentage
1	Poland	153	62%
2	Great Britain	94	38%
Total:		247	100%

Source: own study based on the research.

Table 2. Characteristics of the respondents – age

Lp.	Age	Number of respondents	Percentage
1	19 – 25	99	40%
2	26 – 35	86	35%
3	over 35	62	25%
Total:		247	100%

Source: own study based on the research.

Table 3. Characteristics of the respondents – sex

Lp.	Sex	Number of respondents	Percentage
1	Female	149	60%
2	Male	98	40%
Total:		247	100%

Source: own study based on the research.

In this paper we addressed several questions:

- RQ 1 Do Polish and British students vary in terms of their perception on their entrepreneurial abilities and skills i.e. whether they believe they have the skill and capabilities required to succeed as an entrepreneur.

Table 4. Perception of Polish and British students

Nationality	Research question	I fully agree	I agree	I don't know	I don't agree	I fully disagree
Polish	I have the skill and capabilities required to succeed as an entrepreneur	7%	8%	50%	23%	12%
British	I have the skill and capabilities required to succeed as an entrepreneur	45%	41%	10%	3%	1%
Polish	I am confident that I would succeed if I started a firm	10%	15%	40%	27%	7%
British	I am confident that I would succeed if I started a firm	49%	39%	11%	1%	0%
Polish	It would be comparatively easy for me to start a firm	8%	24%	48%	14%	6%
British	It would be comparatively easy for me to start a firm	54%	44%	2%	0%	0%

Polish	I personally consider entrepreneurship to be highly desirable career alternative for people with mu educational background	15%	12%	41%	25%	7%
British	I personally consider entrepreneurship to be highly desirable career alternative for people with mu educational background	51%	44%	4%	1%	0%
Polish	Starting a firm for me would be the best way to take advantage of my education	18%	23%	44%	10%	5%
British	Starting a firm for me would be the best way to take advantage of my education	55%	39%	3%	2%	0%

Source: own study based on the research.

Discussion

Although a college degree program builds critical skills, few colleges and universities can fully prepare students for real-world challenges. Despite the substantial pressure to make good grades and to complete assignments on time, few college experiences can match the demands of a regular, full-time job and especially the career of an entrepreneur. Polish education system stresses theoretical aspects which give the students the perception that it would be better for them to start as an employee first, gain practical experience and then try to fulfill as an entrepreneur.

It is worth stressing here the role of uncertainty and risk. One can measure the attitude to risk is by looking at public tolerance when offering a second chance to people who failed to set up a successful business. However, according to Eurobarometer 2012 on entrepreneurship people in both countries seem to be quite understanding towards failing entrepreneurs and agree that they should be given a second chance.

RQ2 Do Polish and British students vary in terms of their perception on, chances of establishing their own business.

It comes as no surprise that entrepreneurs are rather an optimistic social group. Optimism can help entrepreneurs persist in the face of a challenge. They results were not surprising at all. Complaining about the future of the country is a long-standing Polish tradition. There's an old joke about a Polish optimist meeting a Polish pessimist: "Things are so bad, so terribly bad, that they couldn't possibly get any worse", says the pessimist, to which the optimist replies: "Don't worry my friend, they could, they really could". In Polish society where pessimism is a bit high [Gładziuk 2014], there is a tendency to get discouraged or rather not encouraged to venture into business because of fear of failing, especially when the risk is high. The opposite obtains in the UK and where the attitude, individual desire and strong optimistic approach were significant features.

What is more people from the "more individualistic" countries of Western Europe (see picture 1.) consider themselves as autonomous, more differentiated from others and independent from social groups, compared with people in "more collectivistic" countries. The Eastern European countries and Asia are considered a bit more collectivistic, and people tend to perceive themselves using a sociocentric perspective, which is socially sensitive, more interdependent and less differentiated, i.e. pursuing group rather than personal goals [Markus & Kitayama 2003; Oyserman & Lee 2008]. That influences the desire and

readiness to be either a part of an organization or becoming independent as an entrepreneur.

RQ 3 Would it be comparatively easy for both of the groups to start a firm?

The answers in a way confirm ease of doing business index. The ease of doing business index is an index created by the World Bank. Higher rankings indicate better, usually simpler, regulations for businesses and stronger protections of property rights. Empirical research funded by the World Bank to justify their work show that the effect of improving these regulations on economic growth is strong. As one can see Poland ranks 45 and the UK ranks 10.

Table 5. Ease of doing business index – chosen countries

2014	2013	2012	2011	2010	2009	2008	2007	2006	Country/region
1	1	1	1	1	1	1	1	1	Singapore
2	2	2	2	2	2	4	4	4	Hong Kong
3	3	3	3	3	3	2	2	2	New Zealand
4	4	4	5	4	4	3	3	3	United States
5	5	5	6	6	5	5	6	6	Denmark
...
10	7	7	4	5	6	6	5	5	United Kingdom
...
41	39	35	34	34	32	35	31	30	South Africa
42	43	41	36	56	65	54	51	55	Peru
43	45	42	39	37	49	67	74	63	Colombia
44	51	56	66	71	77	80	72	..	Montenegro
45	55	62	70	72	72	71	64	56	Poland

Source: World Bank.

Polish students far stronger believe that it is difficult for a local entrepreneur to open and run a small to medium size business.

Additionally it can be suggested that Polish tendency to complain discourages young people from starting setting up their ventures. It is suggested that the immediate personal environment (e.g., significant others) as well as the broader socio-cultural context (e.g., societal culture) influence and affect entrepreneurship process. Specifically, the broader socio-cultural context is assumed to exert its influence through the immediate personal environment on entrepreneurship and career choice decisions.

It is also worth stressing that entrepreneurship rate is negatively related to individualism when development is medium or low, and positively related to individualism when the level of development is high (case of UK) [María-José Pinillos, Luisa Reyes, 2011].

RQ 4 Whether both groups consider entrepreneurship to be highly desirable career alternative for people with their education.

It is clearly visible that both groups differ considerably. On the one hand British students are increasingly disenchanted with career prospects as organizational employees. Fierce competition, cost-cutting pressures, and leveraged buyouts have resulted in corporate restructurings that have undermined such traditional values as employee loyalty, security, and ownership of results on the other hand results show that Polish students desire work which provides a feeling of accomplishment, job security, and the opportunity to acquire knowledge and skills. One must admit that self-employment as a proportion of total UK employment is especially high in comparison with other OECD countries [Blanchflower 2000, 2005] especially with Poland.

RQ 5 Whether both groups consider starting a firm as the best way to take advantage of their education?

Here again, in case of Poland it can be explained by too theoretical models of higher education. Students believe they can use their knowledge well when being guided and mentored by real managers or business owners. They believe they need some sort of incubation. Bringing entrepreneurs in to help design curricula especially MBA programmes or undergraduate business degrees, would provide the training they need to solve real, current problems through companies of their own.

Summary

Entrepreneurship is being recognized as an important factor for economic growth and the regeneration of economies. The decision to start a venture has both cultural and economic dimensions. The importance of different cultural dimensions and their effects on entrepreneurship has been noted in a numerous studies. This paper has attempted to explore the attitudes towards entrepreneurship between Polish and British students.

The findings have some distinctive implications for Polish government, policy makers and educators through determining the attitudes towards entrepreneurship among Polish students. High or moderately high entrepreneurial attitudes of the students require a long-term planning and policy making to facilitate new venture creation for younger generation through providing the funds and infrastructures as well as removing the impediments on the path to become an entrepreneur and fostering entrepreneurial culture.

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Part 2

Methodological Aspects of the Organizations' Management

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Management – from Epistemology by Methodology to Social Practice of Academia Cognitive Challenges in Management Science 2¹

Abstract

The aim of the article is to present cognitive challenges in the area of management. Researchers and reflective managers still work on the identity of management belonging to the social sciences. The paper depicts the connections between cognitive problems (from the epistemological point of view), management methodology and social practice. Management sciences are parts of historical discourse and because of that epistemological and methodological levels have an impact on social practice. The main concern of this paper is the role of the management scientist, consultant and teacher. The analysis suggests that academic teacher and researcher are social roles with a character that can be called universal. Practitioner is associated rather with pragmatic aspect of management science. Practitioners are often regarded as managers, but their roles in the organisation might as well be non-managerial.

Key words: epistemology, management methodology, management paradigms, social practice.

¹ The deeper analysis of the problem in: Ł. Sułkowski, *Epistemology of Management*, Peter Lang International, Frankfurt-Berlin-Bern-Vien-Oxford-New York-London-Warsaw, 2013.

Introduction

Within management sciences one can identify various cognitive problems, which are situated on epistemological level, but influenced also methodological, pragmatic, and institutional levels. The rate of development of our sciences in the society, as well as of the role they play, depends on the effectiveness of coping with those problems.

This paper is the second publication from the series of three articles about cognitive challenges in management science. It is the result of the further discussions and reflections concerning the cognitive problems of management after publication about epistemology of management. The question of identity of management perceived like a social science is important mainly to researchers, but also to reflective managers. After considering the problem of ‘permanent immaturity’ of management sciences, another cognitively fundamental question is the relation between the theory and practice of management. The paper shows the transfer of the cognitive problems from the most general epistemological field, by methodology of management, just to social practice. The main concern of this paper is the role of the management scientist, consultant and teacher.

Theory versus practice in management

The main challenge, accompanying management science since its beginning, concerns the tension between theory and practice [Tranfield, Starkey 1998, pp. 341–353]. Apart from many problems of the relation between the theory and practice of management, I would like to focus on three important issues, which are as follows:

- position of researchers towards the problem of theory and practice of management,
- diversified approach to the relation between the theory and practice on the grounds of different paradigms of management,
- question of popularisation of the achievements of management sciences.

Approach to the problem of the relation between the theory and practice of management

In the area linking the theory of management with its practice the opinions of researchers are very diverse. We find both, the supporters of a very close relation between the management sciences with practice, as well as, on the opposite end of the continuum, the followers of dealing solely with the theory of

management sciences, leaving the application to practitioners and consulting sector [Duncan 1974, pp. 724–738]. For example, among researchers studying the area of marketing, one can find supporters of the position that ‘marketing’ is primarily a management practice and not a scientific discipline [Figiel 2006, p. 36]. On the other hand, many researchers working on the theory of organisation limit themselves to abstract analyses, distancing from application problems [Hatch 2002].

Theory vs. practice of management from the paradigmatic perspective

In case of researchers working on the grounds of different paradigms of management, a slightly different approach to the problem of practical application of our discipline can be valuable. Using the distribution of paradigms referring to the matrix, developed by G. Burrell and G. Morgan [1979], which was later modified by me, it can be indicated that Critical Management Studies paradigm tends to involve, in principle, in the practice of management. One of the fundamental postulates of CMS is conducting emancipation activities towards disadvantaged groups, which is accompanied by demystification of the ideology of managerism [Sułkowski 2006]. However, after analyzing the literature of CMS, one can indeed find a lot of theoretical texts which do not touch the application problems of the described concepts.

Popularisation of the achievements of management sciences

The researchers in the management field very often try to popularize and organize the discipline. Such kind of pragmatism means that management science belongs to practical sciences and practical usefulness is of scientific value. Although paths of management theory and practice diverge increasingly [Micklewaith, Woolridge 1998, pp. 19–20]. The development of management theory is now an academic activity, promoted more and more often in academic literature, while practical achievements are still not estimated in a sufficient way. Due to the development of professionalization and specialisation, management science starts to be hermetic. It operates on systems of notions, language and values which are not easy to analyse not only for amateurs but also for researchers who are not academic ones. There is a need for the science popularisation, the most essential scientific findings could be presented to the readers, which allows people interested to choose concepts that would be worth deeper cognition and implementation. This popularisation may lead to the more complex theories which would end in social consciousness. But there is a thin line between popularisation and also vulgarisation of science,

for example between the simplified essence of the presented theory and the deformation of its results. It can be observed that this line is crossed in various publications in the field of management and the rest of social sciences disciplines. We can give examples of publications, easy to access on the Internet and in bookshops, containing the knowledge on management that cannot be trusted. Authors present themselves as ‘management gurus’, with the aim to advertise their way of depicting things. They are not really gurus like Peter Drucker, Philip Kotler or Igor Ansoff who were known for combining popularisation with valuable theory. Besides, we have nowadays an advisory sector between the business sector and business schools, it uses academic work only to a certain extent. As a consequence, the level of division between theory and management practice grows bigger. Due to marketing reasons, the promoted advisory concepts are shown in an uncritical way which leads to lowering the authority of management science [Sułkowski 2012, pp. 13–23]. For instance, the thoughtless attitude to organizational culture, management values and re-engineering and also using those concepts in an inappropriate way make the managers believe research environment would not be of any use and is not trustworthy [Strang, Macy 2001, pp. 147–182].

The researchers play the most important roles in the institutional structure of science, as they work on developing the discipline, as well as the academic teacher who transfer the knowledge to others. We cannot imagine management without practice, researchers and theoreticians often deal with business activities. The roles of practitioners are more visibly seen than in other social sciences. The borderline between consulting and scientific activity is not clear. Pragmatism requires organisational changes, created and implemented by researchers, and consultants focus on the knowledge about how the organization functions. The most popular concepts are evoked by authors that can be called “gurus”. As long as the diversity of social roles and approaches of practitioners and theoreticians is to be concerned, we should analyse the questions about identity of teachers and researchers, which include:

1. destruction of good managerial practice by “pseudo-theories” of management “gurus” [Ghoshal 2005, pp. 75–91];
2. ideology and fashion in management;
3. split personality of researchers, practical and theoretical minds;
4. cultural and social conditions of the management researchers and specialists role;
5. the situation of researchers and specialists in our country, not forgetting about the position of Polish managers in the global world.

Role of management scientists

F. Znaniecki depicted the division of the social roles of scientists: practitioners – specialists, scholars, explorers – researchers [Znaniecki 1984]. E. Gummson focuses on the social roles of researchers and gives descriptions which are gradual, from scientific work without anything else, through consulting, to management:

1. analyst – intellectual work in its pure form;
2. project participant – intellectual work in a team, in an organisation;
3. therapist/moderator – intellectual work with an attention paid to emotionality, cooperation, interpersonal relations;
4. organizational development (OD) consultant – combining intellectual work and being sensitive to interpersonal relations;
5. an agent of changes – work that is action-oriented;
6. external board director – oriented on action and decision-making but as well on knowledge and introducing changes;
7. manager – working in the organisation, emphasis on action [Gummson 1991, p. 39].

This division was to help to describe the levels of researchers involvement in an organisation. All of the roles can have practical and theoretical orientations (which is illustrated in table 1). All of them also require wide knowledge about how the organisation works, they can then use it for some scientific purposes. This means the link between researchers and practitioners: increasing theoretical knowledge and discovering more about the organisation.

Table 1. Scientific and consulting roles

Criteria	Scientific roles	Consulting roles
Identification and identity	Scientific environment	Managers, external board directors
Aims	Getting knowledge, scientific position (publications, quotes)	Customer satisfaction, an image that would lead to the position on the market
Research area	Related to research projects	Thin chosen area of organisational consultancy
Perspective	Focusing on the development of theory, practice as a help for the process of creating the theory	Practical orientation, theory is be useful when it is used to implement the practice
Methods	Cognitive effectiveness and access to the study subject	Pragmatic effectiveness
Quality	Assessment of the quality of research by the academic circles	Assessment of the consultancy quality by customers and the market

Source: E. Gummson, *Qualitative methods in management research*, Newbury Park, Calif.: Sage Publications, 1991, p. 172.

Scientists in the field of management can be settled in different social roles, such as: practitioner, researcher, academic teacher and even so called 'guru'. Others are also possible, but these four would help to emphasise on the differences. Researchers treat the organisation as an object of cognition, while teachers find the transmission of knowledge valuable, and in the same time practitioners try to introduce some changes. Gurus focus on intuitive cognition which also may end in changes being made [Peters 1994]. The approach for the output of management, looking for certainty and orientation versus action also shows differences between the roles of scientists in the area of management. Researchers use the management output to put the emphasis on cognition and probable knowledge. The ethos of the researcher is of a value for them, and their readers are mostly from the academic environment. Academic teachers make the output popular, with the use of the canon of probable knowledge, but their main field of interest is not cognition but communication activities. They adopt the ethos of the teacher, and their audiences are most often students. Practitioners focus on activities, not always following

the rules of management methodology. Similarly consultants, whose audience usually involve managers, employees and customers of an organisation.

Table 2. Social scientists' roles in the area of management

Social role	Researcher	<i>Teacher</i>	<i>Practitioner</i>	Guru
Study subject	Organisation as a subject of scientific cognition (in search for the truth)	Organisation as a place of the social transmission of knowledge	Organisation as a subject of changes	Organisation as an object of intuitive cognition and changes
Attitude towards the discipline output	Focusing on it (theorising)	Popularisation of it	Adaptation of the pragmatic methodology of the discipline	A declaration of rejecting it
Looking for certainty	Searching for high probability	Searching for the transmission of the canon of probable knowledge	Working in uncertain conditions	A suggestion of certainty
Cognition or action	Cognition	Communication	Activities	Activities
Professional ethos	A scientist and a researcher	An academic teacher	A consultant	A witch doctor and a prophet
Audience	Scientific environment	Students	Employees, managers and customers	Followers –business people

Source: own work.

Conclusions

The roles very often combine with each other. Researchers become academic teachers and some can also be regarded as 'management gurus'. The division can be seen as indistinct. A researcher may have a very specific work which can end in individual solutions without any place for generalisation or on the opposite – he might work on a general research with no connotations with practice. Management researchers often work in other fields, such as economy,

organizational sociology or anthropology. The dominant view of management scholars is that there is a necessity of intervention and dialogue between academic and managerial world [Abrahamson, Eisenman 2001, pp. 67–76].

The analysis suggests that academic teacher and researcher are social roles with a character that can be called universal. Practitioner is more connected with pragmatic aspect of management science. Practitioners are often regarded as managers, but their roles in the organisation might as well be non-managerial [Sułkowski 2013, ch. 5].

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Marketing and Logistics Management as an Innovative Direction of Management in the SMEs Sector

Abstract

Marketing and logistics management is now becoming an interesting concept for entrepreneurs, and thus perpetuates the belief that the skills of marketing and logistics of the company contributes to the improvement of the company's competitive position in the market. The activity of businesses from the SME sector is based on a much more modest material resources than it is in large enterprises, thus building logistic and marketing advantages through innovation strategies is often the right direction of improving the competitiveness of the SME sector. The aim of the paper is to present the areas and potential use of new methods of management, with the application of integration of marketing management and logistics processes. Knowledge of the characteristics of both types of processes in the SME sector becomes necessary. Insufficient knowledge of marketing and logistics in SMEs, both in the field of logistics and marketing should be complemented by the development of educational offer by institutions of science.

Key words: SME sector, marketing and logistics management, innovation strategies.

Introduction

Interdisciplinary marketing and logistics approach to management of a SMEs business can become an interesting approach from the entrepreneurs' perspective, and thus the added effect of the application of this method is to improve the marketing and logistics skills. Interdisciplinary perception of phenomena and processes in the company contributes to the growth of knowledge about

the processes in the company and allows a broader look at the changes in the environment. Logistics is an organizational function which shares responsibilities with Marketing and Production. Companies were traditionally organised according to two main areas: Production and Marketing, considering the rest as auxiliary or support functions [Gimenez, Ventura 2003, p 20]. The foundation of the activity of SMEs sector businesses is a much lower level of material resources than it is in large enterprises, thus building the intangible resources by improving logistics and marketing skills often means investing in enhancing the competitiveness of SME companies. The consequence of the adoption of market orientation by SMEs is the desire to make broad innovation in all areas of the company, in the spirit of the maximum satisfaction of the needs of buyers.

The aim of this article is presentation of the significance and place of innovation in the marketing and logistics management of the company in the development of SME sector. Marketing and logistics management model as an innovation in the management of the SME company and conditions of implementation of this method of management will be presented on the example of study of SMEs businesses in the confectionery industry. There was formulated hypothesis that in SMEs is necessary to integrate both an area for better observation of the market and recognizing the expectation of clients. In the article the observations of 30 SMEs are presented, the group was not representative and conclusion can be confirmed only to researched group.

Marketing and logistics management as an innovation in the SMEs sector

The introduction of the extended definition of innovation according to the *Oslo Manual* [Oslo Manual, 2005] gives the opportunity to make changes of the statistical data in relation to SMEs enterprises, introducing innovations based on improvements and changes of products and processes of imitative character. Contemporary typology of innovation distinguishes the new division of innovation, according to specific criteria from the *Oslo Manual*; these are innovations related to: product, process, organization, marketing [OECD, 2010, p.5]. In the 2008 edition of statistical surveys of innovation the Central Statistical Office introduced the existing data on technological innovation (product and process), also non-technological innovations (marketing and organizational). Non-technological innovations, until recently, were not considered as important as product and process innovations. In recent years, they have been included in the research of innovation of businesses and they are gaining importance in the companies themselves. The associations with non-technological innovation with strategic decisions, such as decisions on

technology investments e.g. the purchase of technology or new machinery or equipment, have also been noted. Marketing innovations are related to the implementation of a new marketing method that involves significant changes in the design/construction of a product or in packaging, distribution, promotion or pricing strategy [*Oslo Manual* 2005, p. 49]. The objective of the implementation is to meet the needs of customers in a better way, open new markets and new product positioning in the market to increase sales. Organisational innovations mean the implementation of a new organizational method in the firm's business practices, workplace organization or relations with the environment. They are implemented in order to e.g. achieve better results by reducing administrative costs or transaction costs, raising the level of job satisfaction, access to assets that are not traded (such as non-codified external knowledge) or reducing the cost of supplies.

The most important logistics processes in SMEs enterprise include the following activities: the supply of products and materials, parts, components and assemblies, forecasting demand and purchasing policy, the flow of information, marketing processes, management and control of resources, distribution – order processing, transport organization, handling of complaints, storage, waste management, financial management.

These processes are of much more modest size and scope than in large companies, nevertheless for the owner of a micro-business they are extremely important from the point of view of their preparation, course and effects. Therefore, contemporary companies are building management methods to integrate many aspects of business. It is already a well-known issue of marketing mix, currently the concept of marketing and logistics management and logistics-mix instruments, combining logistics with lean-management and reengineering are discussed. Each of these concepts requires an individual approach and adjusting management methods to the characteristics of the business.

The superior feature that characterizes the contemporary SMEs business is to provide value to customers. Customer requirements are becoming more and more diverse, as the awareness of the importance of quality is constantly increasing, and expectations of customers are inevitably growing. In particular, it is a necessity of orientation to time and quality management, and the formation of a growing number of interrelations. Marketing and logistics management principles can be formulated on the basis of the theory of the “right bundle of values” [Dytwald 1997, pp. 49–54]. This theory defines three variants of delivering value to customers:

- Operational Excellence variant – expressed in offering the customers products and services at the most attractive price. It is shaped by the

optimization of processes from the point of view of costs, time, flexibility, efficiency, customer comfort and developing effective course of processes,

- Product Leadership variant – depending on innovations, designing new products and their introduction to the market, developing new organizational structures based on processes,
- Customer Intimacy variant, adjusting to the needs of an individual customer – expressed through finding the needs of the customer and his chain of values and building long-lasting relations with him.

The theory of the right bundle of values formulated by M. Treacy and F. Wiersema [Treacy, Wiersema 1995] indicates the integration of logistics and marketing processes in the enterprise. Developing new product concepts, building long-term relationships with customers and adjusting logistics processes of material and information flows confirm the need for simultaneous use of the instruments of marketing and logistics. At the same time innovations are presented as the basis for the implementation of marketing and logistics activities. Szymura-Tyc complements the theory with the concept of building marketing assets – building the competitive advantage of the company. Marketing assets consist of: outstanding products, favourable price, brand identity, links in the distribution channels, the reputation and image of the company [Szymura-Tyc 2001]. Considerations may be supplemented by a model of integration of marketing assets with logistics assets, which include: the unique ability to create logistics processes, the dynamics of processes, flexibility of components of logistics processes and the effectiveness and efficiency of logistics processes – affecting the attractiveness of logistics for the customer.

Innovative process in SMEs business

According to Schumpeter's theory, innovations are born as a result of scientific research, leading to the transformation of knowledge into material form. Schumpeter identified innovation primarily with the introduction of new products to the production or improving the existing ones, the introduction of new or improved production methods [Schumpeter 1960, p. 322]. He expanded the concept of innovation to other activities of enterprises, such as the opening of a new market, application of a new method of sale or purchase, the use of new raw materials or semi-finished products, the introduction of a new organization of production. It should be emphasized that Schumpeter's theories assumed that the main innovators are large enterprises – hence called "innovators" while he included SME companies to the group of "imitators". Schumpeter's views are not currently justified in economic practice [Stawasz,

1999, p. 50] and, according to contemporary researchers small and medium-sized enterprises more responsive to signals from the environment and changing needs of customers. They can therefore act more flexibly, innovate faster and shorten the time of their implementation and commercialization [Nowacki, Staniewski 2010, p. 16].

In Poland studies of innovation of businesses are conducted by the Central Statistical Office and the results are published in “Innovative activities of enterprises” and “Science and Technology” publications. The studies of the CSO do not show a cross-section of the whole sector because they do not distinguish micro-enterprises¹, providing statistical data for companies employing at least 10 people [Juchniewicz, Grzybowska 2010, p. 34]. Only since 2009, surveys on innovation have also been directed to microbusinesses. The CSO research results indicate low innovativeness of enterprises in Poland. The report of the European Commission also shows that the level of Summary Innovation Index in Poland is less than the average in all the countries of the European Union. Poland was included in the catching-up countries. According to European researchers this level of innovation in Poland is due to the country’s low expenditures on R&D [European Innovation Scoreboard, 2006]. The research conducted by Borkowski [Borkowski 2011, p. 43] indicates that SME enterprises are willing to use EU funds conducting innovation-related activities within the Innovative Economy programme. However, the financial support is not sufficient to create a professional R&D departments in those companies or using the services of institutions, such as universities, scientific and research centres, consulting companies and specialists – experts. Borkowski indicates that the most commonly implemented innovation in SMEs were:

- product innovations (27%) – new product or service, image change of existing products,
- process innovations (37%) – new or improved technological processes,
- organizational innovations (10%) – new software, new methods for development of staff competences,
- marketing innovations (18%) – change of the image of products,
- ecological innovations – environmental protection, ecological policy (15%).

Research by Wojnicka [Wojnicka 2011] indicates that those companies which conduct focused and coherent strategy in the field of innovation, they have a better chance of success in obtaining and maintaining competitive advantage. According L. Białoń and D. Janczewska examination and assessment

¹ This situation may be due to methodology, different from the applied in EU countries.

of the factors allowing the creation of innovative ideas in order to their realization, implementation and commercialization is the fundamental problem while developing a strategy of innovation [Białoń, Janczewska 2009]. Indeed, the preparation of such a diagnosis in the SMEs company can be difficult, due to insufficient knowledge about the essence of innovation and innovation process². In one owner's company, as well as in its competitor's business, the characteristics of the sources of innovation and methods of forecasting future events are important in order to formulate steps of innovation strategy.

Authors' study of confectionery sector

Confectionery branch in Poland includes more than 1000 companies, of which only 10 belong to the group of large enterprises, while the others can be classified as micro, small and medium-enterprises. The study was conducted in 30 SMEs enterprises from the confectionery industry, of which 20% account for micro-enterprises, 50% – small firms and 30% of medium-sized companies. Companies were located in the following state voivodships: Kuyavian-Pomeranian, Lodz, Mazovian, and Lesser-Poland.

The aim of researches was description of connecting the marketing instruments and logistic methods in management of enterprise. There was formulated a hypothesis that in SMEs it is necessary to integrate both of area for reaching the better observation of the market and recognizing the expectation of clients.

Surveyed SMEs companies from the confectionery industry declared their own market strategies as strategies based on building relationships with customers, on improving marketing processes or processes related to the improvement of work organization. At the same time they pointed to barriers in the form of external instruments for innovation support system of this type such as available credit, access to knowledge and expert advice. The author's own research conducted among SMEs enterprises in the confectionery industry showed a growing interest in non-technological innovation of SMEs enterprises, such as organizational and marketing innovation. In the surveyed SMEs enterprises from the confectionery industry there have been manifestations of marketing and logistics management based on a combination of marketing

² During discussions in the SME businesses of confectionery sector, the owners claimed that innovations do not exist in their companies, treating the concept of „innovation’ as a new product or a breakthrough invention. After the analysis of changes implemented in their businesses there have been identified a number of innovations: product, marketing and ecological innovations in the area of confectionery production. Also, numerous organizational changes were implemented as well as independently designed innovative systems of information flow.

activities with logistics system of the company. The analysis of the logistics aspect of the formulation of marketing and logistics management in the studied confectionery companies led to the identification of process steps for its implementation.

These steps can be presented as follows:

- Step I. Gathering the necessary marketing knowledge to determine the market position of the company and its resources as well as the knowledge about the environment.
- Step II. Accumulation of logistics knowledge including definition of logistics processes in SMEs and creating a system of communication with buyers.
- Step III. Formulating marketing offer and logistics offer – by matching the company's resources to customers expectations.
- Step IV. Developing marketing and logistics strategy through the choice of methods and means of achieving an integrated strategy – based on the marketing and logistics analysis as well as the definition of supplementary activities in the area of marketing and logistics.
- Step V. Monitoring the implementation of marketing and logistics process of SME business management through the selection and periodic assessment of the performance indicators of the same process.

The share of SMEs companies applying marketing and logistics management as a management method was 30%, which means that other surveyed SMEs did not perceive benefits arising as a result of the application of integrated management. In companies which did not apply the marketing and logistics management system, the definition of logistics-marketing system was related to barriers of lack of knowledge about marketing and logistics. The purpose of organizational innovation was primarily to achieve better financial results, higher efficiency, better use of human resources and intellectual capital of SMEs. Marketing innovations included the implementation of new marketing methods related to marketing-mix.

Especially in the area of promotion (i.e. marketing information) SMEs businesses introduced wider marketing at fairs, online advertising and other forms of promotion. With respect to forms of product innovation, the innovations have occurred as a complete redesign of the product in terms of its structure, construction, and use. The SMEs surveyed pointed to the introduction of new types of packaging, more convenient for the buyers, or consistent with the requirements of quality and environmental standards. Innovations in promotion were related to the introduction of new methods and forms of promotion of new products or promotion of the company as a whole.

Understanding the relationship between the SMEs enterprise and other market elements allows the identification of barriers in achieving SMEs success in the market and matching logistics strategies and innovation to market needs. One of the aspects of marketing analysis of determinants of innovative activity is gathering information on the types of innovation already implemented in the relevant market and the effects of innovation brought about after its implementation – both tangible and intangible (hard effects – soft effects). Marketing support of logistics processes in the company is shown in Table 1.

Table 1. Marketing support of logistics processes

Basic logistics processes	Characteristic features of a SME enterprise	Marketing support of the process
Supplies and management of materials	Processes run intermittently, free - dependent on the level of financial resources. Contracts for raw pastry relate to smaller quantities.	Starting the process and its course are dependent on market research and customer expectations.
Production logistics / logistics of services	Confectionery manufacturing processes implemented using manual labour, lack of automation, often lack of the implementation of quality management systems. Process infrastructure adjusted to the financial capacity of the entrepreneur.	Adjusting the volume of production and its type to market expectations and offer of competitive companies.
Transport	The company focused on minimizing costs, transport processes carried out by its own means of transport.	Marketing analysis and customer segmentation to optimize transport routes and the correct choice of means of transport and prices.
Storage	Warehouse processes carried out by hand, minimal use of machinery and equipment, including computers.	Quantitative parameters of the flow of goods in the warehouse are adjusted to the needs of the market. Marketing analyses determine the size of demand.

Management of resources	Control and replenishment is carried out using traditional methods, computers are used occasionally, lack of specialized programs to help manage inventory.	Changes in the level of inventories arising from the needs of the market and customer structure.
Waste management	Environmental management is not implemented in the systematic way, the activities in the context of reverse logistics are implemented sporadically; lack of interest in waste management.	The study of environment enables marketing planning, taking into account the applicable environmental regulations.

Source: author's own study on the basis of D. Janczewska (2012), *Zarządzanie działaniami marketingowymi w mikroprzedsiębiorstwach* [w:] *Ekonomiczno-prawne aspekty prowadzenia działalności gospodarczej w Polsce* [red.:] A. Cheda, Wyd. Fundacja Ius Medicinæ, Warszawa, p. 128–129.

The subjects of the diagnosis were: marketing and logistics potential of companies [Janczewska 2014, p. 155], management of the company, and its framework of innovation management. The success of the implementation of innovative management practices is the effect of the climate for innovation in the company and incentive system for the employees – participants of the innovation process, the competence of managers and employees as well as the way in which the company conducts marketing innovation. Based on the examination of management of logistics and marketing processes in the surveyed confectionery enterprises the following model of action has been proposed, which has been used, among other things in the contract with a large retail chain – as shown in Fig. 2.

Fig.2. Innovation management procedure in logistics and marketing process of creating value for the customer

1. IDENTIFICATION OF MARKETING AND LOGISTICS POTENTIAL OF THE COMPANY: Analysis of the activity, market, competitive environment, market segmentation, Analysis of competitors.



2. MARKET OFFER: PRODUCT / SERVICE – marketing instruments of the company 5P: (marketing-mix): Product, Price, Promotion – advertising, Place, People



3. LOGISTICS OFFER – defining sources of supply, defining production process, defining means storage means, selection of distribution channels, defining delivery time and means of transport, choice of formal documents (contracts, conditions), customer relations.



4. Identification of key values PRODUCT/SERVICE for the customer : Research of customers (questionnaire, analysis, conclusions), business reaction towards customer expectations, defining key values.



5. Elements of marketing and logistics strategy accounting for creating value for the customer: Final concept of the product – based on the value for the customer.

Source: author's own study.

It should also be remembered that the important role (and perhaps even decisive for the success of implementation of innovations) – is the person of the entrepreneur. These and other elements of management must also be diagnosed under the conditions of innovation. The typology of innovation alone can contribute to the selection of the best innovative activity for the SME company.

Summary

Article presented observations of integration of marketing instruments and logistic methods in managing of SMEs in confectionery branch. The hypothesis was confirmed that integration of the marketing and logistic is necessary to growth of competitiveness of SMEs. Identification of both areas: marketing and logistic give possibilities to benefit from the implementation of marketing and logistics management as an innovation in the management of the SME company requires broad knowledge and collection of data about the possible use of innovation in the enterprise. Innovation strategy formulation – is associated with the logistics of supply and distribution, by gathering information about the environment, activities of competitive businesses. It becomes necessary to raise the level of education of modern managers through participation in training and postgraduate studies both in the field of logistics and marketing.

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Business Intelligence in Organization. Benefits, Risks and Developments

Abstract:

Based on the literature review, significant benefits have been identified out of the implementation of Business Intelligence. However, risks have been also discovered, and they were mainly connected with an improper change management during the process of the BI systems implementation. Further direction for a development of BI system has been discussed, focusing in particular on maturity models available in the literature. The paper highlights the fact that maturity models currently available in the literature do not take comprehensively into account all aspects of the development of BI in organizations. Therefore, there is a need for further research in this field of science.

Key words: Business Intelligence, benefits, risks, developments, maturity models.

Introduction

Business Intelligence (BI) systems have become an integral part of running a business in the twenty-first century due to constantly increasing needs of organizations in the field of analysis, interpretation and data processing.

The definition of Business Intelligence refers to a broad concept of business intelligence which is designed to support and to improve decision making, and which, in turn, should lead to increase in the efficiency of an organization. However, the implementation of a BI system by itself cannot guarantee satisfactory results. To be successful, the management team has to make a se-

ries of decisions aimed at improving an organization, based on information from a BI system.

The purpose of this study is to identify the benefits and risks of the BI systems implementation in an organization and to discuss future direction of the Business Intelligence systems based on a review of the current scientific achievements.

The first part of this article highlights the important aspects associated with the implementation of the BI systems: it discusses the potential risks which may result in a failure of the BI project, while on the other hand, it also specifies a number of benefits which arise due to implementing a BI system.

The second part focuses on the directions for a development of the BI systems. Thirteen maturity models are compared and an attempt is made to determine whether or not they fully meet the needs of today's organizations. This is done in the context of determining the precise direction for development of the BI systems.

Business Intelligence for an organization - the benefits and risks

Key benefits and risks for an organization are created by the process of implementation and use of the BI systems. Risks are associated with engaging additional resources of an organization in the very process of implementation of BI, while the benefits occur only when such engagement gives measurable outcomes.

"It's not just a data processing technique, but also management techniques, personnel motivation and stimulating real demand for information" writes P. Adamczewski on the process of implementation of Business Intelligence. The author agrees with Adamczewski's opinion that situation in the market is that of increased availability of cheaper and more efficient BI solutions, however at the same time there is a lack of concept of their use [Adamczewski 2012, pp. 65–75]. This conclusion is also confirmed by S. and W. Williams who hold that Business Intelligence systems bring a completely new analytical capabilities for an organization, however achieving success is contingent on a good game of the whole team until the end of a match. Therefore, the timing of implementation of BI can be compared to going on the break after the first half of a football match in the role of leading the team. [Williams and Williams 2003].

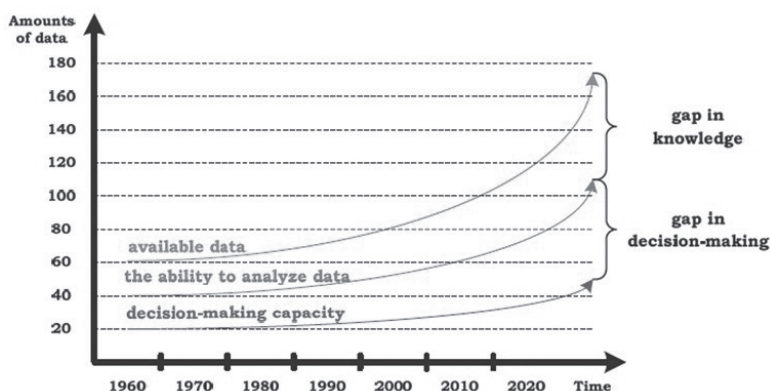
Moreover, the BI project can be successful in the financial sense but it may cause a loss on other projects. This can happen, for example, as a result of the involvement of key employees in the implementation of BI which can lead to

a decrease in the efficiency of their “business as usual” activities. Successful implementation of BI in an organization is dependent on a professional change management, because the implementation itself (understood as intangible assets) leads to a reduction of a company’s value due to the fact that it consumes resources of an organization [Surma 2009].

Furthermore, P. Adamczewski also points out that the implementation of Business Intelligence can favor reorientation of a company on the path where the goal is to become “intelligent organization”. This term refers to a learning organization which is based on philosophy of knowledge management [Koronios and Yeoh 2010, p. 35]. Such an organization has an ability to acquire knowledge and to use it to improve efficiency and competitiveness [Orzechowski 2008, p. 143].

Research of Bara and N. D. Knezevic is an extension of the above idea. The researchers discuss the learning process which is possible through the use of Business Intelligence technology since details of the actions taken (as a result of the BI use) are stored in a data source of a BI system. At the same time, these researchers point out a significant factor of latency in the decision making process. They distinguish three types of latency: 1) data latency – when data are available in the data warehouse; 2) analysis latency – when data is available to applications and users ; 3) decision latency – period of time between receiving information and making a decision. There are two kinds of gaps between the time needed for each of these three stage: the gap of knowledge and a decision making gap [Bara and Knezevic 2013, pp. 27–42]. This phenomenon is shown on Figure 1 for better visualization.

Figure 1. Gap in knowledge and decision-making



Source: Bara D., Knezevic N., *The impact of right-time business intelligence on organizational behavior*, “Interdisciplinary Management Research”, 2013, vol. 9, p. 36.

As indicated by the literature, the following relationship occurs with a development of technology: possibilities for analysis and decision-making capabilities using large data sets do not grow as fast as the ability to collect data. There is much more data stored than current systems are able to analyze. Accordingly, the ability to identify an organization's relevant data becomes an important skill. In 2005, Y. Chen developed the method of valuation of the data set. In his method, usage counters, scalability rates and weight of the stages of life are arbitrarily determined in such a way that the oldest periods are granted to the smallest value. The disadvantage of this method is the high degree of complexity, the need to store multiple usage counters and arbitrary setting of parameters [Chen 2005].

However, in 2007 a method was proposed which calculates the likelihood of using harvest in the future on the basis of three parameters: file age range (in days), number of the registered file access operations (ranges) and type of a file. Unfortunately, due to the high degree of complexity and the need to determine the appropriate criteria of grouping, this method is not suitable for universal use [Turczyk, Gropl, Libau and Steinmetz 2007].

The next method has been proposed by H. Jin in 2008, where the valuation of the data set use parameters reflecting the supply side (size and speed of access to the data set) and demand side (expected period of use of the data set in the future, the number of users of the data set in the past, the relationship between the number of stored data and the number of accesses in the day). The disadvantage of the above method, in addition to its complexity, lies in the need to maintain multiple counters [Jin, Xiong and Wu 2008].

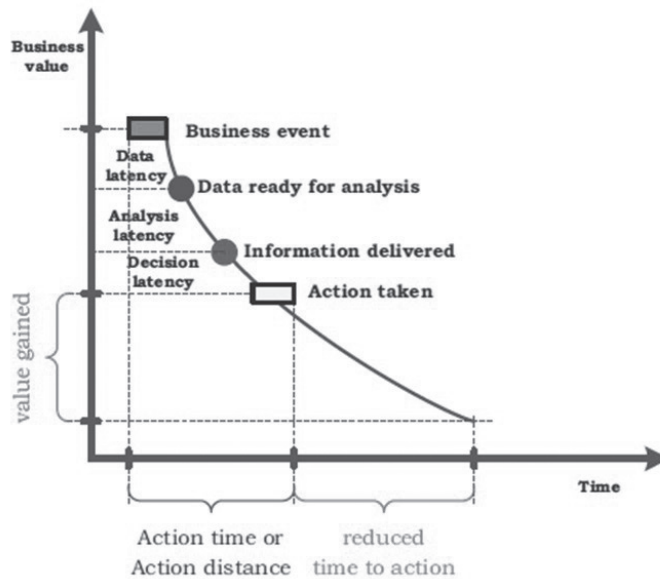
To sum up, all the above mentioned methods have one fundamental disadvantage: their practical implementation is very difficult. Importantly, J. Swacha has developed an original data set valuation method which, unlike the previously described methods, is simple in a practical implementation and automation. Its use does not require large data volume and it has only two parameters: time and frequency of use [Swacha 2011, pp. 108–119].

Wrong decisions, often made on the basis of intuition, may be critical for the company. Before the era of computer technology decisions were made mainly on the basis of estimations, assumptions and intuition [Maria 2009, pp. 996–1000]. Nowadays, thanks to the BI systems, we can move away from this type of practice to make decisions based on hard data gathered from information systems. However, the process of data collection and processing is very time-consuming.

As it is shown in Figure 2, organizations are able to reduce significantly the time needed for data collection, processing and analysis of data through the

implementation of BI [Bara and Knezevic 2013, pp. 27–42]. In organizations which do not use the BI systems, 80% of analysts' time is spent on data collection, and only 20% for analysis.

Figure 2. The Benefit of Reducing Latency



Source: Bara D., Knezevic N., *The impact of right-time business intelligence on organizational behavior*, "Interdisciplinary Management Research", 2013, vol. 9, page 33.

Research conducted by D. Bara and N. D. Knezevic indicates that through the use of BI systems the time spent on data collection can be reduced by 3.5 times. As a result, the employees can spend more time on analysis and decision-making.

The aforementioned increase in employees' efficiency is also possible through the use of advanced visualization available in Business Intelligence systems which is characterized by increased information capacity. One of the examples of such visualization is a managerial dashboard. As evidenced by research conducted by the University of Economics in Wrocław and UNIT4 Teta BI Center (a company which focuses on the development of intelligent dashboard for managers of SMEs), managerial dashboards can monitor such elements as financial ratios, credit standing, data mining, predictions, simulations, clustering, alerts and decision rules [Korczak, Dudycz and Dyczkowski 2012, pp. 27–37]. Unfortunately, from the point of view of the managers of small and medium-sized enterprises, the techniques mentioned above are cur-

rently inaccessible due to high costs of implementation of BI systems. However with the development of science, the availability of such solutions should be increased in the future.

Developments

BI development may be considered in four contexts: additional functionalities, availability in the formula of open source, storage technology and data processing and, finally, as a result/ in the context of maturity models which are a quest for excellence.

A new trend of Business Performance Management (BPM), which is considered to be the successor of Business Intelligence systems, has been receiving increasingly more attention in literature from the field of Business Intelligence. Theoretically, BMP has a wider range of functionality than his younger brother BI. BMP's extended functionality, as mentioned in the literature, can include business process modeling, automatic monitoring of indicators, notification of deviations from established standards, and finally, combining different sources into one interface. Systems of BPM class focus on processes, improve their efficiency and they are designed to automate and to support these processes. The correct implementation of a BPM system offers the following benefits: faster response to changing conditions and development, increased operational efficiency, highlighted relationship with a customer, as well as improved relationship between budgeting, planning and strategy of an organization. Proper implementation of BMP also increases the return on IT investments, it allows to increase the likelihood of delivering projects in accordance with the assumptions and it reduces business risk [Ziemba and Obłąk 2012, pp. 71–85]. According to E. Ziemba and L. Obłąk, BPM systems are the next generation of Business Intelligence. However in the author's opinion, this conclusion seems to be erroneous due to two main reasons: definition of BI systems is quite ambitious, and majority of BPM features are already provided by modern Business Intelligence systems.

Before choosing a supplier of Business Intelligence system, a company should also consider an option of purchasing open source BI software. Among the biggest advantages of this approach are much lower implementation costs. In addition to a detailed comparison of the pros and cons of open source systems and professional solutions, D. Celińska and M. Lasek also conducted a SWOT analysis of open source solutions. Their conclusion is consistent with the report published by Gartner¹, which concludes that a significant develop-

¹ The main area of activity of Gartner company is advising on decisions on information technology.

ment of open source software in the area of BI is forecasted due to finding that open source solutions present more opportunities than threats to a company [Celińska and Lasek 2012, pp. 20–27].

Another important decision for a manager who wants to opt for a BI solution is the choice between solutions in the cloud and the traditional approach (which means BI implementation on a company's own IT infrastructure). M. Muntean and C. Muntan conducted a research examining the impact of implementation of Business Intelligence system in a medium-sized company in two variants: 1) Business Intelligence as a service – where system is available in the cloud (SaaS²); and 2) BI deployment as the traditional approach in an organization (client-side infrastructure, established higher initial cost compared to SaaS). Monte Carlo simulation showed that the impact of BI implementation on the level of ROE and ROI depending on the selected economic values (a certain cost assumed in each variant) is much more beneficial in the first approach (SaaS) than in the traditional approach. These results were also confirmed on real data from a sample of medium-sized Romanian companies [Muntean and Muntean 2013, pp. 85–102].

In turn, M. and M. Skyba Tvrđikowa utilized their experience gained in working with BI environment by designing solutions and services in cloud computing technology based on the needs of small and medium businesses. More specifically, they examined the level of use of information technology such as BI in a survey of 150 Czech firms. As an outcome of this research, they proposed following recommendations: for micro and small enterprises -BI systems should be implemented as a SaaS; while for medium sized enterprises - BI tools are a strategic element of support which means implementing BI on a company's own IT infrastructure. Their study confirms high importance of BI tools in SMEs in the Czech Republic [Tvrđikowa and Skyba 2012, pp. 39–51]. The findings of Tvrđikowa and Skyba are also further substantiated by S. Popescu who indicates that BI provides important solution for medium-sized companies (which are without resources comparable to multinational corporations) as these systems are easy to implement and quickly improve decision-making. Popescu points out that according to research conducted by SAP company [2010], most managers know how to optimize their own department but they would like to have an understanding of how it affects the performance of their entire company. This function can certainly be provided by a BI system. According to the same study, BI systems provide powerful analytical capabilities together with the possibility of a multi-dimensional analy-

² SaaS – Software as a service.

sis, interpretation of data, filtering and access to details. At the same time, they provide an easy to use interface so that users without advanced computer knowledge can handle it [Popescu, 2012, pp. 53–63].

An important research in the area of cloud computing has been also conducted by M. Nycz. The researcher showed that only 21% of the budgets of organizations who employ traditional solutions is used for the development, the rest is spent on support of existing solutions. Replacing a part of the implemented by organizations solutions by a SaaS solution allows for the release of funds for development. However, despite the advantages of using cloud computing, Nycz also identifies the following barriers: 1) Technical – poor quality of Internet connections, dependence on Internet providers; 2) Legal – storage problem and the possible leakage of personal data; 3) Mental – users often have limited confidence, mainly due to insufficient knowledge [Nycz 2012, pp. 53–63].

C. M. Olszak points out further issues with the effective development of business intelligence systems. According to her study, a development of Business Intelligence systems will be effective when we use the knowledge and experience based on the theory of maturity models. This concept is closely related to the achievement of an ideal state which should be followed [Lahramnn, Marx, Winter and Wortmann 2011, pp. 5–10]. However, achieving a state of maturity is associated with going through different phases of development [Fraser, Moultrie and Gregory 2002, pp. 244–249]. C. M. Olszak analyzed 13 maturity models: TDWT's Business Intelligence Model – Eckersona model, Gartner's maturity model, AMR Research's Business Intelligence/Performance Management Maturity Model – version 2, Business Information Maturity Model, Information Evolution Model by SAS company, Model Business Intelligence Maturity Hierarchy, Infrastructure Optimization Maturity Model, Business Intelligence Development Model (BIDM), Lauder of Business Intelligence (LOBI), Hawlett Package Business Maturity Model, Information Evaluation Model by SAS company, Watson model, Teradata model. By their very conception, these models are designed to answer the questions in which direction to develop BI systems within an organization. Common characteristic of almost all these models is that they appropriately name the development phase e.g. from newborn to sage, which is evaluated in various areas: types of analysis, scope, management, technology platform.

C.M. Olszak provides us with an example of four different organizations in which the implementation of BI systems significantly altered the way of doing business, long-term strategy, management of information and business processes, customer service and introducing innovative services to customers.

Monster.com, Harrah's Entertainment Inc., Continental Airlines, and Norfolk Southern are organizations based on Business Intelligence. Each of these companies developed a BI system in an individual way, but they all have been successful in the form of the introduction of new business services, improved customer service and the development of new forms of cooperation which led to the improvement of competitiveness. A lot of similarities to the BI maturity models can be found in the actions of these companies, therefore C. M. Olszak confirms her hypothesis that "BI maturity models should be an important signpost for organizations of how BI systems need to be developed to achieve with their help measurable benefits and increasing benefits" [Olszak 2012a, pp. 9–29].

Research studies show that the vast majority of maturity models focus on technological factors such as infrastructure, data and applications and they do not take into account the key factor which is the connection between technology, functionality and usability for an organization. Soft elements are rarely mentioned, i.e. staff, organizational strategy, specific information needs. According to C. M. Olszak, as well as in this author's opinion, the mentioned above maturity models are not complete. Therefore, there is a need for a target BI maturity model which would integrate all the elements to arise in the future on the basis of research and scientific discussion [Olszak 2012b, pp. 11–26].

Conclusion

The need to increase the competence in the field of business intelligence is now a priority for many organizations. Managers become increasingly aware of how valuable, as a resource, is the data stored in the source systems. Analysis and processing of data into information is a fundamental task of BI systems. Thanks to the use of Business Intelligence tools, creation of an intelligent organization which is based on knowledge and learning from its mistakes is possible. This is achieved through storing information about the actions taken in the data warehouse of a business intelligence system.

The literature review identified the following benefits as a result of the implementation of Business Intelligence:

- The ability to start the changes which, as a result, lead to the creation of intelligent organization based on knowledge and learning.
- Improving decision making. Making decisions based on hard data, not on the basis of intuition and routine.
- The possibility of effective measurement of data sets.
- Significant reduction of time dedicated to the collection and processing of data.

- Using advanced data visualization. Its advantage lies in much greater information capacity compared to a traditional visualization.
- The availability of advanced business analysis for small and medium-sized enterprises.

Risks identified during the implementation of the BI systems can include:

- Lack of professional change management during the implementation of the BI systems because, in itself, BI implementation leads to a reduction of goodwill due to absorbed resources needed to launch the system.
- Involvement of key employees in the process of BI implementation may result in a decrease in the efficiency of their existing activities.

Issues concerning further development of the BI systems have been also discussed. Moreover, relevant dilemmas from the point of view of a BI project sponsors' were identified and these difficulties can include a choice of BI technology tools. As a result of the published outcomes, both a solution based on cloud computing and an open source should be considered during the decision-making process, in particular by the managers of small companies.

It has been shown that further development of Business Intelligence systems depends on the development of a theoretical model of maturity. In the literature, several models of maturity are developed, but none of them is complete since they do not pay enough attention to soft aspects, and they focus mainly on infrastructure and technology. Therefore, it seems reasonable to focus future research on the development of a complete model of maturity so that the direction of development of BI systems can be clearly determined.

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Jobcoaching – a Method of Age Management in an Organisation

Abstract:

Population aging phenomenon, which takes place globally, forces organisations to change their approach to human resource management. An interest in humanistic approach to management issues, including human resource management, that has been recently popular among HR experts, became the starting point for the analysis presented in this paper. It seems that jobcoaching is closely connected with this notion, which is aimed at understanding and improving the lot of human in the world of organisation, especially when people have the possibility to be active on the labour market for a longer time. Similarly, as in case of the basic assumptions of the humanistic approach to management, jobcoaching puts to the fore the need to understand the personal experience of the members of the organisation. The purpose of this paper is to present the jobcoaching as a method of age management in organisations. The paper verifies a research hypothesis, that in systematically changing conditions of the organisation, the use of jobcoaching can improve the company's operations, as well as it can be a starting point for changing the attitudes of employees and employers to the situation prevailing in the environment.

Key words: age management, jobcoaching, age management methods, determinants of age management.

Introduction

Population aging phenomenon, which takes place globally, forces organisations to change their approach to human resource management¹. Age management, which should change the employers' attitudes towards the type of conducted HR policy, have begun to play an essential role in this process. Among the three theoretical concepts, which explain the change of the personnel function [Brol, *zp.lo3.wroc.pl/zim/semestry/sem5/personell/personel_metrialy.doc*, s. 141], a situational approach seems to be the most important one. In this approach a change in the business environment results in the need to adapt the organisation to the changing conditions. Change in HR management is therefore a direct reflection of changes taking place outside the enterprise.

An interest in humanistic approach to management issues, including human resource management, that has been recently popular among HR experts, became the starting point for the analysis presented in this paper. It seems that jobcoaching is closely connected with this notion, which is aimed at understanding and improving the lot of human in the world of organisation, especially when people have the possibility to be active on the labour market for a longer time. Similarly, as in case of the basic assumptions of the humanistic approach to management, jobcoaching puts to the fore the need to understand the personal experience of the members of the organisation. Attempts to bring this experience only a truncated, clear and universal message cannot be successful, in the views of researchers, and contribute more to fatigue and discouragement of members of the organization [Kociatkiewicz, Kostera 2013, p. 13]. These attempts also interfere with the perception of diversity, spontaneity and creativity – values which are important for the perception of personal happiness, and thus a greater acceptance of the actions carried out by companies [Kociatkiewicz, Kostera 2010, Van Maanen, Kunda 1989].

The purpose of this paper is to present the jobcoaching as a method of age management in organisations. Jobcoaching enables companies to join knowledge and skills of older workers with a lack of experience and a different kind of competence held by younger workers. The paper verifies a research hypothesis, that in systematically changing conditions of the organisation, the use of jobcoaching can improve the company's operations, as well as it can be

¹ J. Litwiński and U. Sztanderska analysed this issue. They pointed out at least three main factors that define the need to implement age management in organisations: labour shortages, increased propensity of older workers to remain in employment due to the expected higher pension transfers, and the collapse of public finances and pension systems [Litwiński, Sztanderska, 2010, p. 5 and further].

a starting point for changing the attitudes of employees and employers to the situation prevailing in the environment. Verification of this hypothesis will be possible by taking into account reasons affecting the need for age management in organizations that are described in the literature.

Age management – problem outline

Age management is defined in numerous books and research papers [Griffin, 2009, p. 200, Litwiński, Sztanderska 2010, p. 3, Walker 1997]. In age management definitions, the significance of human resource management in the organisation, which takes into account the possibility of effective absorption of older workers in the companies' operations – the management of processes of workers' aging – is highlighted. It is important that a well-used variety (with regard to human resources in this case) can be a source of competitive advantage, while mishandled HR company policy can become a source of conflict in the organisation. Hence, age management processes can also be analysed from the point of view of diversity management, which guarantees the inclusion of the needs and abilities of employees of different age groups. Generally speaking, it can be stated that the management of age is a way of the management of the company, which takes into account the diversification of the age of the workers through the use of friendly solutions for the older workers employed in companies [Zarządzanie wiekiem 2010, p. 2]. Such solutions are aimed at increasing the productivity of older people, and as a consequence lead to the stabilisation of their professional activity. Due to the fact that these solutions can cover a wide range of instruments and apply to the different phases of employment (recruitment, labour mobility, lifelong learning), as well as they relate to the employee (physical ability, mental) or the environmental dimensions, they were divided into several areas of the age management [Naegel, Walker 2006]. In each of these areas, jobcoaching is perceived as an important method of age management.

So, let us look at what the jobcoaching is.

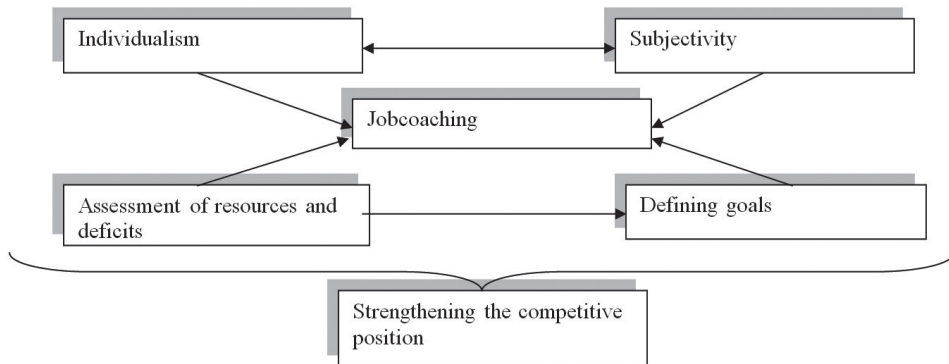
Jobcoaching – the concept and its elements

Jobcoaching is one of methods of the unemployed support. However, it may be also used to support workers or people who are at risk of losing their jobs [Rogozińska-Pawelczyk 2007, p. 37], allowing them to maintain employment at current job positions in the same company. In this case, jobcoaching should rely on the cooperation between a worker and a career counsellor, the latter becoming a mediator between worker and the employer. The activities carried out by a jobcoach should be of a highly individualised nature, and rely on

a detailed diagnosis of the competence of the employee (strengths and weaknesses), as well as the nature of the threats that may be a result of the loss of job. Such recognition may also be associated with the analysis of push and pull factors, resulting in a reduction in labour demand and labour supply of older people². Push factors would include primarily legal provisions affecting employers' interest in limiting the employment of the older workers (the collective agreement of a protective nature, the need for payment of compensations, dependency of wage levels on seniority), as well as increased importance of ICT as for organisation operations – it means increase, and often radical change in requirements relating to the qualification of the employees. In contrast, the pull factors may mainly include types and size of social benefits and demographic situation [Grzesiak, http://www.zie.pg.gda.pl/c/document_library/get_file?uuid=89e7dcb4-30a7-4279-9536-93286f3ef0ff&groupId=10236]. Familiarity of these factors enables a jobcoach to strengthen the position of an older employee in the company and to plan the appropriate course of action in the context of the respective jobcoaching elements: subjectivity, individualism, assessment of the strengths and weaknesses of the employee, defining the goal, and – as a result – the empowerment of an older employee in the workplace (Graph 1).

Subjectivity and individualism of jobcoaching that is conducted in organisations towards people at risk of losing their jobs, should be based on the consideration of the beneficiary's expectations in the advisory process. It should mean outlining a career path by the concerned person, which may strengthen his/her commitment to the objectives of the enterprise.

² Such factors have been highlighted by A. Walker and L. Funk [Walker 1985, p. 211 and further pages, Funk, 2004, p. 24].

Graph 1. Elements of jobcoaching and the relationships between them

Source: own elaboration.

This shall result in overcoming barriers that reduce the tendency of employers to hire such workers. Defining the career path by the same employee may result in increasing her/his interest in adapting her/his competence to the tasks delivered on the workplace. It is even more important in the case the employee is at risk of dismissal.

Assessment of resources and deficits of person who is supported within jobcoaching should lead to identification of strengths and weaknesses of the employee being at risk of losing job. This process should be extensive, due to the fact that it provides the basis for determining the support actions. Information stemming from this process should help to identify competency gaps, which could be eliminated by conducting training activities. Identified strengths should create a basis for determining career development paths that would be presented to the employer in order to enable utilisation of these strengths in the organisation operations. In many cases the older worker's experience can provide significant capital, which can be used to support new/young workers in completing their tasks. The exchange of experiences between different generations of employees, provided in this way, can be beneficial to the company as well as it may improve the atmosphere in the organisation.

The result of analysis of the strengths and weaknesses of the employee who is at risk of losing a job should help to define the goal. This should be determined in accordance with the principles of SMART, that is, to be specific (tailored to the specific capabilities), measurable (quantifiable results may be subject to verification), motivation (accepted by the beneficiary, feasible to

reach), realistic (kind of job available in a particular labour market) and time-specific (actions in accordance with the timing of the implementation of individual development plan)³. Setting a goal should make possible for both the employee and the employer's to assess chances of acquiring the competence/employee that will be consistent with the tasks performed within the organisation. It is an element of the formulation of an individual development plan, which should be preceded by an assessment professional potential and individual needs of the beneficiary (the current family, professional, material, health situation, and education).

Strengthening the position of a senior employee in the workplace should be a result of the activities carried out by jobcoach. It is very important in this case – as in the whole process of jobcoaching – that the impact should have not only formal, but also mental nature, embedding positive, from the point of view of the organisation, employee's behavior. Career counselor must be convinced, that when an employee will undertake individual actions, it will not result in discouragement and returning to the situation that was before support was offered. Therefore, it is important to inform the management of the organisation about the actions taken within the jobcoaching. The management will be able to support the senior employee in her/his efforts to maintain the current job, if it is compatible with the company strategy. The success of jobcoaching depends primarily on the cooperation between the counsellors and top managers.

Jobcoaching as a method of age management in companies, generally enable better adaptation of older workers to the tasks carried out within the organisation. Improvement of the competitive position of such workers may not only contribute to keeping current employment, but mainly to increase their chances of getting a job also on the external labour market. These workers, having a well-established work habits and work experience are often a key resource of company's human capital – company's operations are often based on their competences. Giving up this capital, caused usually by economic conditions or reorganisation of the workplace, is quite often a difficult decision. Therefore, jobcoaching can be perceived not only as a support for older workers, but also as a way of solving company's problems with the absence of adequate workers. It should be stressed, that the age management with the use of jobcoaching is possible to implement in every company, even in one, where there is no HR department because of too small size of the company. This method allows to

³ This acronym stands for: Specific, Measurable, Ambitious, Realistic, Time-scaled [Rogozińska-Pawelczyk, 2007, p. 37].

apply the rules that does not discriminate older people, but use their potential to the benefit of both parties –the employers and employees.

In the next part of the paper we will analyse determinants that affect the need for age management in organisations, focusing also on the importance of jobcoaching as a method that can be used in this process.

Determinants of age management and the possibility of jobcoaching utilisation

Conditions, which cause that age management in companies, become a necessity of modern organisations, are rooted both in the economy, as well as in the activities of the business entities.

From the perspective of the economy, it is particularly important to link age management with lifelong learning. The importance of this relationship stems from both the population aging and low labour market participation of the elderly. Therefore, it is necessary to encourage the elderly to stay in the company, even after reaching retirement age. Difficulties in finding the right employee on the labour market lead to taking actions by the employers that enable the older workers to develop and match their skills with new job openings. This requires searching for a suitable educational offer by the employers, as well as conducting human resources policy, which encourages undertaking of education activities. Jobcoaching method may be of a key importance in this case, enabling the identification of employees' expectations, and specification of education courses that would be in line with the employers' needs. This method can also determine areas, in which there will be possible to take advantage of skills and experience of older workers, to serve as mentors for young employees. On the other hand, due to the low labour market participation of the older people, jobcoaching may lead to an increased interest in extending professional activity, by pointing to the benefits of a longer stay in employment (higher pensions, maintaining contacts with people, being in line with professional issues). A particular advantage of this method is a personal contact with the beneficiary, which affects the greater efficiency of these activities. The phenomenon, stemming from the analysis of statistical data is that, for example, in the Polish economy, there are significant reserves of employment in the group of people over 45 years of age. Their use could significantly offset the projected decline in the number of people in working age [Litwiński, Sztanderska 2010, p. 7]. This also applies to people in the post-working age. However, it is necessary to change the attitudes of employers. Otherwise, in the future many businesses may face problem of labour shortages, resulting not only from the inadequate

quality of workforce qualifications, but above all, from a very low inflow of young people into the labour market.

The barrier to the wider employment of older people in companies, which indicates the need for implementing age management processes, is also the discrimination of the older workers, resulting from negative stereotypes about this social group. However, an important issue is to adapt the processes within the organisation to changes in the employment policy conducted by the state. Age management should be a response to the regulations, allowing greater use of older labour resources management in economic processes. So, associated activities undertaken by companies that aim at retaining such employees are necessary. Changing legal regulations may contribute to the formation of conditions favouring such measures. However, it should be stressed again, that before this, employers must change their negative perception of older people as potential employees. Jobcoaching, as the method used in the age management, may contribute to changing this perception, enabling detailed diagnosis of older workers' competences, and pointing out areas of the economy, where the use of such workers can bring the best results.

From the perspective of the company, the need to implement age management and to combine it with lifelong learning may, however, be related to the following reasons [Litwiński, Sztanderska, 2010, p. 8 and further]:

- firstly - a company can achieve tangible benefits resulting from the age diversity of workers; this diversity enable to better respond to rapidly changing market conditions, and, in particular, allows for better adjustment of production to the diverse needs of customers; jobcoaching may be helpful in this respect as it allows for the verification of recruitment in terms of diversity in age and skills dimensions,
- secondly – for the organisation it is important to maintain the appropriate level of competence; according to research studies, professional and social skills of older workers represent a unique type of human capital; older workers' accuracy, reliability and the ability to communicate with clients and colleagues is, in many cases, the added value which is not possessed by younger or new employees [Giza-Poleszczuk, Góra, Litwiński, Sztanderska 2008]; similarly important is the ability to solve difficult problems; such competences cannot be replaced, because this process is costly, besides, lack of such competences may result in profit losses; at the same time – what should be emphasized – if older workers perform tasks in line with their qualifications, their performance is comparable to that of younger workers [Rolland, 2004]; additional advantage is the possibility of intergenerational exchange

of knowledge and skills, which results in continuity of the stock of knowledge; jobcoaching, by implementation of its elements, can have an influence on validation of advantages of older workers, and thus may be a method supporting counteracting the mental barriers among employers and employees, hindering the labour market participation of the latter group,

- thirdly - diverse, but at the same time balanced age structure of employees, may reduce the labour costs; high costs of employment of older workers in the organisation can be compensated by introducing measures promoting health, workplace ergonomics, improving skills, motivating older workers and linking their wages to their performance, which should result in a reduction of employment costs of such persons, primarily because of labour productivity growth; these actions may be more effective compared to replacement of older worker by a younger one, if the costs of adapting new employee to the workplace is taken into account; in this case jobcoaching may also be seen as a method of age management that enables verification of the suitability of a senior employee in comparison with hiring new employee.

The above mentioned advantages of age management, including the use of jobcoaching, becomes even more important in the case of changes on the labour market. Limited access to the young human resources, as well as the introduction of new legislation that promotes the older people in the role of employees, creates additional preferences to wider employability of this group.

Conclusions

The use of age management by organisations, as a way to maintain older workers labour market participation, entails a clear advantages. However, age management should not be considered as an approach directed solely to the older people, because such action would expose managers to the allegation of discrimination other employees. It should be rather understood as a policy of equal opportunities for all employees. However, due to external factors, age management is usually seen in terms of the need to encourage people from the upper bound of the working age population, as well as post-working age population, to be economically active. The reason for this is a significantly low labour market participation observed in these groups, which may cause the difficulty in achieving appropriate level of efficiency by organisations, related to problems with filling vacancies by the young employees [Kryńska 2013, p. 9, Sobocka-Szczapa 2013, p. 63].

The method of jobcoaching described in the paper, which can be used in the age management in companies, seems to be a method, that may eliminate barriers associated with low labour market participation of older people. On the one hand, jobcoaching simplifies the assessment of skills and development of career paths for senior employee. Thus, it creates the conditions for undertaking or maintaining her/his economic activity. On the other hand – it helps to overcome stereotypes related to older workers. At the same time, jobcoaching brings significant benefits for the company, which arise from the age diversity of the workforce and allow for discounting all the advantages of the older workers.

However, if this described method is to be an effective tool of age management, there is a need to avoid mistakes distorting the meaning of the practice and precluding the achievement of defined objectives. The most common mistakes would include [Rogozińska-Pawelczyk, 2007, p. 42 and further]:

- putting emphasis on the process, not on the target, which means that the effectiveness of jobcoaching should be verified by achieving the objective, not by providing various supporting activities,
- deviations from individual development plans, resulting in claims among the beneficiaries. Fulfilling these claims does not help to achieve the objective (e.g. participation in training not included in the IDP),
- simplifications introduced by the individual career counsellor that stems from excessive bureaucracy burden and filling documents by the beneficiary; it results in poor quality documentation, which has an impact on the whole process; similar problem arises when jobcoach narrows down her/his actions to telephone conversations,
- not taking into account the needs of employers, which leads to a lack of their interest in undertaking jobcoaching in the organisation; use of this method should focus on meeting the needs of both parties – the employees and the employers,
- imbalance between time of work and devoted to achieving goals of the personal development plan; this problem applies mainly to working population; planning activities which are impossible to implement due to lack of time can have a negative impact on the person who is counselled and on the career counsellor,
- lack of adjustment of the workplace to the needs of jobcoaching; lack of access to various means of telecommunications reduces quality and effectiveness of undertaken actions.

Regardless of the above mentioned threats to the effective application of the jobcoaching, it seems that this method may be effective⁴, since it gives the opportunity to perceive human being from the individualistic as well as holistic point of view. This perception affects the implementation that needs respect, recognition, which – especially in relation to the older worker – are essential for the effect of his work. That is particularly important that the work at the moment is characterized by variability (due to saturation of knowledge and instrumentation), which is not without significance for the human psyche. Therefore, the aim of management processes, including human resource management, to take into account the expectations of the employee, with appropriate management methods, seems to be the most effective in terms of business procedure.

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Kaizen as a Method of Management Improvement in Small Production Companies

Abstract

„Quality is not everything but everything is nothing without quality”. The famous quotation from K. Ishikawa brings to our attention the fact that nowadays quality is one of strategic concepts from the point of view of functioning of companies, especially production-oriented ones. The lack of quality often eliminates a product from the basket of potential further choices. That means that quality is a prerequisite in the contemporary, highly competitive and saturated market. In order to ensure quality, enterprises introduce various concepts and methods to support quality management. They include, among others, the *kaizen* philosophy, which allows to minimize unnecessary actions (losses). It is especially recommended to small firms as an inexpensive method assuring high quality of products because they are constantly improved, which, in turn, guarantees maintaining a high position among competitors. This article aims to introduce the concept of *kaizen* by describing how it works and considering whether it can be successful in Polish companies.

Key words: quality management, improvement, *kaizen* philosophy.

Introduction

Contemporary enterprises, especially production-oriented ones, operate in a very demanding environment with one of the requirements being quality as, according to Flynn, only well-designed high-quality products, combined with quality integrating supporting processes, allow for competitive advantage [Flynn, Schroeder, Sakakibara 1994]. A key to achieve the highest quality by an

enterprise is to introduce management through quality. That ensures effective solutions eventually translating into customer satisfaction. The process should be supported by other methods and tools which were developed to meet the very needs of quality improvement such as, among others, the *kaizen* method, whose philosophy consists of willingness to constantly improve processes taking place in a company. In a nutshell, *kaizen* is a never-ending process of improvement and change for the better.

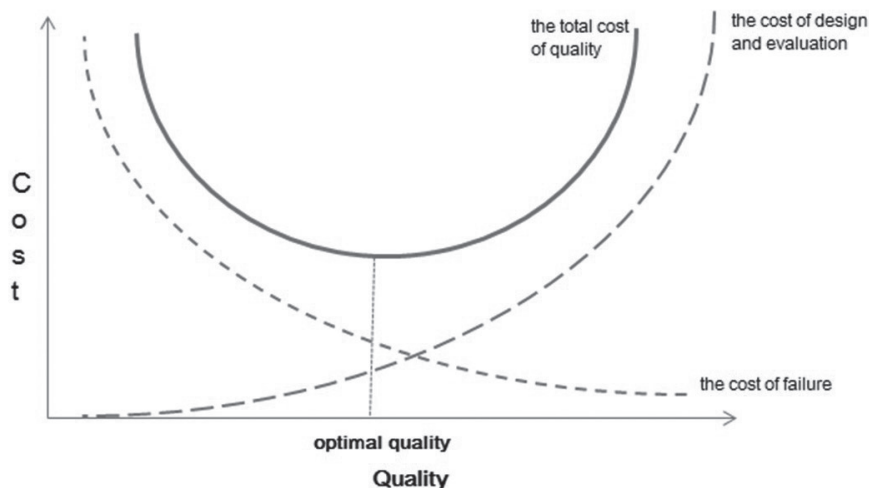
Quality in a Production Company

The concept of quality has accompanied humankind since as early as the ancient times [Karaszewski 2009, p. 13]. In its broad sense, quality can be understood as a degree to which a certain good/service, phenomenon, process or organization adapts to expectations of an experiencing subject [Lisiecka 2001, Skrzypek 2001]. Thus, quality concerns not only tangible products but also services or other objects and can be assessed through a set of both measurable and unmeasurable factors. Therefore, quality is a term occurring in various areas of human activity, hence being interpreted in a variety of ways. While discussing quality, it seems justified to quote definitions by well-known classics mentioned by specialist literature, such as, among others: Deming, Juran, Crosby or Feigenbaum. According to the first of the above classics, quality is perceived as a predicted degree of singularity and reliability of a product with simultaneously maintaining the lowest possible costs and adapting to the requirements of the market [Mroczko 2011, p. 21], which also entails an orientation change (customer orientation). The concept is based on controlling the quality of processes and products performed in a specific cycle of both management and execution actions called the Deming circle. Juran – another outstanding persona among quality consultants – defined quality as capability of a good or service to meet set objectives, e.g. quality is “a degree to which a specific product meets the needs of a specific buyer”, quality is “a degree to which a specific product class is potentially able to satisfy consumers” [Karaszewski 2009, p. 4]. Juran’s concept, the so called “Juran trilogy” refers to basic and auxiliary processes which focus on three fundamental aspects [Gołębiowski, Janasz, Prozorowicz 2000, pp. 42–43]: quality planning, quality control and quality improvement. Juran believed that quality should be taken into account at each stage in product life from its design to measuring customer satisfaction. Crosby presented quality as the consistence of a product with customer requirements in respect of use, production and quality of the product. He based his concept on the so called four absolutes [Gajewski 2007, pp. 31–32]: quality as conformity with specification and

not a good product; quality achieved through prevention and not evaluation; quality measured as the cost of non-conformity with specification and not indices; quality standard meaning absence of defects with no place for allowable quality level. Feigenbaum understood quality as a set of product or service characteristics related to marketing, design, production and servicing, thanks to which products customers use meet their expectations. He also thought that quality arises from proper management rather than being a solely technical action [Mroczko 2011, p. 21]. When analysing the above definitions, it is impossible not to observe that they all aim at total customer satisfaction. In deliberations of contemporary authors, quality is also considered in an evaluative way. They give three important reasons for that: "Firstly, it determines ability to gain competitive advantage being, through its very nature, a category which ought to be considered in a comparative manner. Secondly, it is only in that manner that value delivered to customers can be assessed based on the evaluation of quality. Thirdly, quality is treated as a basic tool in creating value for the customer" [Haffer 2003, p. 59]. Therefore, as rightly written by the author, quality should be perceived as total quality in that context. That means that quality perceived by the customer will take the form of quality of the company's market offer which is created, along with products and their features, by other determinants. As it can be seen, quality may be regarded as an absolute as well as relative concept. Hence, it is recommended to diagnose and gather those determinants by defining quality from the point of view of the customer.

Therefore, total quality considered in the context of functioning of an enterprise, especially a production one, is vital in evaluating the enterprise or its particular products in the market. In short, it is among key factors determining the market success of a company.

When going deeper into the discussion of the raised issues, it ought to be added that quality also translates into efficiency as it results in a reduced number of products returned by dissatisfied customers and, most importantly, higher quality means lower costs for an enterprise. Regrettably, low quality is tantamount to a high number of returns, warranty costs or costs of lawsuits brought by dissatisfied customers [Griffin 2004, pp. 689–690]. Thus, for production entities, high product quality at possibly "low" costs is a crucial competitive factor.

Figure 1. Seeking an optimum quality level

Source: Waters 2001.

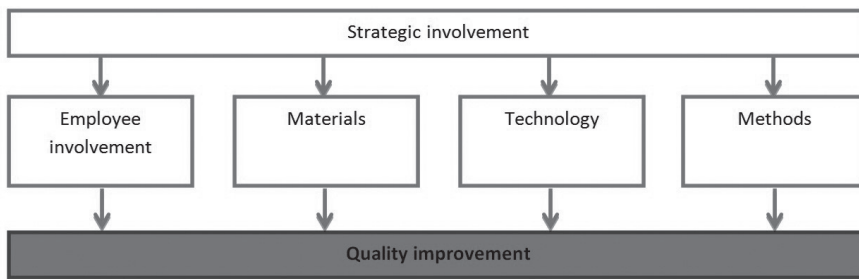
When discussing costs, what else should be mentioned is lost revenues due to the loss of existing or potential customers and, consequently, the loss of a potential increase in turnover as a result of the failure to deliver goods or services at a quality level required by the market. An example may be the loss of a customer to competitors owing to excessively long order fulfilling period [Bank 1997, pp. 112–113]. Therefore, it is of the utmost importance to appropriately manage quality, which has, hence, become an integral part of the production process rather than only one of its functions as it eventually translates into customer satisfaction.

Management through Quality

As already mentioned, modern enterprise management is characterized by a multitude of concepts. They include those oriented at the enterprise management process, management through quality being one of them. That, nevertheless, requires a set of actions and systemic solutions encompassing virtually all areas of enterprise functioning. Only such an approach allows to achieve the highest quality possible in a broad sense [Griffin 2004, p. 691]. The quality management system is a set of coordinated actions concerning managing and supervising an organization, where such actions usually include establishing a policy of quality and goals which regard quality, quality planning, quality controlling, quality assurance and quality improvement [Hamrol 2005,

p. 122]. It should be added, however, that such a system requires a complex approach which can be guaranteed by the Total Quality Management (TQM) concept. That consists in involving all areas of enterprise activity and cooperation of all organization members at every level of its functioning. Attention is brought to that by Feigenbaum who believes that a whole organization, its departments, structures and production workers should necessarily be involved in the process of improving quality [Borys, Rogala 2002]. The diagram below shows the most important dimensions of complex quality management.

Diagram 1. Dimensions of complex quality management



Source: Griffin 2004.

As illustrated by the diagram, the first and seemingly most important TQM dimension is involvement of senior management whose task, in turn, is to initiate, support and organize all actions for quality improvement. That also or, perhaps, mainly concerns creating organizational culture as the concept assumes that improved efficiency, and thus competitiveness of enterprises, derives from creating pro-quality culture which presumes that every human and his or her action in an organization affects quality in a specific way [Steinbeck 1998, p. 27]. Other dimensions are materials, technology and work organization methods. When appropriately remodelled, all those areas can result in quality improved from the point of view of the final customer of an enterprise [Griffin 2004, pp. 691–692]. TQM applies numerous methods supporting complex quality management. Among the main methods, specialist literature mentions *kaizen* whose central idea is common involvement in quality issues, and thus constant elimination of losses and deficiencies in all aspects of an organization's activity. Similarly to a majority of quality concepts, *kaizen* originated from Japan, too. It is a philosophy derived from Japanese practice and culture of management, and is strongly associated with the country's culture. The application of the method is discussed in the next chapter.

Essence of Kaizen

In Japanese *kaizen* means constant improvement of all organization members as well as processes, products and any improvement actions, and entails relatively low costs [Strumiłło 2010, p. 185]. *Kaizen* is the development of the fifth of Deming's fourteen principles which assumes that causes of occurring problems should constantly be looked for and eliminated [Ćwikliński, Obora 2009, p. 17]. It is a method consisting of setting tasks for employees to be performed and information concerning expected results. At the same time, goals should be divided into stages possible to be gradually completed. In the *kaizen* method, it is crucial that, in contrast to the Western style enterprise management strategy (following set instructions), employees of companies managed according to the *kaizen* philosophy are encouraged to submit all ideas aimed at improving existing standards [<http://www.biznesologia.pl>]. That is so because it is assumed that it is employees who have constant and direct contact with a situation that may be the cause of problems and *kaizen* allows to eliminate mistakes and imperfections in the functioning of an organization. In short, an organization's path to success leads through improving its internal processes and involvement of all its members [Mroczko 2011, p. 290]. It ought to, however, be added that results of those actions are not immediately visible and need some time to be seen. Therefore, *kaizen* is called a method of small steps that should lead to constantly getting closer to perfection. One of *kaizen's* messages says that no day should pass without making an improvement in a company, which is enabled by introducing the *kaizen* philosophy based on three pillars, i.e. [Dąbrowska 2011]: preventing waste, workplace organization and standardization.

Kaizen considers to be a loss for those actions that, from the point of view of the customer, do not add any value to final products. According to the *kaizen* model, as many as seven main types of waste can be distinguished: overproduction, inventories, long waiting time, defects and their correction, improperly planned production process, transport and unnecessary motion. It is worth adding that it is overproduction that is considered the most harmful type of waste leading to capital freezing, use of energy, human labour and unnecessary storage costs. However, the other mentioned types, which do not directly add value to a manufactured product or offered service, may also result in losses in an enterprise. In turn, using the language of accounting definitions, every loss is a negative financial result of an enterprise, hence excessive waste ought to be prevented. Nevertheless, it should be added that *kaizen* deems some losses necessary as they secure, e.g., the production cycle, but also those can be considerably reduced by introducing appropriate creative

improvements, thanks to the 5S method consisting in regular learning of standardization and discipline. The applied 5S principle should aim to increase productivity of work thanks to its better organization at the workstation. In order to streamline work organization processes, standards should be established that would be helpful in minimizing occurring mistakes.

The above discussion indicates that *kaizen* allows to cheaply eliminate or minimize hidden costs resulting from excessive waste; improve operations aimed at adding value in production so that the customer gets the highest quality product, at the lowest cost and in the shortest possible time; minimize unnecessary actions and work delays so that employees can work in an easier and uninterrupted way; and many more that, in consequence, will enable to easier achieve a stable position among competitors in the market. Admittedly, with small steps but with a guarantee that goods will always be of high quality because they are constantly improved, which, in turn, ensures maintaining a high position among competitors.

Kaizen Introduction Process

As already mentioned, *kaizen* is inexpensive management methodology more and more often recommended to the SME sector and showing that small but regularly introduced improvements may, eventually, produce greater effects than e.g. major reorganization of a company that entails high costs. *Kaizen* introduction in an enterprise does not require large financial outlays (expensive technologies or huge investments) but only constant involvement and effort of all organization members as the implementation of *kaizen* should take place at the level of all areas of management and among all who have direct contact with the final product. That allows line workers to affect e.g. the manner in which they perform their work. The process, however, requires support of senior management who are responsible for providing appropriate conditions of work and culture conducive to constant improvement. That can be facilitated by the process approach promoted by the Japanese among whom orientation towards processes and, through them, results prevails. They see in small changes, often not entailing any expenses, a considerable source of saving an organization's resources [Imai 1992].

The process of applying the *kaizen* method consists of several stages. They are listed below [Karaszewski 2009, p. 231].

- Defining an area for improvements,
- Analysing and selecting key problems,
- Identifying reasons for improvements,
- Planning preventive measures,

- Implementation,
- Comparing results,
- Standardization.

While introducing *kaizen*, it is very important to monitor changes but support by managers is also crucial in order to maintain permanence and continuity of improvements. It is recommended to carry out improvement projects by taking small steps. The first step is to look for problems and thus form a habit in employees to seek better ways of performing their tasks in order to streamline them. Both problems and their causes are best identified by encompassing performed work within procedures and conducting detailed analysis. The next step is to put forward an idea, i.e. propose methods of solving a problem that have not been used before. The final step is to implement the idea and assess its effectiveness [Karaszewski 2009, p. 231].

Taking the above tips while introducing *kaizen* will simultaneously enable to eliminate concerns that it will be received sceptically or indifferently by employees, and, at the same time, will allow to totally or partly eliminate mistakes, which will translate into benefits for workers and consumers.

Furthermore, successful improvement project implementation, especially in its final phase, is affected by good team cooperation. It is assumed that all team members are equal irrespective of their positions in an organization's structure. Participants should, first and foremost, be oriented towards cooperation and gain knowledge from experience of others rather than compete, be open to changes, have a positive attitude and respect one another. However, practice shows that there are problems in Polish enterprises with sharing ideas etc., which is why it is important to train employees, determine the form and procedure of submitting ideas, verifying and rewarding them.

Major systems worth of application in order to successfully introduce the *kaizen* method are listed below [<http://www.eksportuj.pl>]:

- The *Just-In-Time* system is oriented towards eliminating all types of actions which do not add value and creating the *lean* production system that will be flexible enough to adjust to fluctuations in customer orders.
- Total Productive Maintenance focuses on improving the quality of machines. TPM strives to maximize equipment efficiency through a complex system of preventive actions to extend the life-span of devices. While TQM involves all individuals in a company, TPM involves all on the shop floor.
- Policy Deployment – although the *kaizen* strategy aims to introduce improvements, its effects may be limited if everyone is involved in

kaizen for *kaizen* itself with no objective aim in mind. The management should establish clear goals to guide people and make sure that they provide leadership in all *kaizen* actions aimed at achieving the set goals. In practice, the *kaizen* strategy requires careful supervision of implementation.

- The suggestion system – works as an integral part of *kaizen* oriented towards each employee. It emphasizes benefits resulting from boosted morale and positive participation of employees in small informal volunteer interdepartmental groups organized in order to perform specific tasks in the shop floor environment. Their task is to deal not only with issues connected with quality but also such that concern cost, safety and productivity.

Kaizen in a Production Company – Case Study

X Company Activity

The analysed company specializes in the manufacture of turned and milled products made using state-of-the-art technologies mostly for the automotive and engineering industries. The company mission is to provide customers with the highest quality products and maintaining its high competitive position in the market. Employees know that the proper understanding of customers' needs and offering them individualized products better than those of competitors gives the company an advantage.

A crucial element in the company's activity policy is to streamline processes, improve and update employees' knowledge, which translates into the quality of elements made. Currently, the company manufactures about 1000 elements. An important, or probably the most important, assumption in to constantly broaden the range of offered products. To that end, the company tries and invests in state-of-the-art machines, technologies and modern provisioning processes. Thanks to that, it fulfils orders according to customer requirements. The care of the quality of products and customer service is the pride of the company. The enterprise holds a quality certificate allowing to streamline internal processes and creates its external image.

At present, the company has 30 employees, including: qualified staff and top-class specialists in human resource management, marketing, logistics, engineering and technology as well as machining. Along with the above-mentioned human resource, the enterprise has other resources necessary to carry out activity such as: modern shop floors, storehouses and modern machines. Thanks to the use of innovative technologies and high-quality equipment, the

company is able to manufacture complicated elements consistent with customers' documentation.

Quality Management System in the Company

In order to satisfy the customer, the company pursues a Quality Management Policy based on constant improvement of process and product quality. Process management is among important tools of the Quality Management System in the company. The company focuses on managing processes on the scale of the whole enterprise. Process owners were provided with access to resources and information necessary to support the course and monitoring of those processes.

Table 1. Processes carried out in the X company

Process name	Document type	Document identification number	Document title
A – System process			
Maintenance and improvement SZJ	Procedure	PMM4201	Document and record supervision
		PMM8201	Internal audits
		PMM8301	Inconsistent product supervision
		PMM8501	Corrective and preventive measures
B – Main processes			
Metal working	Process card	KP7201	Offers and orders
		KP7501	Technology documentation preparing
		KP7502	Production process supervision
		KP7503	Material and product storage
		KP8202	Product quality inspection
C – Supporting processes			
Provision and management of resources	Process card	KP7401	Purchases and supplier qualification
		KP6201	Personnel management
		KP6301	Infrastructure supervision
		KP7601	Measuring equipment supervision

Source: the company's documentation.

The company's Director as the Management Representative is responsible for supervising the internal audit process but, in order to efficiently carry out the QMS auditing process, the Director uses services of an external consultant appointed to conduct internal audits in the company.

Kaizen Philosophy Application in the Company

Process owners are obliged to implement necessary actions in order to achieve planned results and constantly improve processes. One of the actions was *kaizen* introduction, i.e. enabling employees to present their ideas, corrections or improvements in order to increase productivity and quality of work.

At the same time, being aware of difficulties occurring at the implementation of the method of ideas, connected with the need to change workers' attitude and gain their complete acceptance and sense of full participation in the re-organization, a system of rewards for ideas was applied. Despite obstacles and the fact that the process of *kaizen* philosophy introduction is painstaking and long-lasting, requiring involvement and appropriate attitude of all employees of the company, it can currently be said that the system took roots in the enterprise and positively affected many of its aspects. Employees are involved in applying new ideas and consider the project one of more important ideas conducive to the improvement of processes taking place in the company.

The introduction of the *kaizen* philosophy allowed, making modest financial outlays, to involve all employees in the process of improving workstations, increasing productivity, improving relations among employees, shortening order completion time and thus increasing the quality of the final product.

Benefits of implementing *kaizen* in the company include, among others:

- Shortened order completion time,
- Product quality improvement,
- Improved working conditions (increased productivity of workers, shortened time needed to perform some operations),
- Reduced number of customers' complaints,
- Reduced production losses, numbers of mistakes and defects,
- Enhanced responsibility of workers for the level of quality, enabling employees' development, broadening the scope of their knowledge.

External benefits are: meeting requirements and expectations of the customer, enhancing competitive advantage, increasing trust among partners and suppliers, improving the company's image in its broader and immediate environment.

It should, however, be added that *kaizen* does not dramatically change existing conditions – changes are small and aimed at ensuring gradual improve-

ment. It is a slow and long-term process of changes, often characterized by excessive painstakingness; although it is not so important for smaller firms, it is a huge challenge to large companies; the board of directors and managers have to focus on every detail, which requires great perceptiveness and coordination. It is also more difficult to reach each and every employee. Another problem is the lack of appropriate organizational culture in European companies and, regrettably, the success of *kaizen*, as already mentioned, is to a large extent dependent on understanding the philosophy of its functioning in an enterprise.

Summary

Constant improvement is a permanent feature of every quality management system. What guarantees constant improvement is a series of actions taken inside an organization. One of those actions is to introduce the *kaizen* philosophy, which allows to identify what kind of problems occur, whether they recur and what improvement tasks should be undertaken.

The introduction of well-tried quality management systems in a company enables the company to be positively perceived by customers as reliable and caring about constant development of the final product quality. Based on opinions of people responsible for the functioning and improvement of quality management in the company, it should be stated that the proper application of the system provides the company with considerable competitive advantage and allows to better understand problems occurring in the company, thanks to which it is easier to manage it and lay good foundations for its further development.

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