



ENTREPRENEURSHIP
AND MANAGEMENT

ŁÓDŹ · WARSZAWA 2017 | ISSN 2543-8190

XVIII

VOLUME

1

ISSUE

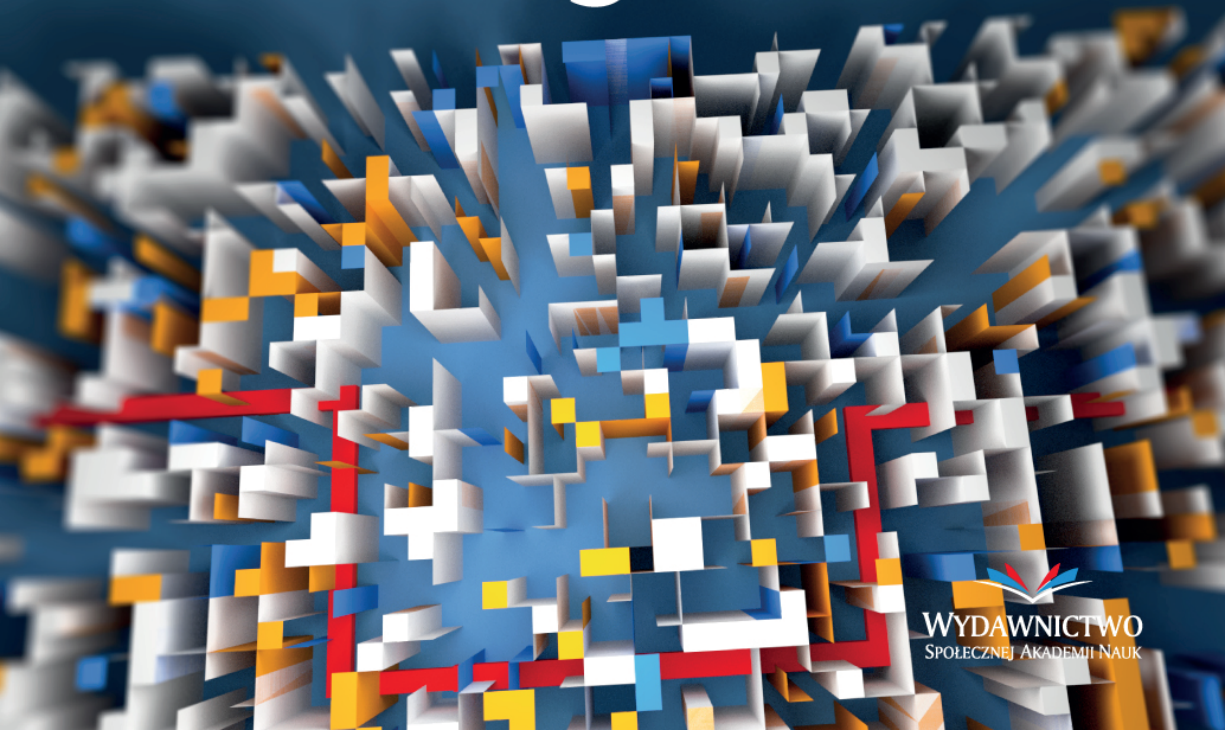
II

PART

EDITOR:

Halina Sobocka-Szczapa

Organization Management Paradigms



WYDAWNICTWO
SPOŁECZNEJ AKADEMII NAUK



ENTREPRENEURSHIP AND MANAGEMENT

ŁÓDŹ - WARSZAWA 2017 | ISSN 2543-8190

XVIII

VOLUME

1

ISSUE

II

PART

EDITOR:

Halina Sobocka-Szczapa

Organization Management Paradigms



WYDAWNICTWO
SPOŁECZNEJ AKADEMII NAUK

Editor: Halina Sobocka-Szczapa

Language editing: Lidia Pernak

Typesetting: Agnieszka Śliz

Cover design: Marcin Szadkowski

All articles published are subject to reviews.

©Copyright by Społeczna Akademia Nauk
(University of Social Sciences)

ISSN 2543-8190

<http://piz.san.edu.pl>

Spis treści

Preface	5
Łukasz Sułkowski , Management of Internationalization Processes of Higher Education Institutions.....	11
Magdalena Ławicka , University Stakeholder Relationship Management.....	27
Barbara Kamińska , Identification of Motivational Factors Affecting Talented Employees' Job Satisfaction.....	39
Joanna M. Moczyłowska , Individual Initiative of Employees – Psychological and Management Aspects.....	49
Halina Sobocka-Szczapa , Culture of the Organization and Motivating Employees.....	61
Danuta Janczewska , Creating Success Strategy as an Element of Business Models in Microenterprises.....	73
Małgorzata Smolarek, Monika Sipa , Selected Aspects of Strategies in the Context of Business Entities' Size.....	85
Bartłomiej Krzeczewski , A Trade-off Between Liquidity and Profitability among Polish Hospitals.....	99
Małgorzata Macuda, Ryszard Orliński , Target Costing – a Remedy for Hospitals' Ills?	113
Radosław Pastusiak, Magdalena Jasiniak, Ewa Feder-Sempach , Enterprise Efficiency Performance in the Light of Management Continuity – Case Studies.....	125
Renata Pisarek , Challenges for Ongoing Development of Regional Airports in Poland.....	139
Radosław Pastusiak, Wojciech Starzyński, Jarosław Szymański , Leasing as a Source of Financing for Public Sector Investment in Poland and Other EU Countries. Comparative Analysis.....	155

Preface

In the next volume of scientific papers in the series of Entrepreneurship and Management published by the University of Social Sciences, we present scientific studies, containing reflections on the various management problems. The volume contains 12 articles. In the publication appeared both the issues of human and economic management. There are also studies that include analyzes which are economic in nature. Such developments are undoubtedly an important complement to management considerations. When considering the results of studies and analyzes of differently substantiated levels shown in this volume it should be noted they come from the fact that the process of managing organizations should not be equated only with managerialism. The emphasis solely on achieving economic goals is undoubtedly too narrow an approach, not taking into account the multidimensionality of this process.

Articles contained in this publication have been developed based on studies, statistical sources and rich literature. Undoubtedly, a great enrichment of the content is also the use of international comparisons.

The first two articles are of an introductory nature to the issues of humanist management. Basing on the example of higher education they depict new problems that arise in the functioning of such institutions, resulting from globalization processes which are characteristic to the contemporary environment of these organizations and determine their way of doing so.

The need to increase the openness of higher education institutions in a much broader sense is reflected in **Łukasz Sułkowski's** paper entitled ***Management of Internationalization Processes of Higher Education Institutions***. Internationalization is recognized by the Author as one of the major axis of change for modern universities and higher education systems as a whole. Over the last few decades, universities operating nationally and focusing on the nation's development mission have been transformed into institutionalized and even global universities. Such fundamental transformation is also taking place in Poland, hence it is necessary to search for effective patterns of management of internationalization, related to the type of institution and its mission. Therefore, the article attempts to define the concept of "internationalization of universities", its various aspects and directions, promoting the internationalization of research and higher education. It also includes a presentation of the work of the team called to address this issue.

Magdalena Ławicka, in her study entitled ***University stakeholder relationship management***, deals with the analysis of relationship management in the context of a specific group of stakeholders with which universities are dealing. They should carefully identify this group, especially in view of the actions taken against them, as well as the

need to meet expectations in order to establish successful relationships between stakeholders with higher education institutions. For each university, effective management of relations with stakeholders should be increasingly important in order to develop the country's intellectual and social capital. Such activities are forced by a market that requires greater openness to the outside world. It is all the more important that the value of an institution is closely related to its competitive advantage and attractiveness for the various stakeholders. Therefore, the management of a university's development strategies should be included in the management of stakeholder relations, and success in this field depends on the competence of the university staff.

The following three papers present an analysis of the specific problems of humanistic management. Their leading topic is motivating employees in an organization, which the Authors have considered from different points of view.

The first one, by **Barbara Kamińska**, entitled ***Identification of Motivational Factors Affecting Talented Employees' Job Satisfaction***, examines the impact of motivational factors on employee satisfaction in the specific category of employees we call talented employees. Talent management is a separate area of research in management sciences so the problem of job satisfaction seems to be important and worth considering. The results of the research indicate that talented employees differ in their expectations from the satisfaction of other groups of employees, as they depend on material and non-material incentives to the same extent.

In another article, entitled ***Individual initiative of employees – psychological and management aspects***, **Joanna Moczyłowska** systematises knowledge in the area of individual employee initiative, adopting two perspectives: management and psychology. This article is of a conceptual nature and is designed to identify gaps in research that could be reduced as a result of future research. In general, the analysis has shown that an individual initiative is valuable from the perspective of the organization as it improves its effectiveness and quality of work and is a potential source of innovation. In professionally managed organizations, people who demonstrate initiative are seen as more valuable, have greater opportunity to expand their professional skills and gain through the use of financial incentives offered by employers. At the same time, the great challenge for management theory and practice is the need to reconcile the biological determinants of the initiative with the efficiency of the employee motivation system.

In her study entitled ***Culture of organization and motivating employees***, **Halina Sobocka-Szczapa** explores the influence of organizational culture on motivating employees. Organizational culture is a platform that influences various areas of an organization's life and its relationships with the motivation of employees are reflected in the organization's performance and thus its competitive position on the market. As a result of the research, it was proved that the relationships of organizational culture and motiva-

tion of employees are very strong and varied. The factor that influences this differentiation is primarily the type of culture that occurs in the organization. In addition, the analysis points to the influence of organizational culture on the degree of acceptance by employees in the organization's motivational system, which contributes both to the development of the company and the satisfaction of employees. This satisfaction can be a condition of their identification with the company, and thus the performance of tasks in a manner consistent with the expectations of the managers and interests of the organization.

The issues of the strategies implemented in the organizations were reflected in two papers, which were written by Danuta Janczewska, Małgorzata Smolarek and Monika Sipa.

Danuta Janczewska in her article titled ***Creation of success strategy as an element of business model in microenterprise*** tackles the strategy of success as part of the organization's business model. The Author, on the basis of research conducted in the microelectronics sector and the literature of the subject, has tried to prove that it is essential to draw attention to the proper integration of intangible and tangible assets into business model development, as only interactions of all elements of this model can produce synergistic effects, influencing gaining competitive advantage in the market. This is particularly true for SMEs.

In the article by **Małgorzata Smolarek** and **Monika Sipa**, entitled ***Selected aspects of business entities' size***, it is stressed that strategic management should be used in enterprises of the SME sector, especially small enterprises, because their specificity does not depend solely on their strategy. This is very important, especially in the context of sustainable development. Therefore, the aim of the study is to identify selected problems related to the development and implementation of business strategies of different sizes. Particular attention has been paid to the strategic aspects of human resources management. According to research, most companies have a vision for growth in this area, where the HR strategy is primarily concerned with the development of human resources and skills, employment planning and staff selection.

In the next five papers the authors deal with the problems of managing economic organizations. Two of them examine health care institutions (hospitals), and the third is used to analyze the problem using research carried out in Polish large power companies. The fourth article deals with the operation of regional airports, and in the last one – a comparative analysis of financing of public sector investment.

Bartłomiej Krzeczewski discusses the problem of the relationship between liquidity and profitability in his paper entitled ***A trade-off between liquidity and profitability among Polish hospitals***. The research hypothesis in the article that in Polish hospitals there are negative relationships between liquidity and profitability, which is typical

for most companies operating in market economy conditions, according to the Author is not fully confirmed. In most cases, it has been negatively verified. This demonstrates that most hospitals do not behave like typical market economy companies. This conclusion was formulated on the basis of the analysis of data from 16 hospitals located in the Lodz Region. Due to the limited sample size, these studies should be continued to confirm the conclusions. Nevertheless – what deserves to be emphasized – because these are precursors, they can add value to such analyzes.

In the study entitled ***Targeting Remedies for Hospitals' Ills?***, the Authors – **Małgorzata Macuda** and **Ryszard Orliński** – address the target costs. Interest in these costs for hospitals is linked to their difficult financial situation, the need for organizational change, and the need for strategic cost management. In the past, traditional payment systems such as cost recovery for services and the global budget were not prioritized for hospitals. The importance and role of these costs have increased with the introduction of a DRG-based payment system. Due to the new form of financing and financing of medical services, hospital managers have begun to pay more attention to cost accounting and cost management, which allow them to collect, summarize, analyze and control the most relevant information about hospital costs, especially medical services. Therefore, the aim of this paper is to present the possibility of using the target cost category in hospitals as a specific entity providing services. This article is conceptual. The analysis is based on critical review of literature, the experience of the Authors and their knowledge of hospitals.

In the last article entitled ***Enterprise Efficiency Performance in the Light of Management Continuity – Case Studies*** the main research hypothesis formulated by the Authors – **Radosław Pastusiak**, **Magdalena Jasiniak** and **Ewa Feder-Sempach** – is the potential impact of changing key people in the company on a change in the style of business management and efficiency. This dependency is verified based on case studies of Polish listed companies, and the main measures were: profitability, liquidity and investment size. In general, the results of the studies confirmed the existence of the relationship, formulated by the researchers. The observed changes were both positive and negative. Nevertheless, due to the limited sample size and the use of simple statistical methods as well as the ambiguity of the results obtained, the Authors considered that much more extensive surveys were needed, taking into account many more factors – including non-financial factors affecting the economic situation. Such research would help to better understand the causes and effects of changes in key managerial positions.

In the article entitled ***Challenges for Ongoing Development of Regional Airports in Poland*** **Renata Pisarek** conducted a study of airports located in different regions of Poland. The purpose of the paper is to examine development and present situation, as well as perspectives and challenges for further development of Polish regional airports in the

light of growing passenger air traffic and mobility rate of Polish society. The article presents a research of regional airports and passenger air transport in Poland, in years 1993-2016. Results of the research show, that market share of regional airports in Poland increased over the years. Concentration of regional airports decreased due to enlargement of number of the airports. Infrastructure of airports was developed to face a challenge of growing passenger traffic. According to estimation, in 2016 capacity of all airports in Poland was appropriate to serve growing demand and equals predictions of approximately 60 million passengers, expected to be customers of Polish airports in 2030. Regions with lowest accessibility to airport services are: Opolskie and Podlaskie. The biggest potential for infrastructure growth in the area of regional airports is in north-eastern Poland.

Comparative analysis using international comparisons also appeared in the articles by **Radosław Pastusiak**, **Wojciech Starzyński** and **Jarosław Szymański**. The study, entitled ***Leasing as a Source of Financing for Public Sector Investment in Poland and other EU Countries. Comparative analysis*** attempts to assess the importance of leasing as an alternative to bank financing in public sector financing. According to the conducted research the position of Poland in comparison to other EU countries is particularly disadvantageous in terms of the number of ordered bank loans in the amount of public lease contracts in the form of lease. It seems that – in the context of rising domestic debt – leasing is a preferred source of substantial investment, especially in the new EU Member States.

Studies contained in the publication are characterized by great scientific and cognitive qualities, as evidenced by their positive review of the book. The issues discussed are of paramount importance for the functioning of business entities. It is particularly important to point out the possibility of using a scientific experience that could be used in business practice to significantly improve the effectiveness of companies. In many cases, the combination of theoretical considerations with empirical analysis has allowed a better understanding of the subject matter. Accordingly, the articles presented may constitute an essential supplement to the literature, primarily the economics but also the humanities. They can also be used in the didactic process.

Halina Sobocka-Szczapa

Łukasz Sułkowski

Jagiellonian University
Faculty of Management and Social Communication
lsulkowski@uj.edu.pl

Management of Internationalization Processes of Higher Education Institutions

Abstract: Universities have undergone internationalization processes over the past few decades. In Poland higher education institutions are seeking models of management of internationalization. This article defines the term in connection with universities, its different aspects and directions of the transition. The paper contains also the results of work of the 'Higher Education Internationalization Team' headed by the author of this article.

Key words: management, higher education, internationalization

Introduction

One of the axes of changes of contemporary universities and whole systems of higher education, observed also in scientific research, are deepening internationalization processes. With the development of globalization internationalization of science and higher education in its many forms is increasing. It can even be argued that over the past few decades from universities operating on a national scale and focused on the nation-development mission have been transformed in the direction of internationalized, and in part even global, universities. This fundamental transformation is taking place in Poland as well. In our country, universities are seeking effective models of internationalization management which would facilitate, as shown by many studies, the process of internationalization of higher education.

The search for effective management models of internationalization processes of higher education should begin with the differentiation of forms and level of interna-

tionalization, depending on the type of institution and its mission. In the second half of the twentieth century tendencies towards internationalization of universities and higher education on a global scale developed [Geuna 1998, pp. 253–270]. In this paper an attempt is made to define the term ‘internationalization of universities’, its different aspects and directions of the transition promoting the internationalization of research and higher education over several decades. The article is closed with the presentation of the results of work of the “Higher Education Internationalization Team” headed by the author of this article.

Meaning of internationalization of universities

Internationalization is defined in a number of ways. N.F. Piercy [Piercy 1985] defines it as the transfer of the organization’s activities abroad, and thus equates internationalization with the physical creation of an organization outside the home country. L. Melin [1992] defines it as a process of evolutionary changes leading to increase the level of the organization’s international commitment, which is a function of the growth of knowledge about foreign markets.

L. S. Welch and R. Luostarinen [1988] define internationalization as the process of increasing involvement of the organizations international business, which includes both internal operations (passive, e.g.: purchasing a license, using a franchise) as well as external ones (active, e.g.: foreign direct investment, various forms of capital and non-capital cooperation, international strategic alliances). J. Rymarczyk believes that any kind of business activity on foreign markets is a symptom of internationalization [Rymarczyk 2004].

In the article, due to the need to refer the definition of internationalization to higher education, the definition of internationalization of education by J. Knight can be regarded as adequate [2003, pp. 2–3]. The author defines the process of internationalization as the integration of international, intercultural and global dimension into functions, purpose and specificity of institutions of higher education, and harmonization of policies and programs implemented by universities and governments in order to respond to globalization. The activities mainly relate to foreign exchange of students and faculty, creating satellite campuses and organizations, involvement in various kinds of inter-institutional cooperation.

Therefore, for the purposes of the article I suggest to adopt the following understanding of the processes of internationalization of universities. Internationalization of study is the integration of international, intercultural and global perspective in processes of planning and implementation of higher education and improving the quality of education. Internationalization of higher education includes, among others, the following spheres: strategic planning, international mobility of students and staff, foreign langu-

age teaching, joint curricula, international research and intercultural educational content [De Wit 2015].

Contemporary model of internationalization of universities

Among the most important reasons of the development of internationalization in the higher education sector, the following can be indicated [Sułkowski 2016a]:

- Deepening globalization processes,
- Strategie of universities aiming to attract as many bright students from abroad as possible,
- Growth of internationalization of scientific research,
- Pursuit to increase education quality through the internationalization of education.

Deepening globalization processes demonstrated by: the development of the international economic market, an increase in the flow of goods, services and labor, the evolution of knowledge based economies and societies as well as liberalization of trade and the weakening of the role of national states [Stiglitz 2002; Lewitt 1993; Appadurai 1996; Scholte 2005; Hirst, Thompson, Bromley 2015] motivate to the development of internationalization of higher education [Altbach, Knight 2007, pp. 290–305; King, Marginson, Naidoo 2011; Morey 2004, pp. 131–150]. Globalization affects many aspects reinforcing the pressure on the internationalization of universities. Firstly, due to the globalization of communication processes, numerous candidates decide to choose universities outside their own country. It is possible thanks to the expansion of knowledge of English as a modern *lingua franca*. Secondly, global competition is forcing universities to promote their own brands and develop education programs aimed at foreign students. Thirdly, many universities in developed countries face problems of demographic decline, which means that both labor markets and universities are looking for young people outside their own country. Finally, the development of multinational corporations and business activities in the global market motivates to improve intercultural competencies that employees need. Global competition for students and academics takes place simultaneously in several segments. Some universities, having high prestige, focus on attracting the most outstanding students and researchers from around the world. In the segment of the university with lower prestige, marketing activities are developed aimed at attracting as many potential students as possible. A bright side of the competition for outstanding researchers is the development of creative international teams, which can boast of the world's scientific achievements. However, the downside may be the effect of the brain drain depriving the less developed countries of more talented researchers, which exacerbates the inequalities between rich countries and the rest of the world [Johnson, Regets 1998]. However, the internationalization, as many authors note, should not be un-

derstood as an end in itself, but above all as a means to improve the quality of education and research. Many studies show that the growth of various forms of internationalization promotes the development of quality of education. In general, according to studies by various authors, internationalization also correlates positively with the scientific productivity of research workers employed by universities [Kwiek 2015].

In most studies internationalization of higher education is presented as favorable for the quality and development of higher education and science. Among the most important assessments of values of internationalization, the following appear: stimulation of intercultural relations, improvement of universities, global competition for talents among researchers and students, the source of economic development and others. In the literature, there are also opinions that internationalization should not be seen as an end in itself, but only as a means to improve education and research [Knight 2015]. There is also a growing group of skeptical opinions towards the internationalization of universities, which take the form of criticism:

- International marketing, which focuses on attracting foreign students paying for their education [Lee 2015, pp. 5–7],
- International rankings, which become a fetish and instrumental objective of universities [Knight 2015],
- Intercultural ideology, which deepens the domination of economically developed regions over the 'peripheries',
- Dual, double and joint degrees, which are increasingly becoming only 'marketing products' and do not require the implementation of additional learning outcomes and student effort [Knight 2015],
- Treatment of educational programs as a pass to leave the country, which will allow to obtain visas to attractive countries [Knight 2015].

Motives making the universities lean toward the growth of internationalization vary quite considerably depending on particular universities and regions of the world. For example, for the US and UK internationalization has primarily the aspect of a commercial project depending on attracting foreign students who pay for their education [Altbach, Reisberg, Rumbley 2009]. In addition, English and American prestigious research universities are a magnet for talented researchers from around the world [Schuster 1994, pp. 437–452]. In Western European countries, internationalization is perceived as part of the Bologna agenda and is associated with the strengthening of integration processes and intercultural communication [Altbach, Reisberg, Rumbley 2009]. Polish context of internationalization, analyzed further in the article, is an example of attracting students, mainly from Ukraine, combined with the promotion of the internationalization of research and higher education seen as a strategic challenge of Polish universities and supported by the State.

Indicators of internationalization

According Altbach globalization has increased the international role of universities and has expanded the scope of campus internationalization [Altbach 2014, p. 26]. Internationalization has come to be the strategic orientation for universities schools in the last decades. The level of internationalization of university depends on different factors like: country, type of school, type of program. However the general tendency of change towards international university is fixed. The first strong wave of internationalization was based mainly on business schools in USA, UK and in Europe, and international accreditation processes. The USA business accreditations like AACSB (Association to Advance Collegiate Schools of Business Accreditation), IACBE (The International Assembly for Collegiate Business Education Accreditation), UK accreditations like AMBA (The Association of MBAs Accreditation) or European EQUIS (European Quality Improvement System) has been developed on international scale [Aggarwal 1989]. The strong factor of internationalization is still growing number of students studying outside of their home country [Palmqvist 2009].

The European Association for International Education identify 8 main reasons for internationalization: 1) Improve the overall quality of education, 2) Prepare students for a global words, 3) Attract more international students, 4) Improve international reputation, 5) Improve the quality of research and development, 6) Increase competitiveness, 7) Labour market demands, 8) Financial benefits for institution. The list is created according the questionnaire done with the universities in Europe. The interesting observation is that financial reasons are on the last position [Engel, Sandstrom, van der Aa, Glass 2015] (Table 1).

Table 1. Top five reasons to internationalize per country

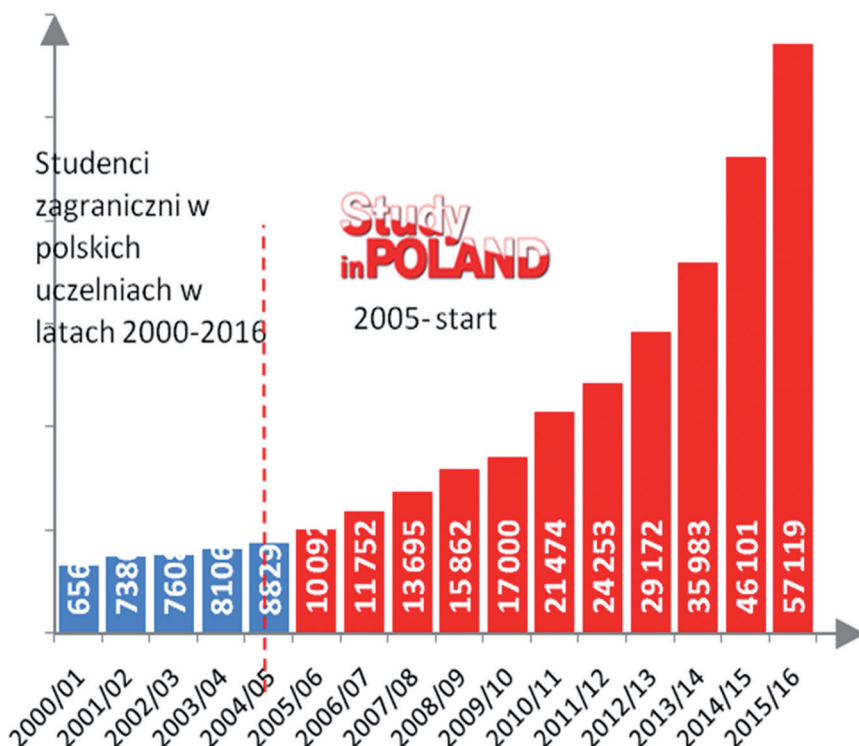
	Improve the overall quality of education	Prepare students for a global world	Attract more international students	Improve international reputation	Improve the quality of research and development	Increase competitiveness	Labour market demands	Financial benefits for institution	Align institutional policy with European internationalization policy	Attract more local students	Align institutional policy with national international policy	Attract local and international staff	Build capacity in developing countries
Albania	1	3		4	2	5							
Austria	2	1		5		3	4						
Belgium (Flemish)	2	1		5	4		3						
Belgium (French)	2	1	4	3			5						
Belgaria	1	5	4	2	3								
Croatia	1	2		4	3		5						
Cyprus	1	5	3		2	4							
Czech Republic	1	2	4	5	3								
Denmark	2	1				5	3				4		
Estonia	1	5	4		2	3							
Finland	2	1		4	3		5						
France	3	1	2	4	5								
Georgia	1	4		5	2	3							
Germany	3	1	4	5		2							
Greece	1	2	5	4	3								
Hungary	1	4	2			5		3					
Ireland	4	2	1	5				3					
Italy	3	4	1	2	5								
Latvia	1	5	2	3		4							
Lithuania	1	3	2	4	5								
Netherlands	2	1	3	5			4						
Norway	1	3	4		2						5		
Poland	2		1	3	4	5							
Portugal	3	1	2	5	4								
Romania	1		2	3	4	5							
Russian Federation	5		3	1	4	2							
Slovenia	1	3	5	2	4								
Spain	3	4	2	1	5								
Sweden	1	2	4		3	5							
Switzerland		1	5	2	3	4							
Turkey	1	2	4	3	5								
Ukraine	1			3	2	5	4						
United Kingdom	4	1	3	2		5							
EHEA	1	2	3	4	5	6	7	8	9	10	11	12	13

Source: Engel, Sandstrom, van der Aa, Glass 2015, pp. 104–105.

Polish context of internationalization

If the share of foreign students in the higher education system is adopted as a fundamental measure of internationalization, Poland is an example of a very rapid growth in the internationalization of students in recent years. Yet in 2015, some researchers pointed to the frighteningly low level when it comes to foreigners attending university education in Poland. Bianka Siwińska believes that only 0.71% of the share of foreign students in Poland puts our country among the least internationalized countries in the OECD group of countries [Siwińska 2015]. The reality, however, is changing much faster than her analyses. In the academic year 2015/2016 the share of foreigners studying in Poland amounted to more than 4%, placing us in the first 20 countries with a high rate of internationalization, next to the United States (Figure 1).

Figure 1. Internationalization indicator of Polish universities



Source: *Study in Poland, Studenci zagraniczni w Polsce 2016*, report. Statistical and information report prepared within the "Study in Poland" program realized by the Conference of Rectors of Academic Schools in Poland (KRASP) and "Perspektywy" Educational Foundation, ISBN 978-83-61239-29-1, October 2016.

It is worth noting that the estimated increase in the number of foreign students in the world in the last decade also had a large upward momentum growing by more than 50%. In 2005 around 3 million foreigners studied all over world, while in 2012 the number grew to about 4.5 million. Countries with the highest ratio of internationalization of studies are accountable for almost 20% of the number of foreign students in relation to the total number of students (Table 2).

Table 2. Selected countries with the highest ration of internationalization of studies 2014

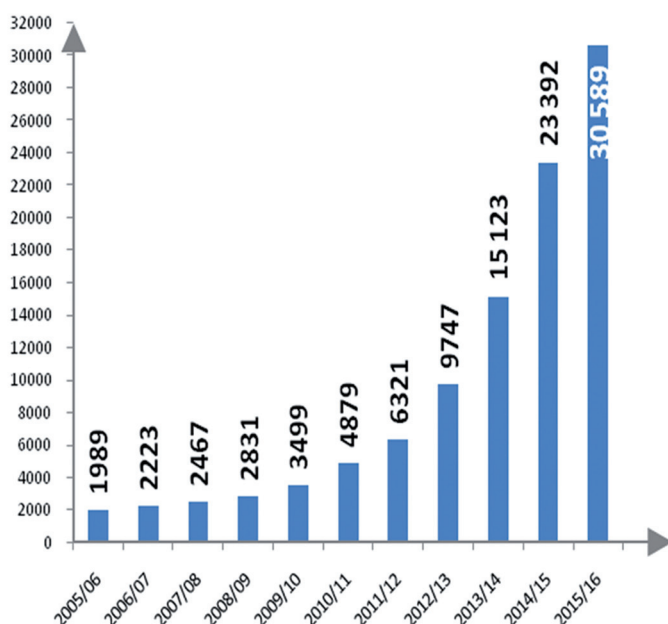
	Country	Foreign students in relation to the total number of students (%)
1.	New Zealand	18.74 %
2.	Australia	18.30 %
3.	Great Britain	18.22 %
4.	Switzerland	17.11 %
5.	Austria	15.47 %
6.	Belgium	11.19 %
7.	The Netherlands	10.07 %
8.	Denmark	9.94 %
9.	Canada	9.72 %
10.	Finland	7.43 %
11.	Germany	7.23 %
12.	Hungary	7.04 %
13.	Ireland	6.99 %
14.	Sweden	5.91 %
15.	Slovakia	5.62 %
16.	The USA	4.21 %
17.	Portugal	4.11 %
18.	Estonia	3.72 %
19.	Norway	3.50 %
20.	Japan	3.44 %

21.	Lithuania	3,04 %
22.	Slovenia	2.75 %
23.	Spain	2.43 %
24.	Poland	1.97 %
25.	Chile	0.27 %
average		8,43 %

Source: *Education at a Glance*©OECD 2016, *Wissenschaftweltoffen* 2014.

More than 50% of foreign students in Poland are Ukrainians and Belarusians, which is associated not only with the cultural closeness of our countries, but also with the geopolitical situation of Ukraine being the result of the armed conflict with Russia. Therefore, Poland raised the level of internationalization largely because it has become a cultural bridge for Ukraine. This trend is confirmed in the analysis of the regional distribution of foreign students who are focused in the capital and in the Malopolska and Lublin provinces, having historical ties with Ukraine (Figure 3).

Figure 3. Increase in the number of students from Ukraine in 2005–2016



Source: GUS.

It seems, however, in the future, increasing the participation of students from other cultures and developing other aspects of domestic and foreign internationalization would be recommended. The increase in the number of Ukrainian students and other students from abroad is not the only measure of internationalization of Polish higher education. The other criteria which include: recognition of Polish universities in the world, international research and intercultural educational content, do not note spectacular successes. There is a gradual degradation of Polish universities in international rankings. Currently, the two highest ranked Polish universities are only in the fourth hundred of the Shanghai ranking. As studies by Marek Kwiek show, the internationalization of Polish researchers leaves much room for growth [Kwiek 2010].

Key challenges for internationalization in Poland

In Poland, the awareness of the importance of internationalization of higher education is growing, which is reflected in the activities of educational institutions taken in recent years. An example could be the "Higher Education Internationalization Team" operating from May to December 2016 at the Ministry of Science and Higher Education, chaired by the author of this article. The team's recommendations were submitted to the Minister of Science and Higher Education and presented for discussion during the First Conference of the Congress of Polish Science devoted to the internationalization of Polish universities and published in the "Academic Forum" [Sułkowski 2016b]. Here, there is only an abbreviated version of these recommendations.

Suggested recommendations have been divided into seven areas, which include: management of the educational process, internationalization of scientific personnel, building the brand of Polish higher education in the world, internationalization of the process of education – education in foreign languages and internationalization of accreditation processes, strengthening the international mobility of students and staff from Polish universities, university support in the development of international activities.

1. It seems very important to integrate the processes of internationalization of higher education in the framework of the "Strategy for scientific excellence, modern higher education, partnership with business and social responsibility of science" and "Strategy for Responsible Development" and "Law 2.0". Institutional support of internationalization can be done through the establishment of government institutions along the lines of: DAAD, Campus France. The operation of such institutions should include: scholarship programs for Polish scientists conducting research abroad, scholarship programs for Polish students studying abroad, scholarship programs for foreigners undertaking studies and research in Poland, promoting higher education in Poland etc. (NAWA).

2. It is also necessary to increase the attractiveness of the employment of Poles and foreigners from leading scientific centers in Polish universities by e.g.: stimulating the development of joint postdoctoral programs with foreign universities, strengthening the arrangements for postdoctoral work at an institution other than the home institution (scientific mobility), providing financing for postdoctoral researchers to cooperate with foreign research centers and to ensure the researcher's return to Poland.
3. It may also be of key importance to create new mechanisms for greater hiring of visiting professors from leading research centers by the universities (what matters here is: the flexibility of employment, scientific record, lower limits of teaching hours, recognition to the minimum staff requirements, effective competitions and announcements).
4. The promotion of Polish education in the international field should be taken care of (co-operation of Ministry of Science and Higher Education, Ministry of Foreign Affairs, Ministry of Development and Finance, Polish Accreditation Committee, Conference of Rectors of Academic Schools in Poland), also in the framework of a new institution, if possible. The improvement of the visibility of Polish universities in international rankings can be fought for mainly through the work on improving the quality of education, but also by creating incentives for the consolidation of universities and other instruments of international promotion (e.g. technology transfer centers).
5. More effective teaching and language skills verification methods can be worked out, among others, by considering mandatory certification exams in graduate studies on B2 level. Ministerial support programs for universities will prove important (connected with the measurement of the outcomes). It would be important to introduce a required fluent proficiency in a foreign language for the candidates for teaching and research positions in public universities and as a criterion for employee assessment serving the extension of employment (level B2+).
6. Polish universities could realize programs promoting MOOC and other online programs in foreign languages (*cross-border education*).
7. Another good move is the creation and operation of joint international studies (*joint programs; double/multiple degrees and joint degrees*), they should be preceded by the removal of all legal barriers.
8. Promoting the accreditation of institutions run by the Polish Accreditation Committee and other accreditation agencies in English and with the participation of experts from abroad will also be favorable.
9. Furthermore, it would be useful to link the distinctive assessments from the Polish Accreditation Committee (PKA) with the high level of internationalization corresponding to the mission of the university ('Law 2.0', PKA regulations) or to make additional certification of 'internationalization' on the model of ECA, NVAO.

10. Implementation of the system of development of international mobility of students and employees of Polish universities could occur through: expansion of the system of research internships for postdoctoral researchers, an increase share of doctorates and habilitation in a foreign language prepared with the participation of academics with recognized achievements from abroad (or with the participation of foreign entities) in Polish universities, the creation of interdisciplinary doctoral schools on an international scale and the development of international summer schools for doctoral students (flexible PhD study programs).

11. Internationalization can be supported by international programs, including stimulating the implementation of intercultural, international and global dimension in the educational process carried out in Polish universities (internationalization at home). Universities should be encouraged to develop and implement internationalization strategies or to see the internationalization as a strategic goal (connecting internationalization at home with internationalization abroad).

12. Cooperation of the universities with social and economic environment actors should be encouraged and 'good practices' in the field of internationalization in Poland should be encouraged and rewarded

13. Systems for handling services to foreign students should be developed (e.g. offering regular trainings, a catalog of best practices, ministerial workshops in intercultural competence, projects, POWER, publishing recruitment guides for administrative employees working with international students).

14. It is also recommended to run the program reinforcing the safety system for foreign and Polish students and employees of universities (for this purpose special sections for contacts and safety issues should be established at the university, cooperation with the police, immigration services and the city authorities should be started.

Bibliography

Aggarwal J.C. (1989), *Education in India: Policies, programmes and development: Global View*, Doka House, Delhi.

Altbach P. G., Reisberg L., Rumbley L.E. (2009), *Trends in global higher education: Tracking an academic revolution*, A Report Prepared for the UNESCO 2009 World Conference on Higher Education, UNESCO.

Altbach P.G., Knight J. (2007), *The internationalization of higher education: Motivations and realities*, "Journal of studies in international education", 11(3–4), 290–305.

Altbach Ph. (2014), *International Higher Education Volume 1: An Encyclopedia*, Routledge.

Appadurai A. (1996), *Modernity at large: cultural dimensions of globalization*, Vol. 1, U of Minnesota Press.

De Wit H. (2015), *Quality Assurance and Internationalization* [in:] *Trends, challenges and opportunities INQAAHE conference*, Chicago, US.

Engel L., Sandstrom A.-M., van der Aa R., Glass A. (2015), *The EAIE Barometer. Internationalisation in Europe*, EAIE.

Geuna A. (1998), *The internationalisation of European universities: a return to medieval roots*, "Minerva", 36(3), 253–270.

Hirst P., Thompson G., Bromley S. (2015), *Globalization in question*, John Wiley & Sons.

Johnson J.M., Regets M.C. (1998), *International Mobility of Scientists and Engineers to the United States – Brain Drain or Brain Circulation?*, SRS Issue Brief.

King R., Marginson S., Naidoo R. (eds.) (2011), *Handbook on globalization and higher education*, Edward Elgar Publishing.

Knight J. (2003), *Updating the Definition of Internationalization*, „International Higher Education”, vol. 33, pp. 2–3.

Knight J. (2015), *Five truths about internationalization*, "International higher education", 69, 4–5.

Knight J. (2015), *Internationalization: Unintended Consequences?*, "International Higher Education", 54.

Kwiek M. (2010), *Transformacje uniwersytetu. Zmiany instytucjonalne i ewolucje polityki edukacyjnej w Europie*, Wydawnictwo Naukowe im. Adama Mickiewicza, Poznań.

Kwiek M. (2015), *Nierówności w produkcji wiedzy naukowej: rola najbardziej produktywnych naukowców w 11 krajach europejskich*, „Nauka i Szkolnictwo Wyższe”, 1(45).

Lee J. (2015), *The false halo of internationalization*, "International Higher Education", 72, pp. 5–7.

Levitt T. (1993), *The globalization of markets*, "Readings in international business: a decision approach", 249.

Melin L. (1992), *Internationalization as a Strategy Process*, "Strategic Management Journal", No. 13.

Morey A.I. (2004), *Globalization and the emergence of for-profit higher education*, "Higher Education", 48(1), pp. 131–150.

OECD (2016), *Education at a Glance 2016: OECD Indicators*, OECD Publishing, Paris.

Palmqvist M. (2009), *Shaping the Identity of the International Business School-Accreditation as the Road to Success?*, Umeå School of Business.

Piercy N.F. (1985), *Company Internationalization: active and Reactive Exporting*, "European Journal of Marketing", No. 3.

Rymarczyk J. (2004), *Internacjonalizacja i globalizacja przedsiębiorstwa*, PWE, Warszawa.

Scholte J.A. (2005), *Globalization: A critical introduction*, Palgrave Macmillan.

Schuster J.H. (1994), *Emigration, internationalization, and "brain drain": propensities among British academics*, "Higher Education" 28(4), 437–452.

Siwinska B. (2015), *The problems of internationalization in Poland*, "International higher education", 55.

Stiglitz J.E. (2002), *Globalization and its Discontents*, Norton: New York.

Study in Poland, Studenci zagraniczni w Polsce 2016 (2016), Raport statystyczno-informacyjny przygotowany w ramach programu Study in Poland, realizowanego przez Konferencję Rektorów Akademickich Szkół Polskich i Fundację Edukacyjną „Perspektywy”, ISBN 978-83-61239-29-1, październik.

Sułkowski Ł. (2016a), *Kultura akademicka – koniec utopii*, Wydawnictwo Naukowe PWN, Warszawa.

Sułkowski Ł. (2016b), Strategia umiędzynarodowienia, „Forum Akademickie” 11, [online] <https://prenumeruj.forumakademickie.pl/fa/2016/11/strategia-umiedzynarodowienia>.

Welch L.S., Luostarinen L. (1988), *Internationalization: Evolution of a Concept* [in:] Buckkey P., *The Internationalization of the Firm*, London, Academic Press Ltd.

Wissenschaftweltoffen (2014), *Daten und Fakten zur Internationalität von Studium und Forschung in Deutschland*, W. Bertelsmann Verlag GmbH & Co. KG, Bielefeld.

Magdalena Ławicka

University of Szczecin
Faculty of Management and Economics of Services
magda.lawicka@wzieu.pl

University Stakeholder Relationship Management

Abstract: Every organisation has its own stakeholders: individuals or groups affecting the organisation's actions and/or being affected by them.

Referring to the theory of stakeholders, universities should carefully identify their stakeholders. Considering the environment in which the university exists, paying attention to its stakeholders, reflecting on actions undertaken towards them and meeting the expectations of stakeholders is needed for establishing successful university stakeholder relationships. For every university it is becoming increasingly important to successfully manage its relationships with stakeholders to develop intellectual and social capital of a country as current market challenges require greater openness of universities to the outside world.

Key words: theory of stakeholders, relationship management, university-business relationship, university-government relationship, university-student relationship, the role of a university

Introduction – the stakeholder theory

The concept of stakeholders appeared for the first time in the memorandum of Stanford Research Institute in 1963 and was defined as follows: "These groups without whose support the organization would cease to exist" [Freeman 2010, p. 31]. According to the literature, a stakeholder is an individual or a group that has one or more various types of stakes in an organisation. Just as stakeholders may be affected by the actions, decisions, policies, or practices of a business firm, these stakeholders may also affect the organisation's actions, decisions, policies, or practices [Carroll, Buchholtz 2009, p. 84]. Freeman

shows stakeholders as individuals or groups affecting the functioning of the organization, but also those that remain under the influence of the organization. He underlines a wide range of individuals and groups, which determine the functioning of a company. Freeman sets that the primary responsibility of managing the organization is to create the greatest value for stakeholders.

Each organization operates in an environment, consists of general, task and internal elements of environment [Freeman, Harrison, Wicks, Parmar, Colle 2011, pp. 24–28].

Every organization, in order to survive and successfully achieve its objectives, must adapt to the changing needs and requirements of the environment, and this means that it must constantly transform – change performance objectives, structures, technologies, people and the practice of management. It must be done quickly enough, the way in which such cooperation with the environment is still beneficial for the organization [Kozłowski 2009, p. 32].

A university as an organization operates in environment consisting of many groups of stakeholders, which may have a stronger or weaker influence on the university. However, considering certain types of stakeholders of an organization, specifics of its existing should be always taken into account in order to identify the most detailed stakeholders for this particular organization's activity.

The changes in higher education and the role of universities for socio-economic growth of Poland

Universities are the specific type of organizations for which higher values and social mission (social responsibility) are the most important issues. Since the 80's and 90's, higher education in Poland has faced many challenges: massification and marketisation of higher education, globalization, internationalisation and the creation of a knowledge-based society, and all of these had significant impact on the development of higher education [Drapieńska 2012, p. 8]. The main challenge for universities is the increasing demand for higher education diploma among the European society, which led to massification of higher education [Thieme 2009, p. 87]. These challenges require greater openness of higher education to the outside world, as well as an active entrepreneurial mindset.

Demography is one of factors which strongly influences higher education. Recent demographic decline in Poland has become a challenge for universities as the number of potential educational service recipients has been shrinking. Since 2005 in Poland, there has been the decrease in number of people in 19–24 age group (potential students) and the expected growth of this group is to take place in 2024–2026 [Wilkin 2015, p. 11]. Another factor affecting universities (especially public ones) is the amount of money given from the state budget.

The share of public expenditure on higher education has been reduced in Poland in recent years. The highest share of these expenses was recorded in 2005, and it was almost 1% of GDP. In 2010 the ratio was about 0,71% of GDP and 0,72% in 2015 (Central Statistical Office in Poland).

Higher education has a huge impact on the achievement of national social and economic objectives, and the creation of intellectual and social capital of a country. Two main and interrelated functions of higher education – education and scientific research – are crucial for the adaptability of individuals and communities to change and shaping the future [Ernst & Young Business Advisory 2009, p. 3].

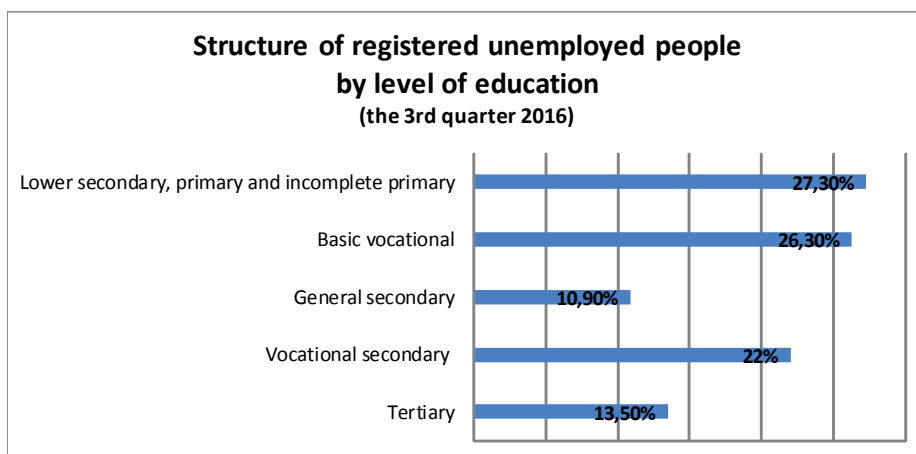
In accordance with European strategic documents for the development of European countries till 2020, Ernst & Young Business Advisory with Institute for Market Research elaborated the document entitled “Mission, vision and strategic objectives of higher education in Poland 2020” [2009]. The document involves the main goals for the development as well as mission and vision of higher education in Poland till 2020. In the document, one of the strategic objectives for higher education in Poland is defined as openness of universities towards social and economic environment. In accordance to Higher Education Law of 27th July 2005, there is a provision for higher education institutions to cooperate with socio-economic environment, particularly in the field of research for development of business entities.

The main mission of higher education in Poland is to contribute to the increase of the life quality of Poles by the creation, expansion and dissemination of knowledge, training skills to use it for the benefit of the individual and the general use and the impact on improving the quality of public services. The mission of the higher education is also creating a network of national academic community with a global community of academic and intellectual, as well as domestic and foreign enterprises and public institutions [Ernst & Young Business Advisory 2009, p. 3].

Nowadays, increasingly important for economic growth of a country is the ability to generate innovation. The ability depends on the quality of education, and research and development results. International rankings of innovation suggest that Poland has some problems with the generation of innovation compared to EU countries. Innovation Union Scoreboard ranks Poland in terms of overall innovation index at the end of the sixth place among the countries of the European Union and points to the low growth rate of innovation [European Innovation Scoreboard 2016, p. 12]. This position is due to the low openness to innovation and the relatively low level of education (not entirely corresponding with the labour market requirements). Comparing the intensity of cooperation in innovative areas between enterprises and universities and public research institutions in Poland to other European Union countries, the cooperation in Poland is at moderate level [Górniak 2015, p. 130].

Considering higher education and the labour market in Poland, it is worth to note that the unemployment rate is the lowest among people with higher education and secondary education. Picture 1 presents the differences in the structure by level of education of unemployed people on Poland.

Picture 1. Structure of registered unemployed people by level of education (the 3rd quarter 2016)



Source: *Registered Unemployment. I–III quarter 2016*, Central Statistical Office in Poland and Demographic and Labour Market Surveys Department, Warsaw 2016, p. 27.

Taking into account salaries and the level of education, the highest salary was received by those with Master Engineering degree. The median of their gross salary amounted to 5350 PLN in 2013. In contrast to people with primary or lower secondary education – those received 2500 PLN (the median) [Sedlak, Sedlak 2015].

Well educated society having extensive information and understanding of economic and social aspects is fundamental for development of the country. Whilst the main role of universities is to educate, carry out research and cooperate with economic and social environment, universities play a very important role in society and economy of a country.

The issue of educational service and the division of a university stakeholders

Universities provide educational service which is defined as managing the process of acquiring knowledge and personality development [Kulig 2004, p. 97]. Educational servi-

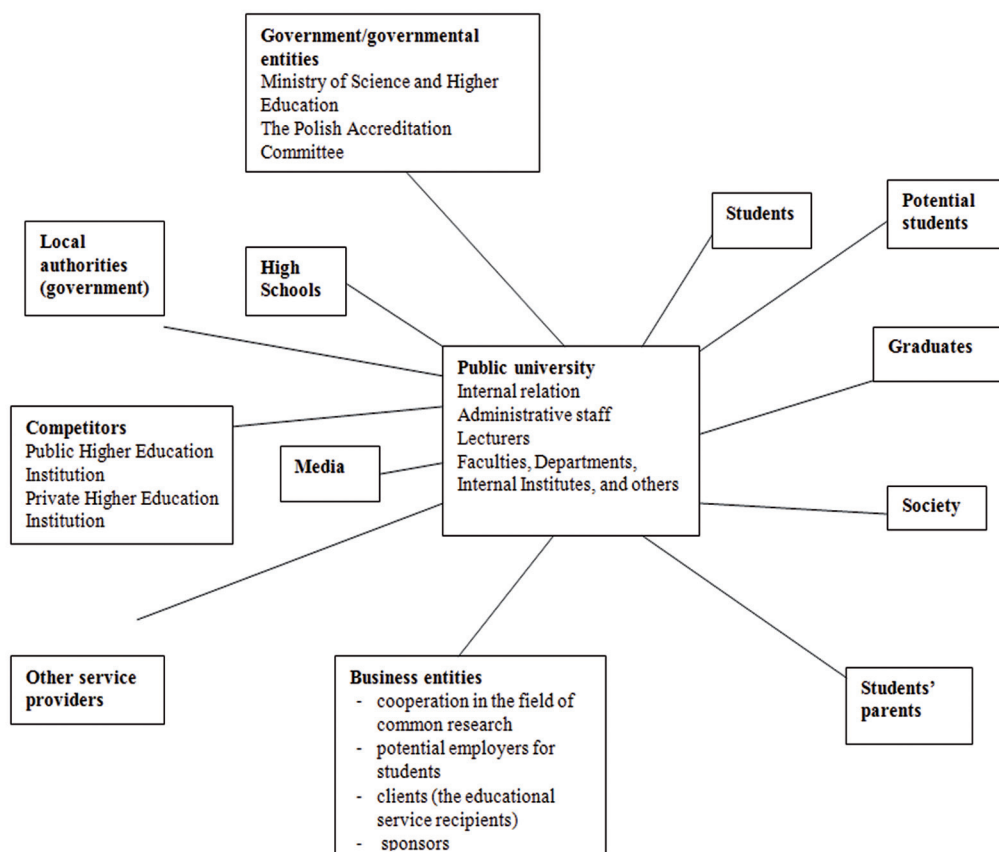
ce may be perceived as professional service where a person who creates and/or transfers knowledge has a fundamental role. Competencies of the person strongly affect the quality of the service [Drapińska 2012, pp. 24–26]. One of significant feature of professional service is its high individualization. A set of attributes created through the contact with a client (recipient of the service) which become a product and is transformed into benefits of a unique character [Chłodnicki 2004, p. 12]. Relation aspect is extremely important for educational service as its recipient (his attitude, engagement in the process of knowledge transfer, etc.) is also responsible for the final value of the service.

There are many different individuals, entities and organizations acting in the higher education environment and having an impact upon the institution and service it provides.

Universities interact with an increased number of individuals and groups which may have particular demand on the higher education institutions. For universities it is becoming an increasingly important aspect to successfully manage their relationships with stakeholders to create a competitive advantage on the higher education market.

There are public and private institutions that serve higher education service. Those public, besides having responsibility to create value for direct clients (students), are obliged to fulfill tasks for which they are accountable to other public institutions. Picture 2 presents the general list of stakeholders of a public university.

Picture 2. Stakeholders of a public university



Source: Drapińska A. (2012), *Zarządzanie relacjami na rynku usług edukacyjnych szkół wyższych*, Wyd. PWN, Warszawa, p. 110.

A lot of entities are interested in a value created by higher education, and may influence it directly or indirectly. For every university it is essential to identify the key players (stakeholders) in their environment and develop appropriate relations with them.

Management of Higher Education Institution's relationships with given stakeholders

Identifying the stakeholders involved in higher education is a fundamental step towards not only establishing competitive advantages for teaching institutions but also towards identifying their needs and setting up the means to meet them. Meeting the needs of these individuals or groups is an important competitive factor for higher education institutions [Dobni, Luffman 2003, pp. 577–585].

Freeman suggests that the existence of any organization depends on the value created by the organization in relation to its stakeholders expectations [2010, pp. 53–54]. Author emphasizes that what is crucial for the organization is the appropriate management of relationships with stakeholders, identifying three actions to be taken:

1. Identify stakeholders and their potential participation in the creation of value to the organization.
2. Understand the processes in the organization, aimed at managing relationships with stakeholders directly and indirectly. Then, carry out activities in accordance with the division of the organization's stakeholders, based on thorough analysis of the organization's environment and the indication of their impact on the organization.
3. Examine all the relations between the organization and its stakeholders.

The author distinguishes the division of primary and secondary stakeholders, which is the division of the validity of stakeholders impact on the organization.

A. Drapinska [2012, p. 118] states that for the development of universities the most meaningful and significant are given groups of stakeholders: the state, business entities and students.

The state regulates higher education market setting government policy on higher education. This policy covers laws and regulations which strongly affect universities in terms of organizational and financial aspects (especially for public universities). One of the main issues for state to finance education and research is their serious impact on the development of human capital and economic growth [Drapińska 2011, p. 119].

The relationship between state and universities concerns legitimacy (law and regulations of higher education in Poland) and financing. Taking into consideration demographic decline and public funds, there is a growing need for public universities to find an alternative source of financing their activity.

The second group of stakeholders at high validity are business entities. Relations with them may be established in different ways. Business entities may be perceived as:

- clients/recipients of educational and research service provided by HEIs,
- sponsors,
- places for students' internships,

- business staff as lecturers at the university,
- potential employers for students [Drapińska 2012, p. 127].

There is a question and little doubt about the designation of final client/recipient of higher education service: is it a student or employer who finally employs graduates (and then student is a “product” of higher education service). It is extremely important, therefore, to educate student according to labour market needs.

B.R. Clark, as one who developed the idea of “entrepreneurial university”, highlights that universities around the world seemed to be under increasing pressure to transform themselves [1998, p. 5]. This transformation is mainly about market orientation and may result in acquisition of funds for scientific and research activities from different (private) sources than the state budget [Maliszewski 2015, p. 77].

The idea of a university as market participant may involve a lot of changes in organizational and cultural processes of universities to adapt them to compete on the higher education market [Antonowicz 2005, p. 145].

A lot of universities in Europe cooperate closely with business entities, thereby providing internships and employment for their students. Establishing successful relations with business environment is one of the most important features of entrepreneurial university. There is greater demand for knowledge (increasing from business environment) and increasing need for universities to search for sources of funding (in addition to state funds). As the development of relations with business entities may lead to greater productivity and effectiveness of universities [Drapińska 2012, p. 136], the ability of universities to diagnose the needs of the labour market is crucial for developing relations.

In terms of concept, there is the Triple Helix Model initiated in the 1990s by Etzkowitz and Leydesdorff. The concept postulates that the development of the knowledge economy should be recognized as a process of interaction of three spheres: economic practice, educational spheres and spheres of government regulatory [Pluta-Olearnik 2009, p. 121].

The third major stakeholders group are students. Students are the principal and direct recipients of educational service. Universities have major impact on society by shaping students’ attitudes and knowledge transfer. Students acquire knowledge, then transfer and use knowledge gained at the university, therefore contributing to social and economic growth of a country. Nowadays, universities should carefully manage relationship with students, as it:

- reduces recruitment costs,
- reduces the risk of students leaving university (change of a university),
- has impact on creation of positive image of the higher education institution on the market,

- increases the likelihood of continuing education after graduation (bachelor degree, master degree, postgraduate studies, etc.),
- helps transform students into sponsors in the future (when graduate),
- increases the possibility of making collaboration between university graduates employed in business [Draپیńska 2012, p. 142].

Long-term relationships with students may contribute to achieve competitive advantage of a university. Competitive advantage is defined as business concept describing attributes which allow an organization to perform more successfully than competitors. It is when an organization achieves better results than its competitors or simply being better in some areas of its business performance [Aaker 1989, p. 92].

Successful managing relationships with students has become a strategic goal for many universities in Poland. It is essential for an educational institutions to establish rational and emotional relationships with graduates. Educating and influencing students attitudes towards social and economic development aspects of the country, creating the right atmosphere for transmitting knowledge and inciting students' interest is being perceived as the success of higher education [Draپیńska 2012, p. 144].

Universities' relationships with other entities may be established and developed only when both parties (for example education institution and business entity) can enjoy the benefit of the relation (cooperation).

Relationship definition of marketing suggests: marketing is to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved exchange and fulfillment of promises [Gronroos 1994, p. 9]. Thus marketing, service quality, and customer satisfaction have to be analysed both on a relationship level [Storbacka, Strandvik, Gronroos 1994, p. 22]. Authors emphasize that customer satisfaction (Relationship Marketing Perspective) refer to an insider perspective, the customer's own experiences of a service where the outcome has been evaluated in terms of what value was received, what the customer had to give to get something [1994, p. 24].

Considering the relations with three stakeholder groups (above mentioned), it should be emphasized that:

1. The state is superior to universities. Relations between the state and universities take the form of government policy towards higher education. This policy by legal regulations – the laws and regulations – shapes the autonomy of institutions of higher education, the role of its leadership and the importance of academic self-government. Universities are obliged to comply with the requirements set by the state.
2. Building relationships with business entities is crucial for universities. Not only because of universities' benefits, but also due to socio-economic development of

a country. Developing such relations affects the effectiveness of higher education. Universities should possess current information about labour market and close relations with entrepreneurs allow for such transfer of information and knowledge.

3. Students are the main recipients of educational service. Management of relationships with them is a strategic activity for universities. These stakeholders have great impact on current situation of universities (funding by the state depends on number of students) and on the future, as they can promote the university and recommend it to others. Approachable lecturers and university knowledge which can be easily implemented and helpful when students entering the labour market are significant for this group of stakeholders.

It is extremely important for universities to constantly improve value delivering towards many different stakeholders. The first step is to identify stakeholders, their needs and impact on the development of a university. Then, develop relationships with them, based on mutual benefit. One of the characteristics of the university should be the openness to cooperation with other entities as it may allow for updating the knowledge by confronting it with the changes in the socio-economic environment.

Conclusion

The value of universities is closely linked to its competitive advantage and attractiveness for different stakeholders. The greater competitive advantage of a university the greater value of the institution on the education service market [Maliszewski 2015, p. 157].

Management of relationships with stakeholders of a university should be included in the development strategy of a given university. Actions taken within this concern:

- position of a stakeholder (its influence and importance for the university),
- understanding the needs and expectations of a given stakeholder,
- giving a sense of satisfaction with the educational service, exceeding the stakeholder expectations.

The success of relationship management depends on the university and its resources, mainly: competencies and employees. Along with the changes concerning the functioning of the university, and greater openness to relationships with other entities, some necessary changes are needed within the university. It is essential to concentrate activities undertaken at the university on relationship development.

Bibliography

Aaker D.A. (1989), *Managing assets and skills: The key to a sustainable competitive advantage*, „California Management Review”, No. 31(2).

Antonowicz D. (2005), *Uniwersytet przyszłości: Wyzwania i modele polityki*, Instytut Spraw Publicznych, Warszawa.

Carroll A.B., Buchholtz A.K. (2009), *Business and Society: Ethics and Stakeholder Management*, 7th edn. Mason, OH: South-Western Cengage Learning.

Chłodnicki M. (2004), *Usługi profesjonalne. Przez jakość do lojalności klientów*, AE w Poznaniu, Poznań.

Clark B.R. (1998), *Creating Entrepreneurial Universities: Organizational Pathways of Transformations*, Pergamon Press, Oxford.

Dobni C., Luffman G. (2003) *Determining the scope and impact of market orientation profiles on strategy implementation and performance*, „Strategic Management Journal”, 24(6).

Drapińska A. (2012), *Zarządzanie relacjami na rynku usług edukacyjnych szkół wyższych*, Wydawnictwo Naukowe PWN, Warszawa.

Ernst & Young Business Advisory, Instytut Badań nad Gospodarką Rynkową (2009), *Misja, wizja i cele strategiczne szkolnictwa wyższego w Polsce w perspektywie 2020 roku*, [online] www.nauka.gov.pl, date of access: 2.02.2017.

Freeman R.E. (2010), *Strategic Management. A stakeholder approach*, Cambridge University Press, Cambridge.

Freeman R.E., Harrison J.S., Wicks A.C., Parmar B.L., de Colle S. (2011), *Stakeholder Theory. The State of the Art*, Cambridge University Press, Cambridge.

Gronroos Ch. (1994) *From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing*, „Management Decision”, Vol. 32, No. 2.

Gronroos Ch. (1994), *From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing*, „Management Decision”, Vol. 32, No. 2.

Hollanders H., Es-Sadki N., Kanerva M. (2016), *European Innovation Scoreboard*, Maastricht University European Union.

Koźmiński A.K. (2009), *Zarządzanie. Teoria i praktyka*, Wyd. PWN, Warszawa.

Kulig A. (2004), *Rynek usług edukacyjnych w Polsce na poziomie wyższym* [in:] G. Nowaczyk, M. Kolasiński (ed.), *Marketing szkół wyższych*, Wyd. Wyższej Szkoły Bankowej, Poznań.

Maliszewski T. (2015), *Jak wykreować sukces uczelni. Budowanie przewagi konkurencyjnej na rynku edukacyjnym*, Wyd. Oficyna, Warszawa.

Pluta-Olearnik M. (ed.) (2009), *Przedsiębiorcza uczelnia i jej relacje z otoczeniem*, Wyd. Difin, Warszawa.

Program Rozwoju szkolnictwa Wyższego do 2020r. Część IV. Finansowanie szkół wyższych ze środków publicznych (2015), J. Wilkin (ed.), Fundacja Rektorów Polskich, Warszawa.

Program rozwoju szkolnictwa wyższego do 2020r. Diagnoza szkolnictwa wyższego (2015), Górniak Jarosław (ed.), Fundacja Rektorów Polskich, Warszawa 2015.

Sedlak, Sedlak (2015), *National Compensation Survey*, [online] www.sedlak.pl, date of access: 21.02.2017.

Storbacka K., Strandvik T., Gronroos Ch. (1994), *Managing Customer Relationships for Profit: The Dynamics of Relationship Quality*, "International Journal of Service Industry Management", Vol. 5 No. 5.

Thieme J.K. (2009), *Szkolnictwo Wyższe. Wyzwania XXI wieku*, Wyd. Difin, Warszawa.

Barbara Kamińska

University of Social Sciences
bkaminska@spoleczna.pl

Identification of Motivational Factors Affecting Talented Employees' Job Satisfaction

Abstract: The care of employees' high satisfaction level is among issues most commonly described and studied, also by the author. Research results indicate that satisfaction arises from the difference between the employee's expectations and needs and what he or she receives. Salary is usually assumed to be the main factor influencing satisfaction. Does that, however, apply to all cases? Numerous research results show that employees' expectations vary and depend on many factors, which the article attempts to prove. A hypothesis was put forward that, along with material means of motivation, non-material ones are an equally important factor affecting talented employees' job satisfaction.

Key words: talented employees, satisfaction, motivation, non-material motivation factors

Introduction

Satisfaction issues are addressed by many researchers in various academic disciplines. Hence, as can be seen, there are a great number of satisfaction definitions and the role of some factors occurring in the satisfaction forming process is highlighted. The author of the paper attempted to determine factors affecting the satisfaction of a particular group of workers, namely talented employees. Thus, the definition of talents in the company should first be introduced.

Borkowska considers talents to be conceptualists. In the author's opinion, they are individuals who have brilliant ideas but cannot put them into practice; employees who

stand out thanks to their ability to implement strategies; and people demonstrating great potential which can be used in the long run provided that appropriate workers are selected to carry out tasks entrusted to them [Borkowska 2007, in: Kamińska 2016]. As shown by practice, enabling talented employees to do what they really like doing and want to do in the organisation and what they feel they are good at doing increases motivation, commitment and creativity. Hence, it can be assumed that salary, which tends to be most commonly indicated among motivation means listed in study results, does not always need to be assigned priority. While giving up certain material satisfaction, one can achieve task-related satisfaction and gain professional fulfilment. Sometimes loss of pay is nothing else than a cost of obtaining benefits of another kind [Sikorski 2004]. The performance of specific tasks important and interesting from the employee's point of view can be a source of satisfaction or prestige. Similarly, relations with co-workers may be a source of satisfaction when the employee feels well in a given organisational culture, whose social norms he or she understand and accepts, and which stimulate his or her creativity.

Therefore, the process of work and its conditions ought to be adjusted to the needs and requirements of particular employee groups. Their expectations should be known and understood, efforts should be made to meet those by pursuing an appropriate personnel policy (good task design, creating conditions for development, providing favourable conditions for innovation etc.). Thus, it is advisable to look for better and better solutions and ways of motivation as beneficial as possible to the organisation and, simultaneously, bringing workers personal and professional satisfaction, particularly in the case of talented employees.

Satisfaction in Motivation Models

Satisfaction is variously defined by the specialist literature. For instance, Nair perceives satisfaction as the assessment and perception of the value of one's own work [Springer 2011 quoting Nair 2007]. Springer states that workplace satisfaction is connected with being able to fulfil one's needs, aims, values and beliefs [Springer 2011 quoting Bartkowiak 2009]. According to Bańka, it is an emotional reaction of pleasure or distress, experienced in association with task performance [Bańka 2005]. According to Locke, job satisfaction results from perceiving one's own work as such that allows one to achieve important values, with the values being consistent with needs or helping to fulfil basic human needs [Locke 1976]. Therefore, it can be stated that what the individual perceives valuable arises from his or her individual needs; in turn, achieving results important to the employee may be equated with his or her satisfaction [Springer 2011]. Gliszczyńska is of a similar opinion; according to the author, workers are satisfied with their work to

such an extent to which their job provides them with what they desire and are effective at work to such an extent to which their work effectiveness leads to achieving what they desire [Gliszczyńska 1981]. Hence, most authors emphasise the importance of needs and expectations associated with them in gaining job satisfaction.

Therefore, a question arises whether company managers always know what their employees expect, what really motivates them to work and what brings them satisfaction. Practice proves that, as those of customers', employees' preferences are difficult to predict, diverse and changeable, and thus it is definitely advisable to systematically observe those needs. Identifying factors which influence satisfaction significantly affects motivation system development in organisations. It should be added that those factors can be best identified through studies concerning particular groups and using survey or interview questionnaires. It is also worth applying motivation theories providing guidance for good motivation. Undoubtedly, satisfaction is associated with Herzberg's theory according to which human behaviour is determined by elements of two groups, *i.e.* hygiene factors (work conditions, pay, security) and motivators (recognition, job content, achievements, development, responsibility) [Listwan 2010]. In turn, Hackman and Oldham [1975] regard, for example, feedback, autonomy or importance of tasks as satisfaction factors. On the other hand, Locke [1976] points to intellectual challenge or combining individual and professional goals. Cherrington, Reitz and Scott [1983] add, along with many of the above-mentioned: freedom, behaviours, leadership style.

Unfortunately, results of many studies indicate that a large part of variables related to motivating many companies' talented employees belongs regrettably to the hygiene factor category and, according to Herzberg's assumptions, can at the most remove dissatisfaction but is neither a source of motivation nor a factor influencing satisfaction. Thus, for instance, Wajda recommends various actions leading to an effective motivation system, among others: recognition of employees' predispositions, passions, needs and aspirations to better select and adapt work to their expectations; setting tasks and their performance measures in a way that enables progress self-check; and taking into account work contribution when establishing awards [Wajda 2003 in: Kamińska, Zakrzewski 2014].

In such a case, Vroom's theory, subsequently developed by Porter and Lawler, may be of assistance, perceiving employee satisfaction as a consequence of the value of an expected award, effort put in achieving a desired result, perception of the subjective likelihood of success, assessment of the fairness of the received award, comparing the award with social standards [Sikora 2000].

Based on the above, the employee will not get involved in a work process unless his or her involvement produces expected results. We cannot, however, ascertain if the result is useful to employees since everyone establishes his or her values and their subjec-

tive hierarchy himself or herself. Thus, everyone has his or her own individual hierarchy of expectations, which means that some values are more or less appreciated. Therefore, it is important to know the needs and expectations and then adjust means to trigger commitment and, simultaneously, provide employees with personal and professional satisfaction.

The motivation model based on expectations plays an important role in the motivation theory but it also has some flaws related to human nature as human behaviours cannot be fully predicted in practice. Furthermore, it should be considered that the question about the extent to which satisfaction results from the employee's individual character and predispositions and the extent to which it arises from work environment still remains unanswered. That is taken into account by Lent and Brown's satisfaction model [Springer 2011].

Work Organisation as Factor Influencing Employees' Satisfaction

One of the important talented employee motivation tools can be the organisation of work being a notion inextricably linked with human activity. It creates conditions for carrying out tasks at a specified level and within specified time. Moreover, it ensures an appropriate use of human qualifications and products of human work. Nowadays, various motivational forms of work organisation are employed. They vary in their motivational strength depending on the professional experience, position or applicable cultural standards. The most common forms of work organisation include: increasing the scope of jobs, enriching job content, autonomous work groups. Increasing the scope of jobs is usually understood as combining similar or different operations performed within different jobs. The process may encompass *e.g.* adding additional tasks to basic ones or *e.g.* additional transfer of responsibility for performed work to the employee. A job scope increase is most often connected with a change in the original, pre-existing work process structure and means applying a new operational division.

Job content enrichment, *i.e.* combining actions of different difficulty, enhances an intellectual aspect of work. It allows the performer to process incoming information, diagnose states, choose manners and methods of operation. The form provides an opportunity for making a greater use of the employee's knowledge and satisfying his or her ambitions which creates favourable conditions for increasing the productivity and quality of work as well as stimulates initiative and willingness to work.

Autonomous work groups are established especially when complicated problems, difficult decisions and tasks occur. A characteristic trait is powers ensuring that group members can act autonomously, have the right to make decisions and perform specified

roles. The powers are a token of the management's trust in the employee's skills, abilities or qualifications. An important argument in favour of creating autonomous work groups in smaller companies is ties and friendly relations, integration and participation in management, which is connected with getting rid of hierarchical dependence between the manager and other team members who have equal rights in decision-making. Team work creates favourable conditions for enhancing the quality of decisions (increases the number of ideas and sense of responsibility for work results). Moreover, team discussion leads to a wider scope of thinking of team members with workers lacking experience gaining knowledge from their experienced colleagues [Kamińska, Warzyński 2011]. An analysis of the above team powers allows noticing that autonomous work group formation combines rotation, widening and enrichment of jobs, thus justifying the recognition of the action as the highest form of job content enrichment [Czerska 2001].

The following motivators encourage cooperation within the organisation: personal development, sense of belonging or recognition and reputation.

Common actions allow finding people to collaborate or cooperate with in carrying out projects and coming up with solutions to problems. That is connected with another motive inspiring individuals to join communities, namely a sense of belonging. It is associated with being a member of a particular profession or professional elite.

Ties created among employees may enable the free exchange of thoughts and opinions on the company's problems. Research clearly indicates that such meetings can produce surprising solutions in team management. They allow going beyond certain company patterns and opening to new initiatives, which lays an excellent foundation for implementing the concept of the learning organisation. Taking part in the community of actions implies participation in all actions provided that community members assign identical meanings to conducted actions and knowledge of what that means to them and the community. Cooperation means reification – discovering and building a common reality by individuals. That takes into account the dual character of knowledge and allows including both hidden and open knowledge in organisational learning processes.

The opportunity to effectively use work organisation as a source of internal motivation can be a significant factor in influencing satisfaction although certain important rules should not be forgotten. First and foremost, special attention ought to be paid to a relationship between human nature and human work as well as an interaction between the development of the individual and the development and improvement of his or her work.

Identification of Factors Affecting Talented Employees' Satisfaction

Many results of research into satisfaction, including the author's one of 2014¹, show which factors respondents most commonly indicate. They include: personal development (100%), achievements (96%), independence, self-fulfilment opportunity, good atmosphere of relations among employees (94%), flexibility in reconciling professional and family matters (80%), job content (78%). Similar results were received in a questionnaire survey carried out together with students in 2016. Purposive sampling was used. The study covered 60 selected employees (who could be acknowledged to be talents according to the author). The respondents worked in positions of specialists, architects, teachers (coaches), programmers, physicians. They had higher education. Received results concern solely the studied group. Thus the conducted research is not representative and has only a diagnostic nature, but can be a source of interesting conclusions concerning job satisfaction of talented employees.

The study assessed importance of factors influencing employee satisfaction. The employees were asked to indicate the most significant factors (expectations) which, in their opinion, brought them job satisfaction. Fourteen variables were identified. Among them, bonuses and cash rewards were most commonly indicated, followed by self-fulfilment opportunity and independence of actions. Striving for self-fulfilment and independence are important motivators. They are associated with making full use of one's own potential and achieving goals that bring satisfaction. Those needs provide an opportunity for constant individual improvement, often giving meaning to our lives. The opportunity to find such a form of professional activity where one feels useful and is able to show his or her creativity is very important to every human. Cognitive curiosity and satisfaction connected with problem solving are often that important motive in talented employees. Such stimuli ought to be provided by the job.

Workplace atmosphere (relations with the employer and co-workers), professional development opportunities and work organisation, in the sense of clearly defined objectives, extent of importance, information availability, working time flexibility, as well as work conditions, *e.g.* worksite equipment, were important to the respondents, too. Thus, it is another relevant factor which should be taken into account. From the point of view of work organisation, a major satisfaction affecting tool is safe and modern work conditions. They should offer comfort to workers and make it easier for them to perform their tasks. Work comfort stirs positive emotions in the employee putting him or her in a good mood.

¹ The study covered 50 key employees of an organisation, knowledge process managers, specialists and promising talents.

It arises from the above deliberations that factors influencing satisfaction in the studied group of workers were not solely pay-related incentives. Many believe that using money is tantamount to buying motivation. Therefore, a good manager should not only buy motivation but must also affect and stimulate that by creating such conditions so that people like and respect their workplace where they willingly spend time, taking simultaneously into account their own interests.

Thus, influencing motivational behaviours which, at the same time, bring satisfaction, needs not only good pay but also creating such a situation where natural human propensity for good work could be manifested, developed and established. That means that, without effective support of complementary motivators, a good remuneration policy may not be effective enough.

Guidelines for Motivation System Designers

In the author's opinion, both theoretical and practical deliberations proved the hypothesis that, along with material means of motivation, non-material ones, including organisation of work, are an equally important factor affecting talented employees' job satisfaction. It was demonstrated that employees' preferences vary and thus it is definitely advisable to systematically observe those needs. Unfortunately, what is characteristic is that a majority of employers do not apply the marketing of their employees' needs. That marketing is usually "brushed off" and does not deal with significant values. It also does not notice that the motivation process consists of closely related actions aimed at discovering, creating, stimulating and meeting individual needs.

Thus, it is worth pondering over the more and more common trend towards using the marketing of needs. Many management specialists list personnel marketing as the most fundamental function of human resource management, along with innovation. It is also referred to as "profitable meeting of needs" [Smoleński 1987]. "The notion of personnel marketing highlights this unique character by emphasising that it is the human with his or her needs, expectations and aims that is in the centre of marketing actions and what is meant is a dialogue with rather than manipulation of the human" [Lipka 1998]. Therefore, personnel marketing is one of the variants of a new direction in dealing with human resources. It promotes a new approach to the employee. It identifies the employee's needs and expectations. It provides instruments of personnel management allowing both the parties to be satisfied. An example is Japanese personnel services which perform that task well. They assume that "if the company has managed to find (buy) good employees, it should focus on keeping them as long as possible by offering, for instance, lifetime employment" [Lipka 1998]. Such an approach implies hope that both parties will be satisfied. Personnel marketing was called an active human resources

policy whose aim is to bring the employee and employer as close as possible to each other. It is an attempt at their mutual identification and understanding. As general marketing research concentrates on the needs and expectations of the customer, personnel marketing also refers to human needs. In personnel marketing, customers are workers with their expectations and interests with regard to the company. Hence, an exchange process takes place related to both tangible and intangible goods. That approach can be used in every company, irrespective of its size. It is a certain integrated concept of people "serving" each other and not infrequently concluding a social contract with each other for many years [Kamińska, Warzyński 2009]².

Therefore, it is vitally important to look for an answer to the question as to what determines employee satisfaction and whether employees' tasks are differentiated taking into account their preferences. Every company should get to know its employees' opinions on work, duties, atmosphere and remuneration. It is beneficial for the organisation to carry out research in order to get workers' opinions. The research will show weaknesses of the motivation system to be eliminated by taking appropriate corrective measures. The knowledge of the satisfaction level and employees' opinions are an irreplaceable source of managerial decisions. Research into factors affecting the worker's satisfaction lays a foundation for building an effective motivation system. Diagnosing those elements allows assessing their role in influencing job satisfaction.

Summary and Conclusions

The importance of job satisfaction for the employee and company sets specific requirements for managers who are responsible for becoming aware of the role of job satisfaction as one of the work stimuli. Nevertheless, the variety of job satisfaction determinants makes it difficult to predict which of the company's actions and to what extent influence employees' satisfaction level. Practice shows that motivating talented workers requires paying attention to psychological and social aspects of human involvement in work processes as the human takes a job and makes effort entailed by that not always and not only based on pay. Thus, those aspects ought to be identified and appropriately individualised taking into account varied aspirations and expectations of particular employees. Failure to know the real preferences of subordinates results in neglecting areas they value most.

Therefore, it seems vital to increase the actual impact of motivation tools by system improvement preceded by indepth analyses. Adjusting the character of work to individual predispositions and preferences of employees would lay a foundation for develo-

² More about personnel marketing was written by A. Baruk (2006), *Marketing personalny jako instrument kreowania wizerunku firmy*, DIFIN, Warsaw; K. Schwan, K. Seipel (1997), *Marketing kadrowy*, C.H.Beck, Warsaw.

ping individualised solutions to enable the rational adjustment of, for instance, work organisation and working time to the actual needs of the company and its employees.

Bibliography

Bańka A. (red.) (2005), *Psychologia jakości życia*, Wydawnictwo SPA, Poznań.

Borkowska S. (2007), *O jakości zarządzania talentami* [w:] A. Pocztowski (red), *W kierunku jakości kapitału ludzkiego*, Warszawa.

Bartkowiak G. (2009), *Człowiek w pracy, Od stresu do sukcesu w organizacji*, PWN, Warszawa.

Czerska M. (2001), *Motywacja* [w:] *Zarządzanie organizacjami*, Dom Organizatora, Toruń.

Cherrington D.L., Reitz J., Scott W. (1983), *Wpływ nagród i zależnego wzmacniania na satysfakcję wykonywania działań* [w:] W.E. Scott, L.L. Cummings (red.), *Zachowanie człowieka w organizacji*, Warszawa.

Galiszczyńska X. (1981), *Motywacja do pracy*, Wyd. „Książka i Wiedza”, Warszawa.

Hackman J.R., Oldham G. i inni (1975), *A new Strategy for Job Enrichment*, “California Management Review”, No. 4(17).

Kamińska B. (2016), *Zarządzanie talentami jako koncepcja zarządzania kapitałem ludzkim w MSP*, „Marketing i rynek”, Polskie Wydawnictwo Ekonomiczne, rok XXIII marzec Indeks 326224, nr 3.

Kamińska B., Zakrzewski L. (2014), *Analysis of the factors affecting the satisfaction of working in a group of knowledge workers of micro, small and medium-sized enterprises (msme). Preliminary studies*, “International scientific-practical and methodical journal SMALTA”, No. 2.

Kamińska B. (2013), *Motivation of employees as a significant feature of knowledge management in enterprises* [w:] Ł. Sułkowski, J. Sokołowski (red.), *Zarządzanie zasobami ludzkimi*, “Przedsiębiorczość i Zarządzanie”, t. XIV, z. 9, SAN, Łódź.

Kamińska B., Warzyński M. (2009), *Marketing personalny – zaspokojenie oczekiwań pracowników* [w:] A. Banasiak (red.), *Wybrane problemy przedsiębiorczości i zarządzania*, „Przedsiębiorczość i Zarządzanie”, t. X, z. 9, SWSPiZ, Łódź.

Nair P.K. (2007), *A Path Analysis of Relationship among Job Stress, Job Satisfaction, Motivation to Transfer, and Transfer of Learning: Perceptions of Occupational Safety and Health Administration Outreach Trainers*, Dissertation, Submitted to the Graduate Studies of Texas A&M University.

Lipka A. (1998), *Marketing stanowisk pracy*, TNOiK, Bydgoszcz.

Listwan T. (2010), *Zarządzanie kadrami*, C.H. Beck., Warszawa.

Locke E.A. (1976), *The Nature and Causes of Job Satisfaction. Handbook of Industrial and Organizational Psychology*, Chicago: Rand McNally College Publishing Company.

Sikorski C. (2004), *Motywacja jako wymiana – modele relacji między pracownikiem a organizacją*, Difin, Warszawa.

Smoleński S. (1997), *Podstawy zarządzania przedsiębiorstwem*, TNOiK, Bydgoszcz.

Springer A. (2011), *Wybrane czynniki kształtujące satysfakcję pracownika*, „Problemy zarządzania”, z. 9, nr 4(34)

Wajda A. (2003), *Organizacja i zarządzanie*, PWE, Warszawa.

Joanna M. Moczydłowska

Białystok University of Technology¹
joanna@moczydlowska.pl

Individual Initiative of Employees – Psychological and Management Aspects

Abstract: The article deals with the subject of individual initiative of employees analyzed from the perspective of management (as an element of civil behavior) and psychology (as a result of activation and optimum stimulation of the nervous system). The article is conceptual in nature and has as its goal the systematization of knowledge regarding the individual initiative of employees and the identification of gaps in the research which could be reduced through future scientific study.

Key words: employees, initiative, management, psychology

Introduction

In most cases, individual initiative of employees as well as enthusiasm and engagement which accompany it, are seen as desirable by all organizations. The reason for this is that workers showing initiative exceed the minimum requirements set before them and seek new and innovative solutions. The significance of employee initiative results mainly from the fact that the intentional behavior of workers affects the level of the organization's effectiveness and, therefore, the efficiency with which it realizes its strategic goals [Turtek, Czaplińska 2014, p. 116]. The concept of initiative is used in combination with other terms to convey meaning such as, for example, stimulating initiative, showing initiative or taking initiative. Despite the unquestioned and unique value of employee initiative it

¹ Publication financed from statutory research S/WZ/2/2017 of the Faculty of Management at Białystok Technical University.

rarely becomes the sole subject of scientific study. It is more often treated as a source, sometimes as a result, of desirable processes and organizational states and is analyzed in close connection to motivation or engagement management. For this reason within this work individual initiative of employees has become the sole subject of study. The author has decided that a comprehensive approach to the issue of initiative requires its consideration within two scientific disciplines: management and psychology. This approach is the only means of fully expressing the essence, determinants and expression of individual initiative of employees.

The article is conceptual in nature and has as its goals the systematization of knowledge regarding the individual initiative of employees and the identification of gaps in the research which should be reduced by future scientific study.

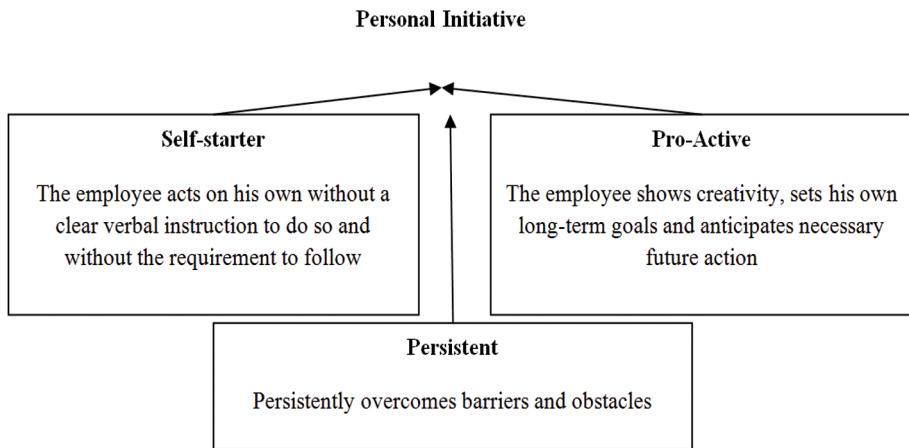
Individual initiative and its expression within an organization

Initiative is a concept describing the experience of creating a situation, the initiation of activity or changing of reality, both in real life as well as within the world of our imagination. It can be treated as a trait, attitude or behavior. The source of expressed initiative is the ability to set goals and their persistent pursuit. The essence of individual initiative of employees consists of voluntarily going beyond their roles within the organization and on exceeding those minimum goals or expected levels of task fulfillment established by the employer [Chwalibog 2013, p. 24]. It is also any display of going above and beyond their duties, voluntary acceptance of additional responsibility and the encouragement of their co-workers to act in a similar manner. An employee who shows initiative sends a message to the other workers (directly or indirectly) communicating the need for the continued improvement of the quality of the individual or group objectives being realized. He volunteers to perform tasks which exceed his official duties or the scope of his work [Podsakoff, MacKenzie, Paine, Bachrach 2000, p. 513]. In their analysis of the essence and expression of employee initiative J.R. Van Scotter and S.J. Motowidlo [1996] point to its special significance in solving workplace problems and tackling difficult tasks. They introduce the category of taking initiative or the taking over of new roles which are important in the context of finding a solution to a particular problem.

It must be said, however, that literature dealing with management differentiates between individual initiative and personal initiative. Although they may seem similar they express different employee attributes. Personal initiative concerns the employees' ability to do something without their supervisor having to tell them to do it, to anticipate potential problems and/or opportunities as well as persevere in overcoming obstacles (see figure 1). Personal initiative is closely connected with personality traits which are largely

dependent of environmental factors People with particular personality traits show a greater tendency to take initiative. These characteristics include: confidence combined with high self-esteem, high level of motivation to achieve, perseverance, psychophysical readiness and the ability to sustain long-term activity, openness to change and risk, having a strong internal locus of control as well as taking pride in our own work [Frese, Fay 2001].

Figure 1. Personal initiative according to the model proposed by Frese and Fay



Source: own design on the basis of [Frese, Fay 2001].

On the other hand, individual initiative denotes activity which manifests itself through such behaviors as: improving the organization's operations, assuming additional responsibilities, showing enthusiasm for assigned tasks or encouraging and inspiring other employees to above average engagement [Turek, Czaplinska 2014, p. 118]. Individual initiative is especially visible and important in performing tasks which are innovative and exceed the routines and standards accepted within the organization. All improvements, simple and complex, require from employees above average involvement and a certain organizational spontaneity.

Behaviors which show that an employee is demonstrating initiative may be categorized and assessed. An example of behavioral indicators facilitating the assessment of the level of individual initiative being displayed is shown in table 1.

Table 1. Behavioral indicators of individual initiative demonstrated at various levels

Level	Behavioral indicators
Level 1 – lack of initiative.	The employee is passive, does not offer ideas, needs to be lead and requires precise instructions. Performs only those tasks which have been assigned to him.
Level 2– weak initiative	The employee rarely offers ideas and improvements concerning his work. Occasionally, improves his performance on his own. Requires supervisors' approval for new solutions Is reluctant in taking responsibility for additional tasks.
Level 3 – good initiative	The employee submits improvements to his own work, tries to bring new quality to his work by offering new ideas and solutions. Pays attention to what is going on within the industry, monitors the competition and technological news and utilizes the knowledge at work.
Level 4 – very good initiative	The employee presents new solutions and ideas. Initiates new work related tasks and topics. After completing required tasks looks for solutions and arranges work for the remainder of his workday.
Level 5 – excellent initiative	The employee applies strategic thinking using all opportunities and possibilities. He treats problems as challenges and solves them himself. He is able to motivate others into action and comes up with ideas concerning other departments as well as the company. He is the first person to come up with and implement innovative solutions.

Source: own design on the basis of <http://weblog.infopraca.pl/10.02.2017>.

It should be emphasized that the assessment of individual initiative demonstrated by an employee by that employee's co-workers is not always positive. Study results presented in the report prepared by the Center for Public Opinion Research (CBOS) *A Pole at work or talking about honesty, diligence and assertiveness in our professional lives (Polak w pracy, czyli o uczciwości, sumienności i asertywności w życiu zawodowym)* [2011] show that "voluntary, unpaid performance of tasks which are not part of the responsibilities assigned a given worker" is seen as positive by only 43% of study participants and as many as 37% of respondents see it as something negative. Interesting is the fact that the answers of both professionally active and non-active workers were identical. The above mentioned report also contained answers to questions posed to a representative sam-

ple of Poles about their own initiative. As many as 59% of respondents admit to performing “voluntary, unpaid tasks which are not part of responsibilities assigned to them”, this being 16% more than those who accept this type of behavior. This variance can be cautiously treated as proof for our tendency to compete: some people admit that they have shown initiative but at the same time criticize it in others. Research shows, however, that the trend for taking initiative is falling and the number of respondents declaring behavior evidencing initiative is decreasing. In 2006 this number reached 65% while in 2011 it was 59% or 6% less. Age is a significant variable in this problem. It turns out that the longer the respondents work the less frequently they declare voluntary and free of charge performance of tasks not being part of their responsibilities [Polak w pracy... 2011, p. 13].

Individual initiative as a category of organizational citizenship behavior

Scientific achievement of Management as a science treats individual initiative both as an expression of as well as a source of behavior described as civil (or *Organizational Citizenship Behavior*, OCB) or those behaviors exhibited by employees which are voluntary, intentional but, at the same time, not always completely recognizable. Their unique and unquestioned value results from their orientation toward the good of the organization or of a group of workers despite the fact that they are not covered within the compensation system [Organ, Podsakoff, MacKenzie 2006, p. 3].

Organ, the author of the concept of organizational citizenship behavior defines it as “individual behaviors performed voluntarily that are not directly or clearly included in the formal system of employee compensation and which collectively promote the effective and efficient operation of the organization” [Organ et al. 2006, p. 3]. These behaviors exceed the scope of duties or descriptions of positions and, therefore demonstrate an inkling of behavior which is creative as well as beneficial to society. In Poland, organizational citizenship behaviors (OCB) and civil behaviors as categories of organizational behaviors of employees are used interchangeably. In view of the strong cultural and historical factors influencing the understanding of the concept of work ethic the term organizational citizenship behavior seems to be more adequate since it stresses the core or the “citizenship” behind the behaviors expressed by members of a particular organization. In following the conclusions of Organ and his partners [2006], seven main categories of organizational citizenship behavior can be distinguished. These include: altruism, sportsmanship, organizational commitment, organizational compliance, individual initiative, civic virtue and self development [Chwalibog 2012, p. 343].

The factors which prompt employees to organizational citizenship behaviors, including individual initiative, can be divided into four main categories [Glinska-Newes, Lis 2016, p. 268]. The first of these concerns the employee and includes his individual psychological predispositions (such as organizational involvement, agreeableness, positive affectivity to the environment), demographic traits and perception of organizational roles. The second category deals with task characteristics connected with how attractive they are and the resulting aspect of self-motivation. The third group of factors contains organizational leadership behaviors (mainly those connected with transformational leadership) while the fourth includes organizational characteristics such as the level of proceduralization or group cohesion. Special attention should be devoted to the correlation between organizational culture and the structure of the organization and the inclination of employees to OCB. Studies show that the higher the level of proceduralization and centralization of authority the rarer the occurrence of OCB, especially those concerning individual initiative [Raub 2008, pp. 179–186].

In analyzing individual initiative from the perspective of management special attention must be paid not only to the positive effects it produces, both for the employee as well as the organization, but also to the potential dangers it may create. Individual initiative may cause excessive engagement into one's professional life which may result in a wide range of health and social problems. Becoming overloaded with work as a consequence of a very high individual initiative may be a source of excessive, destructive levels of stress, occupational burnout as well as conflict resulting from trying to reconcile professional and family life. The results of studies performed by authors cited above also revealed that the discord between family roles and displaying initiative connected to occupational roles is especially relevant when it comes to women.

Individual initiative of employees – the psychological perspective

From the psychological point of view individual initiative of employees is an expression of a particular intellectual and emotional state of a given person [Strzalecki, Kusal 2002, pp. 5–12]. It is considered to be an indication of defined characteristics of the nervous system, a personality trait or a way of expressing psychological predispositions [Jachnis 1994, p. 67]. Studies concerning the initiative of an individual deal mainly with developmental psychology as well as neuropsychology and the psychology of individual differences. Developmental psychologists analyze initiative displayed by children or students in the early stages of their development. Neuropsychology and psychology of individual differences concentrate their attention on the biological foundations for the differen-

ces in behavior and correlate them with the ability of humans to generate and expand energy. For this reason theoretical constructs like energy mobilization, stimulation, activation, behavior intensity, the level of receiving outside stimuli and readiness to react to them become key in explaining the psychological determinants of individual initiative of employees. In respect to employees, entrepreneurs and managers psychologists study individual initiative mostly in connection with expression and activity. From a broader perspective it is considered to be, for example, one of the determinants of professional success, entrepreneurship or having a creative lifestyle [Witaszek 2006, pp. 121–133].

The ability to display initiative forms in childhood and depends both on genetic as well as environmental factors. In the opinion of psychologists who argue the importance of environmental determinants the child's experiences connected with the feelings of security and autonomy as well as free will are fundamental in shaping future initiative. Being somewhere between three and six years old a child can perceive itself as an autonomous person capable of expressing free will. The child usually also realizes the need to compromise. At this age, remaining true to its own will, it has to establish goals and strive to realize them which requires showing initiative and, at the same time, being ready to limit that initiative and adapt its expression to accepted social rules and norms with consideration for the well being of others.

When looking for the answer to the question regarding the psychophysical basis of individual initiative we must focus on the role of activation and the so called optimum level of stimulation [Strelau 2002]. Dating to the 1950's, the work of Duffy, a pioneer in the study of activation and stimulation [in: Dudek, Hauk 2010, pp. 195–210], indicates that these two factors constitute a vital difference between people. Energy mobilization is the essence of activation and stimulation and all various types of behavior can be described as change in the direction in or the intensity with which this energy is applied. The release of this energy can be seen in physiological processes such as the tightening of skeletal muscles, electrodermal activity (EDA) and electroencephalographic activity (EEG).

The notion of stimulation defined by Duffy was further developed by Hebb [in: Strelau 1994] who brings psychology to the concept of optimum stimulation. According to Hebb an individual stimulates himself to achieve an optimum level of activation which makes him feel good both physically as well as mentally but additionally achieves a high level of effectiveness in regard to task completion. The idea of the optimum level of activation reveals not only the efficiency of reaction at different degrees of stimulation but also the fact that to reach or sustain the optimum level of activation some individuals tend to look for stimulation while others tend to avoid it. It also explains, to some degree, why some people show initiative often while others display it significantly less frequent. According to Hebb the level of activation functions like reinforcement. At low levels of

activation the rise in the intensity of stimulation can become a reward while at high levels of activation the reward is the decrease in the intensity of stimulation. The optimum level of activation is accompanied by positive emotions while levels other than the optimum (both lower and higher) are a source of negative emotions. In trying to simplify this we can assume that in asking about the psychological basis for employee initiative we are inquiring after the individual's energy "supply" which is the source of his above-average behavior. Regardless which physiological or biochemical mechanisms regulate the level of activation, individual differences in the way they function occur and manifest themselves in the fact that for some individuals stimulation (whether sensory or emotional) at a given degree of intensity leads to a higher level of activation while for others the level of activation resulting from stimulation having the same intensity is lower [Strelau 2001]. On the basis of this it can be assumed (although the author is aware that this conclusion is controversial) that some employees naturally exhibit high initiative since their biological makeup is a source of their above-average level of energy which finds outlet in their professional activity while some others who may receive a high level of stimulation by a system of motivational incentives show initiative much less often or even never.

Psychological studies show that a high level of activation correlates with emotional reactivity, activity (understood as the tendency to behaviors having a high stimulation value) [Strelau 2001], looking for excitement [Zuckerman 1994], the tolerance of the nervous system and impulsiveness [Gray 1991].

Conclusions

The analysis presented in this article suggests that the individual initiative of employees is a complex issue and requires further, more extensive scientific study. The two scientific fields, psychology and management, analyze the notion of initiative from their own differing viewpoints. There is agreement, however, that individual initiative is valuable from the perspective of the organization since it improves effectiveness as well as the quality of work and is a potential source of innovation. In most cases initiative is also beneficial to those employees who exhibit it. In professionally managed organizations people showing initiative are seen as more valuable, are given greater opportunity to expand their professional skills and gain more through the use of financial motivators offered by the employer. On account of not being as popular a subject of study the potential negative effects of individual initiative seen, for example, as overzealousness or utilizing initiative for counter-productive behavior, are not as clear.

A great challenge for both management theory and practice is the need to reconcile biological determinants of initiative with the effectiveness of the system for employee motivation. The studies performed by representatives of psychology of individual diffe-

rences presented within this article allow us to conclude that even the most personalized motivational incentives may not bring expected results when it comes to employees with a low level of activation and, therefore, having a reduced ability to mobilize their energy. This signifies a need to match occupational tasks and organizational roles to the individual predispositions of those employees such as, for example, assigning them duties which do not require a high level of creativity or necessitate the solution of complex problems under tight time constraints.

The following recommendations for the management practice come from the analysis conducted in this article:

- Examining the ability and tendency to evince an individual initiative should be the part of professional qualification of candidates for employees' diagnosis
- An individual ability to mobilize the mental energy should be treated as crucial characteristic of an employee. This factor should be considered in the course of allotting the tasks for an employee. The ones who are naturally predisposed to evince an initiative should be given more diverse, complex tasks which require creativity, variability and risk-taking.
- In view of positive correlation between the individual initiative of employees and the organisation's effectiveness it is necessary to build organisation's culture encouraging the employees to evince initiative.
- It is needed to look for standards of an individual initiative of the employees, regularly test its prevailing level and its conditioning considering such research as crucial part of the organisation's evaluation.
- The professionalism of the management requires identifying the sources and effects of an excessive initiative because it can cause health consequences and disability of social relations for an employee.

Bibliography

Bolino M.C., Turnley W.H. (2005), *The Personal Costs of Citizenship Behavior: The Relationship Between Individual Initiative and Role Overload, Job Stress, and Work–Family Conflict*, „Journal of Applied Psychology”, Vol. 90, No. 4.

Chwalibóg E. (2013), *Wyzwalanie zachowań obywatelskich pracowników jako krok w dążeniu do doskonałości organizacji*, „Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu”, nr 322, Wrocław.

Chwalibóg E. (2012), *Zachowania etosowe pracowników w kontekście osobowości organizacji*, [w:] Wachowiak P. (red.), *Człowiek w organizacji: Teoria i praktyka*, Szkoła Główna Handlowa w Warszawie – Oficyna Wydawnicza, Warszawa.

Dudek B., Hauk M. (2010), *Reaktywność a wybór zawodu*, „Przegląd Psychologiczny”, nr 2, tom 53.

Frese M., Fay D. (2001), *Personal initiative: an active performance concept for work in the 21 st. century*, „Research in Organizational Behavior”, Vol. 23.

Glińska-Noweś A., Lis A. (2016), *Paradoks współwystępowania organizacyjnych zachowań obywatelskich i kontrproduktywnych*, „Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu”, nr 422, Wrocław.

Gray J.A. (1991), *The neuropsychology of temperament* [in:] J. Strelau, A. Angleitner (eds.), *Explorations in temperament: International perspectives on theory and measurement*, Plenum Press, New York.

Jachnis A. (1994), *Temperament a predyspozycje do zawodu menedżera*, [w:] S. Witkowski (red.), *Psychologia sukcesu*, PWN, Warszawa.

Organ D.W., Podsakoff P.M., MacKenzie S.B. (2006), *Organizational citizenship behavior: its nature, antecedents, and consequences*, Sage Publications, Thousand Oaks, CA.

Raub S. (2008), *Does bureaucracy kill individual initiative? The impact of structure on organizational citizenship behavior in the hospitality industry*, „International Journal of Hospitality Management”, No. 27.

Podsakoff P.M., MacKenzie S.B., Paine J.B., Bachrach D.G. (2000), *Organizational citizenship behaviors: a critical review of the theoretical and empirical literature and suggestions for future research*, „Journal of Management”, Vol. 26, No. 3.

Polak w pracy, czyli o uczciwości, sumienności i asertywności w życiu zawodowym (2011), CBOS, Warszawa.

Strelau J. (2002), *Psychologia temperamentu*, Wydawnictwo Naukowe PWN, Warszawa.

Strelau J. (2001), *Miejsce konstruktów aktywacji w badaniach nad temperamentem*, „Przegląd Psychologiczny”, nr 3, tom 44.

Strelau J. (1994), *The concepts of arousal and arousability as used in temperament studies*. [w:] J.E. Bates, T.D. Wachs (ed.), *Temperament: Individual differences at the interface of biology and behavior*, American Psychological Association, Washington.

Strzałecki A., Kusal A. (2002), *Osobowościowe i temperamentalne mechanizmy sprawnego zarządzania*, „Studia Psychologiczne”, nr 3.

Turek D., Czaplińska I. (2014), *Praktyki ZZL, klimat organizacyjny i postrzeganie wsparcia menedżerskiego a zachowania obywatelskie pracowników*, „Organizacja i Kierowanie”, nr 4 (164).

Witaszek Z. (2006), *Osobowościowe uwarunkowania sukcesu w przedsiębiorczości*, „Zeszyty Naukowe Akademii Marynarki Wojennej”, nr 3.

Van Scotter J.R., Motowidlo S.J. (1996), *Interpersonal facilitation and job dedication as separate facets of contextual performance*, „Journal of Applied Psychology”, No. 81.

Zuckerman M. (1994), *Behavioral expressions and biosocial bases of sensation seeking*, Cambridge University Press, New York.

Halina Sobocka-Szczapa

Spółeczna Akademia Nauk
j.h.szczapa@interia.pl

Culture of the Organization and Motivating Employees

Abstract: The functioning of the organization shows that there is a close relationship between the interests of the organization and the interests of its individual members. Organizational culture is the platform where those interests are realized. It affects different areas of organizational life, while its relationships with motivating employees are reflected in the performance results of the organization, thus the competitive position on the market (quantitative and qualitative dimension of performed tasks). The aim of this paper is to present the relations of the organizational culture with the process of motivating employees. The following research hypothesis was adopted in the analysis: relations of the organizational culture and motivating employees are very strong and diversified depending on the type of the organizational culture functioning in the organization. The study uses the analysis of literature of the subject as a method. The analysis pointed out the compounds of organizational culture of constructing effective work and was accepted by company's system of motivating employees, contributing to the development of both the company and employee satisfaction. This satisfaction can be a condition of employees' identification with the company, thus perform tasks in a manner consistent with the expectations of managers and the interests of the organization.

Key words: organizational culture, employee motivation, types of organizational culture, interdependence

Introduction

Ways of development of active, committed attitudes of employees in the processes of performing their tasks must directly result from the ability to observe, analyze and adapt to the changing conditions of the functioning of the organization as well as from the expectations of the employed staff. These skills are widely recognized as key to construct a good incentive system and its implementation is directly related to the type of organizational culture functioning in the organization. A good incentive system is considered the one that is individualized. Attention is also drawn to the fact that such a system may be easier to construct for small businesses. In large corporations – it is virtually impossible. In their case, incentive systems are the most imperfect which makes the effective operation of incentive systems in such entities dependent on the culture of the organization [Hofstede 2011, p. 99]. There is irrefutable evidence that motivating and organizational culture influencing the shape of the motivation have a decisive impact on the performance of corporations. Evidence to prove this is provided, among others, by the Evergreen project that has been conducted in the United States for 10 years. In the project 160 companies in a similar financial condition and in which a total of approx. 200 different management practices operated were surveyed. Already after 5 years, after a thorough analysis of the results, the winners, i.e. the companies that brought the biggest profits to shareholders, could be named. It turned out that the biggest impact on achieving this goal were the organizations that had a good understanding and consistent use of four classical practices of doing business, namely: strategy, operational efficiency, organizational culture and structure [Leśniewski, Morawska 2012, p. 129]. It is necessary to link these two elements by taking into account both culture-creating factors as well as factors motivating to perform one's tasks in the best possible way. Such factors include most of all the following:

- inspiring managers and other employees to work possibly the best,
- allowing employees and managers to make independent decisions and improve current actions,
- rewarding achievements, making wages performance-related, constantly raising the bar,
- making sure that financial incentives are accompanied by non-financial rewards,
- creating a work environment that encourages the effort bringing satisfaction,
- creating clear rules of the company and following them [Hofstede 2011, p. 103].

It can therefore be assumed that this practice can be called a motivating organizational culture.

Therefore, the aim of this paper is to present the relations of the organizational culture with the process of motivating employees. Based on the analysis of selected posi-

tions of literature it has been pointed that organizational culture for the proper and efficient operation of the organization as they favor the construction of an efficient system of motivating employees, contributing to the development of the company, as well as employee satisfaction. Satisfaction can in turn be a prerequisite for their interest in the functioning of the company, and thus perform tasks in a manner consistent with the expectations of managers and the interests of the organization.

Research method

The basic method adopted in the study is the analysis of literature sources. It gives an overview of selected items of the literature. This choice was subordinated to the nature of the study. The analysis is scientific work (individual and collective) which was created in academic centers and other institutions that maintain scientific standards, as well as articles in journals with different coverage. The study also used foreign-language literature, translated into Polish, as well as materials from websites. The analysis was performed in two stages. In the first stage justified purpose and distinguished basic conceptual categories were pointed out, as well as a set of definitions, applicable in the test procedure. In the second stage the interpretation of the various sources, according to the objectives and posed the problem of research were addressed.

First, the concept of motivation and motivating employees will be described.

Motivation and motivating employees – basic concepts

In the literature of the subject there are many definitions of motivation and motivating. According to S. Borkowska, motivation is the internal state of man having an attributive, individual dimension, referring to a specific employee. This concept usually appears when attempts are made to identify causes and factors influencing human actions, attitudes, as well as methods and tools that can shape them [Borkowska 1985, p. 11]. According to C. Sikorski, motivation means readiness to contribute and bear costs in order to obtain something valuable for oneself. Therefore, the more a person is able to give to receive a desired award, the greater the motivation is [Sikorski 2004, p. 7]. A similar definition was formulated by M. Armstrong, who stressed the importance of behavior, aimed at achieving a defined objective [Armstrong 2005, p. 211]. On the other hand, J. Reykowski defines motivation as a psychological process that gives direction and meaning of human behavior while J. Penc defines it as something that stimulates employees to make efforts to achieve the target, simultaneously affecting work efficiency [Kopertyńska 2009, p. 13]. Motivation is also defined as a general set of reasons that cause, orient and sustain human behavior and the motivation – it is a conscious and deliberate influence on human

behavior desired by motivating persons [Rostkowski, Danilewicz (ed.) 2012, p. 157]. In a broader sense, motivation is also defined as a collection of processes underlying intensity, direction and persistence of efforts to achieve a particular purpose [Robbins, Judge 2012, p. 111].

It should be noted, however, that all these definitions emphasize exerting impact on people to proceed in a certain way, steering them, on the one hand, to satisfy their own needs, on the other hand – to behave in accordance with the expectations of motivator [Czajka 2009, p. 22]. The consequence of such approach to motivating employees is the need to take into account both humanistic and economic approach to this process in the activities of the organization because the degree of employee involvement in the operation of the organization – both intellectual and physical – depends on the force with which the motivating person influences them. That means that in the proceedings of the motivator there may appear both the issue of the cost-effectiveness of actions taken (economic approach) and their effectiveness in shaping the attitudes of employees, including their satisfaction with the tasks performed in the organization (humanistic approach).

Regardless of the way of perception of the phenomenon of motivation and motivating, it can be undoubtedly considered that these are the main determinants, leaning the employees to operate efficiently as well as to increase their interest in individual benefits from active participation in the activities of the organization. It can therefore be stated with great certainty that motivation and motivating are important prerequisites of the success of the enterprise.

The foundation of motivation and motivating is a properly constructed system of motivation. In the literature of the subject the **motivation system** is defined as:

- system of motivating factors, formally defined by the authorities of the organization or an entity, consciously selected and purposefully applied to influence a selected group of employees [Listwan, Stor (ed.) 2012, p. 262],
- means of influencing employees in a motivational way, practised in the organization, which are reflected in organizational procedures; characteristic features of these procedures are transparency and universality [Woźniak 2012, p. 21; Ściborek 2012, p. 127].

Despite differentiated approach, this system is a kind of rules according to which the managers of the organization have to operate to effectively motivate their subordinates. Therefore, while developing a motivation system it is necessary to maintain a certain procedure (target, recipients, selection of tools and ways of motivating, measuring the level of motivation) [Rostkowski, Danilewicz (ed.) 2012, p. 160].

Different types of motivation are distinguished in the literature of the subject. The most frequently mentioned include **internal** and **external** motivation. The first of these types is motivation, the source of which are internal, individual characteristics and abi-

lities of each employee. The second occurs when internal motivation is insufficient and there is a need to involve additional motivation factors, namely material and non-material ones. It can therefore be said that external motivation is supplementary to internal motivation.

External motivation is divided into two types: **positive** and **negative** motivation. Positive motivation depends on taking actions by individuals in order to achieve measurable benefits. It uses positive external stimuli, such as, among others, the opportunity to receive higher salary, bonus, promotion, subscription to medical facilities. The aim of positive motivation is to provide individuals with better ways of meeting their desires and needs. In contrast, negative motivation refers to negative emotions such as anxiety, fear, uncertainty, insecurity. The use of negative external stimuli means that workers take certain actions because they are afraid of losing their jobs, being degraded to a lower position, receiving a reprimand from their superior or lower bonuses. In practice, negative motivation is used much more frequently than positive motivation (faster results, lower costs) [Ściborek 2012, p. 133].

Both **financial** and **non-financial** motivation tools can be applied in the process of motivating employees. Financial tools include money and all those elements that can be easily converted into money (salaries, bonuses, prizes in the form of cash) [Rostkowski, Danilewicz (ed.) 2012, p. 160]. Non-financial motivation tools include all the tools which cannot be converted into money (praise, promotion, participation in making key decisions for the organization).

From the presented characteristics of the process and the system of motivating employees, as well as the types of motivation and the tools used, the relationship is implied between actions of this kind and the organizational culture. This relationship occurs primarily in the ways of deciding on the wording of the motivation system and how it is implemented in the organization. The relations also appear in case of selection of motivators used, in particular with regard to external ones. In those organizations where organizational culture creates the conditions for the use of primarily non-financial motivators, motivating employees is less costly and thus the funds can be spent on the development of the company. Types of motivation used, on the other hand, should be treated oppositely as it seems that in this case there is often an inverse relationship, i.e. the types of motivation affect organizational culture. Positive motivation can contribute to its persistence, and negative motivation works – as it appears – destructively. Employees often are dissatisfied, which brings about the appearance of factors influencing interpersonal relations negatively (aggression, lack of confidence etc.). Therefore there appears to be the need to continuously modify the shape organizational culture.

What is properly realized company's organizational culture that can affect the increase of effectiveness of the employee motivation system will be further discussed.

Motivating organizational culture

Motivating organizational culture is the one that inspires, encourages, properly directs and engages subordinates to work and raises their initiative. Motivating organizational culture is also a culture based on mutual respect, respecting the law and the diversity of another human being, compatible with psychological territory of another human being. A foundation for such understanding of motivating organizational culture is communication, which also has a motivational character. The tone of this communication can be positive or pejorative, it can as well serve to know the employee and stimulate desired actions. Put simply, to be able to act – one has to know first [Rostkowski, Danilewicz (ed.) 2012, p. 103; Zawadzka 2010, p. 28]. These universal assumptions may in many ways be taken into account in companies, because there are no two identical companies, even if they represent the same industry.

Some organizations are 'more intelligent', while others have high adaptive capacity (strength to survive in the harshest conditions). Still, others are characterized by a strong personality (strong cultures) [Dołhasz, Fudaliński, Kosała, Smutek 2009, p. 171]. In addition, companies may be drawn into the intense rivalry, which means that their employees need to be more productive and creative, and even aggressive, for example, apply aggressive marketing. There are also companies where rivalry between the groups is occurring. In such organizations managers lead their departments to bring more profits and at the same time do not allow any employee to feel too secure in their positions [Zbiegień-Maciąg 2008, p. 53]. There are also companies seeking to develop the strategy for cooperation first and foremost. There are also functioning organizations that are characterized as cold and bureaucratic, but still there are others, employee-friendly and environment-friendly. It should also be noted that the activities of companies are constantly changing. They are established, develop, often have difficulties and collapse, but they also implement remedial programs and continue their activities. They also possess the ability to renew, change its genetic material and thus form a new culture. D. J. Levinson even recognizes that each company has its own individual personality, manner of presentation and execution of tasks. As an example, he distinguishes such companies as: strong, aggressive, innovative, dynamic, masculine, offensive, conservative, feminine [Zbiegień-Maciąg 2008, p. 54]. In connection with the adoption of such an assumption, one can also point to many divisions and types of organizational cultures that are also in various ways related to motivating employees (table 1).

Table 1. Types of organizational cultures and their features

Types of organizational cultures	Features of organizational cultures
Positive (constructive) culture	motivates employees to work more effectively, influences employees' interest in better effects of their work, helps to respond to changes effectively, helps to achieve pre-set goals.
Negative culture (bureaupatology)	can be a source of organizational problems, requires constant observation of employees' behaviour, thus allowing to react quickly to new, unknown situations, lack of employees' knowledge regarding tasks to be done, giving employees the information which they do not need because they know what to do, inadequate remuneration of very good employees, taking employees from proper jobs to bureaucratic tasks, dependence of the character of organizational culture on the pace of the development of the organization; intensive development of the organization makes it strong, flexible, easily adaptable, toughening of organizational culture for further periods of the company, fear of risk, conservative attitudes of managers, danger of promoting mediocre employees and ignoring those who have innovative ideas, emotional coldness, manifesting itself in avoiding manifesting and sharing feelings and emotions with others, depersonalization of relationships i.e. avoiding indicating people who are being talked about, subordination, i.e. waiting for help in solving problems, conservatism manifesting itself in the lack of flexibility in new situations, isolation, i.e. avoiding to go beyond the area of tasks to be realized, antipathy resulting from conservatism and involving the advantage of adversary attitudes.
Introverted (adornment) culture	concentration on internal resources, isolation from external contacts, no concentration on market environment, aversion from taking risk, tendency to being self-dependent, domination of introvert individuals, low tolerance towards different values and opinions, people know each other perfectly, are sensitive to each other's problems, think alike and feel suspicion towards, alienation towards people who are new, different, such people are treated with reserve, people do not imagine changing a job.
Extroverted culture	open to participate in the environment, openness to risks, cultural patterns usually come from the environment, employees are not integrated, do not feel a bond with the company, lack of loyalty towards company and responsibility for it, people are willing to change a job, confident of themselves and their professional competences.
Conservative culture	orientation towards the past, basic values are norms, symbols and traditions, main manifestations of culture are: portraits of the founders, ceremonies, rituals, connection to the past which brings the sense of safety and security, strong need for stabilization which influences the limitation of the ambition for development and a weak motivation for achievements (boycotting changes, strong resistance), tendency to connect old and new problems.

Innovative culture	easiness to adapt to changes, tendency to take risks, orientation to young, capable and dynamic people, treating cultural values instrumentally, dynamism, variability, motives for taking actions are rational, not emotional, employees are characterized by: creativity, dynamism, large sense of responsibility.
Masculine culture (aggressive, strong, dominant)	orientation on performing tasks, not satisfying employee needs, aggressive attitudes, especially towards competition.
Feminine culture (friendly, supportive, gentle, caring, intuitive)	creating specific subculture in communicating, supporting employees, often incompetent, protection against being let go, loyalty of employees, proper remuneration of employees, high quality of customer service, related with trying to acquiring them 'at all costs', pursuing to a high quality of offered services and products with the application of cooperation and self-improvement, supporting human resources in the organization, rewarding employees co-participating in achieving a success, observing the law on the basis of verification of rules and values.
Bureaucratic	adoption of rules limiting the liberty of behaviours, clear definition of requirements, order and reducing uncertainty (formulating procedures of running meetings, giving promotions etc), standardizing procedures and defining sanctions, lack of individualities.
Pragmatic (useful) culture	lack of detailed rules of activities, lack of sanctions, application of criteria of the efficiency of actions, exchange of experience, high tendency to take risks, large role of professionalism (experts, consultants, preference for new research methods and careers), professional justification of taken actions (individual knowledge and group wisdom).
Elitist culture	reliance on graduates of specific universities, respect for professional qualifications obtained in good schools, accounting for differences in the hierarchy of power, meticulous process of selection of employees (references from authorities), rich symbolism (clothes, interior design, badges, ID cards, ceremonies, rituals etc).
Egalitarian culture	lack of strict hierarchy, atmosphere of cautiousness, limited meaning of authority (manager is coordinator, employee is manager's assistant).

Source: Author's own on the basis of: [Zbiegień-Maciąg 2008, pp. 54–56; Dołhasz, Fudaliński, Kosala, Smutek 2009, p. 173; Leśniewski, Morawska 2012, p. 126; Nieckarz 2011, pp. 128–129; Zawadzka 2010, pp. 20–23; Hofstede 2011, p. 89].

In addition to the types of organizational cultures being presented in the table, they are very often described in the literature of the subject as **strong** or **weak**. Strong cultures are characterized through the prism of values of culture firmly rooted among the

employees and universally recognized as fundamental. Socialization processes in such organizational cultures are typically intense and highly effective. In some cases, even strong cultures are the right 'driving force' for outstanding organizational achievements and may also become a substitute for the company's organizational structure, creating authorities, introducing the division of labour, thus taking over certain functions of the structure.

The weakening of the strong organizational culture can be influenced by the formation of subcultures in the entities, between which contradictions arise. Therefore enterprises in which there are strong subcultures, are generally considered weak culture organizations. Weaker cultures also mean they are divided (broken) and are not at all connected by such factors as shared values, symbols, etc. [Nieckarz 2011, p. 132].

Relationships between organizational culture and motivating employees

The phenomena of motivating employees and organizational culture presented above are undoubtedly linked. This is evidenced by the characteristic features of different types of organizational cultures in which the words 'motivation' and 'motivating' often appear. Significantly, however, what is important is the assessment of the extent to which the nature of organizational culture can affect the development of an effective system of motivation, satisfying both managers and employees. Taking into consideration indicated in the table types of organizational cultures it can be assumed that:

- firstly – motivating employees will be proceeded in the way that is open, transparent, based on the experience coming from outside, it will take into account more risk-taking, as well as employees' loyalty, will meet the expectations of employees and take into account their suggestions, and will also be based on incentives, especially in the case of such organizational culture as positive culture, extroverted, feminine, egalitarian and pragmatic; these types of organizational cultures can be called cultures conducive to a good atmosphere at work,
- secondly – motivating employees will be limited to management proposals, it will not consider proposals from the employees, will reduce risk approach in the functioning of the organization, it will be oriented to the past and will be based on a bureaucratically formulated rules, especially in such cultures, as negative, conservative, introverted, bureaucratic and masculine; these types of organizational cultures can be called as oriented only on the realization of managers' preferences, i.e. conservative cultures,
- thirdly – motivating employees and formulating a motivation system will be subordinated to the ease of adaptation to change and will refer especially to young people,

mainly in the case of organizational cultures, such as the innovative culture and elitist; these types of organizational cultures can be called modern cultures.

Regardless of the dominant groups in those organizational cultures approach to motivating employees, one cannot clearly assess which of them will be beneficial for the efficient operation of the motivations system. Every type of organizational culture may in fact bring effect adequate to the expectations, particularly in the case when it is accepted by the entire staff. Only in the case of negative culture features can it be pointed out that may effect in bad atmosphere at work, namely inappropriate remuneration, inconsistent with the expectations of employees and the nature of their tasks as well as the depersonalization of the relationship between workers, their isolation and emerging dislikes.

Regardless of the impossibility of assessing the impact of the organizational culture on constructing an effective system of motivating employees it should be emphasized that from the point of view of humanistic approach to human resource management, there is no doubt that cultures that may contribute to the greater interest of employees in their company, due to accounting for their participation in creating the conditions for operation of companies as well as involving the ability to meet their expectations, are organizational cultures conducive to creating good atmosphere at work and modern cultures. Therefore, the creation of such organizational cultures should take place in most market players as it seems that these types of cultures are more likely to effectively motivate employees than others.

Conclusions

The functioning of the organization shows conclusively that there is a close relationship between the interests of the organization and the interests of its individual members. Organizational culture is the platform where those interests are followed out. It affects different areas of organizational life, while its relationships with motivating employees are reflected in the performance results of the organization, and thus the competitive position on the market for goods and services (quantitative and qualitative dimension of performed tasks). At the same time organizational culture must give the employee a sense of identity and identification with the organization, which in turn enables greater involvement and job satisfaction. It can even be said with great certainty that in this way organizational culture becomes a non-salary factor in motivating employees. It also promotes better and faster adaptation of the employee to new working conditions.

As it is clear from the considerations pointed out in this study, organizational culture can have a very varied nature. It is a consequence of principles of cooperation in the adopted organization, standards and rules of routine communication with the em-

ployees. It can therefore be assumed that it is impossible to identify a universal model of organizational culture that clearly defines ways to motivate employees because in economic entities developmental processes that generate amendments occur. All the more so it is impossible to determine the model of impact of organizational culture on motivating employees. Thus this work shows only the particular characteristics of different organizational cultures, which in a specific way may affect motivating employees and creating a motivation system, as well as determine the effectiveness of motivation and satisfaction of employees.

It should be noted that a permanent change in general is a characteristic feature of modern times. Therefore, the acceptance of change is another element that should be associated with organizational culture and provide its characteristic trait. The scale of the occurrence of resistance to change and organizational conflicts is the result of the process of socialization and interactions that are either focused on innovation and development of new products or defending the *status quo*.

A successful company usually has a distinctive philosophy. In many cases the employee does not have to be particularly rewarded for following the rules, principles or values. All employees or the majority of them do it. Organizational culture can motivate people to productive work because they feel that it is in their best interest. Organizational culture can also help organizations respond to various changes more effectively. That is particularly important because many researchers are convinced that the culture of the organization is one of the most significant factors affecting the success of the institution. Fixed forms that are rooted deeply in the culture of the organization and subcultures can prove why some companies succeed while others fail. If we admit that these are the rules that determine the ability of the company to create and meet the objectives of the strategy, we can learn a lot about how to manage the company in the period of strategic change [Leśniewski, Morawska 2012, p. 124; Kopertyńska (online)].

Bibliography

Armstrong M. (2005), *Zarządzanie zasobami ludzkimi*, Oficyna Ekonomiczna, Kraków.

Borkowska S. (1985), *Systemy motywowania w przedsiębiorstwie*, PWN, Warszawa.

Czajka Z. (2009), *Zarządzanie wynagrodzeniami w Polsce*, PWE, Warszawa.

Dołhasz M., Fudaliński J., Kosała M., Smutek H. (2009), *Podstawy zarządzania, koncepcje – strategie – zastosowania*, PWN, Warszawa.

Hofstede G. (2011), *Kultury i organizacje. Zaprogramowanie umysłu*, PWE, Warszawa.

Kopertyńska M.W. (2009), *Motywowanie pracowników. Teoria i praktyka*, Placet, Warszawa.

Kopertyńska M. W., [online] *System motywacyjny w organizacji*, http://www.wiedzainfo.pl/wyklady/119/system_motywacyjny_w_organizacji_i.html, access date: 29.05.2015r.

Leśniewski M.A., Morawska S. (2012), *Zasoby ludzkie w organizacji*, CeDeWu, Warszawa.

Listwan T., Stor M. (red.) (2012), *Sukces w zarządzaniu kadrami. Elastyczność w zarządzaniu kapitałem ludzkim*, Tom 1. *Problemy zarządczo-ekonomiczne*, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław.

Nieckarz Z. (2011), *Psychologia motywacji w organizacji*, Difin, Warszawa.

Robbins S.P., Judge T.A. (2012), *Zachowania w organizacji*, Polskie Wydawnictwo Ekonomiczne, Warszawa.

Rostkowski T., Danilewicz D. (red.) (2012), *Praktyki zarządzania kapitałem ludzkim w doradztwie zawodowym*, Difin, Warszawa.

Sikorski Cz. (2004), *Motywacja jako wymiana – modele relacji między pracownikami a organizacją*, Difin, Warszawa.

Ściborek Z. (2012), *Personel w organizacjach zhierarchizowanych*, Wydawnictwo Wyższej Szkoły Policji w Szczytnie, Szczytno.

Woźniak J. (2012), *Współczesne systemy motywacyjne: teoria i praktyka*, Wydawnictwo Profesjonalne PWN, Warszawa.

Zawadzka A.M. (2010), *Psychologia zarządzania w organizacji*, PWN, Warszawa.

Zbiegień-Maciąg L. (2008), *Zarządzanie przedsiębiorstwem. Kultura w organizacji*, Wydawnictwo Naukowe PWN, Warszawa.

Danuta Janczewska

Katedra Gospodarki Elektronicznej
Społeczna Akademia Nauk
djanczewska@spoleczna.pl

Creating Success Strategy as an Element of Business Models in Microenterprises

Abstract: The main object of business is development and success in the market. Owners of SMEs create business models based on abilities and analysis of modern technologies, trends of development of technical conditions in sector and variety of market offers. They should compare own success against results of competitors. The article presents selected business models as described in literature and analysis of own researched factors that have influence on development of SMEs, especially in success strategy. In the article the results of own research on examples from Dolnośląskie, Kujawsko-Pomorskie and Mazovia voivodships are presented. The goal of the research was identification of development factors and success of SMMEs.

Key words: Business Model, Entrepreneurship, SMEs, Success Factors

Introduction

Enterprises from SMEs are interesting objects of research because of significant participation in the whole quantity of enterprises and Polish economy. There is a lack of research results of development possibilities and competitive advantages. Not many articles describe business models of microenterprises and their elements. The ability of adjustment of enterprises to changing conditions in environment is one of the crucial factors of building business model structure. The turbulent changes in environment need the correct recognition of character and structure of business model. The main problems include choosing methods of identification of business model elements and recognition of

the successful strategy in microenterprises. In many countries the research on SMEs sector has already been conducted. It is the case especially in developing countries, where SMEs sector shares more than 90% of all enterprises. Most of the biggest global companies started in the past as micro or small activities, and their way to success confirm the right model of business. The aim of this article is to present author's own research of creating success strategy executed between 2015 and 2017 in Dolnośląskie, Kujawsko-Pomorskie and Mazovia voivodeships. Opinions of 50 micro enterprises identifying success factors and elements of business models are presented. Two researched hypotheses are stated:

1st Hypothesis: There are groups of factors stimulating the success of microenterprises which can be formed by inside and outside factors.

2nd Hypothesis: Stimulating factors of business success can be an element of business models.

Business models described basing on literature and compared with results of research in SMEs companies are presented. In the article observations of SMEs from confectionery branch in Poland and business model elements as ground of success are discussed.

Entrepreneurship of SMEs

Entrepreneurship in economy is explained as the process of designing, launching and running a new category of activity. It has been considered as developing, organizing and managing of business [The Economist 2015]. In each of micro enterprises can be improve a special way to the success [Reynolds, 2013, p. 1]. As a results of strategic cowardice and the lack of complacency many owners leave their industry. In opinion of Schumpeter [1960, p. 104] the main goals of entrepreneurship is involving new ideas. The personal characteristics of an entrepreneur are:

- ability to take a risk,
- readiness to absorb new knowledge,
- desire to observe environment and introduce changes,
- ability to contact with business environment,
- determination and responsibility in activities.

Schumpeter described the duties of entrepreneur concentrating on reorganizing production pattern by using new ideas. In wider perspective that means a new product, technologies, new resources of raw materials, new markets, and organizational changes. By this interpretation the entrepreneurship means the innovative approach to own markets, clients and products. Drucker [1993, p.53] described the base of entrepreneurship by learning and innovative activity. Phenomenon of innovations and entrepreneurship presents that image of entrepreneur depends from his innovative activity [Strużycki

2016, p. 51]. There are the new possibilities in usage of resources of enterprise. Development of research on entrepreneurship leads to new conception of social entrepreneurship [Białoń, Werner 2016, p. 3]. A new form of entrepreneurship is connected with other values than profit [Sobocka-Szczapa 2013, p. 129]. Analysis of research of entrepreneurship in SMEs described several barriers of development of innovation in micro, small and middle- size enterprises [Daszkiewicz 2008, p. 53], as following:

- weakness of support systems in SMEs,
- high costs of implementation of innovative results in enterprise,
- lack of cooperation between science sphere and industry,
- structure of science research for innovative implementation.

Market activity of SME sector enterprises is related to entering businesses with diverse relations links with other economic entities, such as buyers, suppliers, co-operators and competitors. Relations of SME sector companies with competitors are not presented in the literature of the subject extensively [Połomska-Jesionowska 2012, p. 243]. The phenomenon of coopetition is relatively new in economy and substituting competitive fight with activities based on cooperation is rarely encountered, especially in areas related to new products, technology or widely understood innovation. Object of research presented by M. Juchniewicz and E. Grzybowska indicated the characteristics of 1286 Polish microenterprises. Most important factors in realization of innovative activity are the following: flexibility, simplification of structure, support of innovative activity especially of knowledge, financial support and experience. In Table 1. conditions of innovative activity in microenterprise by research of M. Juchniewicz and E. Grzybowska are presented.

Table 1. Conditions of innovative activity in microenterprises

Type of conditions of innovative activity	Formulated hypothesis	Conclusions from research
Regional conditions	Level of innovation activity depends on region of location of microenterprise.	Most of innovative enterprises are located in voivodships with better investment attraction: Mazovian, Silesian, Pomeranian voivodships.
Branch conditions	Innovations are branch-diverse.	Most innovative are the service enterprises.
Internalization and export activity	More inclined to innovations are micro enterprises with export- activity.	Local active enterprises are less inclined to innovations than exporting ones.
Available activity of support instruments	Innovative microenterprises benefit from outsider resources of supporting than non-innovative. one	Only 9% of enterprises applied for public support.

Costs	Financing of innovative activity is realized by own capital.	Relative small capital of microenterprise determined their investment into an innovative activity.
Experience of innovative activity	Lack of innovative activity result from small experience in the past.	The innovative activity is non-systematic and temporary.

Source: own based on M. Juchiewicz, B. Grzybowska, *Innowacyjność mikroprzedsiębiorstw w Polsce*, PARP, Warszawa 2010, pp. 8–11.

Research described by PARP allowed for defining group of elements supporting development of SMEs based on resources [Koszałka 2011, p. 11]. Resources of knowledge are described as the most important and strongly influential on business success. For example the following characteristics are favourable to business success:

- striving for growth as basic goal,
- accumulation of resources,
- investment activities.

Review of modern trends of entrepreneurship theories allowed to define the phenomenon of entrepreneurship of microenterprises and to recognize characteristics of entrepreneur [Janczewska, 2013 a, p. 240]. Simultaneously, analysing both allowed for thesis on existence of many types of entrepreneurship models [Grudzewski, Hejduk 2011, p. 246]. Among those models there the following are distinguished:

1. Evolutionary entrepreneurship model – characteristics of slowly changing of task realization.
2. Impulsive entrepreneurship model – with high level of risk, striving for success and innovativeness.
3. Ethic entrepreneurship model – based on value system and standards and behaviour.
4. System entrepreneurship model – according with government supporting development of entrepreneurship and building the entrepreneurial society.

Other model of entrepreneurship belong to area of higher risk¹ or choosing activity [Kihlstrom, Laffont 1979, pp. 719–748]. The most modern view is based on using of resources and reaction for signal [Koźmiński 2004 pp. 165–166]. The most important resource is knowledge and knowledge management (KM). Literature describes advantages and barriers in Knowledge Management [Iwan 2012, p. 53], as follow:

- globalisation and different locations of business, different languages and cultural diversity,
- arising lean organizations with knowledge workers,

¹ According to the theory of F. Knight from the beginning of 20th century. In theory an opinion was presented that everyone can choose between own entrepreneurship and be the hired worker with regular salary.

- exists of non-continuous phenomenon of knowledge as a reason of mobility,
- growth of level of technology and technic with increasing of more dynamic communications, changing of information and achieving of knowledge and accumulating it.

In considerations there are indications of the connection between KM (Knowledge Management) and innovative activity [Toffler, 1990, p. 17]. The knowledge management expects the new approach to new technologies, IT, e-business and place of work based on knowledge [Jemielniak, Koźmiński 2008, p. 81]. Interpretation of KM in different areas of management is presented in Table 2.

Table 2. Knowledge Management in Different Areas of Management

Area of Management	Object and Goal of KM
Management and Strategy of Enterprise	Development of knowledge resources and competency
Entrepreneurship	Creation of business based on knowledge
Personal Management	Development of organizational culture, supporting creativity
Quality Management	Creation of favourable structure supporting growth of quality
Marketing	Consideration of knowledge from environment and use it to development of business
Innovation	Use of information and knowledge to creation an innovative products and solutions
Finance Management	Measurement of knowledge resources and growth of value of business
Logistics	Use of knowledge to implement new methods in logistics
Process development	Knowledge of engineering, artificial intelligence and creation of expert's systems
IT Management	Accumulation and making accessible of knowledge by IT instruments

Source: Own analysis based on Gierszewska G. (2011), *Zarządzanie wiedzą w przedsiębiorstwie*, Oficyna Wydawnicza Politechniki Warszawskiej, Warszawa, p. 59.

Gierszewska suggests that in each area of KM there are some incoherency and lack of conceptual framework [Gierszewska 2011, p. 58]. It can be explained on key competences theory and developed in interpretation of business model [Janczewska 2016, p. 491]

Business Model in Literature

Idea of business model indicates an individualization of idea and comparison with enterprises which created strategic plan with goals of business activity. Planning of right level of income and generation of profit as base of business model is essential. In this case Business Model as instrument supporting realization of goal of enterprises in long term planning should possess the following parts with all expecting elements and relation between them. It is rather static model of situation, connected with environmental conditions [Gołembiewski, Dudzik and others 2008, p. 57]. This model should define the added value significant for clients of enterprises in changing conditions of environment and should be modified by important changes on the market. In this case elements and factors of business model, which decide of successful effect should be changed as follows:

- methods of observation of market,
- analysis of trends in market,
- new relations with clients,
- improving new innovative products,
- using of resources, especially intellectual capital,
- implementation of innovative processes,
- a new systems of management.

There are some differences between strategy of success and business model of enterprises. According to Timmers's theory [Timmers 1998, pp. 3–8] the following elements belong to business model:

- structure of product,
- services,
- flow of information,
- presentation resources of income.

Porter [1996, p. 175] suggests using the value chain as complete description of business model and also including resources to development of enterprises. Porter described the economic basis of competitive advantage down to the level of specific activities as company performs. Using cases such as Ikea and Vanguard he shows how making trade-offs among activities is critical to sustainability of strategy. Another model presented by Prahalad and Bettis [1986] can be useful to explain and prognose present and future activities, confirmed by Samuelson and Marks [1998, pp. 32–33]. In the next years new applications of management of innovative enterprises formulated [Nogalski 2011, p. 447]. For example some new applications were introduced to business models as modification of management by IT [Duczowska-Piasecka 2013, p. 132]. Business model was applied into e-business described by C. Combe [2006]. He presented that Internet has transformed the competitive environment for firms and requires managers to under-

stand its distinctive attributes in order to build effective models and exploit the opportunities that its use presents. The Internet economy works by a different set of rules than the traditional economy and managers of both traditional bricks-and-mortar firms and internet-based firms have had to face the challenge of either transforming their business model or building their business model around the key attributes that the Internet exhibits [Combe 2006, p. 53]. Norris analysed e-business model based on following types of relationship between business with market:

- Business-to-Customer: B2C – most common type, most developed model since 1995;
- Business-to-Business: B2B – where enterprises offer products and services to another enterprises;
- Customer-to-Customer: C2C – exchanging products between participants by auction in the Internet;
- Peer-to-Peer: P2P users share files directly, without main Internet server;
- Mobile Commerce: M-commerce – realized by using cordless apparatus to contact and make transactions [Norris 2001, p. 179].

Business models are now most often discussed problems in electronic trade. Those models should answer the following questions: how will income be generated? Why do clients want to pay for using the commercial server? Up today there are no clear business models in e-commerce. All of the known business models were formulated based on research in big companies². Model VRIO (*Valuable, Rare, Inimitable and Well Organized Resources*) described by Barney [1991, pp. 105–106] and Timmers [2000, p. 3], Magretta [2003, p. 44].

Issues of improvement of business model presented by Shaffera and others accentuated main goals of success of business [Shafer, Smith, Lindner 2005, p. 202]. The main elements are presented:

- I. Strategic choice related with market.
- II. Creation of values based on resources and assets and special processes activities.
- III. Net of values important for clients.
- IV. Keeping of values in material view.

Most universal characteristics have conception formulated by Osterwalder [Osterwalder, Pigneur 2012] which can be used to analyse actual and future business. This model can be useful to create the future model of business. Structure of Osterwalder's model is presented in Figure 1.

² For example Michael E. Porter formulated his theory based on Ikea and Vanguard companies.

Figure 1. Structure of business model by Osterwalder

Key Partners	Key Activities	Value Propositions	Customer Relationship	Customer Segments
	Key Resources		Channels	
Costs Structure			Revenues Streams	

Source: Business Model Generation [online], <http://www.businessmodelgeneration.com/canvas/bmc>, access date: 1.12.2016.

Business model presented in Figure. 1 gives possibility of the practical application after identifying four key areas:

- creating value,
- methods of creating,
- distributing value to clients,
- improving the flow of processes of value and cash flow.

According to Osterwalder's model own research of SMEs in confectionery branch and goal of research was defining elements of business model was designed.

Creating success strategy as an element of business model

The own research of success strategy in SMEs was conducted in years 2009-2015 in confectionery branch. Selecting the sample group of 20 SMEs was intentional and sample was not representative. Thus the results of research apply only to researched small and microenterprises from confectionery branch located in regions: Mazowieckie, Łódzkie, Kujawsko-Pomorskie and Wielkopolskie. The study used different methods such as surveys, interviews, direct observation and interviews with experts. The aim of research was to define the success strategy for SMEs. The study included 20 SMEs operating in manufacturing industry (60%), trade (30%) and services (30%). All researched SMEs declared success strategy as base of business model and formulated this model over 5 years ago. The content of Table 1 is the result of a study. The enterprises used a variety of each element of Osterwalder's model and indicated some different levels of meaning.

- Key Partners – 20%,
- Key Activities – 30%,
- Key Resources – 40%,
- Value Propositions – 25%,
- Customer Relationship – 35%,
- Costs Structure – 25%,
- Channels (of distribution) – 30%,
- Customer Segments – 40%,
- Revenues Streams – 10%.

Significant elements of business model are “Key Resources” and “Customer Segments”. 35% level indicated “Customer Relationship” as important elements of business model, 25% confirmed “Value propositions” and “Costs Structure”. 20% studied companies confirmed that key partners can support and help in success and 10% that what is important is “Revenues Streams”.

More detailed tasks of business model connected with success strategy belong to marketing and logistics activities and appeared to be more important than financial resources. Most of them arose from the specific nature of the company operation and the market in which it operates. In confectionery branch the most significant value was traditional recipes and method of production, sometimes also experience in the market. Consequently, the general success factors formulated tasks for owners of SMEs as follows:

- participation in development of the company mission, vision and strategy for business development of SMEs, building its image,
- development of a marketing strategy that would prefer a modern approach to logistics processes, including logistics of customer service,
- customer segmentation, selecting strategic clients,
- development of customer loyalty programs, their improvement and evaluation,
- conducting marketing research, the basic goal of which should be recognition of basic customer needs and comparing them with logistics possibilities of a company,
- conducting marketing research, the aim should be to recognize the basic customer needs and referring them to the possibility of logistics companies,
- creation of new needs arising from global industry development trends based on science and technology,
- monitoring and analysing the marketing environment, identifying competitors and cooperating companies,
- development of marketing-mix tools suitable for logistics processes in a given enterprise and in line with customers’ needs,

- organizing cooperation between the enterprise with its institutional environment, marketing departments of other companies with respect to formulation, execution and implementation of market activities,
- evaluation and control of marketing activities, their impact on the course and efficiency of logistics processes and thus the success of the company.

General conclusion from answers of tested enterprises can be used to prepare the individual Business Model, based on author's empirical research.

Conclusion

In the paper the literature study of selected business models and results of research in SMEs from confectionery branch was presented. According to Osterwalder's model of business in the article own research in SMEs is presented. Analysis of answers from entrepreneurs can be described by using factors of success. Creating success strategy can be prepared using elements of business models. Key factors of success can be presented as elements of business models by tested SMEs. Answers of owners of SMEs can be connected with conditions in branch and characteristics of products on example of confectionery branch. The tested group described success factors as the following: quality, relations with clients and key resources for example resources of knowledge. The knowledge management is shown as a way to introduce innovations in production, marketing and logistics. Hypotheses 1st and 2nd were confirmed. Selecting the sample group was not representative and conclusion applies to the tested enterprises only.

Bibliography

Białoń L., Werner E. (2016), *Wokół innowacji społecznych*, Zarządzanie-Teoria i Praktyka, No 17(3)/2016, Wyższa Szkoła Menedżerska w Warszawie, Warszawa, pp. 3–12.

Combe C. (2006), *Introduction to e-business, management and strategy*, Amsterdam-Boston-Heidelberg-Londyn-Nowy Jork-Oxford-Paris.

Gołombiowski T., Dudzik T.M., Lewandowska M., Witek-Hejduk M. (2008), *Modele biznesu polskich przedsiębiorstw*, Szkoła Główna Handlowa, Warszawa.

Jemieliński D., Koźmiński A.K. (ed.) (2008), *Zarządzanie wiedzą*, Wydawnictwo Akademickie i Profesjonalne, Warszawa.

Janczewska D. (2016), *Kreowanie modeli biznesowych w mikroprzedsiębiorstwach* [in:] S. Rudolf, (red.), *Nowa ekonomia instytucjonalna a nauki o zarządzaniu*, Prace Naukowe Wyższej Szkoły Bankowej w Gdańsku, Vol. 48, Gdańsk, pp. 487–499.

Juchniewicz M., Grzybowska B. (2010), *Innowacyjność mikroprzedsiębiorstw w Polsce*, PARP, Warszawa.

Koszałka J. (2011), *Doradztwo dla strategii rozwoju innowacyjnego w MŚP*, PARP, Gdańsk.

Magretta J. (2003), *What Management Is?* Profile Books, London.

Norris M., West E. (2001), *E-biznes*, Wydawnictwa Komunikacji i Łączności, Warszawa, p. 179.

Osterwalder A., Pigneur Y. (2012), *Tworzenie modeli biznesowych. Podręcznik wizjonera*, Wydawnictwo Helion, Gliwice.

Ovans A. (2015), *What is a Business Model?*, "Harvard Business Review", January 23, 2015, <https://hbr.org/2015/01/what-is-a-business-model>, access date: 17.01.2017.

Połomska-Jasienowska A. (2012), *Możliwe relacje małych przedsiębiorstw z konkurentami – wyniki badań* [in:] *Wybrane problemy kooperacji w rozwoju współczesnych organizacji*, Studia Ekonomiczne Regionu Łódzkiego, Wyd. Polskie Towarzystwo Ekonomiczne, Łódź.

Porter M.E. (1996), *What Is Strategy?* [online], Harvard Business Review, November-December, <https://hbr.org/1996/11/what-is-strategy>, access date: 20.01.2017

Shafer S., Smith H., Lindner J. (2015), *The power of Business Models*, "Business Horizons", Vol. 48, p. 202

Timmers P. (1998), *Business Models for Electronic Markets*, "Electronic Markets", Vol. 8, No. 2, pp. 3–8.

The Economist explains: What disruptive innovation means, "The Economist", retrieved 2015-06-26.

Małgorzata Smolarek

University of Social Sciences
msmolarek@poczta.fm

Monika Sipa

Czestochowa University of Technology
monikasipa@gmail.com

Selected Aspects of Strategies in the Context of Business Entities' Size

Abstract: The small and medium enterprises (MSMEs) constitute 99% of companies operating in the European Union. Small enterprises play a major role in micro-, small and medium-sized enterprises sector which plays a decisive role in economic development and economic condition of countries. Due to their complexity and specificity, they have to focus in particular on strategic management. The strategy of such companies is determined not only by economic factors. This is very important, especially in the context of sustainable development. The aim of this paper is to identify selected problems connected with developing and implementing a strategy in a business of various size. Special attention was paid to strategy aspects in the area of human resources management. The paper contains two integral parts. The first deals with theoretical aspects of the specificity of a strategy in the context of SME and big businesses. The second presents analysis of results of studies as part of the issues discussed.

Key words: strategy, strategic planning, strategic human management, SME, scale

Introduction

Today's market is highly volatile, hard to predict and significantly fragmented in terms of economic entities. Over 90% of organisations operating on the market are micro, small and medium-sized companies which cannot be perceived as a miniature of large ones. Such entities are governed by different rules of operation, focus on different values and react to external stimuli in a different way [Sipa 2011, p. 441]. Efforts taken to reconfigure the social and technical system of enterprises facilitate creation of such internal potential of an organisation that enables an enterprise to develop, also SMEs [Pachura 2015, p. 143]. Therefore, enterprises of this type also need thorough knowledge on management, with particular focus on the issues of building and implementing strategies. Today, management through strategies is almost a philosophy of an organisation. Strategic activities in this case are nothing other than implementation of strategic plans and the concepts contained in them [Dzieńdziora, Smolarek 2016, p. 190]. An important role in building SMEs' values is played by the process of human resources management. It involves development and implementation of effective tools for human resources management designed to ensure that an organisation has competent and committed employees, capable of achieving established goals, as success of such organisations depends on employees – their most valuable capital [Dzieńdziora 2010, p. 35]. A strategic approach to management of human resources enables close integration between the different systems of human resources management and improvement of their effectiveness, and consequently achievement of defined goals.

The aim of this paper is to indicate selected problems connected with development and implementation of a strategy, including a strategy for human resources management, in companies with varying level of employment.

In view of the above, the Authors undertook an attempt to identify selected problems connected with developing and implementing a strategy in businesses of various size. Special attention was paid to strategy aspects in the area of human resources management. The paper consists of two integral parts. The first part deals with theoretical aspects of the specificity of strategic planning in the context of the size of companies, in particular the MSME sector (micro, small and medium-sized entities). The second part presents analysis of results of a study as part of the issues being discussed.

Strategy in the activity of enterprises with various levels of employment

A strategy is one of the basic abstractions of business, but consequences of its implementation are very real [Obłój 2000, p. 32]. Thus, creation of a strategy is a basic obligation of an enterprise. Regardless of the size and character of an enterprise, the strategy is the central pivot of its functioning, binding all the most important links of its functioning [Klimek 2006, p. 39]. It makes it possible to shape the image of and appropriate attitudes towards the organisation, which directly impact people's behaviour [Janasz, Wiśniewska 2013, p. 25].

Most authors dealing with the issues of strategy building claim that the development of a strategic plan (strategy) has to be preceded by identification of the organisation's vision and mission to which it aspires [Pierścioneck 2011, pp. 74–75; Stabryła 2011, p. 48, Romanowska 2009, p. 23, Kałkowska and others 2010, p. 9; Elkin 2010, pp. 150–151; Duczkowska-Piasecka 2012, p. 199, Vaara and Lamberg 2016, p. 635]. Only then is it time to establish strategic goals which transpose the vision or mission into specific "states of affairs" to be achieved by the whole organisation [Urbanowska-Sojkin, Banaszyk, Witczak 2007, pp. 238–239]. In every organisation, whatever its size, situations can appear as if they are likely to have a negative impact on its position and market image. This is the main reason why modern enterprises monitor their environment and quickly identify and react to unpredicted situations (new challenges or new threats) that occur in it [Smolarek 2015, p. 345].

As can be seen, micro, small and medium-sized companies constitute a specific group among enterprises. There is a widespread view in entities of this size that market research and analysis are beyond their financial capacity, but in fact a lot of data on a specific market and competition can be obtained from generally available sources. Thus, achieving a market success is determined by the right choice of the target market and strategy of operation. A very important role is also played by the ability to prepare an appropriate, attractive offer for customers and by proper implementation of the defined strategy. The contemporary enterprise, regardless of its size and the subject of activity, depends on a multidisciplinary influence of its surroundings and the clients' constantly rising requirements [Skibiński, Sipa 2015, pp. 430–431].

We should however bear in mind that the markets on which small and medium-sized enterprises usually operate are very often limited. Growth cannot last forever on such markets. At some point, stagnation or decline in demand will occur, with the smallest enterprises suffering the most. That is why it becomes so important for such enterprises to acquire capabilities of proper management and to develop an appropriate strategy for functioning [Smolarek 2010, pp. 36–37].

In the case of small and medium-sized enterprises, the development and increase in competitiveness are mainly determined by the knowledge of the market and customers' needs. Therefore, a chance for them can be customer orientation, meeting customer needs and choosing a market niche that is not attractive to stronger competitors. Due to their specificity, strategies of small and medium-sized companies can focus on:

- overcoming their weaknesses and relying on their natural advantages – this approach focuses on finding such markets and their segments where their values will be displayed;
- searching for opportunities – mostly in the form of market niches and preferential treatment ensured by the industrial policy;
- adapting their strengths to the opportunities emerging in their environment and avoiding weaknesses and threats [Pierścioneek 2003, p. 321].

As Sipa, Gorzeń-Mitke and Skibiński point out [2015, pp. 449–452] in the period of significant economic turbulence, a major role in shaping the competitive market position was played by the following factors: company image (product brand) and lower product price. The market position of small businesses was also shaped by focusing on a specific group of customers. Small-sized enterprises started to appreciate their unique nature which makes them able to quickly adapt to market demands.

Selected aspects of a strategy in the area of human resources management

Human resources management is concerned with how an enterprise will implement its objectives by means of people, strategic measures and integrated rules for operation. A strategy for human resources management, as one of functional strategies, has to be in line with the strategy of an organisation. Like other functional strategies, human resources strategies are also located in a specific hierarchy of objectives, missions and strategies of an organisation. Therefore, they have to be reflected in specific plans and personnel decisions, as they fulfil a fundamental role in an organisation's attempts to achieve specific objectives, and thus success [Listwan 2003: cited in Dzieńdziora, Smolarek 2016, p. 190].

In order to fulfil their role, human resources strategies should cover strategic actions within all the functions in the area of human resources management, i.e.: employment planning, recruitment, selection, interpersonal communication, motivation and assessment, organisational culture and labour costs. Based on the individual functions of human resources, the so-called sub-strategies are created, which have to be coherent with each other and in line with the strategy of an organisation [Lipka 2000].

The above-presented assumptions refer to all entities, but we should bear in mind that strategies have a formal form mostly in larger entities employing over 250 people.

The process of managing human resources varies depending on the size of an organisation. Although some think that this process is the same across companies from the SME sector, it in fact differs depending on the scale of a firm [Mattare, Shah, Monahan 2013, p. 20]. In micro, small and medium-sized companies, especially micro and small entities, how the work is performed is often determined by owners' personal relationships and ties. These relationships can (but do not have to) contribute to the improvement of work atmosphere and employees' motivation and loyalty. Due to the lack of vast financial and human resources, which are significantly bigger in large organisations, human resources management in such entities places emphasis on other aspects. In enterprises of this type there is no rational employment or effective use of labour force with effective remuneration and motivation systems [Smolarek 2016].

Armstrong [2010] stresses that during developing a human resources strategy, one should not forget about ethical issues in the context of all who are involved in the matters of an organisation, both employees, owners, managerial staff and local community. In the process of human resources management of importance is the aspect of human relations, security issues, interpersonal communication, involvement and maintenance of balance between work and private life. While developing strategies, the human factor should be taken into account. Strategies should not ignore people's aspirations or needs. People whose needs have been satisfied are more motivated to work more effectively and work in a safer way.

Representations of strategic activities in the SME sector – results of the own research

Empirical research method

The research was conducted in November 2014 among employees of entities with varying level of employment (the classification adopted in the EU was used), using the method of a diagnostic survey and the technique of a questionnaire. The questionnaire survey included open, semi-open and closed dichotomic questions, as well as a cafeteria and imprint. Non-probability sampling was used. 114 correctly filled in questionnaires were returned and accepted for further analysis. The survey was anonymous, and participation in it was voluntary.

The aim of the survey was to identify selected problems connected with developing and implementing a strategy in a business of various size. Special attention was paid to strategy aspects in the area of human resources management.

The paper presents a fragment of the research that addresses mainly such elements as:

- the vision,
- formulation and assignment of goals and
- implementation of strategies for human resources management.

All the above-mentioned issues were examined in the context of the size of enterprises, with a particular reference to the MSME sector (micro, small, medium-sized entities). The analysis used the traditional division of entities – based on the employment figure – into micro, small, medium-sized and large companies. The research conducted provided answers to the following research problems:

- *Does the size of a company determine the presence of a strategy in a company and its formal character?*
- *Does the size of a company determine the presence of a strategy for human resources management in a company?*
- *How do the areas of interest within a strategy for human resources management change depending on the size of an entity?*

The analysis was conducted using the Mann-Whitney U test. Test probability $p < 0.05$ was accepted as significant, whereas test probability $p < 0.01$ was accepted as highly significant. The analysis of the results was conducted by means of the statistical application PQStat ver. 1.6.

Selected results of the analysis

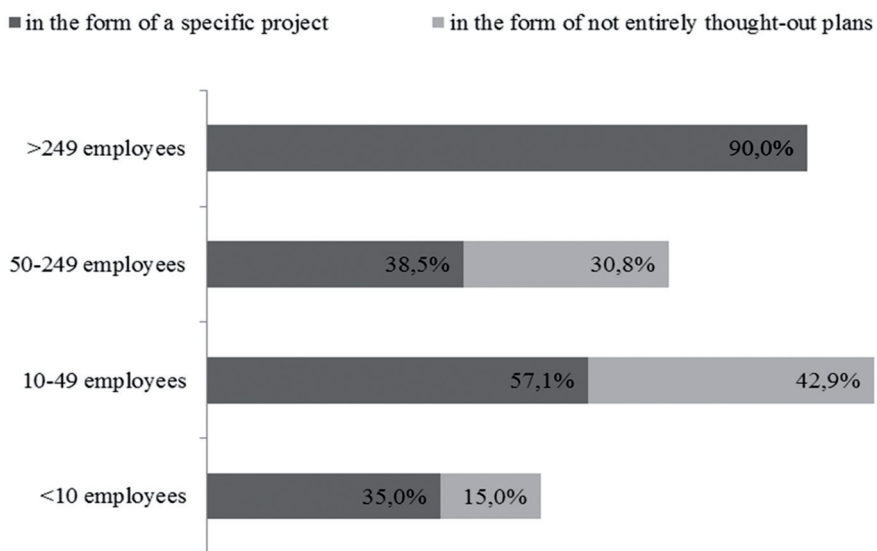
In the structure of the analysed group dominated employees of micro-enterprises, which accounted for 38.7%. Slightly smaller was the share of employees of small companies (10-49 employees) – 32.3%, followed by medium-sized enterprises (29.0%) and large ones.

Taking into account the selected elements connected with enterprises' strategic activity it should be stressed that 73.7% of those surveyed indicated that the enterprises where they worked had a development vision in place and, what is interesting, in most cases it had the form of a specific project (69.0%). The rest had a vision in the form of not exactly defined thoughts.

In the context of the scale of entities, it can be seen that predominance of the form of a detailed developed project over "not entirely thought-out plans" grows with the size of the enterprise. Especially noteworthy are companies employing 10 to 40 people. First of all, employees of enterprises of this size did not indicate in their answers the lack of a development vision; what is more, over half of them (57.1%) claimed that it had the form of a specific project. It is also worth stressing that in the whole group of large enterprises with a development vision it takes the form of a specific project. The detailed structure of the answers in this regard is presented in figure 1.

Over half of those surveyed (61.4%) indicated that the company in which they were employed had an action strategy, with the percentage of such answers growing with the size of the company. For micro-enterprises, the percentage was 35.0%, whereas for large companies – 100.0%. It should be stressed, however, that 40.0% of those surveyed employed in micro-companies were unclear about whether their companies had a strategy in place. This uncertainty may indicate the lack of the strategy or lack of information flow in this area within the organisation.

Figure 1. The form of an enterprise's development vision and the size of entities (%)



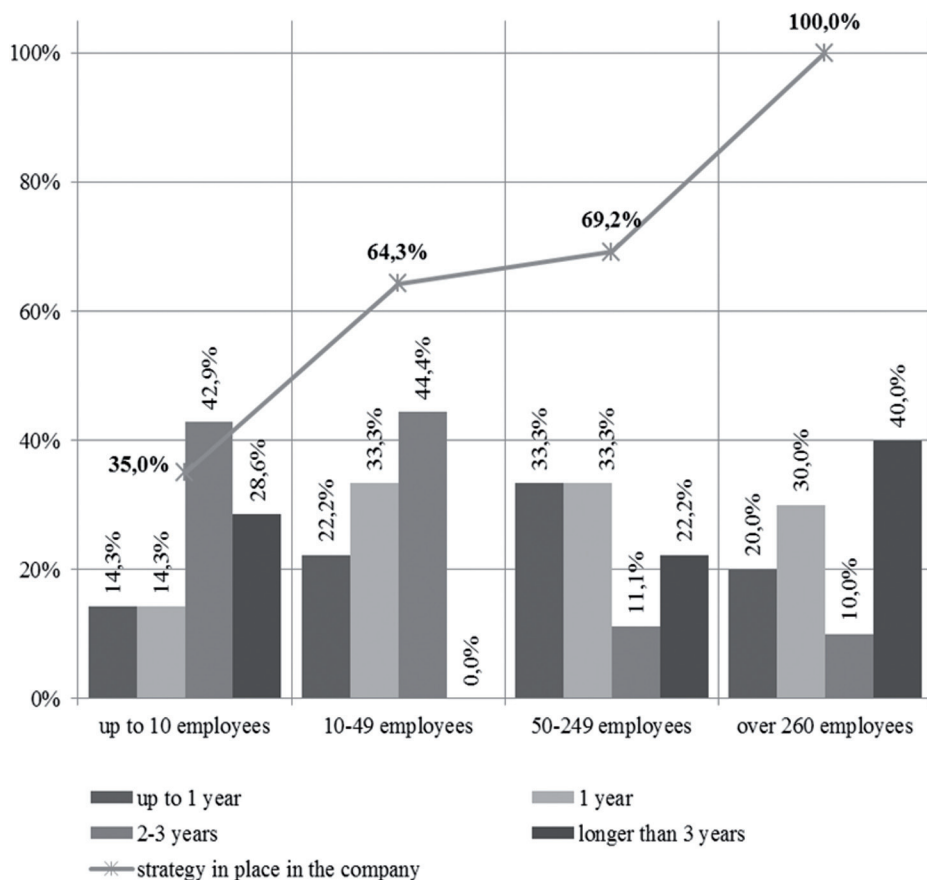
Source: own study.

However, such a clear relationship was not seen as far as the period covered by an adopted strategy was concerned. Longer period of planning was emphasised more strongly by employees of large companies (40.0%) compared to small entities employing up to 49 people (12.5%). When dividing small companies into micro (with up to 9 employees) and small entities (10-49 employees), it can be seen that long-term planning was employed only by micro-companies – with 28.6% of entities of this size indicating so. Analysing data has also shown that a short period of planning (1 year and shorter) was most often indicated by employees of medium-sized enterprises, 66.6% in total. The interest in a strategy covering a 2–3-year period of planning decreased with the scale of the company. Such period of planning was indicated by almost half (43.8%) of employees of enterprises with up to 49 people, with 42.9% and 44.4% of indications respectively

for micro-companies and companies with 10-49 employees. For medium-sized and large companies the percentage was 11.1% and 10.0% respectively (figure 2).

For 64.9% of those surveyed, the goals set in the strategy were clearly defined and the tasks designed to implement them had, according to over 3/4 of those surveyed (78.9%), clearly defined recipients. In large enterprises, all those surveyed *declared knowledge of the basic assumptions of the strategy adopted*, whereas in micro-companies the percentage was 45.0%. Similar distribution of answers can be seen for clarity of the goals formulated in the strategy.

Figure 2. Length of the period of strategic planning and the size of enterprises (%)



Source: own study.

The smallest percentage of such indications was recorded among medium-sized entities (46.2%). In micro-firms, half of those surveyed assessed the goals as clearly defined, whereas in large enterprises the percentage was 100.0%. In the different groups of entities, 3/4 of those surveyed claimed that their enterprises had clearly appointed persons responsible for implementation of the different goals. Such opinion was expressed by 75.0% of employees of micro-firms, 78.6% of employees of companies with 10 to 49 employees, 76.9% of employees of medium-sized companies and 90% of those employed in large companies (table 1).

Table 1. Selected characteristics of the strategic activities undertaken by the entities surveyed

Selected characteristics	In total [%]	In the individual groups of entities [%]			
		up to 10 employees	10-49 employees	50-249 employees	over 250 employees
Knowledge of the basic assumptions of the enterprise's strategy	61.4	45.0	64.3	53.8	100.0
The objectives arising from the strategy are clearly defined	64.9	50.0	78.6	46.2	100.0
The tasks designed to achieve the objectives have their recipients	78.9	75.0	78.6	76.9	90.0

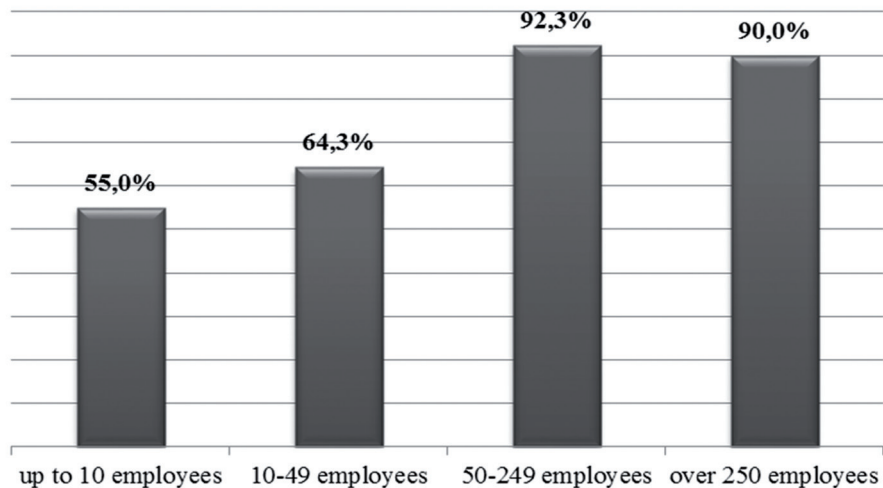
Source: own study.

Like in the case of the enterprise's strategy of operations, in larger organizations Human Resource Management Strategy is often identified. Almost 3/4 of those surveyed (71.9%) identified a Strategy for Human Resources Management in their workplace, but it has to be stressed that for companies employing up to 9 people the percentage was 55.0%, and for large companies – 90.0% (fig.3).

Within the five areas suggested in the study, answers indicating the identification of only one area of the strategy for Human Resources Management dominated (36.6%). Among the answers were also those indicating all the five areas. They accounted for 12.2% of all the answers, with the same percentage of answers indicating 3 and 4 areas of interest within the strategy for Human Resources Management implemented in companies. The number of answers indicating all the areas grows with the size of the enterprise. More specifically, no such answers were recorded among micro-companies, among

companies with 10-49 they constituted 11.1% of answers, among medium-sized entities – 16.7%, whereas among large entities – 22.2%.

Figure 3. Implementation of the strategy for human resources management (%)



Source: own study.

Identification of only one area of activities undertaken as part of the strategy for human resources management was most often selected by employees of micro-companies and medium-sized entities, with 72.7% of such answers recorded among micro-companies. The details have been presented in table 2.

Table 2. The number of areas present within the strategy for human resources management being implemented

The number of areas	In total [%]	In the individual groups of entities [%]			
		up to 10 employees	10-49 employees	50-249 employees	over 250 employees
One	36.6	72.7	11.1	41.7	11.1
Two	26.8	18.2	44.4	16.7	33.3
Three	12.2	0.0	11.1	16.7	22.2

Four	12.2	9.1	22.2	8.3	11.1
Five	12.2	0.0	11.1	16.7	22.2
SUM	100.0	100.0	100.0	100.0	100.0

Source: own study.

As it can be seen, the areas which are identified by the respondents within HRM strategy change in correlation with the size of the organization. These are the areas whose existence is the most visible and significant for the employees of particular organizations. The strategy for Human Resources Management refers mainly to such areas as: staff development and qualification improvement (26.5%), employment planning (21.6%) and staff selection (21.6%). Analysis of this aspect in the context of the scale of entities shows that in micro-companies "motivating and rewarding staff" was mostly indicated, whereas in medium-sized entities it was "employment planning". In the other groups, "staff development and qualification improvement" was most often indicated, with "staff selection" equally important among enterprises with 10 to 49 employees (table 3).

Table 3. Areas of interest within the strategy for human resources management

Areas of interest	In total [%]	In the individual groups of entities [%]			
		up to 10 employees	10-49 employees	50-249 employees	over 250 employees
Employment planning	21.6	18.8	12.0	29.4	22.2
Staff selection	21.6	18.8	28.0	23.5	14.8
Staff development and qualification improvement	26.5	25.0	28.0	23.5	29.6
Motivating and rewarding staff	17.6	31.3	24.0	8.8	14.8
Assessing employees	11.8	6.3	8.0	14.7	14.8
Other	1.0	0.0	0.0	0.0	3.7
SUM	100.0	100.0	100.0	100.0	100.0

Source: own study.

It is a positive signal that 'the development and improvement of the staff' is one of the most commonly indicated areas by the employees of the examined enterprises and the most often indicated one by the employees of large entities. The contemporary mar-

ket forces the organizations to develop constantly, including human resources. It is also noticeable how important 'employee evaluation' is and the larger the organization is, the more significance it bears. A rising number of indications from this area in medium and large companies might result mostly from a larger degree of their formalization.

Conclusion

Entrepreneurs, regardless of the type of the business entity, should not forget to create a conscious and long-term development strategy for their enterprises. Management of human resources based on the organisation's strategy involves identification and elimination of problems existing in the organisation and its environment and actions that are based on decisions that have a significant impact on the concept of employment and staff development and mutual personal relationships.

Strategic thinking is crucial for all economic entities, regardless of the size of the enterprise. It is hard to imagine the development and functioning of a modern enterprise without a strategy and elements of strategic management. However, what turns out to be a standard for large entities is not necessarily so for the sector of micro, small and medium-sized enterprises, in particular small and micro companies. The studies conducted show that the overwhelming majority of enterprises have a development vision, but it is not entirely thought-out, especially in companies with 10-49 employees and medium-sized entities. The strategy for Human Resources Management refers mainly to such areas as: staff development and qualification improvement (26.5%), employment planning (21.6%) and staff selection (21.6%).

Bibliography

Armstrong M. (2010), *Strategiczne zarządzanie zasobami ludzkimi*, Wolters Kluwer Warszawa.

Duczkowska-Piasecka M. (2012), *Model biznesu w zarządzaniu przedsiębiorstwem*, Oficyna Wydawnicza SGH, Warszawa.

Dzieńdziora J., Smolarek M. (2016), *Strategic dimension of human resources management in enterprises for example Silesian Region*, [in:] *Hradec Economic Days. Double-blind peer reviewed proceedings of the international scientific conference Hradec Economic Days 2016*, University of Hradec Králové, Hradec Králové, pp. 190–197.

Dzieńdziora J. (2010), *Wybrane aspekty zarządzania zasobami ludzkimi w świetle badań ankietowych MSP* [w:] J. Kramer, J. Dzieńdziora (red.), *Nowe trendy w zarządzaniu przedsiębiorstwem*, Wydawnictwo Wyższej Szkoły Ekonomiczno-Humanistycznej, Bielsko-Biała.

Elkin P.M. (2010). *Planowanie i strategie biznesowe*, Oficyna a Wolters Kluwer business, Warszawa.

Janasz K., Wiśniewska J. (2013), *Innowacje i jakość w zarządzaniu organizacjami*, CeDeWu, Warszawa.

Klimek J. (2006), *Rola zarządzania strategicznego w rozwoju przedsiębiorczości*, Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, Warszawa.

Lipka A. (2000), *Strategie personalne firmy*, Wydawnictwo Profesjonalnej Szkoły Biznesu, Kraków.

Obłój K. (2000), *Strategia sukcesu firmy*, PWE, Warszawa.

Pachura A. (2015), *Innovativeness of an enterprise in the context of technology globalisation*, “Polish Journal of Management Studies”, Vol.12, No. 1, 2015, pp. 143–153.

Pierścionek Z. (2011), *Zarządzanie strategiczne w przedsiębiorstwie*, PWN, Warszawa.

Pierścionek Z. (2003), *Strategie konkurencji i rozwoju przedsiębiorstwa*, PWN, Warszawa.

Romanowska M. (2009), *Planowanie strategiczne w przedsiębiorstwie*, PWE, Warszawa.

Sipa M. (2011), *Specyfika działalności małych przedsiębiorstw o zróżnicowanym poziomie innowacyjności i konkurencyjności*, „Zeszyty Naukowe Uniwersytetu Szczecińskiego”, nr 638, Ekonomiczne Problemy Usług, nr 63, pp. 441–448.

Sipa M., Gorzeń-Mitka I., Skibiński A. (2015), *Determinants of Competitiveness of Small Enterprises: Polish Perspective*, “Procedia Economics and Finance”, 27, pp. 445–453.

Skibiński A., Sipa M. (2015), *Sources of Innovation of Small Businesses: Polish Perspective*, “Procedia Economics and Finance”, 22nd International Economic Conference of Sibiu 2015, IECS 2015 “Economic Prospects in the Context of Growing Global and Regional Interdependencies”, Vol. 27, pp. 429–437.

Smolarek M. (2010), *Rozdział VI Strategia jako źródło przewagi konkurencyjnej w małych i średnich przedsiębiorstwach* [w:] A. Jabłoński (red.), *Zarządzanie wartością przedsiębiorstwa i strategiczna karta wyników*, Wydawnictwo Wyższej Szkoły Biznesu w Dąbrowie Górniczej, Dąbrowa Górnicza.

Smolarek M. (2015), *Wybrane aspekty planowania strategicznego w instytucjach integracji i pomocy społecznej*, „Zeszyty Naukowe Uniwersytetu Szczecińskiego nr 849 – Studia i Prace Wydziału Nauk Ekonomicznych i Zarządzania”, nr 49, tom 3, Szczecin, pp. 345–357.

Smolarek M. (2016), *Zarządzanie kadrami w małych i średnich przedsiębiorstwach*, „Marketing i Rynek”, nr 3, pp. 860–870.

Stabryła A. (2011), *Zarządzanie strategiczne w teorii i praktyce*, PWN, Warszawa.

Urbanowska-Sojkin E., Banaszyk P., Witczak H. (2007), *Zarządzanie strategiczne przedsiębiorstwem*, PWE, Warszawa.

Vaara E., Lamberg J.-A. (2016), *Taking historical embeddedness seriously: three historical approaches to advances strategy process and practise research*, „Academy of Management Review”, Vol. 41, No. 4, pp. 663–657.

Mattare M., Shah A., Monahan M. (2013), *Human Resource Management in Microenterprises: Gateway for Success*, „Coastal Business Journal”, Spring, Vol. 12, Issue 1, pp. 20–33.

Bartłomiej Krzeczewski

Uniwersytet Łódzki
Wydział Ekonomiczno-Socjologiczny
Katedra Finansów Korporacji, Instytut Finansów
bartlomiej.krzeczewski@uni.lodz.pl

A Trade-off Between Liquidity and Profitability among Polish Hospitals

Abstract: In the article the problem of trade-off between liquidity and profitability is discussed. It fulfils the gap in the studies dedicated to this problem and conducted in Poland in different sectors of economy. The main aim of the article is to verify the relationship between liquidity and profitability among Polish hospitals. The article is based on the hypothesis that among Polish hospitals negative relationship between liquidity and profitability occurs. Such relationship is typical for most enterprises operating in market economy. The obtained results are not fully clear as far as research hypothesis is concerned. In few cases of hospital units it might be verified positively but in most cases it is verified in a negative way. It suggests that most hospitals do not behave like typical enterprises operating in market economy.

Key words: hospital liquidity, hospital profitability, hospital finance, liquidity-profitability relationship, liquidity-profitability trade-off, liquidity management

Introduction

Liquidity management consists one of the most important aspects of financial management in every company. Problems with liquidity can lead to serious financial troubles including insolvency or even bankruptcy of the enterprise [Narkiewicz 2003, pp. 485–497; Wędzki 2003, p. 35]. However, it is always a very important question to the staff respon-

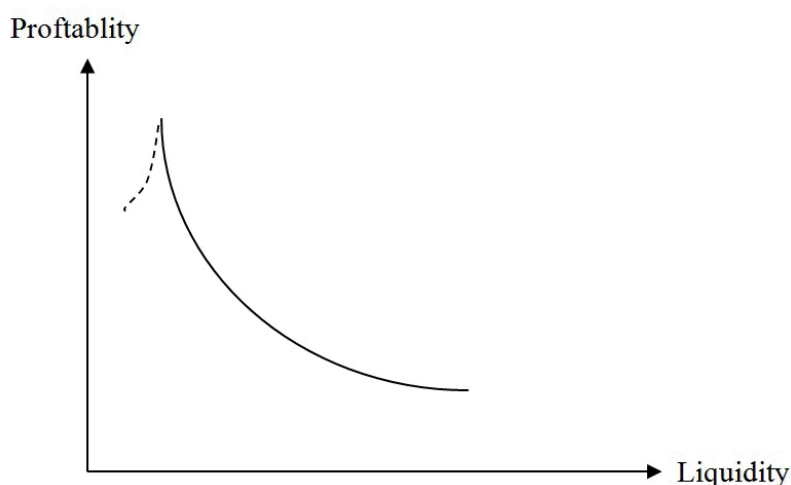
sible for the financial management in the company as to what level of liquidity should be maintained. It is mainly due to the fact that there usually occur negative relationship between liquidity and profitability in the company [Gajdka and Walińska, 2000, p. 467]. Such relationship is typical for most of enterprises operating in market economy. But it is still an open question if similar rules occur in Polish hospital sector which is situated actually at the junction of market economy and public funding.

The main aim of the article is to verify the relationship between liquidity and profitability among Polish hospitals. Research hypothesis in the article is that among Polish hospitals, as far as liquidity and profitability is concerned, similar rules as suggested by the theory occur, so that means the relationship between these two domains of financial management is negative.

Liquidity-profitability trade-off

Theory of finance suggests negative relationship between liquidity and profitability, which means that generally reduction in liquidity is connected with the increase in profitability and vice versa – maximizing profitability is associated with the decrease in liquidity [Gajdka, Walińska 2000, p. 467; Wawryszuk-Misztal 2007, p. 38]. There are even opinions that this trade-off between liquidity and profitability is firmly established by theoreticians as well as business practitioners [Guzik, 2006, pp. 57–68]. Chart 1 presents the relationship between liquidity and profitability:

Chart 1. Relationship between liquidity and profitability



Source: Gajdka, Walińska 2000, p. 467.

As it can be observed on the foregoing chart, in general terms, decline in liquidity is the cause of increased profitability. However, it is worth to point out that such a situation occurs if a particular company maintain a certain, minimum level of liquidity. But if this level is too small it can cause severe drop in profitability [Narkiewicz 2007, pp. 331–345].

Analysing studies dedicated to business practice in this matter it can be observed that there are some studies supporting this theory which assumes negative relationship between liquidity and profitability as well as there can be found some studies which are inconsistent to this theory.

Among researches conducted in Poland and supporting theory assuming negative relationship between liquidity and profitability, the studies conducted by: Guzik [2006, pp. 57–68] analysing the situation in the bank sector, Narkiewicz [2007, pp. 331–345] and Waściński and Kruk [2010, pp. 9–20] both considering the situation in the confectionery sector or Bolek and Wiliński [2012, pp. 38–52] investigating the situation in the construction sector can be mentioned.

By contrast researches suggesting positive relationship between liquidity and profitability in Poland include for example studies conducted by: Bieniasz, Czerwińska-Kayzer and Gołaś [2007, pp. 11–25] dedicated to the companies operating in food sector, Wasilewski and Gałęcka [2010, pp. 231–240] evaluating situation of agriculture farms, Zuba [2010, pp. 263–273] analysing the situation of milk cooperatives or Zawadzka, Ardan and Szafraniec-Siluta [2011, pp. 195–207] dedicated to the situation of agricultural enterprises.

It should be noted here that positive relationship between liquidity and profitability may be connected with the specific features of the branch. All the studies mentioned in the article and suggesting positive relationship are somehow connected with agriculture industry whereas studies suggesting negative relationship come from various sectors of economy. That may lead to the conclusions that companies from agriculture sector in Poland are specific in some matters and that is why the results obtained for them in the area of liquidity-profitability trade-off are inconsistent with the presented theory of finance.

So, it is still an open question what is the situation as far as relationship between liquidity and profitability among Polish hospitals is concerned. According to author's knowledge such an analysis has not been conducted so far for Polish hospital sector. However, there can be found similar analysis conducted among hospitals in worldwide literature.

One of them was conducted by Cleverley [1990, pp. 173–197] who analysed the situation of 50 hospitals in terms of profitability and came to interesting conclusions as far as liquidity is concerned. In the study the author distinguished two groups of hospitals according to their return on equity (ROE) ratios – high-performing and low-performing ones. Among the conclusions concerning the high-performing group was the fact that these hospitals minimize accounts receivables, which constitute one of the most

important liquidity indicators. This suggests a negative relationship between liquidity and profitability.

Different study dedicated to the analysis of the relationship between these two areas of financial management among hospitals was conducted by Talha, Christopher and Kamalavalli [2010, pp. 213–227]. The authors tried to find out the influence of liquidity ratios on profitability in hospital sector in India. Using regression analysis they proved that such indicators of liquidity as current ratio, cash turnover ratio, proportion of current assets to operating income and leverage influence profitability in a negative way.

Another study was conducted by Rauscher and Wheeler [2012, pp. 339–346]. Negative relationship was indicated between profitability and some liquidity measures including average collection period and average payment period. The authors observed that hospitals with faster pace of collecting revenues reported higher profitability as compared to hospitals with slower pace of collecting revenues and as a result with higher balances of outstanding receivables. They also noticed that hospitals with higher profitability paid the suppliers faster probably to avoid high interests on outstanding accounts payable.

Bearing in mind the theoretical considerations and remarks from the worldwide literature about the trade-off between liquidity and profitability among hospitals it should be assumed that among Polish hospitals negative relationship between liquidity and profitability occurs. However, it is necessary to remember that there might appear some exceptions from these general regularities – like for example in case of agricultural industry in Poland. As it was mentioned earlier in the article Polish hospitals operate on the intersection of market economy and public funding. So, they cannot be portrayed as typical market players. That is why it is quite interesting and needs to be verified if such financial regularity occurs in hospital sector like in typical sectors of market economy or not and if so maybe they should be portrayed and assessed in a different way.

Data and methodology

The study was conducted on the example of hospitals from the region of Lodz. Such simplification was applied due to the difficulties with gathering and processing huge amount of data from hospitals situated across the country.

To analyse the relationship between liquidity and profitability among investigated hospitals Pearson correlation matrix was built.

Pearson correlation coefficient indicates the dependence between examined variables. The value range of the coefficient is $\langle -1, 1 \rangle$. Direction of the relationship between variables is indicated by the sign of the coefficient whereas the strength of the relation-

ship between the variables is indicated by the coefficient's value. The closer the coefficient is to either -1 or 1 , the stronger linear relationship between the examined variables is. Perfect decreasing negative linear relationship is indicated when the Pearson correlation coefficient is -1 instead [Kader and Franklin, 2008, pp. 292–299].

As the input data to the matrix the values of financial ratios concerning profitability and liquidity were used. In case of profitability return on assets (ROA) and return on equity (ROE) ratios were used and as the liquidity ratios – current ratio (CR) was used. ROA and ROE were calculated as a quotients of net income and respectively total assets and shareholders' funds whereas current ratio was calculated as a quotient of current assets and current liabilities. All the ratios are presented in Appendix 1.

The study covers the period between 2006–2015. It is due to the fact that it was relatively stable period as far as financing Polish healthcare system is concerned. Since the year 2016 many changes aimed at making the system more effective have been introduced – partly also connected with changes in macroeconomic and political situation in Poland.

The financial data used in the study comes from the Amadeus database providing economic information on a number of private and public companies operating in Europe. Unfortunately, in the database there was not available complete data for all hospitals from the region of Lodz. That is why in the study data just for 16 hospitals is included. All the analysed hospitals might be defined as public ones. Despite the fact that some of them operate in the form of limited liability companies public entities occur as majority shareholders, so most of the stock is public.

For the majority of the investigated hospitals full time series of financial data necessary for conducting the analysis were available. In the case of several hospital units occasional gaps in the data on a particular financial category from one year to maximum two years occurred. However, these deficiencies were incidental and therefore, according to the author, should not affect the overall conclusions of the study.

For some hospitals it was impossible to specify ROE ratios in particular years of the analysed period. It was due to the fact that they achieved both net incomes and shareholders' funds levels below zero. Such units were excluded from Pearson correlation analysis.

Results

The results of the calculation of Pearson correlation coefficients for the investigates group of hospitals in the period 2006–2015 are presented in the table below. As far as the coefficients are concerned in one column there are results for variables including current

ratio and return on assets ratio (CR-ROA) whereas in other column the results are for variables including current ratio and return on equity ratio (CR – ROE).

Table 1. Pearson correlation coefficients for the chosen hospitals in the period 2006-2015

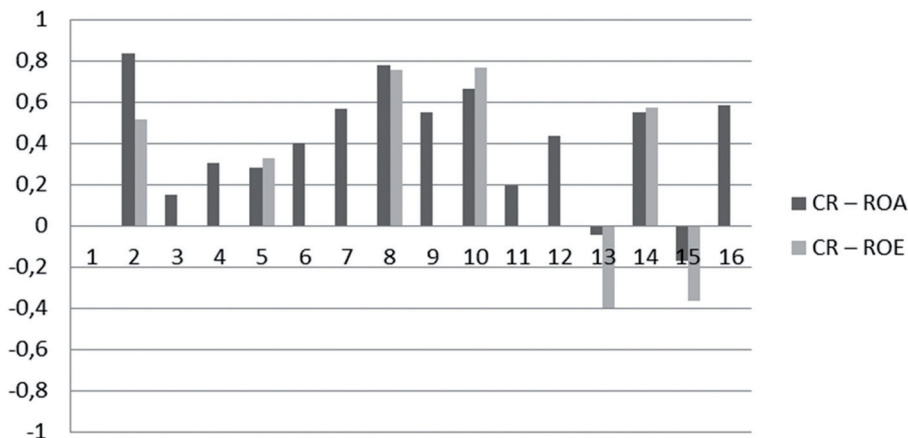
No.	Names of hospitals	Pearson correlation coefficients	
		CR – ROA	CR – ROE
1	Wojewódzki Szpital Specjalistyczny im. M. Kopernika W Łodzi	-0,002871076	n.s
2	Wojewódzki Specjalistyczny Szpital im Dr. Wł. Biegańskiego W Łodzi	0,832295538	0,515802684
3	Szpital Wojewódzki im. Prymasa Kardynała Stefana Wyszyńskiego W Sieradzu	0,148487979	n.s
4	Wojewódzki Specjalistyczny Szpital im. M. Pirogowa W Łodzi	0,3007121	n.s
5	Wojewódzki Zespół Zakładów Opieki Zdrowotnej - Centrum Leczenia Chorób Płuc i Rehabilitacji w Łodzi	0,279435886	0,328996923
6	Miejskie Centrum Medyczne im. Dr. Karola Jonschera w Łodzi	0,402438436	n.s
7	Samodzielny Publiczny Zakład Opieki Zdrowotnej Ministerstwa Spraw Wewnętrznych w Łodzi	0,564964508	n.s.
8	Samodzielny Szpital Wojewódzki im. Mikołaja Kopernika W Piotrkowie Trybunalskim	0,775042811	0,756030367
9	Tomaszowskie Centrum Zdrowia Sp. Z O.O. (Tomaszów Mazowiecki)	0,546401396	n.s
10	Wojewódzki Szpital Zespolony im. Stanisława Rybickiego w Skierniewicach	0,665398414	0,766043381
11	Specjalistyczny Psychiatryczny Zespół Opieki Zdrowotnej w Łodzi Szpital im. Dr. J. Babińskiego	0,194383474	n.s.
12	Powiatowy Zespół Opieki Zdrowotnej w Piotrkowie Trybunalskim	0,434729414	n.s
13	Samodzielny Publiczny Zakład Opieki Zdrowotnej Szpital Powiatowy im. Edmunda Biernackiego w Opocznie	-0,043103599	-0,400490089
14	Wojewódzki Szpital Psychiatryczny w Warcie	0,550218961	0,570251179
15	Zduńskowolski Szpital Powiatowy Sp. Z O.O.	-0,17295311	-0,36405879
16	Samodzielny Publiczny Zakład Opieki Zdrowotnej Uniwersytecki Szpital Kliniczny im. Wojskowej Akademii Medycznej Uniwersytetu Medycznego w Łodzi - Centralny Szpital Weteranów	0,585521632	n.s

Source: Own elaboration on the basis of Amadeus database.

Where: n.s. – no specified.

For better illustration of the analysed problem also the graph presenting variability of values of Pearson correlation coefficients and the numbers of the particular hospitals was constructed.

Chart 2. Pearson correlation coefficients for the chosen hospitals in the period 2006-2015



Source: Own elaboration on the basis of Amadeus database.

Analysing the data presented in Table 1 and in Chart 1 it can be noted that in the case of the coefficients calculated for CR-ROA variables only 3 out of 16 hospitals are featured by negative values which indicate negative relationship between liquidity and profitability. What is more, the strength of this association is rather weak taking values from less than 0,01 to approximately 0,17. For the rest of the hospitals the values of Pearson correlation coefficients are positive and the strength of the association is much stronger fluctuating between approximately 0,19 in the weakest case to even more than 0,83.

In the case of CR-ROE variables it was impossible to calculate Person correlation coefficients for 9 out of 16 hospitals. As it was mentioned earlier, in methodology section, it was due to the fact that these hospitals generated financial losses and had also negative shareholders' funds. Such a situation should be assessed as negative phenomenon. Considering enterprises operating in market economy, negative shareholders' funds are portrayed as evident premise indicating bankruptcy [Tokarski 2010, pp. 78–91]. Polish hospitals operate on the intersection of market economy and public funding. Nonetheless, bearing in mind that such a negative situation occurred in more than half of the analysed hospitals it raises some doubts about the proper and efficient financial management of these units. The rest of the hospitals in case of CR-ROE variables are featured

mostly by relatively strong positive Pearson correlation coefficients. Exceptions are hospitals no. 13 and no. 15. In their case negative correlation fluctuating between -0,40 to -0,36 respectively occurred. What is more, in their case negative correlations also in the case of CR-ROA variables occurred, however, the strength of the association was much weaker (-0,04 and -0,17 respectively).

Bearing in mind initial assumptions of the study it might be said that results of the conducted analysis are rather unclear.

Analysing both CR-ROA and CR-ROE relationships together it might be said that in the case of 9 hospitals it is impossible to make full and comprehensive assessment due to the mentioned problem with generated financial losses and negative shareholders' funds. Only 2 hospitals stay somehow in consistency with general remarks concerning liquidity – profitability trade-off suggested by the theory of finance [Gajdka, Walińska 2000, p. 467, Wawryszuk-Misztal 2007, p. 38, Guzik 2006, pp. 57–68], some Polish studies dedicated to the problem of relationship between liquidity and profitability conducted in different sectors of economy [Guzik 2006, pp. 57–68, Narkiewicz 2007, pp. 331–345, Waściński, Kruk 2010, pp. 9–20; Bolek, Wiliński 2012, pp 38–52] and also with the foreign literature analysing the relationship between liquidity and profitability among hospitals [Cleverley 1990, pp. 173–197, Talha, Christopher, Kamalavalli 2010, pp. 213–227, Rauscher, Wheeler, 2012, pp. 339–346]. In the case of 6 of the analysed hospitals positive and mostly relatively strong Pearson correlation coefficients suggesting inconsistency with these theories and studies occur. However, it is necessary to remember that some of the mentioned studies were designed in a different way and quite often different liquidity measures were used as compared to the current study. On the other hand the results obtained for these 6 hospitals stay in consistency with the studies conducted in Poland dedicated to agricultural industry described earlier in the article as a specific sector [Bieniasz, Czerwińska-Kayzer, Gołaś 2007, pp. 11–25, Wasilewski, Gałęcka 2010, pp. 231–240, Zuba 2010, pp. 263–273, Zawadzka, Ardan, Szafraniec-Siluta 2011, pp. 195–207].

Conclusions

Making conclusions from the presented analysis it is necessary to point out that general financial situation of Polish hospitals (on the example of Lodz region) is unsatisfactory. More than half of the analysed hospitals (9 out of 16) are featured by financial losses and negative shareholders' funds.

As far as verification of the research hypothesis assuming negative relationship between liquidity and profitability is concerned it should be noted that obtained results are unclear in this matter. On the one hand there are few hospital units in case of which the research hypothesis might be verified positively but in most cases verification of the

hypothesis is negative. Such a situation may suggest that hospitals should not be portrayed as other typical enterprises operating in market economy but rather like specific ones (similarly to the mentioned agriculture industry).

However, according to author's opinion, due to the fact that the obtained results are not clear enough and also because some limitations of the study, the topic needs further investigation. Probably the most important limitation is the scope of the study which was limited just to 16 hospitals from the region of Lodz. Because of some lapses in analysed data not all hospitals from this region were included into research sample. So, the author believes that wider scope of the analysis might bring new, interesting remarks to the topic.

Nonetheless, according to author's knowledge this is one of the very first studies analysing the relationship between liquidity and profitability in hospital sector in Poland and it fulfils other mentioned studies dedicated to this problem and conducted in other sectors of Polish economy, which can be portrayed as the added value of the research.

Acknowledgment: *The author received funding for the preparation of a doctoral dissertation under the financing doctoral scholarship from the National Science Centre in Poland on the basis of the decision DEC-2016/20/T/HS4/00411.*

Bibliography

Bieniasz A., Czerwinska-Kayzer D., Gołaś Z. (2007), *Czynniki kształtujące płynność finansową przedsiębiorstw branży spożywczej*, „Zagadnienia Ekonomiki Rolnej”, (4), pp. 62–75.

Bolek M., Wilinski W. (2012), *The influence of liquidity on profitability of Polish construction sector companies*, „e-Finanse”, 8(1), pp. 38–52.

Cleverley W.O. (1990), *Improving financial performance: a study of 50 hospitals*, „Hospital & Health Services Administration”, 35(2), pp. 173–187.

Gajdka J., Walińska E. (2000), *Zarządzanie finansowe: teoria i praktyka*, t. 2, Fundacja Rozwoju Rachunkowości w Polsce, Warszawa.

Guzik B. (2006), *Statystyczne metody badania związków między rentownością a płynnością bankową*, „Badania Operacyjne i Decyzje”, nr 3–4, pp. 57–68.

Kader G. D., Franklin C. A. (2008), *The Evolution of Pearson's Correlation Coefficient*, "Mathematics Teacher", vol. 102 nr 4, pp. 292–299.

Narkiewicz J. (2003), *Struktura kapitałowo-majątkowa a płynność finansowa przedsiębiorstwa*, „Annales Universitatis Mariae Curie-Skłodowska. Sectio H. Oeconomia”, 37, pp. 485–497.

Narkiewicz J. (2007), *Struktura bilansu a rentowność i płynność finansowa przedsiębiorstwa*, „Annales Universitatis Mariae Curie-Skłodowska. Sectio H. Oeconomia”, 41, pp. 331–345.

Rauscher S., Wheeler J.R.C. (2012), *The importance of working capital management for hospital profitability: Evidence from bond-issuing, not-for-profit U.S. hospitals*, "Health Care Manage Rev", October/December 2012, Volume 37, Issue 4, pp. 339–346.

Talha M., Christopher S.B., Kamalavalli A.L. (2010), *Sensitivity of profitability to working capital management: a study of Indian corporate hospitals*, "International Journal of Managerial and Financial Accounting", Volume 2, Issue 3, pp. 213–227.

Tokarski A. (2010), *Upadłość jako naturalny regulator konkurencji i przedsiębiorczości w gospodarce rynkowej na przykładzie gospodarki polskiej*, „Przedsiębiorczość-Edukacja”, 6, pp. 78–91.

Wasilewski M., Gałęcka A. (2010), *Rentowność kapitału własnego gospodarstw rolniczych w zależności od bieżącej płynności finansowej*, Zeszyty Naukowe Szkoły Głównej Gospodarstwa Wiejskiego w Warszawie. Ekonomika i Organizacja Gospodarki Żywnościowej, nr 81, pp. 231–240.

Waściński T., Kru M. (2010), *Analiza powiązań pomiędzy rentownością i płynnością spółek branży cukierniczej notowanych na GPW w Warszawie*, „Zeszyty Naukowe Akademii Podlaskiej. Administracja i Zarządzanie”, 11(84), pp. 9–20.

Wawryszuk-Misztal A. (2007), *Strategie zarządzania kapitałem obrotowym netto w przedsiębiorstwach: studium empiryczno-teoretyczne*, Wydawnictwo Uniwersytetu Marii Curie-Skłodowskiej, Lublin.

Wędzki D. (2003), *Strategie płynności finansowej przedsiębiorstwa: przepływy pieniężne a wartość dla właścicieli*, Oficyna Ekonomiczna, Kraków.

Zawadzka D., Ardan R., Szafraniec-Siluta E. (2011), *Płynność finansowa a rentowność przedsiębiorstw rolnych w Polsce – ujęcie modelowe*, „Zeszyty Naukowe Szkoły Głównej Gospodarstwa Wiejskiego w Warszawie. Ekonomika i Organizacja Gospodarki Żywnościowej”, nr 88, pp. 195–207.

Zuba M. (2010), *Zależność między rentownością a płynnością finansową spółdzielni mleczarskich w Polsce*, „Annales Universitatis Mariae Curie-Skłodowska. Sectio H. Oeconomia”, 44, pp. 263–273.

Appendix 1

Hospitals are arranged in the same order as in Table 1 in the article

Table 1. Calculation of ROA

No.	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	-15,76	-10,28	1,47	7,3	0,28	-13,64	0,1	0,42	0,9	1,13
2	5,04	5,64	4,53	2,64	-0,77	0,01	1,81	0,01	0,02	-1,19
3	15,87	68,92	38,95	11,66	6,87	-4,16	1,15	-1,65	4,48	8,82
4	5,12	6,97	-16,51	16,57	-1,34	-17,45	-3,97	-2,24	-7,39	-7,3
5	3,94	5,27	2,77	2,79	2,25	1,47	1,52	n.a.	0,05	-1,45
6	2,58	16,24	8,4	4,66	8,59	1,11	-63,96	2,62	1,39	0,1
7	-14,47	6,89	3,18	11,91	24,02	8,49	19,06	10,83	6,62	3,07
8	8,63	12,3	7,85	2,86	0,26	0,02	n.a.	1,73	0,47	-3,32
9	-31,34	0,2	15,63	26,92	30,39	3,98	7,45	8,49	2,5	2,5
10	3,12	9,07	13,26	0,23	-5,1	-3,19	-8,8	-5,27	-7,33	n.a.
11	0,27	-4,63	0,16	-1,36	-27,59	-2,37	-3,13	-3,56	-1,71	0,02
12	12,39	14,87	20,38	50,25	5,34	-6,56	0,88	0,33	-5,32	n.a.
13	8,33	23,66	12,2	23,08	4,65	4,8	1,43	-1,52	-0,85	n.a.
14	0,33	0,01	0,01	0,01	0,02	-3,47	-2,7	0,3	n.a.	n.a.
15	9,43	n.a.	5	-8,84	-18,49	-22,24	14,44	3,42	-2,32	n.a.
16	-6,36	0,34	3,54	-0,12	-4,85	-15,22	5,18	8,65	29,67	n.a.

Source: Amadeus database.

Table 2. Calculation of ROE

No.	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	n.s.	n.s.	n.s.	134,27	2,43	n.s.	n.s.	n.s.	n.s.	n.s.
2	57,71	17,89	11,48	3,34	-1,07	0,01	3,61	0,02	0,05	-2,79
3	n.s.	n.s.	120	23,11	11,68	-7,17	5,32	-8,46	9,65	18,37

4	n.s.	92,21	n.s.	60,42	-4,84	-92,15	n.s.	n.s.	n.s.	n.s.
5	9,11	10,71	5,67	5,75	4,87	3,26	4,71	n.a.	0,16	-5,19
6	15,54	31,31	14,63	7,01	10,53	1,38	n.s.	n.s.	2,69	0,18
7	n.s.	n.s.	n.s.	158,92	57,85	17,7	54,16	25,08	14,18	6,11
8	26,5	23,67	13,52	4,66	0,41	0,04	n.a.	4,66	1,18	-8,71
9	n.s.	n.s.	n.s.	88,87	64,9	9,15	15,23	16,48	12,03	12,03
10	4,78	12,81	16,72	0,28	-6,6	-6,54	-35,85	-20,68	-35,93	n.a.
11	1,01	-13,44	0,3	-2,43	-81,19	-5,4	-37,1	-178,33	n.s.	n.s.
12	n.s.	n.s.	n.s.	n.s.	131,99	n.s.	n.s.	n.s.	n.s.	n.a.
13	63,6	65,48	24,65	31,18	6,61	6,49	2,51	-2,6	-1,42	n.a.
14	0,35	0,01	0,01	0,01	0,02	-3,91	-4,4	0,46	n.a.	n.a.
15	15,41	n.a.	7,82	-13,42	-32,36	-59,48	102,2	4,5	-3,19	n.a.
16	-12,69	0,58	6,05	-0,21	-14,93	-84,61	293,84	73,46	n.s.	n.a.

Source: Amadeus database.

Table 3. Calculation of CR

No.	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	0,54	0,51	0,64	0,65	0,65	0,51	0,35	0,37	0,35	0,36
2	1,05	1,14	1,37	1,17	0,6	0,55	0,31	0,28	0,26	0,3
3	0,36	0,87	1,08	1,25	0,91	0,8	0,4	0,39	1,66	0,54
4	0,59	0,72	0,59	0,79	0,85	0,76	0,49	0,5	0,52	0,43
5	0,55	0,6	0,58	0,86	1,25	1,33	0,72	n.a.	0,29	0,21
6	0,36	0,74	1,64	2,42	2,48	1,32	0,09	0,08	0,44	0,4
7	0,17	0,24	0,5	0,62	3,02	2,82	0,82	0,84	0,68	0,63
8	2,32	2,09	2,3	2,02	1,86	1,45	n.a.	1,08	1,03	1,03
9	0,18	0,21	0,38	1,36	1,56	1,29	1,19	1,34	1,51	1,51
10	0,78	1,17	2	2,02	1,47	0,62	0,26	0,24	0,23	n.a.
11	0,8	0,72	0,69	0,62	0,44	0,81	0,32	0,29	0,25	0,4
12	0,51	0,66	1,09	1	0,86	0,74	0,78	0,84	0,79	n.a.

13	0,75	0,91	1,18	1,91	2,26	2,93	1,08	1,13	1,16	n.a.
14	6,36	6,12	4,17	5,18	2,8	1,66	0,37	0,31	n.a.	n.a.
15	0,65	0,89	1,12	1,04	0,82	0,6	0,45	0,71	0,78	n.a.
16	0,57	0,67	0,81	0,81	0,57	0,51	0,48	0,5	0,92	n.a.

Source: Amadeus database.

Where:

n.s. – no specified.

n.a – no available.

Małgorzata Macuda

Uniwersytet Ekonomiczny w Poznaniu
malgorzata.macuda@ue.poznan.pl

Ryszard Orlński

Państwowa Wyższa Szkoła Zawodowa w Kaliszu
ryszard_orlinski@poczta.onet.pl

Target Costing – a Remedy for Hospitals' Ills?

Abstract: The interest in target costing in case of hospitals is associated with their difficult financial situation, the necessity of introducing organizational changes, as well as the need for strategic management of costs. In the past, cost accounting, in conventional payment systems, such as fee-for-service reimbursement and global budgets, was not of high priority to hospitals. Its significance and role increased with the introduction of DRG-based payment system. Due to a new form of medical services contracting and financing, hospital managers started to pay more attention to cost accounting and cost management that enable to collect, summarize, analyse and control the most relevant information regarding costs of hospital activity, especially medical services. The purpose of this paper is to present the possibility to apply target costing in hospitals (service sector). The first part of the paper describes the concept of target costing and the second one focuses on hospitals and discusses the use of target costing, while taking into account the specificity of hospital as an entity. It is mainly a theoretical (conceptual) paper, based on the literature critical review and the authors' experience and their knowledge about hospitals.

Key words: cost accounting, cost management, target costing, hospitals, DRGs

Introduction

With the aim of improving the efficiency of hospital care, on 1 July 2008, NFZ (Narodowy Fundusz Zdrowia – National Health Fund) introduced a DRG-based payment system in Poland. However, this new form of medical services contracting and financing started to be implemented in the United States in 1983, and later many European countries have followed the example. The whole concept of Diagnosis-related groups (DRG) appeared in the late 1970s in the United States (designed and developed by Robert Fetter, John Thompson, Ronald Miller, Richard Averill and Jean Freedman – scientists at Yale University). The first version of DRG-based payment system, applied in 1983 in New Jersey, was called the Health Care Financing Administration – Diagnosis-Related Groups (HCFA-DRG), and it contained 493 groups.

In short, diagnosis-related groups are the categories of patient conditions that require similar levels of hospital resources necessary to treat these conditions. The main variables used to assign the patients to DRGs are: primary diagnosis, secondary diagnosis, intervention and procedures, age and gender – all routinely available from the hospital medical information. The patients are therefore assigned to particular DRGs after taking into account the medical diagnosis and treatment (applied medical procedures, prescribed drugs, etc.), as well as the hospitalization costs (resources demands and associated costs incurred by the hospital).

The NFZ carries out the valuation of DRGs (point system – each group is assigned the number of points and the value of one point currently amounts to 52 PLN). The DRG tariffs are equal for all types of medical services providers, regardless the region where they run their activity and are supposed to cover all or at least the majority of hospital costs, including overheads and administrative expenses. The income from sale of medical services generated under the agreements with the NFZ and refunded on the basis of diagnosis-related groups, is the main source of income (from 65% to 90%) for the hospital. There is no doubt that the pricing of medical services applying DRGs is transparent, hence the value of received net income from the sale of medical services is well known to hospitals. Nevertheless, the medical demographics of patients does not always reflect the contracted volume. This fact, eventually, influences the final income.

The authors believe that knowing in advance the price which the NFZ will pay for the realized medical services, the hospital is able to estimate the maximum cost that should be incurred in order not to exceed the received income. Such an approach is consistent with the concept of target costing.

The aim of the paper is to present the possibility to apply target costing in hospitals (service sector). Thus, the first part of the paper describes the concept of target costing and the second one focuses on hospitals and discusses the use of target costing, while

taking into account the specificity of hospital activity as an entity. It is mainly a theoretical (conceptual) paper, a preliminary one, considering the pros of target costing, based on the literature critical review and the authors' prior own experience and their knowledge about hospitals.

The nature of target costing

Target costing, according to Albright [1998, p. 3] is "one of the strategic cost management approaches better suited to strengthen a company's competitiveness in meeting today's business challenges". Target costing concept is the most widespread in Japan where it was firstly implemented in the automobile industry (Toyota) in 1965. Later, in the early 1990s, it was applied in the United States and in Europe, but not on such a scale as in Japan. Target costing in Poland is less known due to scarce publications on the topic in the Polish language, the first papers appeared in the late 90s [Szychta 1996; Martyniuk, Zabłocka 1998; Sobańska 1998].

The companies that decided to implement target costing had previously planned to introduce a new product on the market. As target costing initiates cost management at the earliest stage of product development [Ansari, Bell, the CAM-I Target Cost Core Group 1997, p. 11], these companies saw a chance of success in terms of profitability. Prewysz-Kwinto [2010] outlines the benefits which can be achieved, i.e.: cost reduction of newly introduced products, better control of costs, increasing the company's profitability and its existing market share. Many authors propose different definitions of target costing. For the purpose of this paper, the definitions of Cooper, Sakurai, Ansari and Bell are worth mentioning. Cooper [1995, p. 135] claims that target costing is "a structured approach to determine the cost at which a proposed product with specified functionality and quality must be produced in order to generate the desired level of profitability and the product's anticipated sales price". In his opinion, three most important elements of target costing are: price, quality and functionality; all of them are set in advance. Sakurai [1997] assumes that target costing should be defined as a cost management tool, the aim of which is to reduce the total cost of all product components throughout the product life cycle. Target costing is a profit planning and cost management system that is market-oriented, customer-focused, design-centred and cross-functional [Ansari, Bell, the CAM-I Target Cost Core Group 1997].

Masztalerz [2005, p. 154] highlights that target costing was initially (in the 1960s – 1970s) a market-oriented cost calculation approach focused on determining the target cost of a product (at the product design stage, before the beginning of its manufacturing) by deducing from the target price (dictated by the market) the target profit (fixed by the company) in order to assure the expected level of profitability during the whole

product life cycle. As it is more difficult and expensive to introduce any changes in the product after the manufacturing process has begun, the companies started to pay attention to the product design stage, where characteristics of the product and its production costs can be changed easily. Orliński [2014, p. 481] concludes that there is the need for a two-step approach to reduce costs: (1) specify the target cost based on the previously established target profit and (2) design such a product and its manufacturing process in order not to exceed the predetermined level of costs.

Nowadays, an increased interest in target costing implementation can be observed because of the following reasons: economic environment volatility, fiercer competition, customer orientation, pressure on price and cost reduction; therefore, there is the need for strategic cost management and introducing organizational changes [Masztalerz 2010]. Recognizing the advantages of target costing, these companies considered the possibility of its application in order to strengthen their market position, increase the profitability of business activity and to improve the cost management.

Target costing uses the cost planning method (calculating) of the product on the basis of achievable market price and profit planned by the company. These two elements, price and profit, are important in today's economic market because it is the market that determines the success of the product. Moreover, the owner expects to obtain intended benefits of invested capital. Hence, target costing takes into account the economic environment and it serves the strategic management in order to accomplish a long-term strategy. Each company has its own approach to target costing which depends on various factors, such as: economic environment (the nature of the product, the type of customer serviced), company's strategy and its organizational structure.

No matter whether the company's activities are aimed at introducing a new product on the market or staying on the market with products already implemented, it is important to recognize and define the preferences of target market customers. This requires determining the quality, functionality and target price of the product, all of which should be accepted by potential buyers. Setting the achievable target price leads to defining the target profit and, in consequence, the acceptable target cost. If the actual cost is higher than the target cost, the companies may be forced to use a value engineering method to lower the costs in order to attain the target [Ansari, Bell, the CAM-I Target Cost Core Group 1997].

Monden [2000] emphasizes two critical aspects of target costing. Firstly, the basic goal is to identify the costs before they occur, therefore there cannot be a sudden increase in costs during later stages. Moreover, the successful execution of target costing requires the cooperation of several units within the company. Secondly, the company managers must carry out a market research and establish in advance how many future customers are willing to pay for the product. In case of hospitals, the target cost of futu-

re medical services is fairly predictable thanks to the DRG-based payment system, however, sudden cost fluctuations (mainly increases) are not completely excluded. The second critical aspect is partially solved due to agreements with the NFZ that state the contracted volume of medical services. These circumstances put hospitals in a favourable position in comparison to other business entities.

The significance of target costing in hospitals

In almost all European countries in which the DRG-based payment system has been introduced since the mid-1980s, the most important aims related to its implementation included increasing transparency, improving economic efficiency and assuring the quality of hospital care [Busse et al. 2011, p. 150]. Today, after more than three decades of experience with diagnosis-related groups in most European countries, and almost one decade in case of Poland, it is time to consider whether the extensive use of DRGs has contributed towards achieving the above mentioned aims. There is no doubt that the rules of hospital financing have become more transparent. Regarding the economic efficiency and the quality of medical services, they are not only conditioned by the income value received within a new payment system but also by the level of costs, connected with the allocated resources, incurred in hospitals. Consequently, high-quality and accurate cost accounting influences the effective and fair DRG-based payment system.

In more detail, following the introduction of diagnosis-related groups that facilitate to assign the confusingly large number of patients with similar clinical characteristics and similar resource-consumption patterns into homogenous groups, the transparency of hospital services and costs has substantially improved in all countries, basically for four interrelated reasons: (1) DRGs provide concise measure for reporting hospital activity; (2) DRGs facilitate the comparison of costs, efficiency and quality performance; (3) hospitals are incentivized to increase their efforts in coding¹ diagnoses and procedures; and (4) hospitals are encouraged to improve their cost accounting system. All in all, DRGs provide concise and meaningful measure of hospital outputs [Busse et al. 2011, p. 150].

In conventional payment systems such as fee-for-service reimbursement and global budgets, cost accounting and cost management were not of high priority to hospitals. In most European countries, global budgets used to be the most common funding system. One of its key advantages was the cost control. A fixed payment was agreed in advance for a hospitals' target level of activity, nevertheless, the level of reimbursement was not directly related to the costs per patient. The inability of prospective budgeting to pro-

¹ Coding is carried out according to mandatorily applicable classifiers: ICD-10 (International Statistical Classification of Diseases and Related Health Problems, in brief: International Classification of Diseases) and ICD-9-CM (Clinical Modification).

vide the insight into hospital activity restricted the whole planning of the ever-growing hospital costs [Tan et al. 2011, p. 59].

Owing to cost accounting, hospital managers may identify, collect, analyse and control the most relevant information regarding the allocation of resources and the reimbursement of medical services [Finkler et al. 2007, Horngren et al. 2006]. Precise cost information enables to detect the kinds of resource consumption in order to redesign the treatment processes more efficiently. Moreover, hospital managers recognize that cost accounting ought to support other purposes than simply payment rate-setting such as systematic benchmarking within and across hospitals [Łuczak, Macuda 2014]. Benchmarking helps hospital managers to understand whether the cost differences between and within DRGs arise from the various intensity of tangible, material and personal resources consumption.

Most countries allow their hospitals to use any cost accounting system which best fulfils their own needs, but some of them (such as England and Portugal) require their hospitals to have a mandatory cost accounting. However, despite of its presence, a few variations may still exist in different hospitals. The absence of mandatory cost accounting systems does not prevent some countries from suggesting national costing guidelines. For example, in France the analytical cost accounting model is recommended. In Ireland, the regulation related to the cost data collection is enforced centrally, according to a national costing manual. In Sweden, national guidelines for cost-per-case calculations are proposed.

In Poland, the cost accounting model (top-down micro-costing) was obligatory for public hospitals from 1998 until 2011 (expired due to introduction of a new regulation). In 2008, significant changes in hospital financing were introduced with the DRG-based payment system. They were so innovative and differed from the previously used funding method that, subsequently, they required consistent modifications of the existing cost accounting model (which did not include the specifics of the most complex cost objects, i.e. DRGs because it was developed at the time of different funding system). Considering the operating costs, their calculation certainly still constitutes the main problem, reflected in the construction of a suitable cost accounting which would allow determining the real cost of medical services, because traditional methods of cost calculation are insufficient. Hence, the search for new solutions. Various Polish authors in the field of accounting suggest the use of modern cost accounting, such as: cost accounting standard [Chluska 2008], activity-based costing [Gierusz and Cygańska 2009; Cygańska 2012], and object-based costing [Świdorska 2011] where costs might be more accurately reflected.

Target costing approach includes the following principle: prices determine costs. It is worth noticing that: "The price does not depend on the cost level but on the market conditions. It is quite opposite to the traditional management accounting approaches

wherein the product price depends on the product cost level and it is calculated according to the *cost plus profit margin formula*" [Masztalerz 2005, p. 163]. Concerning prices, it is the NFZ, as a payer, that determines how much money might be allocated for the realized medical services. In consequence, hospitals have no other choice but to adjust their costs to the proposed pricing conditions, while meeting the expectations of patients in terms of medical treatment. They have to focus, at the same time, on profitability (at least, the prices should cover incurred costs in order not to generate losses), and on required quality of medical services. This assumption of target costing is therefore consistent with the concept of DRGs (medico-economic approach). On the one hand, the healing process should be efficient from a medical point of view, i.e. solve the health problem of the patient; on the other hand, it should be realistic economically, i.e. motivate the hospital to function effectively – rationalize costs of medical services, standardize procedures, diagnoses and treatments. Appropriate diagnostic tests and drugs should be prescribed to patients, appropriate procedures and medical care should be adjusted to them.

The hospital should be treated as a company and one cannot forget about the economic character of this entity. However, the specific nature of the hospital is reflected in the fact that its primary purpose is not generating profit, or, all the more, its maximizing, as it is in a case of most economic entities, but the realization of a social mission which is to provide high quality medical services [Macuda 2013, p. 89]. Thus, the main objective of adopting target costing in hospitals is not just to reduce cost, but to control that the prices imposed by NFZ cover all the costs incurred by hospitals while providing medical services. In fact, for the short term, the difference between the target price and target cost may not exist, hospitals can accept that the target profit amounts to 0 PLN. The most important for these entities is not to exceed the target price (the income generated under the agreements with the NFZ), which is fixed and not negotiable.

Analysing and calculating costs, hospitals should receive precise information on: actual cost, target cost and a medically-economically acceptable cost. In order to determine these costs, the analysis of the product value, optimizing costs in terms of customer value, could be very useful. In hospitals, the actual cost can often exceed the target cost (target price or target price reduced by target profit), but there are several methods that can be used to regain control of the costs. Finding new ways of controlling costs is one of the main advantages of target costing and is consistent with its concept. It is important to highlight that the target cost may turn out to be economically acceptable but at the same time medically unacceptable (due to the required quality of medical services, patients' needs or expectations). Unfortunately, the provider has limited possibilities of negotiating prices (DRGs tariffs) that will cover costs and generate a reasonable target net profit.

There are two key variables having an impact on profitability of hospital activity: (1) the medical demographics of the patients to be served and (2) the costs of serving those patients, including the direct patient-related costs and allocated support costs. Direct costs can be directly, thus easily, assigned to patients. However, the controversial stage is the allocation of support costs [Chluska 2008, p. 163]. The knowledge of patient demographics and cost structure is critical to perform more accurate contract (agreements with the NFZ) analysis in order to predict the appropriate volume, which, apart from price, has an influence on the income from sale of medical services. Although, target costing is used primarily in manufacturing sector, the principles are certainly applicable to the healthcare and other service sectors. Unfortunately, in case of hospitals there is no possibility to follow only economic principles due to the fact that they have to fulfil their mission of saving lives, they cannot refuse the patient admission. According to Wolper [2004, p. 242], as hospitals focus on cost optimization, they can develop new services at a price that will maximize volumes. By implementing techniques that analyse the relevant time and costs to provide a particular service, they can develop a “production plan” to provide the service at a specified target cost. Due to the fact that a large proportion of costs is fixed, the capacity levels have a greater impact on the variability of costs in any service product. If a hospital has ample capacity, fixed costs will not constitute a part of the target cost. If there are capacity limits, however, these costs enter into the target cost.

The net income from sale of medical services is valued using DRGs. In the authors' opinion, it is about a tailor-made cost accounting (related to the operating costs of these services). Taking into account and reflecting the specificity of hospital activity as an entity, it could improve the accuracy of the profit (loss) on sale value, and, therefore, it might meet the information needs required by hospitals managers. The realized cost benefits give a chance for a hospital to exist and operate in the difficult market of medical services. It is worth mentioning that the responsibility for net income from sale of medical services is practically shifted towards doctors, since only they are able to diagnose patients correctly, direct them to the treatment, and, consequently, assign them to a particular group within the DRG classification.

Conclusion

Hospitals must gather information regarding costs of their activity for annual reports. Consequently, they often design their internal accounting systems to provide the required information. Unfortunately, these reporting systems are not designed to present relevant information for a wide variety of decisions that hospital managers must take. In order to fully support their decision-making process, these managers have to encourage

developing appropriate accounting techniques and systems [Wolper 2004, p. 242]. Economically efficient and clinically firm approach to describing and managing hospital activity is essential. Appropriate cost accounting leads to greater transparency in the financing of medical services [Tan et al. 2011, p. 71].

Hospitals across Europe recognize that cost accounting data are fundamental for systematic benchmarking that can improve the efficiency of hospital activity [Łuczak and Macuda 2014; Schuster et al. 2006; Van de Ven and Schut 2009]. Cost accounting facilitates the comparison between performance indicators, along with productivity and efficiency parameters. Benchmarking also enables hospitals to manage and control operating processes; for example, it encourages the use of DRGs in assessing the budgetary impact of anticipated changes in the volume of patients, and in monitoring actual costs versus their expected levels. If the data given by cost accounting systems are imprecise, hospitals are likely to be over- or underpaid for specific DRGs. Fortunately, in practice, profitable DRGs may compensate for less profitable DRGs. In addition, cost accounting data helps to monitor unintended incentives that accompany DRG-based payment, such as: treatment of patients for whom the expected costs are lower than the associated reimbursement, up-coding of expensive DRGs to increase the income from sale of particular medical services, cost minimization or shifting the treatment costs onto other wards, and diminishing the quality of care [Tan et al. 2011, p. 72]. Hence, the importance of accurate, that is a tailor-made, costing for hospitals.

In the authors' opinion, target costing might be suitable for implementation because of the DRG-based payment system, where prices are imposed to the provider (hospital) by NFZ and cannot be negotiated. Undoubtedly, in order to fulfil the information needs required by hospital cost accounting, which implies applying DRGs, a significant development of the information structure of the accounting system is indispensable. There is a necessity to link patients' records into one compact information system, which may seem difficult due to some technical and organizational limitations.

Bibliography

Ansari S.L., Bell J., the CAM-I Target Cost Core Group (1997), *Target costing: The Next Frontier in Strategic Cost Management*, Irwin Professional Pub, Chicago.

Busse R., Geissler A., Quentin W., Wiley M. (eds.) (2011), *Diagnosis-Related Groups in Europe. Moving towards transparency, efficiency and quality in hospitals*, [online] http://www.euro.who.int/__data/assets/pdf_file/0004/162265/e96538.pdf, date of access: 3.07.2011.

Cooper R. (1995), *When lean enterprises collide*, Harward Business School Press, Boston.

Chluska J. (2008), *Model rachunku kosztów standardowych świadczeń zdrowotnych szpitala*, Wydawnictwo Politechniki Częstochowskiej, Częstochowa.

Cygańska M. (2012), *Wykorzystanie rachunku kosztów działań w rozliczaniu i kalkulacji kosztów leczenia szpitalnego*, Wydawnictwo Uniwersytetu Warmińsko-Mazurskiego, Olsztyn.

Finkler S.A., Ward D.M., Baker J.J. (2007), *Essentials of Cost Accounting for Health Care Organizations*, Aspen Publishers, New York.

Gierusz J., Cygańska M. (2009), *Budżetowanie kosztów działań w szpitalu*, ODDK, Gdańsk.

Horngren C.T., Datar S.M., Foster G. (2006), *Cost Accounting: A Managerial Emphasis*, NJ: Pearson Prentice Hall, Upper Saddle River.

Hibbets A.R., Albright T., Funk W. (2003), *The competitive environment and strategy of target costing implementers*, "Journal of Managerial Issues", vol. 15, issue 1, pp. 65–81.

Łuczak K., Macuda M. (2014), *Wykorzystanie benchmarkingu w optymalizacji kosztów świadczeń zdrowotnych*, „Studia Oeconomica Posnaniensia”, vol. 2, no. 5 (266), Poznań, pp. 52–73.

Macuda M. (2013), *Spółeczna odpowiedzialność biznesu na przykładzie szpitala* [in:] M. Remlein (ed.), *Rachunkowość odpowiedzialności społecznej – teoria i praktyka*, Poznań.

Macuda M. (2014), *Jednorodne Grupy Pacjentów w rachunku kosztów i wyników szpitala*, [in:] E. Nowak, M. Nieplowicz (eds.), *Modele zarządzania kosztami i dokonaniem*, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, no. 343, Wrocław, pp. 376–385.

Martyniuk T., Zabłocka S. (1998), *Practice application of target costing – case study – cost of roof production*, working paper presented at 21st European Accounting Association Congress in Antwerp.

Masztalerz M. (2005), *The nature of target costing: historical and conceptual approach*, [in:] M. Kokocińska (ed.), *Contemporary economy. Selected problems in research of Young Economists*, Printshop, Szczecin, pp. 155–172.

Masztalerz M. (2010), *Rachunek kosztów docelowych jako instrument kreowania wartości przedsiębiorstwa*, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań.

Monden Y. (2000), *Japanese cost management*, Series on technology management – vol. 4, Imperial College Press, London.

Orliński R. (2014), *Zastosowanie rachunku kosztów docelowych w szpitalach* [in:] E. Nowak, M. Nieplowicz (eds.), *Modele zarządzania kosztami i dokonania*, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, no. 343, Wrocław, pp. 478–486.

Prewysz-Kwinto P. (2010), *Rachunek kosztów docelowych*, CeDeWu.PL, Warszawa.

Schuster M., Kuntz L., Hermening D. et al. (2006), *The use of diagnosis-related-groups data for external benchmarking of anesthesia and intensive care services*, „Anaesthesist”, no. 55(1), pp. 26–32.

Sobańska I. (1998), *Rachunek kosztów celu (Target Costing) w strategicznym zarządzaniu kosztami*, „Zeszyty Teoretyczne Rady Naukowej SKwP”, no. 45, Warszawa, pp. 78–89.

Szycha A. (1996), *Zasady i struktura target costing*, „Zeszyty Teoretyczne Rady Naukowej SKwP”, no. 37, Warszawa, pp. 94–114.

Świdarska G.K. (ed.) (2011), *Rachunek kosztów w zakładzie opieki zdrowotnej*, Szkoła Główna Handlowa – Oficyna Wydawnicza, Warszawa.

Tan S.S., Serdén L., Geissler A., van Ineveld M., Redekop K., Heurgren M., Hakkaart-van Roijen L. (2011), *DRGs and cost accounting: which is driving which?*, [online] http://eurodrgr.projects.tu-berlin.de/publications/DRGbook/Ch5_Tan.pdf, date of access: 3.07.2011.

Van de Ven W.P., Schut F.T. (2009), *Managed competition in the Netherlands: still work-in-progress*, „Health Economics”, vol. 18, pp. 253–255.

Wolper L.F. (2004), *Health care administration. Planning, Implementing, and Managing Organized Delivery Systems*, Jones and Bartlett Publishers, Sudbury.

Radosław Pastusiak

Department of Corporate Finance
Faculty of Economics and Sociology, University of Lodz
rpastusiak@uni.lodz.pl

Magdalena Jasiniak

Department of Corporate Finance
Faculty of Economics and Sociology, University of Lodz
mjasiniak@uni.lodz.pl

Ewa Feder-Sempach

Department of Finance and International Investment
Faculty of Economics and Sociology, University of Lodz
ewafeder@wp.pl

Enterprise Efficiency Performance in the Light of Management Continuity – Case Studies

Abstract: Changes in key management positions in companies should result in a different style of management. A manager should communicate the knowledge, skills, backed by experience, which will translate into a new, more or less effective prospect of the company. The main objective of this article is an attempt to estimate the impact of CEO tenure on the performance of Polish listed companies: PGNiG, PKN Orlen, ENEA, ORANGE for the period 2005–2015. The results of ratio analysis for the four companies analyzed in the period before and after the change of the Chairman of Board have shown a variety of changes occurring in the studied companies. Taking account of the companies' economic condition, changes in the position of Chairman of the Board had a positive character. However, the reaction of the stock market stays in contrast. In three of the four cases examined there was a decline in the quotations after the change of CEO.

Key words: tenure positions, changes in managerial positions, the effectiveness of the company

JEL codes: L21, D22, G14

Introduction

Changing the key people in a company, i.e., members of its Supervisory Board followed by changes in the Board of Directors often imply changes in management style and enterprise efficiency performance. Management continuity in business is a highly complex issue since it is primarily determined by the ownership structure, i.e., by major shareholders who are decision makers with respect to the membership of the Board of Directors. Shareholders as the owners of the company take key decisions and delineate directions of further development while the Board take day-to-day business decisions, manage the assets and decide on how the goals identified by the owners will be accomplished.

In the paper we present case studies of Polish listed companies which release detailed communications about the membership of their Boards and provide management data connected with their business efficiency.

The goal of the paper is to assess the impact of Chairman of the Board's (CoB) dismissal in selected listed companies upon their financial performances. The main measure of operational efficiency is company profitability but we have also analysed liquidity and the size of investment. The main goal is supported by the following hypothesis: the change of the CoB may be detrimental for the efficiency of companies listed at the Warsaw Stock Exchange.

The paper presents results of literature studies over the impact of personal policy pursued vis-a-vis key management positions in companies upon their business efficiency. That is the foundation for further analysis. Next, we identified changes in the CoB position in selected companies. Performance of these enterprises before and after the change has taken place is confronted with the actual moment of dismissal.

Overview of previous studies

Enterprise efficiency can be measured in many ways and changes at top management level are broadly discussed in publications devoted to finance and management. The impact of changes in companies' boards upon effective supervision and business performance is analysed from various angles.

Farrukh Shahzad [Farrukh et al., pp. 37–47] and others examined the impact of the size and membership of the Supervisory Board and the chief executive officer (CEO)

upon the ROA ratio. The analysis revealed positive effect of the size of the Supervisory Board on the ROA and negative impact of the position and the CEO management style on the ROE.

Similar analyses were conducted to explore the effect of the ownership structure of Polish companies listed at the Warsaw Stock Exchange on their rentability and profitability [Alchuna 2007]. Polish companies achieved the highest ROE and EBIT ratios when the share of majority shareholders in companies was increasing. Besides, companies owned by domestic capital performed better with respect to the ROE, ROA, and ROS than their equivalents with foreign capital involvement. Companies with higher proportion of top managers' stakes in equity also recorded higher ROE and EBIT ratios.

A similar study was conducted by Urbanek [2010]. His main conclusion was that the position of management in Polish companies is not stable. CoB's changes are frequent, especially over time horizon longer than one year. Changes are more frequent than in other countries and the highest fluctuation coefficient was reported in 2007 when every fourth Chairman of Board has lost her/his position. Supervisory Board decisions are influenced predominantly by the form of control exerted over the company, not by its economic performance, however, revenue from sales and net profit are the most often considered indicators.

In companies controlled by owners-managers key positions are the most stable in employment terms while in companies controlled by the State Treasury or by individual investors changes occur the most frequently.

Another examined issue concerned the impact of the change of the chief executive officer (CEO) on the company's stock price [Ertugrul, Krishnan, pp. 13–15]. The study included American companies which dismissed their CEOs over the period 1996–2008. Evidence showed that in most cases CEO dismissal was caused by scandals and allegations of her/his being engaged in unethical or illegal activity or by low qualifications of the manager and the decline in company's value. Account was also taken of the time after which a CEO got dismissed. If the stock price was fluctuating before CEO's dismissal, the situation was interpreted as a decrease in the company's value. The key issue was to find out whether turmoil at the top management positions is reflected in the stock price.

A similar study was conducted in Poland [Bielecki 2013]. Its principal goal was to analyse the key man discount, i.e. market (investors) response to the dismissal of a person whose decisions are vital for the fate of the company. The key person can be interpreted in different ways, however, usually it is the Chairman of the Board. Studies suggest that the value of a business depends on its manager's reputation, especially that of the CoB [Leslie Gaines-Ross 2000, pp. 366–370]. Results for Polish listed companies demonstrated increases in the stock price within two days preceding the announcement of the dismissal of the key person and a decrease within five days following such announcement.

The reason is probably earlier access of selected stockholders to confidential information about the dismissal of members of the Board.

Analyses covered also the employment of politically engaged persons in key positions. The problem affects companies where the State is the majority owner. The survey conducted by Fan, Wong, and Zhang [2007, pp. 330–357] on a sample made up of Chinese companies showed lower rentability of companies managed by politically engaged persons even up to 3 years after the company has got listed. On top of that, already on the first day of the listing the rentability of companies under the management of politically engaged persons was lower than that of companies without State involvement. Studies covered also the value of companies and their key financial ratios. Conclusions turned out to be consistent with the “grabbing hand” theory [Shleifer, Vishny 2002, pp. 1–288].

Another issue in State-owned companies is the so called “agency problem”, i.e. conflict of interest between majority and minority stockholders [Dharwadkar et al. 2000, Young et al. 2008]. The problem arises most often between private majority stockholders and a minority stockholder, i.e., the State. Such companies are usually perceived as conservative; they represent management risk lower than implied by their business model under the conditions of private ownership. The authors concluded that general companies owned by the State are seen as less efficient. Moreover, privatization which does not lead to the transfer of all of the power over to the private investor, does not result in optimum increase in company’s value [Uddin 2016, pp. 322–339].

Relationship between the age of a CEO and company’s performance was also studied: future economic situation of a company was analysed in connection with management experience of the CEO (measured in terms of her/his age). Numerous surveys have demonstrated that the age of the chief executive officer and the time (s)he spent at this position exert an impact upon company’s financial performance. Usually young managers seek to introduce new, unprecedented strategies to boost profitability of their businesses. A young CEO with a perspective to keep her/his position for a longer time is willing to implement more risky solutions to enhance the rentability in the future while an older CEO in most cases opts for safe strategies, which foster his position and pays less attention to the company’s future performance. The study also revealed the dependence between the age of a CEO, his experience and the size of stock package (s)he holds in the company’s equity [McClelland, Barker, Oh 2012, pp. 1387–1393].

Research method

In order to portray the effect of changes in the top management positions in enterprises upon their performance, the study was conducted on listed companies which regular-

ly publish communicates about the membership of their boards of directors and provide management data connected with their business efficiency. From a big group of companies listed at the Warsaw Stock Exchange we selected a sample of 4 large, renowned firms: Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna (PGNiG), Polski Koncern Naftowy Orlen Spółka Akcyjna (PKN Orlen), ENEA Spółka Akcyjna, Orange Polska Spółka Akcyjna (formerly Telekomunikacja Polska – Polish Telecommunication Company). For three of them (except Orange Polska) the State Treasury is the major stockholder and although State ownership is considered the least efficient option and the goal of the business is not just to generate profit but also to meet social, strategic goals, we selected them due to the CoBs' dismissals in the years 2005–2015 (for PGNiG and ENEA the period was shorter as they went public slightly later). Dismissals of the Chairman of the Board over the period covered by the study are presented in Table 1.

Table 1. Dismissals of the Chairman of the Board in PGNiG, PKN Orlen, ENEA, and Orange in the years 2005–2015

year	PGNiG Fuel extraction	PKN Orlen Fuel extraction	ENEA Energy company	ORANGE Telecommunication
2005	Nd	Igor Chalupec	nd	Marek Józefiak
2006	Krzysztof Głogowski	Piotr Kownacki	nd	Maciej Witucki
2007	Michał Szubski	Wojciech Heydel	nd	Maciej Witucki
2008	Michał Szubski	Piotr Kownacki Dariusz Jacek Krawiec since 18 September 2008	Piotr Kaczorowski – Chairman of Board as at 31 December 2008 Paweł Mortas	Maciej Witucki
2009	Michał Szubski	Dariusz Jacek Krawiec	Maciej Owczarek	Maciej Witucki
2010	Michał Szubski	Dariusz Jacek Krawiec	Maciej Owczarek	Maciej Witucki
2011	Grażyna Piotrowska-Oliwa	Dariusz Jacek Krawiec	Maciej Owczarek	Maciej Witucki
2012	Jerzy Kurella- Vice-chairman (acting)	Dariusz Jacek Krawiec	Krzysztof Zamasz	Maciej Witucki
2013	Mariusz Zawisza	Dariusz Jacek Krawiec	Krzysztof Zamasz	Bruno Duthoit

2014	Mariusz Zawisza	Dariusz Jacek Krawiec	Krzysztof Zamasz	Bruno Duthoit
2015	Mariusz Zawisza	Dariusz Jacek Krawiec - since 4 December 2015 Wojciech Jasiński	Krzysztof Zamasz	Bruno Duthoit

Source: consolidated periodical reports of companies in the period 2005–2015 available on companies' websites [access data: 30 July 2016].

For the selected group of 4 companies we collected financial reports: quarterly and annual balance sheets and profit and loss account for the years 2005–2015. Data was obtained through the Thomson Reuters Eikon service. Based on quarterly data from financial reports of each of these companies we calculated average values of selected indicators reflecting company's performance in the following areas: rentability (measured with the ROE, ROA, and ROS), liquidity (measured with current and cash liquidity ratios), and debt (measured with the share of liabilities in company's assets financing and the structure of liabilities, i.e., the share of long-term liabilities in total liabilities). Moreover, we assessed the average long-term investment before and after the dismissal of key persons in the company, intangibles and profit per share of stock. The analysis was based on tests of significance of means.

Selection of companies was guided by the following criterion: dismissals of key persons. An additional criterion was a particular moment of the changes so that they could be analysed against the backdrop of earlier and later performance. Depending on the availability of corporate financial data, the moment of dismissals in key positions and management continuity selected ratios were analysed as follows:

- ENEA, before the dismissal for the years 2009–2011, after the dismissal 2012–2015;
- ORANGE, before the dismissal for the years 2010–2012, after the dismissal 2013–2015;
- PGNiG, before the dismissal for the years 2007–2010, after the dismissal 2011–2015;
- ORLEN, before the dismissal for the years 2002 (4th Q)–2008 (3rd Q), after the dismissal 2008 (4th Q)–2016 (1st Q).

Results of studies

When analysing detailed results of studies presented in Table 2, which show the impact of the dismissal of the Chairman of the Board upon the efficiency, we can see that the change of the top manager matters.

Table 2. Average rentability of analysed companies before and after the dismissal of the Chairman of the Board [in %]

	ENEA		ORANGE		PGNiG		ORLEN	
	before	after	before	after	before	after	before	after
ROE	2.10*	1.37*	10.12	8.36	8.56	4.27	11.10	8.07
ROA	1.62*	1.13*	5.27	4.61	6.06	2.65	5.64	3.46
ROS	9.90	7.07	38.31	34.03	42.75	35.37	14.62	7.62

*statistically equal

Source: author's own studies based on corporate financial data, Thomson Reuters [accessed on 15.07.2016].

Average value of the ROE before the change was higher for ORANGE, PGNiG, and ORLEN. It means that changes in key positions imply decline in profitability or increase in equity. In the case of ENEA – average values of the ROE and ROA statistically have not changed (average values are statistically equal) while the ROS reported a decline. Besides, PGNiG and ORLEN recorded lower ROA ratio after the dismissal of the Chairman of the Board, which can be explained with investment in the enterprise.

However, observed changes were not significant. Clearly companies covered by the study maintained their rentability, yet some changes were observed within the limits attributable to the fact itself. Dismissal of the Chairman suggests changes in management, which will be visible in financial results.

Changes with respect to liquidity are not unambiguous. Hence, we may not conclude that the dismissal of a Chairman of the Board changes the liquidity ratios, which seems justified as it is hard to imagine a CoB of a large enterprise taking care of the allocation of available financial resources or ensuring current liquidity.

Table 3. Average liquidity in analysed companies before and after the dismissal of the Chairman of the Board

Liquidity	ENEA		ORANGE		PGNiG		ORLEN	
	before	after	before	after	before	after	before	after
current	1.38	0.85	1.94	2.62	1.51*	1.46*	1.45*	1.44*
cash	0.64*	0.75*	0.25	0.06	0.49*	0.43*	0.14	0.18

*statistically equal

Source: author's own studies based on corporate financial data, Thomson Reuters [accessed on 15.07.2016].

Details show that ENEA recorded substantial decline in current liquidity after the change of its CoB. ORANGE reported hyper-liquidity for the current liquidity ratio and a significant drop in cash liquidity. ORLEN, in turn, shows increases in cash liquidity, which is the sign of influence of the change in corporate management strategy.

When it comes to the structure of liabilities and debt, in two out of four examined companies the impact of change in the key position was meaningful.

Table 4. Average level and structure of debt in analysed companies before and after the dismissal of the Chairman of the Board [in %]

Debt	ENEA		ORANGE		PGNiG		ORLEN	
	before	after	before	after	before	after	before	after
Total liabilities/ total assets	23.11	30.40	47.79	44.88	29.34	38.11	49.80	56.85
Debt./total liabilities	3.52	22.76	31.56	26.04	4.07	25.00	21.90	29.40

Source: authors' own studies based on companies' financial data, Thomson Reuters [accessed on 15.07.2016].

For ENEA, PGNiG, and ORLEN we observed increases in debt mainly due to the increase in the proportion of long-term liabilities to total liabilities. Probably the new tenure marked large scale investment in ENEA and PGNiG. In the case of ORLEN we may assume that the new management continued the previous investment policy. From this perspective, decline in rentability observed in these companies may mean that investment is under way and has not produced expected economic benefits yet.

In ORANGE debt decreased because long-term liabilities incurred earlier were paid back.

Considering the operational aspect, one must note that in all these cases the change of the CoB was accompanied by the decrease in long-term investment value and an increase in the value of investment in intangibles.

Table 5. Average value of long-term investment, intangibles and profit per share of stock in companies covered by the study before and after the dismissal of the CoB [m PLN]

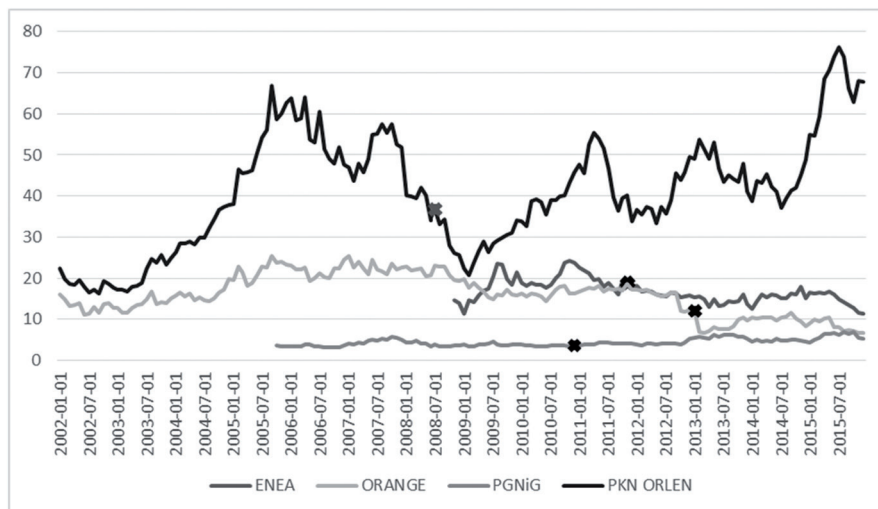
	ENEA		ORANGE		PGNiG		ORLEN	
	before	after	before	after	before	after	before	after
Long-term investment	227.83	120.69	143.00	17.35	1898.13	916.10	1036.20	896.93
Intangibles	100.17	275.75	2860.58	3341.75	145.94	953.70	463.60	1117.03
EPS	0.37*	0.27*	0.17	0.07	0.25*	0.14*	1.41	0.08

Source: authors' own studies based on financial data of companies, Thomson Reuters [accessed on 15.07.2016].

Changes in investment structure may not be unambiguously attributed to the change of the Chairman of the Board. We may not preclude that it is inscribed in general investment trends in economy. Further studies in the field would be recommended.

The ultimate overall assessment of the impact of the CoB dismissal in the four listed companies covered by the study based on some basic ratios is rather negative: decline in rentability and liquidity, increased debt. In order to better describe the impact of the change of the CoB in a company we need to analyse its stock price, which reflects firm's image and its performance in investors' eyes.

Figure 1. Stock price of ENEA, ORANGE, PGNiG, and PKN ORLEN and the change of the Chairman of the Board in years 2002–2015



Source: author's own studies based on corporate financial data, Thomson Reuters [date access: 15.07.2016].

Data in Figure1 indicate that in ENEA after the change of the CoB the stock price slightly decreased. The same happened in ORANGE but the drop in the stock price was deeper. In both cases the trend went on for a long-time. The situation was different in PGNiG, where after the dismissal of the key management person the stock price remained at a similar level and then slightly increased. The last of analysed companies responded differently because after the change of the CoB the price of its stock was dramatically decreasing but after ca. 2 years it started to systematically increase. However, no significant changes were observed for PKN Orlen.

Fluctuations of historical stock price of companies covered by the study demonstrate there are reasons to believe that the dismissal of a CoB and the stock price are linked, which remains in line with discussed studies, yet the direction of the impact is ambiguous. We need to stress that the perception of stock exchange investors may be distorted since companies selected for the study have the State Treasury as the majority stockholder and are treated as a tool of economic policy, where decisions are not always guided by the maximisation of enterprise value.

Conclusion

The results of ratio analysis for the four selected companies before and after their chairmen of the board have been dismissed revealed a variety of the implied changes. In three of them: ORANGE, PGNiG, and ORLEN rentability decreased within ca. 3 years after the change of the CoB. Changes in the key management positions were reflected in the structure of assets of analysed companies. In all cases covered by the study the structure of fixed assets changed: the value of long-term investments decreased in favour of intangibles. This shift is positive as in a knowledge-based economy intangibles are often decisive for the building up of enterprise's value and its competitiveness. Changes in the structure of liabilities in three out of four companies included in the study show that the change in investment profile was largely due to the change at the top executive position. In the case of ORLEN we may assume that the previous strategy was continued. Looking from this angle, slight decrease in the rentability of analysed companies could be explained by investment operations. Importantly, changes of the Chairman of the Board and decisions that were taken did not adversely affect the ability of the company to cover its current liabilities which should be seen as positive. Thus, considering economic and social situation of companies covered by the study, dismissal of the Chairman of the Board was a positive move. However, market response was different. In three out of four considered cases the price of company's stock decreased after the CoB was changed.

Studies conducted within the framework of this paper have some limitations. First and foremost, these limitations result from the size of the sample as the analysis covered only four companies – major players on the Polish market. Besides, the analysis is based on simple statistical methods. Yet, the studies demonstrate that the impact of the dismissal of the CoB is not unambiguous and the follow-up research should be conducted individually on a case by case basis. The authors are aware of the multiplicity of factors, which may influence economic and financial position of enterprises. We should justifiably take account of the ownership structure of the company, industry, in which it operates and the overall economic situation over the period when changes at the key management position have taken place. Moreover, the research should be expanded with questionnaire studies that would complement the effort and help identify non-financial factors and better understand the root-causes and effects of changes in key management positions.

Bibliography

Aluchna M. (2007), *Struktura własności a efektywność przedsiębiorstwa. Przypadek polskich spółek giełdowych*, "Studia i prace Kolegium Zarządzania", No. 59, pp. 59–82.

Bartkowiak P., Borkowski M. (2013), *Tendencja zmian osobowych w organach spółek z udziałem jednostek samorządu terytorialnego*, "Finanse. Rynki Finansowe. Ubezpieczenia, Zeszyty naukowe Uniwersytetu Szczecińskiego", No. 64(1), pp. 297–307.

Bielicki R. (2013), *Reakcje rynku na odejście z firmy osoby kluczowej*, "Finanse. Rynki Finansowe. Ubezpieczenia", Zeszyty naukowe Uniwersytetu Szczecińskiego, No. 64 (1), pp. 309–316.

Brookman J., Thistle P.D. (2009), *CEO tenure, the risk of termination and firm value*, "Journal of Corporate Finance", No. 15(3), pp. 331–344.

Chen M.Y. (2013), *Adjustments in managerial ownership and changes in firm value*, "International Review of Economics & Finance", No. 25, pp. 1–12.

Dewally M., Peck S.W. (2010), *Upheaval in the boardroom: Outside director public resignations, motivations, and consequences*, "Journal of Corporate Finance", No. 16(1), pp. 38–52.

Ertugrul M., Krishnan K. (2011), *Can CEO dismissals be proactive?*, "Journal of Corporate Finance", No. 17(1), pp. 134–151.

Fan J.P., Wong T.J., Zhang T. (2007), *Politically connected CEOs, corporate governance, and Post-IPO performance of China's newly partially privatized firms*, "Journal of Financial Economics", No. 84(2), pp. 330–357.

Farrukh S., Naveed A., Zeeshan F., Bushra Z., Faysal N. (2015), *Corporate Governance Impact on Firm Performance: Evidence from Cement Industry of Pakistan*, "European Researcher", No. 90 (1), pp. 37–47.

He L., Wan H., Zhou X. (2014), *How are political connections valued in China? Evidence from market reaction to CEO succession*, "International Review of Financial Analysis", No. 36, pp. 141–152.

Hou W., Li S., Priem R.L. (2013), *How do CEOs matter? The moderating effects of CEO compensation and tenure on equity ownership in international joint ventures*, "Journal of International Management", No. 19(2), pp. 138–151.

Hamadi M., Heinen A. (2015), *Firm Performance when Ownership is very Concentrated: Evidence from a Semiparametric Panel*, "Journal of Empirical Finance", No. 34, pp. 172–194.

Hambrick D., Mason P. (1984), *Upper Echelons: The Organization as a Reflection of Its Top Managers*, "The Academy of Management Review", No. 9(2), pp. 193–206.

Jeżak J. (2012), *Rada nadzorcza w procesie kreowania wartości spółki–potrzeba zmian modelowych i organizacyjnych*, "Zarządzanie i Finanse", No. 4(1), pp. 237–250.

Lefort F., & Walker E. (2000), *Ownership and capital structure of Chilean conglomerates: Facts and hypotheses for governance*, "Revista Abante", No. 3(1), pp. 3–27.

Maquieira C.P., Espinosa C.E., Vieito J.P. (2011), *Corporate Performance and Ownership Structure: Empirical Evidence for Chile*, "Quarterly Journal of Finance & Accounting", No. 1(50), pp. 75–96.

Marchewka M. (2013), *Struktura organów władania korporacyjnego a efektywność przedsiębiorstwa*, "Zarządzanie i Finanse", No. 2(6), pp. 331–344.

McClelland P.L., Barker V.L., Oh W.Y. (2012), *CEO career horizon and tenure: Future performance implications under different contingencies*, "Journal of Business Research", No. 65(9), pp. 1387–1393.

Shleifer A., Vishny R. (2002), *The Grabbing Hand: Government Pathologies and Their Cures*, Harvard University Press, Cambridge, Ma.

Uddin M.H. (2016), *Effect of government share ownership on corporate risk taking: Case of the United Arab Emirates*, "Research in International Business and Finance", No. 36, pp. 322–339.

Urbanek P. (2010), *Rotacje zarządów polskich spółek publicznych w warunkach kryzysu gospodarczego*, "Gospodarka Narodowa", No. 1–2, pp. 19–34.

Renata Pisarek

University of Lodz
Faculty of Economics and Sociology
Department of Logistics
renata.pisarek@uni.lodz.pl

Challenges for Ongoing Development of Regional Airports in Poland

Abstract: The purpose of the paper is to examine development and present situation as well as perspectives and challenges for further development of Polish regional airports in the light of growing passenger air traffic and mobility rate of Polish society. The article presents research of regional airports and passenger air transport in Poland in years 1993–2016. Passenger traffic in comparison with regional airports capacity in context of infrastructural development will be discussed. Catchment areas and accessibility of Polish airports will be shown. Examples of regional airports oversupply and moreover Polish regions least communicated through air transport will be presented. As a result of the research, final recommendations and conclusions will be given in the light of further development possibilities of regional airports to avoid threat of oversupply and to face the challenge of traffic growth trend.

Key words: air transportation, regional airports, infrastructure, air transport market, regional economics

JEL codes

L93, L99, R00, R40, R41.

Introduction

Air transport sector, as an important component of economy and a pillar of globalization, has a positive impact on development and welfare of populations. Efficient transport systems provide socio-economic opportunities and benefits that result in positive multipliers effects such as better accessibility to markets, employment and additional investments [Wensveen 2011, p. 7]. Lack of air transportation infrastructure, known as an infrastructure gap, can become a barrier to mobility, economic growth and development of regions and the whole economies [Button 2010, pp. 7–13; Rodrigue 2013, p. 74].

The purpose of the paper is to examine the development of air transport in Poland in years 1993–2016 from regional airports point of view. Passenger traffic analysis, including forecasts to 2030 and perspectives for further development of regional airports, as well as external environment factors, influencing the process are taken into consideration. To conclude, SWOT analysis will be indicated to present strengths and weaknesses of Polish regional airports, as well as opportunities and threats in micro- and macro-environment.

Methodology includes study of passenger traffic growth, enlargement in airports capacity and its usage, and forecast of demand on air transport up to year 2030. Infrastructural development of airports with estimated future passenger traffic will be compared and the possibility to handle the growing mobility of the Polish society will be concluded. Changes in airports concentration and market share, emphasizing growing importance of regional airports will be calculated. Catchment areas of Polish airports with conclusion concerning phenomenon of infrastructural oversupply in Poland will be evaluated. Special attention will be given to the issue of airport accessibility in the point of view of 20 minutes and 2 hours access zone. The aim of the research is to examine time isochrones of accessibility to an airport by other means of transport. As a conclusion, percentage share of inhabitants in access zone to an airport, showing accessibility of regions (voivodships) to air transport will be calculated and presented.

Transport accessibility is a concept increasingly used to draw conclusions on impact of transport system, part of which is air transport, to competitiveness of regions. Influence of airport on investment attractiveness and population of a region is enhanced [Guingqing 2012, pp. 2711–2714]. Airport accessibility can be measured by time required to reach the terminal from surrounded area. Among many methods of transport accessibility measures one can distinguish: a degree of infrastructure endowment (airports capacity) and isochrones expressing time availability [Reynolds-Feighan, McLay 2006, pp. 313–315].

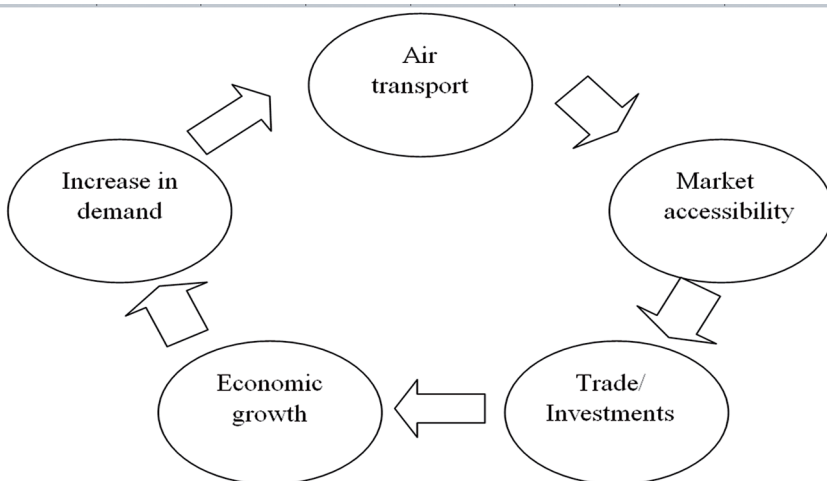
Many authors conduct research of demand on air travel, its functions and elasticity. Demand depends on both price and income of customers [Holloway 2008, p. 57]. The

paper examines growth of air transport passenger traffic in Poland on account of EU accession and available low cost offer of flights. Moreover, increasing mobility rate of citizens is a result of GDP growth and increasing disposable income. Growing importance of regional airports, connected with Low Cost Carriers (LCC) presence and infrastructural development is observed in member countries of the EU as a consequence of air transport liberalization [Button 2010; Fitzgerald 2011; Pisarek 2009].

Socio-economic importance of regional airports

Regions do not represent the same level of mobility which is one of the most fundamental and important characteristic of economic activity as an indicator and a catalyst for development. It can enhance the attractiveness of an area taken into consideration in SWOT analysis [Speth 2015, pp. 5–11] as strength of infrastructural development. Existing of regional airport and its services are important for both internal and external markets. From the point of view of territorial marketing [Szromnik 2016, p. 44–46] the internal target market includes: local citizens, entrepreneurs and local government units decision makers. Furthermore, external target market, interested in regional airport services, consists of: tourists and Foreign Direct Investment (FDI) entities. Air transport plays a fundamental role in connecting local to international markets as a pillar of globalization and condition of further development. The importance of air transport accessibility in the growth cycle is presented in the figure below.

Figure 1. The circle of economic dependency between air transport and economic growth



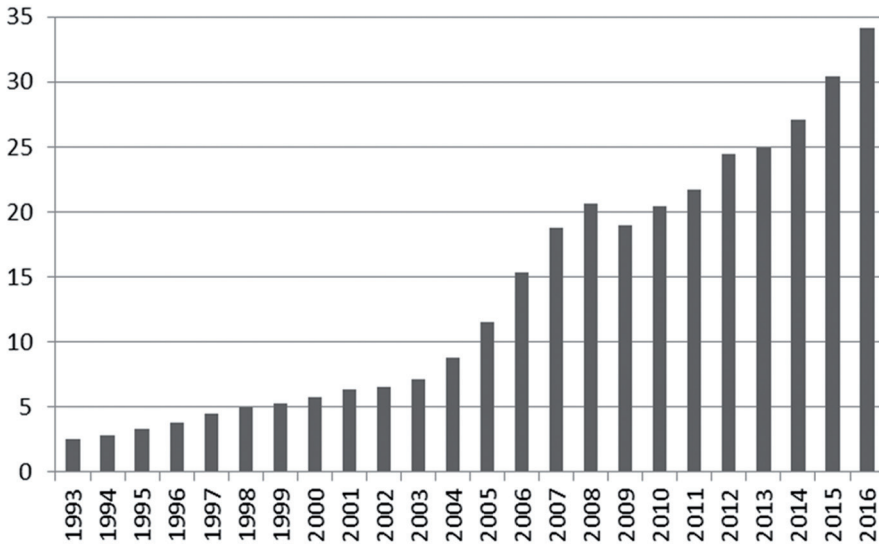
Source: own elaboration based on J. Brass, *Apprising the Economic Benefits of New Air Routes*, York Aviation.

Air transport provides access to markets. Better accessibility, considered as a strength of a region, is driving the growth in trade and foreign direct investment. Economic growth stimulates demand, including demand for air transport services, and thus the cycle closes. This simple mechanism shows the importance of air transport to the global and local economy. The local markets benefit from the presence of airport infrastructure as well. An airport and its services create direct, indirect, induced and catalytic effects on the region's economy. The presence of the airport and air transport services in the region significantly affects the economic development of the area [Kamel, Matthewman 2008; Rochat 2005, pp. 1–4; Pisarek 2014, pp. 211–214].

Development of Polish regional airports and traffic growth in years 1993–2016

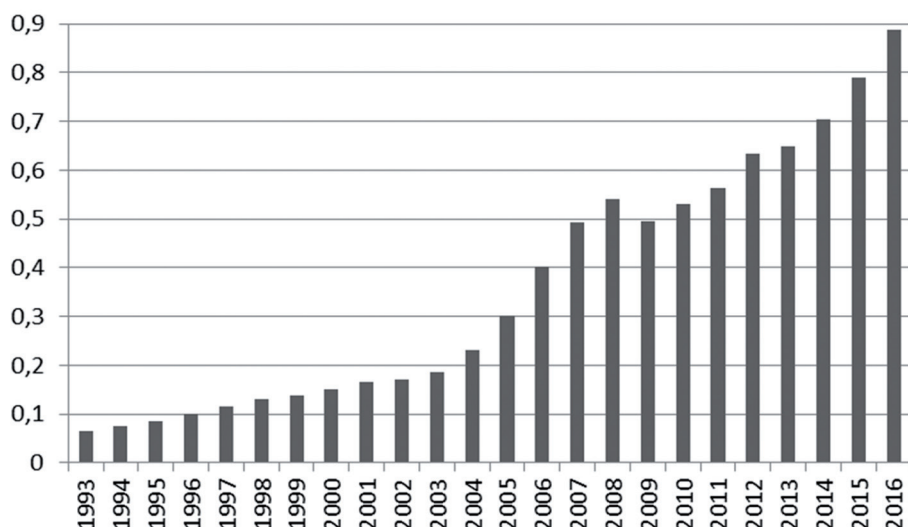
Air transportation and regional airports development have expanded after accession of Poland to the European Union in 2004. As a member state, Poland joined liberalized market of civil aviation. In consequence, every carrier possessing a license issued by any of the Member States, can fly on any route and offer any price within rules of free, fair and undisturbed competition. It contributed to establish a new type of airlines, so called "low cost carriers" (LCC) following cost leadership strategy. LCC offer service from secondary airports due to lower landing and ground-handling fees [Postorino 2010, p. 29]. The number of airlines has risen which contributed to increased amount of traffic and to intensive development of regional airports in the EU. Consumers benefited from lower prices and bigger supply of services [ELFAA 2004, Liberalization of European Air Transport...]. Launching low cost airlines into the Polish market resulted in development of regional airports. Enlarged infrastructure enabled traffic growth on the Polish civil aviation market. Consumers benefited from the wider offer of flights and destinations.

Figure 2. Number of passengers served by Polish airports in years 1993–2016 (in millions)



Source: own calculations.

In year 2016 all Polish airports served more than 34 million of passengers. In comparison with year 1993, when only 2,5 millions persons travelled by air transport, it means multiple increase. Poland, before the access to the EU, in the years 1993–2003, was still following bilateral agreements and rigid arrangements, forming a barrier to entry. The growth in traffic was not as significant as after year 2004. In years 2004–2016 increase in number of passengers served was more dynamic, from 7 to 34 million persons. There were two unusual observations. The first is visible decline in the number of people using air transport in 2009 due to global financial crisis affecting lower effective demand. The second was a result of European Football Championships in 2012, causing a surge in number of passengers. According to the tendency, comparing total air passenger traffic to population of Poland, one can assume increasing air transport mobility rate.

Figure 3. Air transport mobility rate in Poland in years 1993

Source: own calculations.

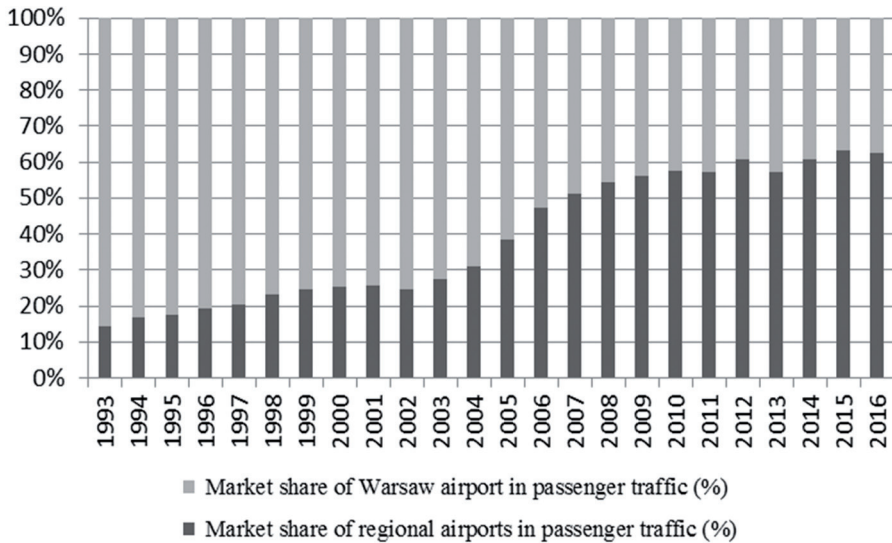
Air transport mobility of Polish society was gradually increasing over the examined period, remaining at a relatively low level compared with developed EU countries in Western Europe [Rucińska 2015, pp. 271–272]. In comparison to 1993, Polish citizens traveled by air in 2016 nine times more frequently. The data can be interpreted as follows: every statistical Polish citizen in 2016 traveled by air almost one time a year, whereas ten years earlier, in 1996, every tenth person in Poland bought a ticket for a flight. There are several causes of this situation, such as:

- development of aviation infrastructure,
- expanding network of destinations offered by carriers (mainly LCC),
- relatively cheaper tickets for LCC flights, attracting new group of passengers,
- increase in effective demand of Polish society (GDP growth),
- free movement of labor in the EU,
- changing lifestyle of customers.

Further increase in traffic and mobility of Polish society, benefiting from regional airports development and wider offer of destinations is expected. One can observe continuous growth in effective demand of Polish society, spending part of disposable income for air travel, accordingly to income elasticity of demand. Growing market share of regional airports, offering a wide range of relatively less expensive LCC flights, more available for a vast majority of customers in a mainstream market due to price elasticity of

demand for air transport is significant. LCC presence in regional airports and their attractive offer of O&D¹ [Belobaba 2016, pp. 75–76] flights led to increasing importance and market share of regional airports in Poland, as shown in the graph below.

Figure 4. Comparison of Warsaw and regional airports market share in years 1993–2016 (in %)



Source: own calculations, based on airports and ULC data.

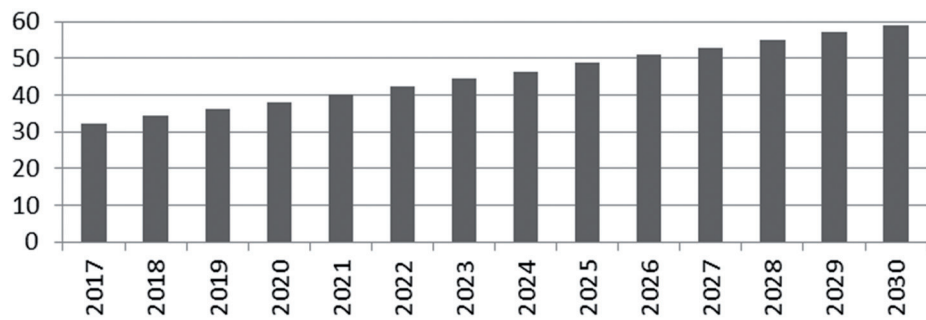
The participation of regional airports in passenger traffic reached only 15% in 1993. Dominant position belonged to Warsaw Okęcie airport, reaching 85% of total traffic, in particular in the field of international transport. In 1993 there were only 7 airports, except of Warsaw, serving passenger traffic, whereas in 2016 there were 14 regional airports. The situation changed dynamically after accession to the EU in 2004, when up to year 2016 market share of regional airports more than doubled, from 30% to 63%. Airports developed their infrastructure and moreover new airports were opened, such as: Lublin, Modlin or Radom. A large part of the international air traffic took over regional airports because of their offer, affordable ticket prices and proximity to the customers' place of residence. Moreover, traffic scattered among the growing number of regional airports.

¹ O&D (Origin & Destination) – point-to-point flights, without connections, offered by LCC carriers. It is an opposite air routes model to hub-and-spoke system, based on hubs and connected flights.

Capacity and accessibility of Polish airports in context of forecasted demand

According to Civil Aviation Authority forecast, passenger traffic served at Polish airports will be continuously increasing in the following years reaching around 60 million passengers in 2030. All airports will have to be prepared to serve three times as many travelers than in 2010 and to double the traffic of year 2015.

Figure 5. Forecasted number of passengers served at polish airports by 2030 (in millions)



Source: own elaboration on the basis of ULC data.

Capacity of Polish airports was significantly increased in recent years. The rapid development was taking place after 2004, especially before 2012 to serve higher demand.

Table 1. Comparison analysis of traffic and capacity of polish airports in years 2009 and 2016

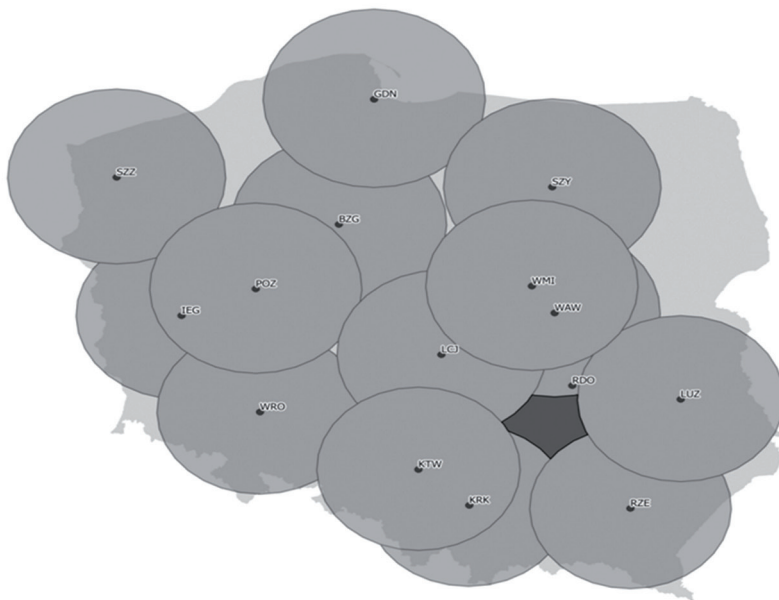
Airport	Capacity (in millions of passengers)		Traffic (in millions of passengers)		Capacity Utilization (%)	
	2009	2016	2009	2016	2009	2016
Warsaw	13	22	8,28	12,83	63,7	58,3
Cracow	3,1	8	2,66	4,98	85,8	62,2
Gdansk	3	7	1,89	4,00	63	57,1
Katowice	4	5,5	2,30	3,22	57,5	58,5

Modlin	-	3	—	2,86	—	95,3
Wroclaw	1,5	4	1,32	2,42	88,3	60,5
Poznań	1,5	3,5	1,24	1,71	82,4	48,9
Rzeszow	1,2	1,8	0,38	0,66	31,8	36,9
Szczecin	0,9	1	0,28	0,47	30,8	46,8
Bydgoszcz	0,28	0,5	0,27	0,34	94,6	67,4
Lodz	0,6	2	0,31	0,24	52	12
Lublin	—	1	—	0,38	—	37,8
Zielona Góra	0,14	0,15	0,002	0,009	1,4	6
Radom	—	0,55	—	0,010	—	1,8
Szymany	—	0,5	—	0,047	—	9,4
Total	29,2	60,5	18,9	34,2	64,8	56,5

Source: own calculations on the basis of ULC and airports data.

Table above presents a study of growing infrastructural capacity of Polish airports. Taken under consideration were: passenger traffic, airports capacity and their utilization in years 2009 and 2016. In Poland in 2016 there were 15 international airports, among which 14 were regional. All airports served more than 34 million of passengers and their capacity was estimated for about 60,5 million persons. It means that Polish airports are well prepared to absorb increasing traffic up to 2030. Maximum achievable potential of airport Warszawa-Okęcie is approximately 22–25 million people a year and there is a barrier to further development due to environmental limitations. Modlin is approaching capacity limits, so enlargement of the terminal to the potential of approximately 5 million people in 2018 is planned. The newest Poland international airport Olsztyn Masuria has capacity of approximately 0.5 million people. Comparing years 2009 and 2016 one can assume that capacity utilization of all airports decreased from around 65% to 57%. However, noteworthy is unequally distributed traffic among regional airports. An example of the least used infrastructure is Radom airport with less than 2% capacity utilization. Problems of Radom airport with attracting airlines and establishing a network of international destinations are connected to overlapping catchment areas of competitive adjacent airports, such as: Warsaw, Modlin, Lublin and Lodz.

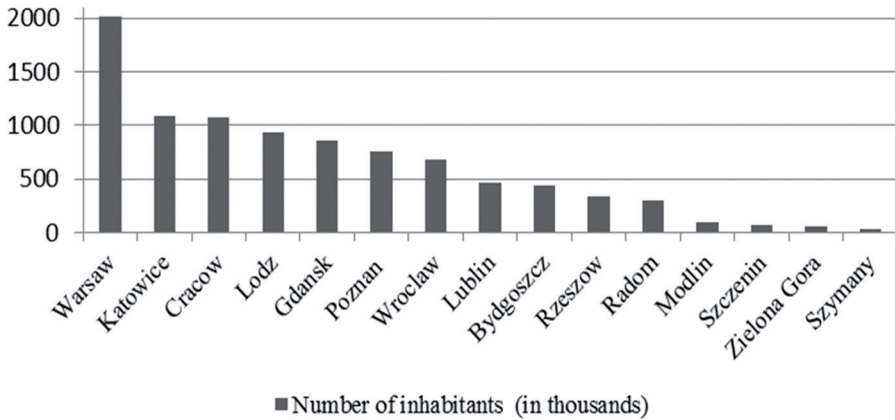
Figure 6. Exemplification of Polish airports' catchment areas overlapping in distance of 100 km



Source: own elaboration.

The map presents the phenomenon of airports oversupply. One can observe overlapping catchment areas [Augustyniak, Olipra 2014, pp. 145–150] of several airports competing to attract airlines and passengers [Postorino 2010, p. 81]. In the process of route network development, airlines want to avoid the occurrence of cannibalization effect of their own connections. Due to this reason Radom airport has huge problems to attract airlines, struggling to achieve the highest possible load factor of their flights and consequently to avoid establishing the same routes from airports situated next to one another.

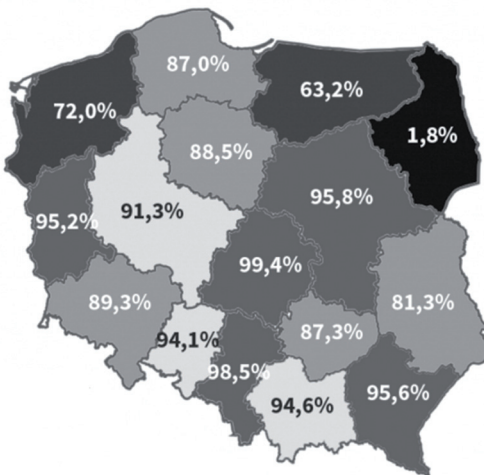
Figure 7. Polish airports by number of inhabitants in the 20-minutes access zone in 2016



Source: own calculations.

As shown in the figure above, the highest number of citizens in the 20-minute access zone is observed with respect to the following regional airports: Katowice, Cracow, Lodz, Gdansk, Poznan and Wroclaw. The next figure examines 2h access possibility to an airport.

Figure 8. Percentage of inhabitants in voivodeships in the 2h access zone to airport in 2016



Source: own work on the basis of Pasazer portal data.

There are only two voivodships not providing airport services: Opolskie and Podlaskie. Nevertheless, Opolskie is surrounded by several airports and more than 94% of residents have 2 hours access to any of the airports. The worst situation is observed in Podlaskie, where less than 2% of citizens can access an airport within 2 hours.

Challenges of regional airports indicated by SWOT analysis

Operation and further development of regional airports depends not only on their competitiveness but also on external conditions. Internal situation of the particular airport, as well as micro- and macro-environment should be taken into consideration [Speth 2015, pp. 5–8]. Microeconomic conditions could be examined as the industry analysis, with focus given into intra-sector competition. Whereas macro-environment is considered from the point of view of PESTLE factors [Baxter 2015, pp. 5–20], such as: political, economic, social, technological, legal and environmental, which is an outset to be implemented in SWOT analysis.

Table 2. SWOT analysis of regional airports in Poland

Strengths	Weaknesses
Modern infrastructure of polish regional airports Growing capacity, capable to serve increasing demand Expanding destinations offer Cooperation with Low Cost Carriers (LCC)	Oversupply of infrastructure Overlapping marketing impact zones of polish airports Difficult economic situation of most airports and negative financial result Lack of hub connections of several polish airports
Opportunities	Threats
Increasing GDP <i>per capita</i> and growing effective demand for air travel Changing style of living and ongoing globalization as a determinant of growing demand on air transportation Possibility of becoming a base for LCC or charter carriers for airports without such an offer which involves a decrease in price for customers Growth in accessibility after establishing line "Y" of high-speed rail	Demographic decrease of polish society. The tendency is observed at regional level accordingly. Intermodal competition growth Competitive pressure of eventually new airports with overlapping catchment areas, including CPL Growing competition among existing airports as a barrier to offer extension Threat of cannibalization marketing effect

Source: own elaboration.

In the future accessibility of several regional airports can be improved after opening the planned "Y line" of high-speed rail, connecting Warsaw, Lodz, Poznan and Wroclaw. This applies to central and western Poland. Considered construction of the so-called Central Polish Airport (CPL), the largest hub in Poland, between Warsaw and Lodz is

also worth mentioning. If the hub is created, regional airports in its catchment area will be forced to evaluate and change their business models. Economic growth is an opportunity for increasing demand for air travel. However, depopulation of Poland may limit the market development.

Conclusions

Intensive development of regional airports in Poland has been taking place since 2004 as an aftermath of EU accession and Low Cost Carriers expansion to the market. Results of the research show that market share of Polish regional airports increased over the years. Concentration of regional airports decreased due to enlargement of number of the airports and one can observe higher fragmentation on the market. Infrastructure of airports was developed to face a challenge of growing passenger traffic.

According to the estimation, in 2016 capacity of all airports in Poland was appropriate to serve growing demand and equals predictions of approximately 60 million passengers expected to be customers of Polish airports in 2030. However, there are several airports, such as: Radom or Lodz, providing too high capacity which will not be fully used in the foreseeable future. The mentioned infrastructural points are placed in overlapping catchment areas of other airports in close proximity. Lodz Airport is threatened by relatively strong competitive position of Warsaw, Modlin and Katowice airports. Radom is surrounded by Warsaw duoport, but also Lodz and Lublin. Due to threat of so called cannibalization effect, airlines decide to open routes from selected airports only. As a result, overcapacity of some airports as exceeded supply of infrastructure to serve passengers air traffic, which generates high cost and losses consequently is observed.

Nevertheless, there are still territories not sufficiently connected to any airport. Podlaskie voivodship is the region with lowest accessibility to airport services. In north-eastern Poland there is still potential for infrastructural growth as far as regional airports are concerned. It is worth emphasizing that existence of an airport in a particular region is crucial and necessary from the point of view of its competitiveness to attract investments and tourist traffic, as well as providing high quality of life. Additional factor is development of routes network offered by an airport. Lack of air transport in a region can become a growth barrier and result in missed economic opportunities.

Planned construction of Central Airport, called also the Central Communication Port in the next decade that is thought to be located between Warsaw and Lodz can be a threat but also an opportunity for regional airports in its catchment area. Polish Central Airport (Centralny Port Lotniczy) would be responsible for serving flag carriers mainly. Regional airports, within their complementary role, could focus on Low Cost Carriers (LCC) and participate in cargo traffic. It would require modification in their business models to anticipate changing external environment.

Bibliography

Augustyniak W., Olipra Ł. (2014), *The potential catchment area of Polish regional airports*, "Journal of International Studies", Vol. 7, No. 3, http://www.jois.eu/files/Vol_7_2_Augustyniak_Olipra.pdf.

Baxter T.F. (2015), *Newbies Guide to Pestle Analysis*, CreateSpace Independent Publishing Platform.

Belobaba P., Odoni A., Barnhart C. (ed.) (2016), *The Global Airline Industry*, Wiley, Chichester.

Brass J. (2012), *Apprising the Economic Benefits of New Air Routes*, York Aviation.

Button K. (2010), *Transport economics*, 3rd Edition, Edward Elgar Publishing, Cheltenham.

Guangqing C. (2012), *The Impacts of Transport Accessibility on Population Change across Rural, Suburban and Urban Areas: A Case Study of Wisconsin at Sub-county Levels*, "Urban Studies", No. 49.

Fitzgerald. P. (2011), *In defense of the nationality of aircraft*, "Annals of Air and Space Law", No. 87.

Holloway S. (2008), *Straight and Level: Practical Airline Economics*, Ashgate, Burlington.

Kamel K., Matthewman R. (2008), *Locate in Kent. Perfect for Europe. Perfect for Business*, Kent.

Liberalization of European Air Transport: The Benefits of Low fare Airlines to Customers, Airports, Regions and the Environment (2004), European Low Fares Airlines Association, Brussels.

Pisarek R. (2009), *Air transport liberalization in the European Union and its impact on development of the civil aviation sector in Poland*, "Comparative Economic Research Central and Eastern Europe", Vol. 12, No. 2.

Pisarek R. (2014), *The importance of passenger air transport and high-speed rail for regional development*, Publishing House of Wroclaw University of Economics, Wroclaw.

Postorino M.N. (2010), *Development of Regional Airports: Theoretical Analyses and Case Studies*, WIT Press, Southampton.

Reynolds-Feighan A., McLay P. (2006), *Accessibility and attractiveness of European Airports: a simple small community perspective*, "Journal of Air Transport Management", No. 12.

Rochat P. (2005), *The economic & social importance of air transport*, ATAG, Geneva.

Rodrigue J.-P. (2013), *The Geography of Transport Systems*, Routledge, New York.

Rucińska D. (ed.) (2015), *Rynek usług transportowych w Polsce. Teoria i praktyka*, Polskie Wydawnictwo Ekonomiczne, Warszawa.

Speth C. (2015), *The SWOT Analysis: Develop Strengths to Decrease the Weaknesses of Your Business*, Lemaitre Publishing, Namur.

Szromnik A. (2016), *Marketing terytorialny. Miasto i region na rynku*, Wolters Kluwer, Warszawa.

Wensveen J.G. (2011), *Air Transportation. A Management Perspective*, Ashgate, Aldershot.

Pasazer Portal, [online] www.pasazer.com.

Urząd Lotnictwa Cywilnego – Civil Aviation Authority, [online] www.ulc.gov.pl.

Radosław Pastusiak

Department of Corporate Finance
Faculty of Economics and Sociology
University of Lodz
email: rpastusiak@uni.lodz.pl

Wojciech Starzyński

Department of Corporate Finance
Faculty of Economics and Sociology
University of Lodz
email: wojciech.starzynski@uni.lodz.pl

Jarosław Szymański

Department of Economic and Social Statistics
Faculty of Economics and Sociology
University of Lodz
email: jarek@sz.az.pl

Leasing as a Source of Financing for Public Sector Investment in Poland and Other EU Countries. Comparative Analysis

Abstract: The article attempts to assess the scale of the importance of leasing as an alternative to bank credit in financing public sector investment in Poland and in selected EU member states. Comparison of the two forms of financing public sector in Poland leads to the conclusion that in the case of contracts with a value below the EU thresholds credit plays greater role by far, as this form of financing investments is more likely to be used by

the Polish authorities. Such comparison is not possible for other analyzed countries due to the limitations of the reporting of the EU.

Poland when compared to other EU countries falls unfavorably in terms of the number of ordered bank loans in the amount of public supply contracts in the form of a lease. In the context of the growing national debt – leasing seems to be the preferred source of material investments, especially in the new EU member states.

Key words: leasing, public procurement

Introduction

Political transformation that took place in Poland in the early 1990s had to leave the principles of command economy behind and bring forth significant changes in the functioning of public entities. From the point of view of financial management in public institutions, substantial changes have been made in terms of disbursement of funds.

The functioning of public entities which in most cases raise funds without the necessity of participating in free market game with competition, results in a lack of need or even complete loss of capacity of rational spending. Supplementary, unfavorable element is contact between public institution and private entity that could lead to corruption.

Considering public funds as an endless resource as well as lack of direct impact of financial results on supervisors decisions, hinders on rational management of public finances. There is no possibility of an objective assessment of the functioning of the public entity. An important solution in this situation is the need of constructing indicators for at least an approximate assessment of the level of effectiveness of management of public funds. The problem of the evaluation of a public entity from the point of view of the proper management of financial resources, despite carried out in this field of research in many countries to this day has not been resolved [Evaluation Report Impact and Effectiveness of EU Public Procurement Legislation 2011, p. xix]. Therefore, the most effective tool used widely in market economies are administrative mechanisms of public spending.

Leasing as a form of financing the investments as an addition to own resources and a bank loan is very popular service, mainly in the corporate sector. It is less likely for public sector to use leasing. Furthermore, the size of the lease, especially in the new EU member states seems to be much lower than in the old member states.

Increasing complexity of the surrounding, competitiveness, increasing demand for productive investment of public sector – including the context obtained by EU assistance, and necessity of limiting public debt mean that traditional approach to financing pu-

blic investments loses its importance. Progressing European integration fosters international comparisons, although the complicated nature of public supply contracts in the form of lease may constitute a barrier here.

The article attempts to assess the scale of leasing importance as an alternative to bank credit in financing public sector investment in Poland and in selected EU member states. Research hypothesis is ascertainment that Polish entities use leasing as a source of financing investment relatively less often than public sector entities from other EU countries, preferring bank loans in this area.

The study is based on data derived from the statements of the President of the Public Procurement Office on the functioning of competitive tendering in Poland, results of authors research carried out on the basis of individual information coming from orders promulgations and from notifications about competitive tendering published in Public Procurement Bulletin Similar data from ads published in Official Journals of the EU-TED system – for period between 2011 and 2015 was also taken into consideration.

General characteristics of the public procurement system in Poland

First national regulations on public procurement was introduced after World War I in 1918–1919 [Sadowy 2013, p. 15]. Modern principles of public procurement have started to function on January 1st 1995 [Journal of Laws 1994, item 344].

National public procurement system created in the absence of own experience has been built from scratch and it was first codified in the Public Procurement Act of 1994. In practice, during application the necessity of introducing the amendments occurred repeatedly. The content of the Act was changed over twenty times. The basic definitions depicting the public procurement system were redefined, just to mention some: *contracting authority, supplies, services, competitive tendering and the most advantageous offer*. Changes in the content of the Act were introduced because of the need to adapt the law to the economic reality, as well as taking into account the European provisions on principal rules of competitive tendering.

Polish accession to the European Union in 2004 resulted in abrupt urge of implementing significant changes in procurement rules which pushed legislators to repeal existing laws and to introduce new legislation and implement the provisions of EU directives, in particular 2004/18/EC and 2004/17/EC [Directive 2004/18/WE 2014]. One of the most important EU principles is commitment to equal treatment of operators which is associated with the resignation of local and national preferences. For this reason, on 2nd March 2004 the new Act – known as the Public Procurement Law – was introduced. At

the same time the Act on Public Procurement from 1994 and related regulations, including ones relating to the use of national preferences, were repealed.

Binding regulations adjusting rules of competitive tendering are under constant and dynamic changes. Last amendment of discussed Act took place on 22nd June 2016 [Public Procurement Law 2016]. Beyond enumerated premises, like adjusting national legislation to community directives that forced amendments, new elements of legislators approach to the Act was observed. This change is caused by moving from highly restrictive regulations which were protecting public funds from treachery, to decrees allowing to use them effectively.

The efficiency of public procurement involves the distinction of the concept of the basic contract materializing customers needs and the derivative order which may differ from the contract matter. Secondary order that appears simultaneously with main order or after it finishes, frequently in a long period constitutes as highly wanted good – from the perspective of collective interest. It can involve activation of people excluded from the labor market, initiation of ecological behavior of performers, stimulation in order to implement innovative solutions. Long term benefits arising from properly conducted procedure of public procurement can multiply the effect of funds spent by long-term changes in the socio-economic life.

Interdisciplinary character of public procurements, resulting from broad range of operation, influence laws directly in rational and non-rational, financial and socio-economic effects, that are prerequisites disturbing the process of constructing measurements used for evaluating the effectiveness of competitive tendering.

In addition, public procurement during the absence of Community regulations was used as a tool of national economic policies, playing part of economic stimulators for counteracting the effects of differences in regional development of the country or in creating new jobs [Rolfstam 2005, p. 21].

Change of the impact direction through transformation of local priorities into community shaped the basis of functioning the public procurement to a large extent. Regardless of the adopted assessment changes, the opening of the European market as well as elimination of local and national preferences caused changes in the functional areas of potential contractors enhancing competitiveness of orders.

Since Poland was included into EU structures, rules of competitive tendering are regulated by the act – Public Procurement Law that takes into account legislation of the Community. Above mentioned act is shaping Polish competitive tendering market. Due to obligation of implementing EU directives and constant adjustment of theoretical assumptions to the real needs, the act is permanently amended.

Modifications were carried out in order to achieve the objectives resulting from government intervention during the period of economic crisis that first appeared in 2008.

Changes introduced significant motion in the direction of expanding the circle of potential contractors.

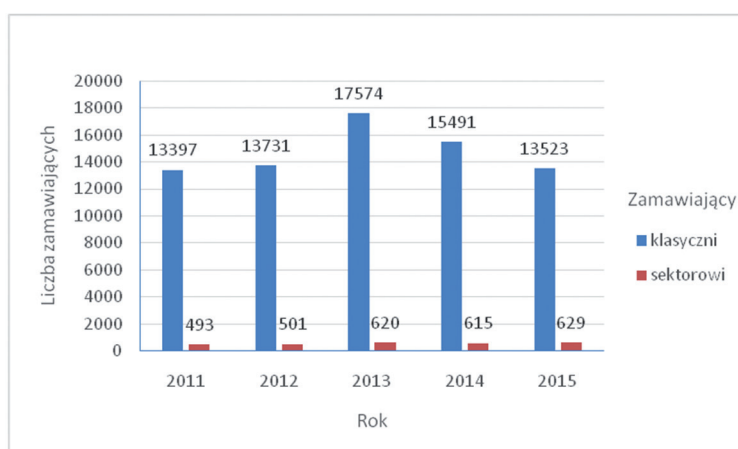
In analysis of public procurement market two types of authorities are distinguished – classic and sector. Among classic authorities we can find:

- general government;
- local governments;
- state control or other law enforcement organ, court, tribunal;
- independent health care entity;
- etc.

The sector contracting authority can be identified as entity operating mainly in water management, energy economics, transportation or postal services.

Chart 1 depicts the number of contracting authorities in Poland, within described period.

Chart 1. The number of contracting entities in public sector in Poland between 2011 and 2014



Source: own research based on data derived from the statements of the President of the Public Procurement Office on the functioning of competitive tendering in Poland [www.uzp.pl].

It is worth noting that the percentage of contracting sector does not exceed 4%, while the year 2015 is characterized by a significant increase of this indicator – compared to 2014 – from 3.97 to 4.65. The described division for the classical and sector authorities is important, because, according to previous studies, entities purchasing deliveries in the form of leases are mainly operating in sectors of water management, energy economics, transportation or postal services (over 80% in 2012–2013) [comp.: Starzyński 2014, pp. 235–244]. Before awarding the public procurement, contracting authority has to decide

on the procedure. In analysed period there are nine public procurement procedures available to the customer [Journal of Law 2016, p. 1020]:

1. unlimited tender;
2. limited tender;
3. negotiations with announcement;
4. competitive dialogue;
5. negotiations without announcement;
6. negotiated contract;
7. price inquiry;
8. innovation partnership;
9. bidding.

What is more, in order to create more acceptable and flexible laws, three procedures were introduced – they shall be treated as an expansion of procurements, increasing the potential for effective spending of public funds:

1. an electronic auction;
2. dynamic purchasing system;
3. technical dialogue.

The national legislation in accordance with EU directives defines the basic procedures (Art. 10 PPL): limited and unlimited tender, moreover third basic procedure exclusively for sector authorities was created – negotiations with announcement. Their use do not acquire occurrence of special events, it is allowed to apply them without justification. Awarding of contract in a different mode than the primary must be justified in a factual and legal manner each time. Above mentioned decision determines preferences while selecting procedures of awarding public contracts. Additionally, the fact that the procedure of limited tender both in theory and practice is at least twice as long as the unlimited tender causes permanent dominance of the second procedure – see table 1.

The second most popular procedure is negotiated contract. It is a noncompetitive mode, allowing the contractor to chose the performer according to ones' preference. That is the main reason why premises of applying negotiated contract should be regulated by law. Easiness of usage of this procedure – that does not require constructing the Terms of reference, as well as freedom in choosing accomplisher – often leads to misuse. Therefore, the Public Procurement Office published online guidelines in order to facilitate contractors' decisions regarding appropriate tender mode [<http://www.uzp.gov.pl/cmsws/page/?D;2992>].

Table 1 presents the development of procurement quantitative structure modes, announced by the Polish classic authorities, published in the PPB and TED in 2010–2014.

Table 1. qualitative structure of public procurement carried out by classic authorities, according to selected tender mode, including EU threshold – Poland from 2011 to 2015 (%)

Mode	2011		2012		2013		2014		2015					
	PPB	TED	PPB	TED	PPB	TED	PPB	TED	PPB	TED				
Unlimited tender	81,74	84,89	84,00	88,06	80,08	88,83	81,34	88,14	82,45	88,78				
Negotiated contract	14,26	10,89	12,69	8,59	15,57	7,68	14,22	7,81	12,58	6,99				
Price inquiry	3,26	*	2,62	*	3,53	*	3,59	*	4,17	*				
Limited tender	0,74	3,10	0,69	2,53	0,82	2,57	0,85	3,40	0,80	3,68				
An electronic bidding		*		*		*		*		*				
Negotiations with announcement		1,12		0,82		0,92		0,65		0,55				
Negotiations without announcement														
Competitive dialogue														

* stands for no information

PPB – value below EU thresholds;

TED – value equal or higher than EU thresholds.

Source: own research based on data derived from the statements of the President of the Public Procurement Office *Sprawozdanie Prezesa UZP o funkcjonowaniu systemu zamówień publicznych w 2012 roku*, PPO, Warsaw 2013, p.27; *Sprawozdanie Prezesa UZP o funkcjonowaniu systemu zamówień publicznych w 2015 roku*, PPO, Warsaw 2016, p.33, www.uzp.gov.pl.

Data analysis clearly confirms the dominant role of the unlimited tender, both in the procedures announced at national level – PPB and in the EU – TED. Furthermore, both sources of information highlight that differences in the share of the number of public procurement carried out as unlimited tender decrease the same as percentage of single source procedure – the noncompetitive mode. The percentage of limited tender oscillate between 2,53% and 3,68%. For utilities, this share is much higher – from 8% to 11%. Observed share of procurement carried out through negotiations with the announcement seems insignificant for utilities, even though this mode is essential for the sector procurers.

Description of information sources

The specificity of the lease in public procurement is a combination of orders belonging to two different types. Purchaser orders both supply and financial service. Leasing is a financial service and therefore is classified as a service. The second type is the delivery financed by the leasing agreement. This determines the need to enter at least two CPV codes when ordering deliveries based on lease.

In accordance with the **systematics** principles of public contracts, such contracts are classified as delivery. Definition of supplies was implemented in the Polish law. Each time authority that intends to finance the delivery must describe the object of the contract in order to prepare an offer connecting the supply with a financial service. In practice, during the functioning of public procurement system initiated sort of code of conduct, based on the leading role of financial institution. In response to the request, the service provider finds the deliverer, with whom he signs a contract for the supply, **simultaneously** offering the delivery to the contracting authority under the terms of the lease agreement. Despite the fact that the customer loses a direct impact on the choice of supplier, competitiveness is maintained. Entity financing the supply must calculate to the contractors the cost of purchase and financial services in the submitted offer. The lower cost of purchase, the greater possibility of generating a profit for the financial service, of course within the limits allowed by market competition.

Final result is that only two parties participate in implementation of delivery – supplier and financial institution enabling the lease purchase. Supplier is not interested in sale, which results in repayment period staggered.

In case of large individual deliveries, often in sectors like mining or railway equipment market, order can be accomplished by single contractor who concurrently plays two roles. At the same time he is the supplier – usually the manufacturer of the object of leasing and has sufficient financial liquidity to stagger liability. The entity, skipping the intermediary – financial institution may offer more favorable financial terms due to the possibility of a discount from the aggregate profit from a contract to supply and financial services. An important element of the delivery carried out by the lease agreement is limited risk of financial institution which owns the object. From the perspective of financing contracting authority, loan has similar function, which in the public procurement system significantly differs from the lease. Bank loan is only a financial service which can be used for any purpose specified by the customer. For example this can be the repayment of current debt of a public institution or financing new venture. In order to preserve budgetary discipline credit may be used in specific situations and by public entities, which partially or totally compete on the open market, for example health care.

The difference between the credit and delivery in the form of leasing also appears in the situation of increased risk of the credit institution. Lack of material security leads to the conclusion that the contracting authority can be based on general principles.

In the system of public procurement value of the contract plays an important role. Conducts where an estimated value does not exceed the so-called EU thresholds shall be published in the Bulletin of Public Procurement, administered by the Public Procurement Office. On the other hand, notifications whose value is equal to or exceeds the EU threshold, are published in the Supplement to the Official Journal of the European Union. Web version of the „Supplement” devoted to European public procurement is TED, which is part of the official portal of the European Union (http://Europa.eu?index_pl.htm).

The attempt to collect data to assess the scale of orders for loans to public institutions among European Union countries has confirmed that Polish entities are the European leader as far as the terms of its order are concerned.

Table 2. Parameters of search used for TED database in 2014

Zakres wyszukiwania: Archiwa	
Twój wybór:	
Kraj: EU	Zamówienie: Zamówienie publiczne na usługi
Rodzaj dokumentu: Udzielenie zamówienia	Kod CPV: 66113000
od: 2014-01-01	do: 2014-12-31

Source: own research.

The search was repeated five times, collecting data for the years 2010-2013 and 2015. European orders base was browsed likewise, in order to gather data on the deliveries under the lease within European market.

Credit and leasing in public procurement in the EU member states in the light of TED data

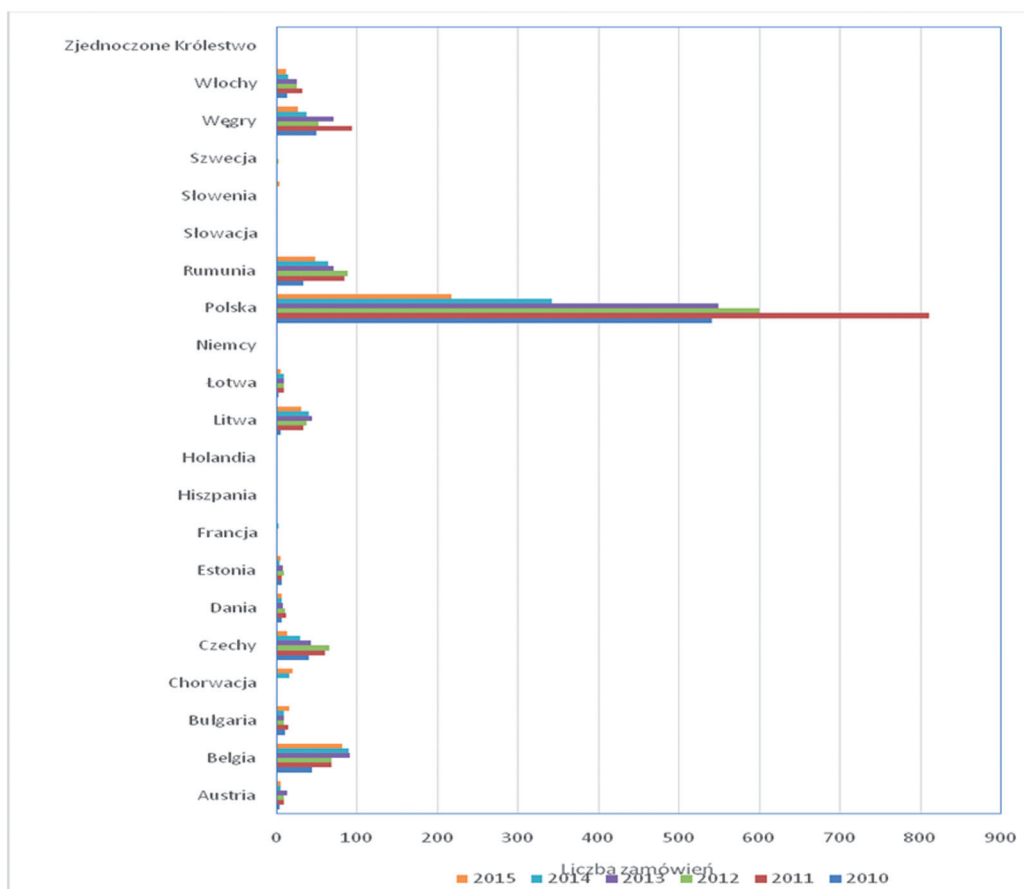
The decision on the release – national or EU – is closely connected with the value of a public contract. As it has already been mentioned, the obligation to publish in the Official Journal of the EU and thus placing in community-based orders Tenders Electronic Daily (TED) applies to the proceedings, the value of which equals or exceeds the amounts specified by EU law [comp.: Journal of Law 2013, p. 1735].

Figures 2 and 3 show the number of public contracts awarded on credit and leasing in EU Member States in the analyzed period.

Presented data clearly shows that the Polish public sector entities grant the most contracts for financial service. It is worth noticing that during the same period none of Greek public entities has sought for a loan or leasing.

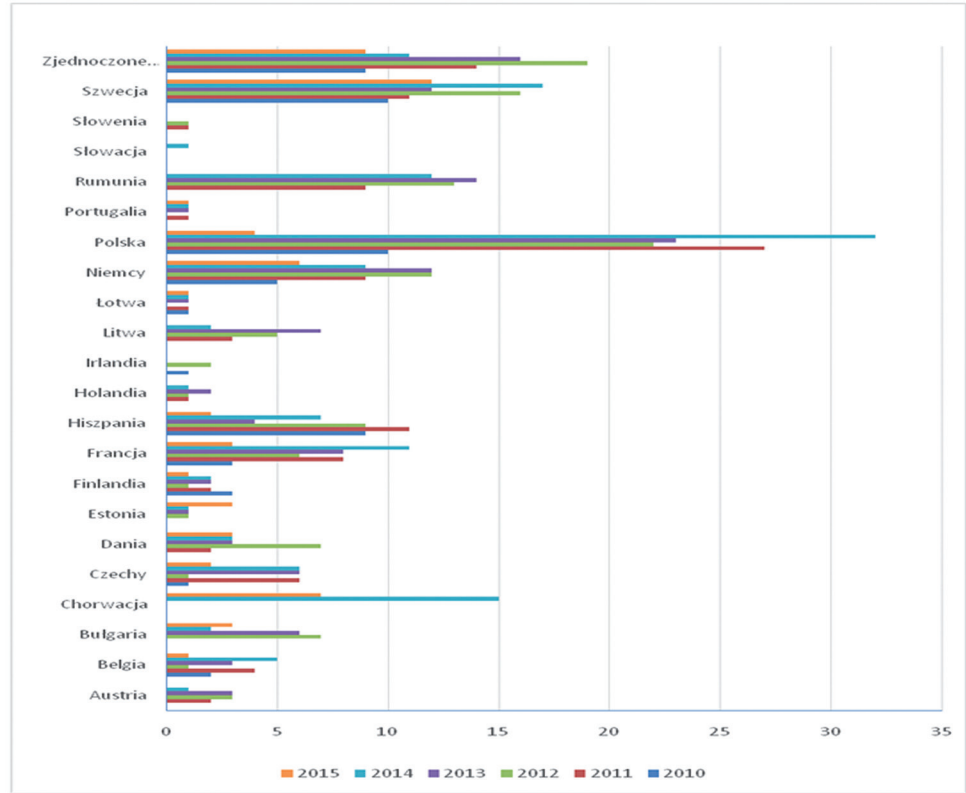
Due to the limitations of reporting of European procurement system it is not possible to make comparisons on activity of authorities in other EU countries in terms of ordering services which value is below the EU thresholds. However, we can presume that even for this group of orders Poland is the European leader in service contracts for a bank loan.

Figure 2. The number of public contracts awarded to bank credit by the EU countries in 2010–2015



Source: own research based on TED data.

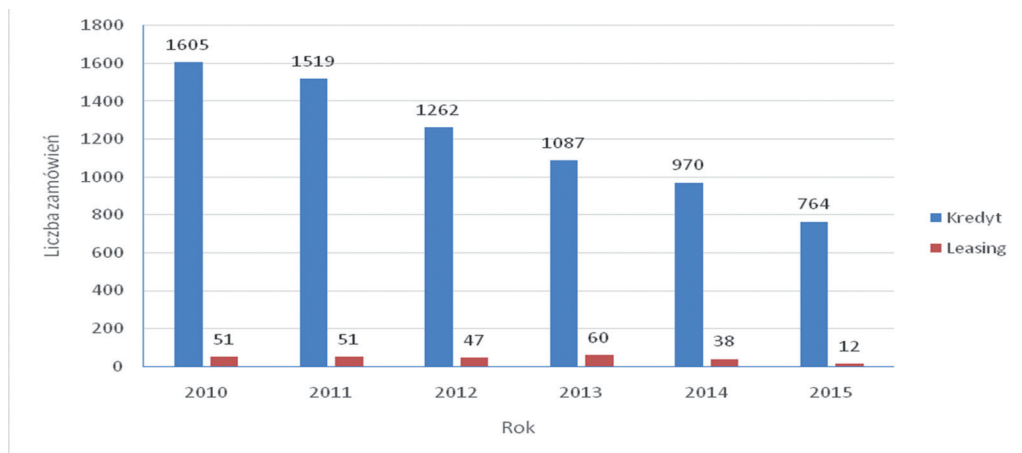
Figure 3. Number of public supply contracts in the form of a lease granted by the EU countries in 2010–2015



Source: own research based on TED data.

Among the old EU member states characterized by high percentage of leases are United Kingdom, Sweden, Germany, Spain and France, and among the new member states, in addition to the already mentioned Poland, there are: Romania, Croatia (data for only two years available), Bulgaria, Belgium and Czech Republic.

Graph 4. Detailed data on the number of public procurement including credit and leasing for public contracts with a value below the EU thresholds in Poland



Source: own research based on PPB.

From the data on contracts it can be concluded which value is below the EU thresholds where the activity of national public entities willing to finance delivery through leasing and credit is similar to the case of contracts published in the TED with value equal to or exceeding the EU thresholds.

It is worth noting that there are enormous differences in the number of bank loans which are the subject of public procurement between Poland and other EU countries. Moreover, Poland is predominant amid the old and new member states. Besides Poland, countries like Romania, Hungary, Czech Republic, Belgium and Italy are in forefront. In terms of leasing, these differences are not drastic.

Conclusions

The public procurement for delivery in the form of leasing is still insufficiently developed in Poland. Loans in comparison with the leasing are still the dominant form of financing investments in the public procurement system. This may result from the specifics of the purchased equipment or machinery and vehicles of special designation which are mostly subject to orders for delivery in the form of a lease. In the context of growing importance of procurement sector whose share in the total EU market is 60% and in Poland over 80% of delivering supplies in the form of leasing, the role of this form of financing investment in the EU member states will gradually increase. It might seem that Po-

land, when compared to other member states of EU, presents itself unfavorably because of the quantity and structure of financing the public sector: leasing-bank loan, with growing dominance of the second form, which according to authors unnecessarily accelerates national debt.

Bibliography

European Commission (2011), *Evaluation Report Impact and Effectiveness of EU Public Procurement Legislation*, Brussels.

Rolfstam M. (2005), *Public Technology Procurement as a Demand-side Innovation. Policy Instrument – an Overview of Recent Literature and Events*, Lund Institute of Technology, Lund University, Lund.

Rozporządzenie Prezesa Rady Ministrów z dnia 23.12.2013 r., Dz.U. 2013 r., poz. 1735.

Sadowy J. (2013) (red.), *System zamówień publicznych w Polsce*, UZP, Warszawa.

Starzyński W. (2014), *Leasing w systemie zamówień publicznych w Polsce – uwarunkowania i ocena*, „Annales Universitatis Mariae Curie-Skłodowska, Sectio H Oeconomia”, XLVIII, 4, Lublin.

Ustawa z dnia 10 czerwca 1994 r. o zamówieniach publicznych, Dz.U. Nr 76, poz. 344.

Ustawa Prawo zamówień publicznych po nowelizacji z dnia 22 czerwca 2016, tekst jednolity, UZP, Warszawa.

European Union, [online] http://Europa.eu/?index_pl.htm.