Contemporary Dilemmas of Management

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Edited by

Magdalena Dołhasz

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Andrzej Frycz Modrzewski
Krakow University
www.ka.edu.pl

Reviewer:
Renata Oczkowska, PhD

Cover design:
Oleg Aleksejczuk

Translation: Authors and Andrzej Frycz Modrzewski Krakow University Language Centre

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U Frycza
Andrzej Frycz Modrzewski Krakow University
Gustawa Herlinga-Grudzińskiego 1, 30-705 Kraków
phone/fax: (12) 252 45 93
e-mail: ksiegarnia@kte.pl

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Oleg Aleksejczuk

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CONTENTS

INTRODUCTION

The presented publication contains the articles maintaining widely understood problem of Organization Management. The notion of Management demands nowadays to undertook the interpretation of many important questions, such as: the way of influencing inferiors, the values commonly shared by random community, importance of culture, role of information, communication problems as a source of ideas concerning possible improvement of enterprise functioning effectiveness and marketing actions. Even the separated notion of "organization" is interpreted in the literature of the subject ambiguously, starting with attributive, organizational – functional, objective, to systematic. It is a system composed of people and sources of defined values which cooperation is characterized as:

- Existence of aims of the system and uniformity of them.
- Mutual adjustment of organizational structure and realized functions.
- Dependency between the system and surrounding
- Existence of reason – result connection between the elements of the system.

To recapitulate: the organization is internally ordered collection of elements which create a separated from the surrounding composition (entirety) while the way of the connections and ties between them builds organizational structure. It should be pointed out, that people are necessary elements of each organization, by creating it, maintaining it, enabling its functioning.

The contemporary organizations demand detailed examination and analyses of components, outer circumstances determining their activity and varies dilemmas of management.

This publication contains articles which could be divided into three groups concerning three main currents of maintained problem.

The first group these are the articles concerning *stricte* the process of management, touching very wide spectrum of examined problems. The widest scope of questions concerning enterprise's management presents J. Światowiec basing on the review of literature referring to the frames of enterprise development strategy. The Author pinpoints the most popular conceptions of development used in researches, especially diversification strategies. J. Walas-Trębacz support the thesis telling that all kind of changes in the surrounding are forcing the renewal process of enterprise strategy, which process allows not only to improve effectiveness but also the improvement of the position on the market. The Author highlights the notion of "strategic renewal of enterprise", points out the reasons of maintaining the renewal strategy process, the area of renewal and factors influencing its direction. H. Smutek refers the role of intellectual sources creating values of the enterprise. Referring the place of values in the hierarchy of the aims of the enterprise the Author stress the reasons of directing towards certain values by the firm.

The second group of articles concerns to the specific methods used by non – profit organizations. J. The development of this type of organizations is the referred subject of J. Fudaliński and K. Pawlak works, which include, as well, such problems as elements of competition in frames of non – profit organizations, their role, functions and aims. J. Fudaliński's thesis is completed with the characteristic of management process in public organizations, especially describing the specific character of non – commercial organizations management and presenting the detailed characteristic of CAF system.

The third group of articles those are the works maintaining the subject of marketing and organizations' actions on different markets. M. Budzanowska-Drzewiecka I M. Dołhasz faced to try working out the opinion concerning the influence of marketing actions – promotions especially –on image creation of medical service organizations. Those attempts were based on the researches among random group of responding patients. Specific market of medical service was presented as well as marketing actions which build the organization's image. S. Galata and M. Pietrzyk made the characteristic of the moral aspect of influencing the client's (patients) behavior on the market. Both presented above problems complete the analyses of marketing activity of the enterprise on the market.

The following article by B. Pera refers a very interesting problem focused on judging the cultural aspect in commercial negotiations with the partners of European Union. The Author starts with presentation of different attitudes towards negotiations and models of culture in varies countries (especially two models of culture evoking researches of G. Hofstede, F. Trompenaars Ch. Hampenden-Turner) and tries to include cultural models in a process of business negotiations with European Union's Partner.

The varies aspects of presented publication *Współczesne dylematy zarządzania* (*Contemporary dilemmas of management*) are the results of wide spectrum of interests and diversity of researches maintained by the Authors.

Magdalena Dołhasz

Justyna Światowiec-Szczepańska, PhD
The Poznan University of Economics

CONTEMPORARY THEORIES AND VIEWS ON THE TOPIC OF CORPORATE DEVELOPMENT STRATEGIES

Introduction

Development strategies constitute one of the most important strategic challenges facing the top management. Despite rich theoretical achievements in this scope, many study areas have not had explicit statements. Additionally, the constantly altering surroundings create new challenges for the executive board. Solutions put into practice, most often anticipate theory, and in many cases have an experimental character. The essence of a development strategy is a necessity to conduct changes as a reaction to trends in the surroundings. A development is a condition of company's long-term survival and realization of its basic objectives, and it signifies coordinated actions that adapt the company to environment changes. Thus, a corporate development strategy in the conditions of growing uncertainty and changing environment is exceptionally responsible for the survival of organization. Its adequacy depends, to a great extent, on the anticipation of the arrangements of changes in the environment.

The aim of the report is to introduce the most significant trends connected with the advancement of studies of development strategies. A traditional approach to the shaping of development strategies was combined with contemporary study challenges within this scope. In the first and second part, the essence and scope of corporate development strategies was pointed out, together with the most commonly applied theoretical concepts used as a basis for the studies pertaining to the choice of a given development direction and method. The next part reviews the results of the selected research described in world literature, as well as of the part of the results of a study project entitled *Bases of corporate strategic choices in Poland*, conducted in the Strategic Management Department at the Poznan University of Economics. The presented conclusions can constitute helpful guidelines for future researchers.

The essence of a business development strategy – terminological aspects

A business development strategy signifies a way in which a company intends to realize the strategy mission and objectives, reflects the scope and directions of corporate development. It is selected from strategic options and presents a strategic choice at the company level.[1] This relatively clear definition does not settle which exact options fall within the scope of a development strategy. In literature, there exist various terminological approaches and classifications connected with development strategies.[2] Nowadays, more and more authors are shifting away from the notion of a development strategy to focus on corporation strategies.[3] Referring to a commonly accepted and popular hierarchy according to D. Schendel and C. Hofer, a business development strategy corresponds to the highest rank in the company organization (a corporate level) and spans the whole company.[4] A strategy formulated in such way is connected with a considerably broader spectrum of strategic decisions. Apart from the area connected with determining the reach of a company's activity, defined by decisions within the scope of product diversification (as well as markets of these products) and geographic diversification (including the international one), this category comprises activities connected with creating value added at the corporation level, realized by managing a portfolio of selected business units as well as a resource allocation linked with it.[5] The role of a corporate rank, which not always is conspicuous in the process of creating value in the company, becomes important.[6] Its fundamental objective should be providing higher company value than the one resulting from the sum of the value of individual business units treated as independent subjects.[7] Eventually, that is why the value of the development strategy determines to what degree strategic business units increase their own value under company management.

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1 Urbanowska-Sojkin, E. 2003. *Zarządzanie przedsiębiorstwem. Od kryzysu do sukcesu*, 3rd Edition, Poznań: Wydawnictwo Akademii Ekonomicznej in Poznań, p. 115.

2 The name of the strategy itself becomes a significant problem. That is, growth is an synonym often used for development, which in turn causes researcher's protest, as they put emphasis on a differentiation between the terms: 'development' and 'growth'. It is worth mentioning that *growth strategy* is a dominant term in English literature.

3 It is illustrated by J. Rokita's view on the strategy, in: Rokita, J. 2005. *Zarządzanie strategiczne. Tworzenie i utrzymywanie przewagi konkurencyjnej.* Warszawa: PWE, pp. 32–34.

4 Following this way of thinking, strategies are more and more often being distinguished on an additional rank, namely, at a net level. See, inter alia: Wit, B. and Meyer, R. 2007. *Synteza strategii*. Warszawa: PWE, pp. 217–249.

5 In case of a non-diverse company, a corporate strategy also includes competition base in top management.

6 Cf. Bowman, E.H. and Helfat, C.E. 2001. "Does Corporate Strategy Matter?". *Strategic Management Journal:* 22/2001, pp. 1–23.

7 This effect can be named *economies of scope* or *synergy effect*. Cf. Barney, J. 2002. *Gaining and Sustaining Competitive Advantage*, 2nd Edition, Upper Saddle River: Prentice Hall, p. 369.

Thus, an effective strategy at the corporate level creates incomes exceeding those that would be obtained without a strategy. Strategic business units strategies (SJB level) as well as functional and instrumental strategies (functional level) are secondary in relation to a development strategy (corporate strategy). Figure 1 shows decision areas, determined at a corporate level, which are reflected in the applied corporate development strategy.

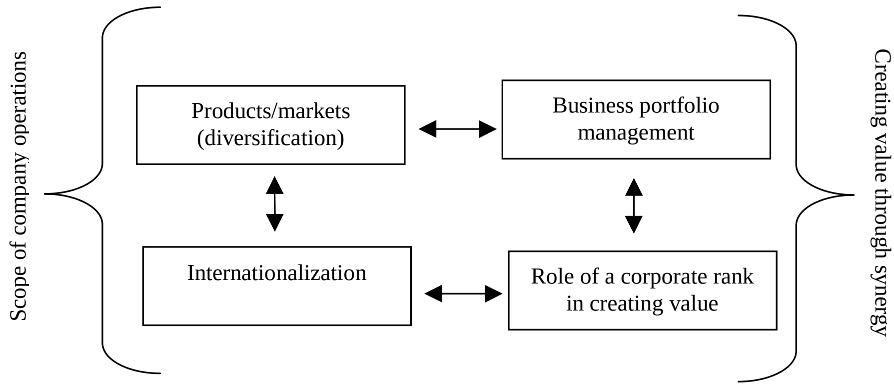

Figure 1. Scope of a corporate strategy at the corporate level

Source: own development.

The development strategies have been divided many times. The archetype of a classification in this scope is the Ansoff's matrix. Developed over 50 years ago, it determines four general strategic development directions, as a part of which the term diversification was attributed to simultaneous development of the product and market, whereas concentration to the market or product development. Actions on the former product-market segment are associated with the realization of a penetration strategy. However, it should be noted that this strategy classification was created at the time when the strategy was associated mostly with development, classically equated with expansion and diversification. Later events, inter alia, energetic shocks in the 1970s and their unpleasant consequences to companies, has drawn researcher's attention to other strategic options connected with stabilization, defence and mixed strategies. That is why, later combinations include reducing strategies, apart from diversification and concentration strategies. A question still remains, whether these directions of actions can still be called development. An echo of a former division of a strategy into development and survival, whose legitimacy is nowadays criticizes by some authors, occurs here. According to R. Krupski, highlighting the survival and development strategy does not make much sense when an organization is working in a situation of hard competition, in a turbulent environment. In order to exist, an organisation has to develop itself at least at the same pace as its surroundings.[8] Another approach indicates that development can manifest itself in three forms, as: progress, regress and stagnation.[9] From this perspective, any strategic directions, also those which aspire to survival, are included in the development strategies.[10] Figure 2 shows a proposal of the development of a product/market matrix.

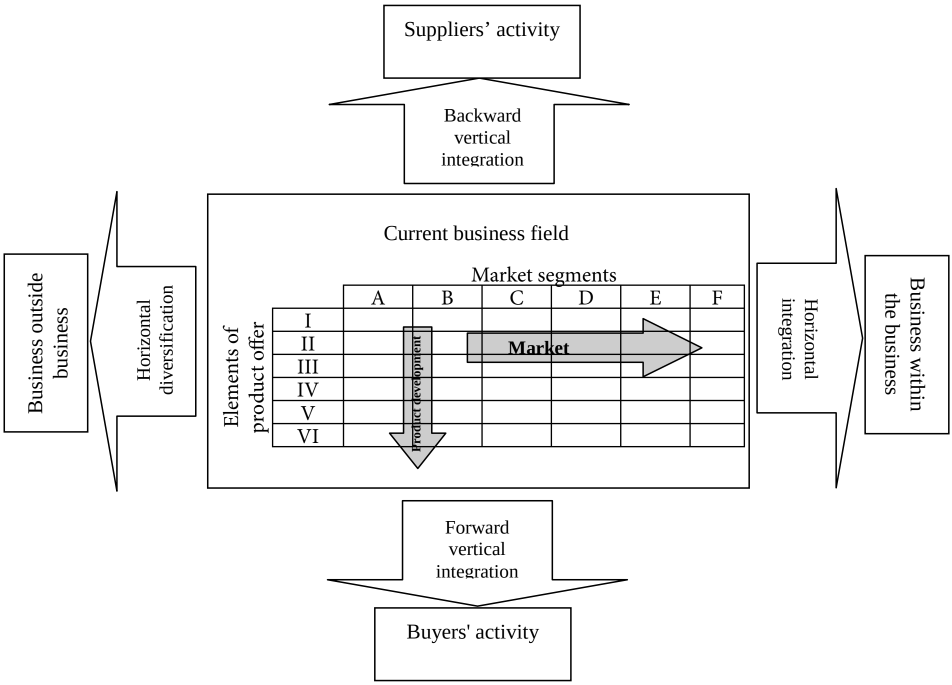

Figure 2. Corporation development directions

Source: Wit, B. and Meyer, R. 2007. *Synteza strategii*. Warszawa: PWE, p. 187.

These dilemmas explain in a sense why English-speaking authors are more and more frequently abandoning the term development strategies or even growth strategies, for the sake of corporate strategies comprising any possible directions of activity, the expansive ones as well as the ones that reduce activity. Nowadays, the approach that prevails can be illustrated by T.L. Wheelen & J.D. Hunger's perspective which determined three major areas of the corporate strategy:

[8] See: Krupski, R. (ed.) 1998. *Zarządzanie strategiczne. Koncepcje. Metody.* Wrocław: Wydawnictwo Akademii Ekonomicznej im. Oskara Langego in Wrocław, p. 47.

[9] Fabiańska, K., and Rokita, J. 1986. *Planowanie rozwoju przedsiębiorstwa.* Warszawa: PWE, pp. 11–12.

[10] Thus, approach is reflected in the so-called great development strategies, characterized by a way in which an organization behaves as a whole in the context of its position on the market, adopted in strategic planning as a collection of a choice crowning the SWOT or SPACE analysis.

- Company's general approach towards growth, stabilization and reduction (*directional strategy*);
- Sectors and markets, where a company competes with others using its products and business units *(portfolio strategy)*;
- The way a board coordinates business and transfers resources, as well as cultivates skills between product lines and business units (*parenting strategy*).

The most important part of the corporate strategy (most closely associated with classic understanding of the development strategy) is definitely the choice of directions for the company as a whole, as well as the management of business portfolio (products). These aspects are relevant not only in the case of big corporations but in the case of small and medium enterprises as well.

The direction strategy pertains to the answers to three fundamental questions:

- Should a business extend, limit or continue its current activity in an unchanged state?
- Should an enterprise concentrate its business within the scope of the current sector, or maybe diversify it and move to other sectors?
- If an enterprise aspires to growth and national or global expansion, should it do it through internal development or through external takover, fusion or strategic alliance?

Figure 3 shows graphically the problem of direction strategies.

Growth strategies	**Stabilizing strategies**	**Containment strategies** (reorganization)
Concentration • Vertical growth • Horizontal growth • Diversification • Concentric • Conglomerate	Suspension/cautious actions Lack of changes Harvest strategy	Rights Loss of a company's independence (acceptance offer) Sale/divestments Bankruptcy/liquidation

Figure 3. Corporate directional strategies

Source: Wheelen, Th. L. and Hunger, J. D. 2008. *Strategic Management and Business Policy. Concepts*, 11th Edition, Upper Saddle River NJ: Pearson Prentice Hall, p. 166.

It is worth mentioning, that directional strategies together with development method can create strategy variants. Considerable number of authors associate development strategies at the corporate level mostly with diversification strategies. That is why, the options from this set receive most attention in western literature. Most frequently, the diversification is divided into two groups: linked diversification (concentric, related), as well as non-linked diversification (conglomerate, unrelated). Linked diversification signifies the enhancement of business beyond the limits of current products and markets as a part of abilities (e.g. technology) or value networks (e.g. developed distribution channels). This strategy is also connected with decisions pertaining to vertical integration that signifies enhancing the business to include activities typical for the preceding (backward integration) or following (forward integration) value chain links in relation to a current company's status. Non-linked diversification is a strategy of entering new business areas, not linked in terms of technology or marketing with the current company's activity. It is extremely important to differentiate between the types of diversification. They are connected with a different impact on the results of a company's activity as well as with a risk of failure. The strategy was classified at early stages of research on diversification. This typology is still applied to numerous studies pertaining to diversification. It refers to the specialization ratio (SR), drawn up by L. Wrigley in 1970, and next broadened by R. Rumelt to include extra ratios: related ratio (RR), and vertical ratio (VR). The SR corresponds to a company's annual revenue obtained from its most important business area. Analogically, the RR indicates the company's revenues realized from related businesses, whereas the VR from activity that results from the company's vertical integration.

Terms 'specialization' or 'concentration' were introduced in order to differentiate the remaining development strategies from diversification. They are successfully applied to studies that are being currently conducted. The status of the options connected with the vertical and horizontal integration has become controversial. In a classical perspective it was attributed rather to diversification. Nowadays, these variants are more and more frequently being compared with concentration (specialization) strategies. From this perspective, participation in a chain of values typical for a given sector is an indicator of the affiliation to specific actions of a given strategic group. It is a relatively new approach connected with strong development of integrated value chains that form industrial networks.

Theoretical basis for development strategy studies

An influence of many various trends in management can be observed in the development of a theory pertaining to development strategy. There are four theoretical perspectives worth noticing: industry economics, and as a part of it SCP approach in particular (Structure–Conduct–Performance), resource approach, transaction costs theory and agency theory. Table 1 shows the basic conclusions ensuing from individual perspectives that have an impact on the development of a company development theory (first of all including diversification).

Table 1. Theoretical development of the development strategy

Theoretical concept	**Conclusions**
S-C-P approach in the industrial organization (IO). (Montgomery, Rumelt, Bettis, Hall)	• Company's results depend on the sector's structure • Sector's structure and its profitability have more influence on the company's results that diversification strategies • Lack of clear impact of the diversification strategy on the company's results • Diversification of companies' results with a different type of diversification ensues from the type of a sector's structure rather than from the type of diversification
Transaction cost theory (Williamson, Teece, Dundas, Richardson, Hosskinson)	• The aim of diversification is to decrease the general transaction costs in relation to alternative methods of conducting transactions. • Diversification strategy is closely connected with the choice of an exchange structure. • The aim of diversification is to achieve effectiveness through a selection of one out of three control systems: strategic (cooperation, close relationships), financial (concentration on competition in order to gain productivity) and hybrid (mixed structure that uses strategic and financial control)
Agency theory (Jensen, Meckling, Kochhar, Markides, Singh, Holl, Kyrizias, Reuer, Miller, Denis, Sarin)	• Decisions about the directions and methods of development are made according to the personal objectives of the decision-makers and managers (decision-maker's opportunism) • Information asymmetry between the owners (shareholders) and managers is a source of opportunistic behaviour in a company • Board members' salary is connected more with the size of a company rather than with results. That is why, diversification leads to an increase in the pay of top management • Diversification that realizes manager's business rarely generates an increase in a company's value, whereas it can cause the so-called 'discount diversification' (prizes of the shares of a diversified company priced by a market at a lower level that in the case of valuation of individual businesses). • Decisive significance of a management structure, contract character and other control tools in the process of providing the right managerial decisions concerning hazardous investments
Resource approach (Wernerfelt, Mahoney, Pandian, Chatterjee)	• Company's resources connect markets and can reduce production and investment capacity as a part of diversification • Using abilities surplus is the theme of diversification • Choice of diversification type (related or unrelated) should have an influence on the type of resources available for a company. • Resources affiliated with a specific type of strategy impact financial results

	• Company's specific resources lead to higher results than the general resources • Resources lose value when they are transferred between remote, unrelated markets

Source: own development based on Bergh, D.D. 2001. "Diversification Strategy Research at Crossroads: Established, Emerging and Anticipated Paths", in: Hitt, M.A., Freeman, R.E., and Harisson, J.S. (eds.), *The Blackwell Handbook of Strategic Management*. Oxford: Blackwell Publishers, pp. 366–368; Denis, D.J., Denis, D.K. and Sarin, A. 1997. "Agency problems, equity ownership, and corporate diversification". *Journal of Finance*: 52/1997, pp. 135–160; Miller, D.J. 2004. "Firm's technological resources and the performance effects of diversification: A longitudinal study". *Strategic Management Journal:* 25/2004, pp. 1097–1119; Kacperczyk, A. 2005. "With greater power comes greater responsibility? Takeover protection and corporate attention to stakeholders". *Strategic Management Journal*: 30/2009, pp. 261–285.

Authors identifying themselves with the SCP trend suggest, most of all, a superior significance of a sector in relation to a company's strategy, including development strategy. Transaction cost theory has mostly developed the problem of internal management of a diversification in a company. Strategies from this group require the application of the most effective structure that decreases the level of transaction costs in given circumstances. Transaction cost theory has been applied in decision making process concerning a development method (especially within the scope of vertical integration), where it helps to answer important questions pertaining to the evaluation of integration methods in terms of minimizing transaction costs connected with exchange. Agency theory, developed in the 1970s, has become a basis for research on the influence of manager behaviour on the profitability of selected development strategies for a company.

The rresearch, as a part of resource approach, aspire to define the role of resources in formulating and realizing diversification. On the one hand, specific resources are treated as a limit of diversification capabilities, on the other hand, as a way to achieve synergy effects through extending to other business activities of the unique, strategic resources that are in excess. The need to involve the development strategy into the shaping of company's competences that stand out is becoming more and more obvious together with the development of a resource concept. That is why, the variants of development in a popular product/market system are not often exhaustive options out of the group of strategic directions that constitute a construction of development strategy. More and more often, it is being stressed in literature that the role of a board (corporate level) is most of all the management of the company's skills and abilities. Indeed, this problem is more often attributed to competition strategies, i.e. to the level of strategic domain; however, it is at the highest level where strategic resources can be shaped from „bird's eye view" so to speak, as well as planed in a long term. They constitute a basis for so awaited synergy effect in diversified companies. Apart from that, the development of skills is a long-term process, and hence often impossible to plan through strategic business units acting in a considerably shorter time horizon (due to the character of planning and budgeting). Figure 4 shows a matrix indicating four potential options within the scope of shaping the skills and abilities (exceptional competences that are directly responsible for a company's competition advantage gained in company's particular strategic domains) from the perspective of a corporation level.

According to resource approach, contemporary theorists aspire to combine diversification types with a degree of using company's resources and abilities.[11]

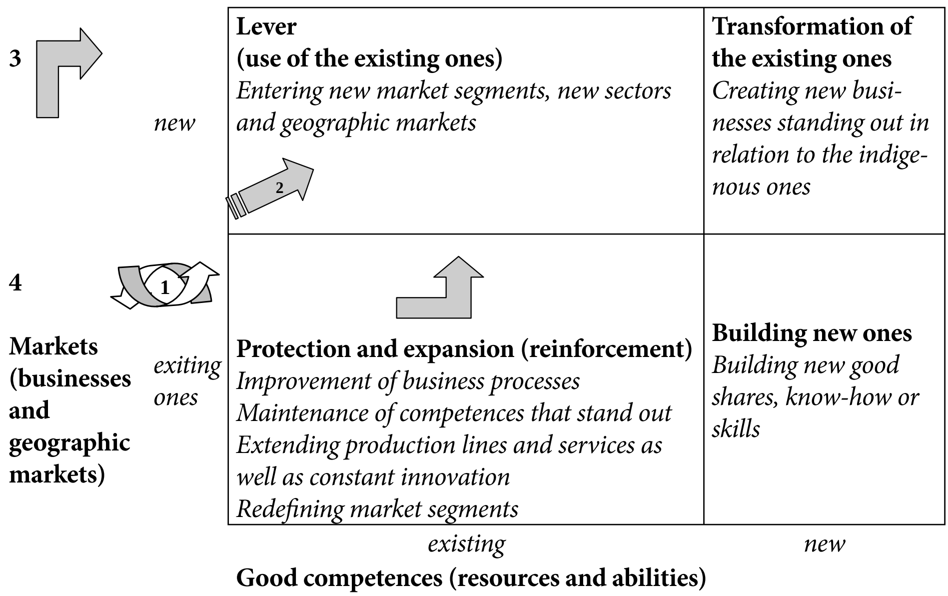

Figure 4. Matrix of constant competence renewal

Source: Chakravarthy, B. and Henderson, J. 2007. "From hierarchy to a heterarchy of strategies: adapting to a changing context". *Management Decision*: 3(45)/2007, p. 647.

Figure 5 shows one of the examples of such approach, where a degree of relationship of diversification strategy in relation to current business was connected with the character of the links that are used and added to the creation of company's values. They were divided into corporate links signifying a transfer of competences from the corporate level to businesses, as well as operational links understood as activities of an operational character (e.g. production, distribution, marketing) commonly used by businesses.

Actions within the scope of using and shaping competences should translate into a company's strategy. The choice of a development direction should aggregate decisions as a part of the degree of a company's diversification, as well as long-term

[11] See: Døving, E. and Gooderham, P.N. 2008. "Dynamic capabilities as antecedents of the scope of related diversification: the case of small firm accountancy practices". *Strategic Management Journal*: 29/2008, pp. 797–907.

shaping of unique competence allowing a company to conduct a balanced development in a long term. Achieving synergy effect is becoming the main indicator of an adequate development strategy due to the right combination of the transfer of indigenous competences and functions which can be used by individual businesses. Creating a company's value at an acceptable level of risk is becoming the basic objective.

		Corporate affiliations Low	 High
Operational links: mutual actions between businesses	Low	Unrelated diversification (conglomerate)	Related linked diversification
	high	Related constrained diversification	Corporately and operationally related

Figure 5. Diversification strategies that create value: corporate and operational affiliations

Source: Hitt, M.A., Ireland R.D. and Hoskisson, R.E. 2009. *Strategic Management. Concepts* & *Cases. Competiveness and Globalization.* 8th Edition, South-Western Cengage Learning, p. 159.

Research and views on the development strategy of companies

The analysis of theoretical and empirical research devoted to diversification indicates an existence of relatively long-lasting research interest focused on a few areas:

- aspiring to specify and redefine a concept of 'relationship' between businesses – specific types of relationship, based on various types of activity and skills, are first of all taken into consideration in this area;[12]
- searching for new methods of measuring diversification strategies as well as the analysis of antecedence of diversification and its results;[13]
- research on profitability and stability of development methods;[14]
- research on international diversification – international scale of action is treated as another dimension in research on diversification strategies.[15]

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[12] E.g. Farjoun, M. 1998. "The independent and joint effects of the sill and physical bases of relatedness in diversification". *Strategic Management Journal*: 19/1998, pp. 611–630.

[13] E.g. Gary, M.S. 2005. "Implementation strategy and performance outcomes in related diversification". *Strategic Management Journal:* 26/ 2005, pp. 643–664.

[14] E.g. Busija, E.C., O'Neill, H.M. and Zeithaml, C.P. 1997. "Diversification strategy, entry mode, and performance: evidence of choice and constraints". *Strategic Management Journal:*18/1997, pp. 321–327.

[15] E.g. Hitt, M.A., Hoskisson, R.E. and Kim E. 1997. "International diversification: Effects of innovation and firm performance in product-diversified firms". *Academy of Management Journal*: 40/1997, pp. 767–798; Wiersema, M.F., and Bowen, H.P. 2008. "Corporate diversification:

Early research by R. Rumelt conducted in the 1970s, which have become a strategic management classics, indicated that companies which were developed by related diversification (concentric) gained better results both from companies that were specializing (non-diversified), and those that had developed by conglomerate diversification.[16] During the later period the results were questioned, inter alia, by proving that the diversification of companies' results with a different type of diversification results from the sector structure type rather than from the diversification category.[17] However, far more later research confirmed that relation between results and a type of diversification resemble letter 'U' turned upside down (see Figure 6).[18]

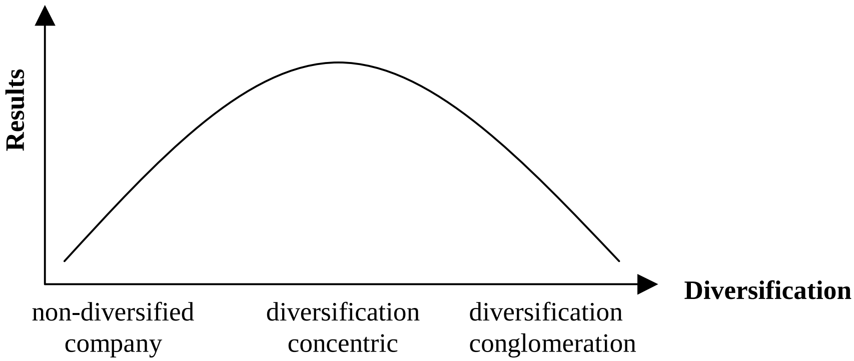

Figure 6. A relation between a type of diversification and a company's results

Source: Palich, L.E., Cardinal, L.B. and Miller, C.Ch. 2000. "Curvilinearity in the diversification-performance linkage: an examination of over three decades of research", *Strategic Management Journal*: 21/2000, p. 157.

In other words, concentrically diversified companies gain better results than the mean ones gained by both non-diversified companies and conglomerationally diversified ones. This view occurred to be a result of many studies conducted during the last 40 years. Table 2 shows the main result of the selected research on diversification of companies.

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the impact of foreign competition, industry globalization, and product diversification". *Strategic Management Journal:* 29/ 2008, pp. 115–132.

16 Rumelt, R.P. 1974. *Strategy, Structure and Economic Performance*, Cambridge MA: Harvard University Press.

17 Montgomery, C.A. 1982. "The measurement of firm diversification: some new empirical evidence". *Academy of Management Journal:* 25/1982, pp. 299–307.

18 Palich, L.E., Cardinal, L.B. and Miller, C.Ch. 2000. "Curvilinearity in the diversification-performance linkage: an examination of over three decades of research", *Strategic Management Journal:* 21/2000, pp. 155–174.

Table 2. The conclusions of the selected research within the scope of company diversification

Authors	Results
Rumelt, 1974	The related diversification brings higher results than the unrelated one
Berry, 1975	The related diversification brings higher results than the unrelated one
Salter, Weinhold, 1979	The related diversification brings lower results than the unrelated one
Amihud, Lev, 1981	The diversification is harmful to the company's results
Bettis, Hall, 1982	The lack of difference in results between the related and unrelated diversification
Rumelt, 1982	The related diversification brings higher results than the unrelated one
Backaitis et al. 1984	The unrelated diversification brings higher results than the related one
Montgomery, Singh, 1984	Conglomerate, diversified companies have a higher systematic risk
Varadarajan, 1986	The related diversification brings higher results than unrelated diversification
Grant, Jamine 1988	The related diversification does not reach higher results than the unrelated one
Nguyen, Devinney, 1990	Technologically connected actions generate scale economics
Nguyen, Devinney, 1990	The related diversification brings higher results than the unrelated one
Lang, Schultz, 1994	The diversification is harmful to the company's results
Markides, Williamson, 1994	The related diversification brings higher results than the unrelated one
Robin, Wiersma, 1995	The related diversification brings higher results than the unrelated one
Denis, Denis, Sarin, 1997	The diversification is harmful to the company's results
Palich, Cardinal, Miller, 2000	The related diversification brings higher results than the unrelated one
Miller 2004	The diversified companies are less innovative and have a smaller portfolio of patents than concentrated companies
Gary 2005	In some conditions, the unrelated diversification can bring better results than the related one
Miller 2006	The related diversification brings higher results than concentration
Shaver 2006	Too high levels of company diversification decreases the level of results

Source: own development Palich, L.E., Cardinal, L.B. and Miller, C.Ch. 2000. *Curvilinearity in the diversification-performance…*, *op. cit.*, p. 163; Gary, M. 2005. "Implementation strategy and performance outcomes in related diversification", *Strategic Management Journal*: 26/2005, pp. 634–664; Miller, D.J. 2006. "Technological diversity, related diversification, and firm performance", *Strategic Management Journal*: 27/2006, pp. 601–619.

The motifs that guide the company's management decide about the choice of a given type of diversification. A company is able to gain a far greater range of benefits through extending its current business to include related economic areas. The effects of the economy of scope, both operational and financial, should be given special attention, as they are impossible to obtain in most cases as a part of conglomerate diversification. Nowadays, the impact of a diversification strategy on the company's value is becoming its main indicator in a short and long time horizon. In this context, the classification of diversification motifs in terms of company's values that are being created is interesting. Table 3 shows a current typology of diversification motifs. The results of the mentioned empirical studies, as well as the character of motifs that lead to companies' diversification suggest that a related diversification, based on the current experience and a company's knowledge is more justified in the context of creating greater values. However, the realization of individual interests in a company with no concern about increasing the values of the company itself is frequently a reason for many decisions about the implementation of a diversification strategy.

I agree that aspiring to preserve management posts in collapsing businesses or to maintain, as long as possible, an impression of a thriving organization (it can be illustrated by a famous case of the American concern Enron), or simply a bigger salary for top management is a reason for the realization of a diversification strategy.[19] Since the agency theory started to question infallibility of corporate managers within the scope of decisions made on the behalf of resource allocation, the real motifs and effects of risky diversification strategies are being closely analysed.[20] Today, this research trend is developing exceptionally intensively.

The problem of choosing a level and antecedence of diversification is not the only subject of the studies. The choice and profitability of a development method is a topic of another group of studies. The main research themes within this scope refer to:

- decisions concerning internal and external methods;
- profitability of merger and takeovers;
- profitability of strategic alliances;
- global expansion methods;
- role of managers in decisions concerning a way of company developments (especially in mergers and takeovers).

[19] Geiger, S.W. and Cashen, L.H. 2007. "Organizational Size and CEO Compensation: The Moderating Effect of Diversification in Downscoping Organizations". *Journal of Managerial Issues:* 29/2007, pp. 233–252.

[20] Matta, E., and Beamish, P.W. 2008. "The accentuated CEO career horizon problem: evidence from international acquisitions". *Strategic Management Journal:* 29/2008, pp. 683–791.

Table 3. Motifs of diversification according to the influence on a company's value

Influence on a company's value	**Motif**
Value-creating diversification	• economy of scale (related diversification) ⊲ activity use ⊲ indigenous competence transfer • market strengths (related diversification) ⊲ blocking competition by using multipoint competition ⊲ vertical integration • financial savings* (unrelated diversification) ⊲ effective internal allocation of the capital ⊲ business reorganization
The neutral diversification in relation to value	• anti-monopoly regulations • tax law • low results • uncertainty about the future financial flows connected with a sector maturity • synergy and reduction of a company risk • material and non-material resources (of non-strategic character)
Diversification that reduces value	• diversification of the risk of employing top management • increase in salary for top management (on account of increase in a company's size)

* being realized as a result of improvement in the allocation of financial resources on the basis of investments carried out inside and outside, outside a company.

Source: based on: Hitt, M.A., Ireland R.D. and Hoskisson, R.E. 2009. *Strategic Management. Concepts&Cases. Competiveness and Globalization.* 8th Edition, South-Western Cengage Learning, p. 157.

Despite a great wave of mergers and takeovers, the research suggest that development through takeovers does not bring good financial results, same as exclusive internal development.[21] The analysis of the shaping of the stock prices of companies engaged in M&A transactions suggest their decrease in a short and long time.[22] There are many causes, one of them is too high price paid for taking a company over. The research indicate that between half to two thirds of takeovers end in failure, and that precisely because of too high price bonus that makes it impossible to obtain a reimbursement from the invested capital.[23] The second most

21 King, D.R., Dalton, D.R., Daily, C.M. and Covin, J.G.. 2004. "Meta-Analyses of Post-Acquisition Performance: Indications of Unidentified Moderators". *Strategic Management Journal:* 25/2004, pp. 187–200.

22 Dyer, J.H., Kale, P. and Singh, H. 2005. „Jak wybrać między przejęciem aliansem strategicznym?". *Harvard Business Review Polska:* January 2005, pp. 68–77.

23 Lovallo, D., Viguerie, P., Uhlaner, R. and Horn, J. 2008. "Fuzje i przejęcia: jak uniknąć złudzeń". *Harvard Business Review Polska*: June 2008, pp. 124–132.

common reason is the dissatisfaction of the clients of a company which performed merger. During these two years after merger, nearly as much as half of the clients expresses their dissatisfaction with the level of service.[24] On the other hand, other research suggest that in the case of takeovers there is a lower index of stability than in a situation of new, internally generated business enterprises.[25] The authors are more and more often emphasising that no strategy is the best in itself, but success results more from a combination of internal and external development methods. Such a situation gives a bigger chance of achieving the assumed objectives than the use of only one or another method.

The results of the analyses of 11 thousand takeovers all over the world show that the companies which were succeeding in taking over, had been taking over mostly small subjects, performing transactions with a relatively small risk, before they started conducting big hazardous takeovers. Other research show that previous experiences of cooperation between a company that is taken over in the field of R&D, production or marketing alliances increase the chance of a successful takeover.[26] Many companies apply their own internal criteria of assessing candidates for takeovers, e.g. Cisco is based on three principles: a company that is being taken over should be relatively small, should represent a comparable organization culture, as well as must be physically close to one of the existing company subsidiaries.[27]

Nowadays, company globalization methods are an extremely crucial trend in research. In this respect, companies perform international expansion using both internal and external methods. Figure 7 shows a combination of typical current methods of extending companies' business on an international scale.

The results of the conducted research, as well as the observation of trends make it possible to show other interesting observations[28]:

- conglomerate diversification in developing countries often leads to better results that in well-developed countries, mainly due to a big capacity of internal job and capital markets[29];

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[24] Thornton, E., Arndt, M. and Weber, J. 2004. "Why Consumers Hate Mergers?". *Business Week*, 12/6/2004. Issue 3911, pp. 58–63.

[25] Pennings, J.M., Barkema, H. and Douma, S. 1994. "Organizational learning and diversification". *Academy of Management Journal:* 3(37)1994, pp. 608–640.

[26] Rovit, S., Harding, D. and Lemire, C. 2004. "A simple M&A model for all seasons". *Strategy & Leadership:* 5(32)/2004, pp. 18–24.

[27] Wheelen, Th. L. and Hunger, J. D. 2008. *Strategic Management and Business Policy*.., *op. cit.*, p. 175.

[28] Johnson, G., Scholes, K. and Whittington, R. 2005. *Exploring Corporate Strategy.* Harlow: Prentice Hall, pp. 290–291.

[29] Peng, M.W. and Delios, A. 2006. "What determines the scope of the fir over time and around the world? An Asia Pacific perspective". *Asia Pacific Journal of Management:* 23/2006, pp. 385–405; Khanna, T., Palepu, K.G. and Shina, J. 2005. "Strategies that fit emerging markets". *Harvard Business Review* 83(6)/2005, pp. 63–76.

		Company Inside	Outside
Geographical location	Home country	Internal development	Mergers Takeovers Joint ventures Outsourcing Alliances Franchising
	Other countries	Export Branches Production/ green-field Invest-ments Captive offshoring Multinational operations Global operations	Mergers Takeovers Joint ventures Outsourcing Offshoring Alliances Franchising Turnkey projects Licences

Figure 7. Internal and external company development methods

Source: own development.

- conglomerate diversification in highly developed countries is being replaced more and more by concentric diversification (using corporate and operational affiliations [indigenous competences]);
- conglomerate diversification shows a tendency towards obtaining better results with relation to the 1970s, due to an improvement in management skills in the managing a related diversification;
- conglomerate diversification can obtain better results for a short period, only to show tendencies towards a decrease in results and next to a collapse, especially at the moment when a founding generation of top managers retires;
- in the 1990s in the so-called „new economy" era, companies often based their development on internal investments in IT business, remote from the indigenous corporate business. However, the fall of dotcoms at the beginning of the 21st century influenced the popularity of stabilizing and reducing strategies (e.g. downsizing, downscoping, business sales, outsourcing, advantage of short-term activities).[30]
- A prevailing significance of prices and cost caused by competition on the part of regions with low costs (Far East, Eastern Europe countries) caused that companies were more concentrated on operational improvement in companies (e.g. reengineering, production, distribution and administration);
- A vertical integration is replaced, to a great extent, with virtual integration.

[30] Drejer, A. 2004. "Back to basic and Beyond. Strategic management – an area where practice and theory are poorly related". *Management Decision:* 42/2004, pp. 508–520.

The results of research realized on the national market are becoming valuable in the view of considerations pertaining to research conducted in the world. In the studies conducted by companies in Poland, a dominance of such development trends as penetration and diversification have been observed.[31] More than one third of companies (36%) declared that they applied penetration strategy. A similar result (34%) was obtained in case of diversification strategy. The development of market and product is realized by a considerably smaller number of companies, 17% and 13%, respectively. One of the explanations of a relatively strong polarization of companies with relation to strategic trends that are characterized by a different risk are critical economic conditions, still present in many businesses. A part of companies aspires mainly to maintain their position in a given competitive environment. The second group, sets more aggressive goals, using different market occasions, not necessarily connected with the current experience. This situation is in accordance with a saying: 'when the wind of changes is raging, some build shelters and some mills'. Maybe some decision-makers think that a risk is compensated by potentially higher profits. Specialization does not guarantee an anticipated profit, whereas due to an increasing uncertainty of the environment it is connected with a considerable economic risk.

An extremely important element of the strategy is a development strategy, that is a way in which a company intends to gain indispensable resources necessary to realize strategic directions. The research used a division which distinguished one internal and four external methods: capital method, cooperation base on a contract, joint venture and merger. Most often, the companies that were studied applied internal methods as well as contracts of cooperation with strategic partners in their strategic activities (during the last 3 years). Mergers, joint ventures and capital methods are used far more rarely, (see Figure 8). Due to the character of individual methods, their risk as well as necessary manager skills, the obtained results correspond to common feelings pertaining to the intensity of the presence of individual development methods in economy.

Nowadays, the shaping of the development strategy is identified with the creation of a strategy in conditions of uncertainty. That is why, building a strategy is being more and more often connected with a need to manage a strategy risk. Despite rich theoretical and empirical achievements within the scope of formulation process, as well as the elements of development strategy, currently the most important challenge is becoming an ability to create development strategy that

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[31] The mentioned research comprise a part of a research project entitled: *Podstawy wyborów strategicznych w przedsiębiorstwach* realized by Strategic Management Department of the Poznan University of Economics, under the direction of E. Urbanowska-Sojkin, Professor, PhD. The research of inter-sector character were conducted by means of a survey on a sample of small and medium-sized companies (employing above 49 employees) operating in Poland in the period between 2008 and 2009. The questionnaire was directed at the representatives from top management. Consequently, information about 202 companies was obtained. See more: Urbanowska-Sojkin, E. (ed.) 2011, *Podstawy wyborów strategicznych w przedsiębiorstwach.* Warszawa: PWE.

takes into consideration the tumultuous character of the external environmental conditions, as well as a risk of implemented actions ensuing from it.

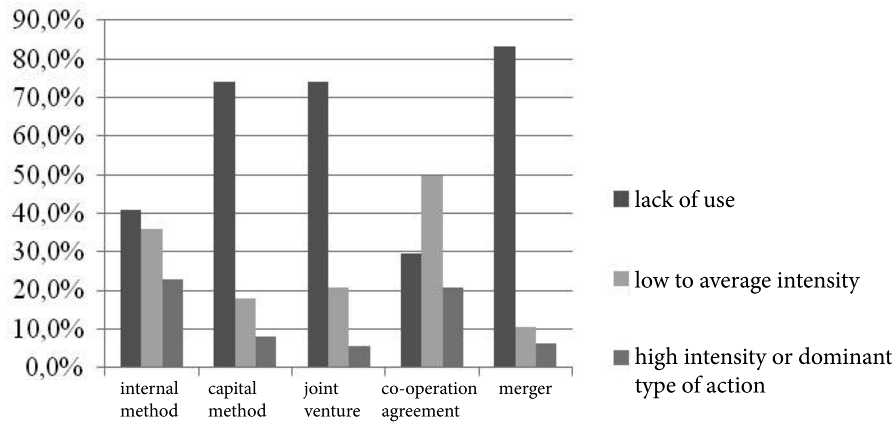

Figure 8. The methods of company development in the last years

Source: Urbanowska-Sojkin, E. (ed.) 2011. *Podstawy wyborów strategicznych w przedsiębiorstwach*, Warszawa: PWE, p. 298.

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Summary

The aim of the report is to present the most important trends connected with a development of research on development strategies. Within the scope of this, a traditional approach towards the shaping of development strategy was compared with current research challenges. In the first and second part, the essence and scope of a development strategy was presented together with terminological aspects and the most often applied theoretical concepts used as bases for research pertaining to the choice of a given development direction and method. A special attention was given to diversification strategies, including the chance and motifs of its application. The next part presents results of selected research, described in world literature, as well as a part of the results from a research project on the subject of *Bases of corporate strategic choices in Poland*, conducted in the Strategic management Department at the University of Economics in Poznan. The presented results from research can constitute helpful hints for future researchers.

Janusz Fudaliński
Andrzej Frycz Modrzewski Krakow University
Cracow University of Economics

PROBLEMS OF IMPROVEMENT IN THE PROCESS FOR NON-COMMERCIAL ORGANIZATIONS WITH THE USE OF CAF SYSTEM

Introduction

Managing a local administration unit is complicated. In general, it can be stated that the best management patterns come from the commercial sector. The purpose of management is not stabilization, but stimulation of changes and creating innovative activities that give rise to premises of duration and development of an organization. This motto is also the basis for the idea of managerialism, a new philosophy of public service provision. At this point, it should be added that, provision of services is, after all, the main stream of activity of public administration, especially local. Managerialism in administration is focused mainly on operational and long-term thinking, effective and free from stereotypes related to previous understanding of the role of administration.

Therefore, the purpose of this study is an attempt to present the role of one of the methodological tools supporting the management process in the public sector with simultaneous indication that this method may be also applied in the sector non-profit organizations sector, as improving the management system. Therefore, recognizing the meaning of creative activities (sometimes of deterministic nature), stimulating changes in the organization, it is possible to assume that the presentation of the self-assessment implementation process, according to CAF SYSTEM 2006, is one of the best tools for well thought-out initiation of changes not only in public administration, but also among non-profit organizations.

Specific character of management process of non-commercial organizations

The main feature for any development is change. Local government units cannot, therefore, be isolated from changes taking place in all strata of its environment

– this applies to the regional, national, European and global perspective. In the process of local development planning, development processes should be examined not in terms of one year or one term of office of local government authorities, but in the long run. The basic role of management understood in this way is performed by strategic planning. An unquestionably positive aspect of strategic thinking on local development is the possibility of selection of problematic scopes and attention to cases determining the directions and the pace of growth of territorial units. A particularly important thing is then their hierarchy, which should take the form of an "objective tree".

Thinking in categories of strategic management and the use of its instruments, still do not belong to the canon of activities of public administration in Poland. The basic difficulty in building the "climate" for strategic activities results from the mentality and the habits of representatives of local authorities as well as employees of offices. The notion of "management" is adopted with great difficulties in public institutions or among non-profit organizations, it is associated mainly with the sphere of economy and companies. There is a risk that the strategy might be considered as the need resulting from "the fashion", a formal requirement, not introducing significant changes to the practice of institutions' functioning. Another problem involves the skills related to strategic management, in particular the ability to reflect strategic goals in operational tasks and, subsequently, implement these tasks, monitor their performance and evaluate their implementation in terms of achieving the strategic objectives. This complex issue applies to many public administration units and non-profit organizations, also those that have formally adopted development strategies.

Contemporary administration slowly turns away from bureaucratic mechanisms in favour of the process approach and implementation of programs and projects. This does not mean, however, that management strategies can be identical with those used in the business world.

The first action in order to determine the areas for implementation of improvements is complete identification of the potential, the constraints and the problems, as well as opportunities and threats:[1]

- division of labour used in offices makes principles of the process approach difficult to use. The process proceeds through too many functional units or posts, therefore its full identification and integration are a difficult task. The lack of the process approach is the main cause for low quality of provided services[2],

[1] Kozera I., *Diagnosis of the quality management in government administration. Intellectual capital as a determinant of implementation of the Quality Policy in offices of government administration*, Chancellery of the Prime Minister, Warszawa 2009, p. 19.

[2] Bugdol M., *Zarządzanie jakością w urzędach administracji publicznej. Teoria i praktyka*, Difin, Warszawa 2008, p. 31.

- in the opinion of the society, the way of functioning of offices (among others, the speed and the punctuality of actions, the availability of employees) undergoes continuous improvement. Units implement innovative IT solutions (e.g. electronic signature), lengthen the working hours, put greater emphasis on the service quality and anti-corruption actions,
- management quality assessment indicates in particular the needs for training officials on the highest positions.

The premises to create, and then to apply in practice, models and modern solutions of management methods in public administration are associated with the concepts of the so called New Public Management (NPM) popular particularly in the Anglo-Saxon countries since the 1980s[3]. Basic assumptions of NPM were aimed at increasing the effectiveness of the public sector, among others, by means of:

- emphasis on finance management: effectiveness and cost account,
- determination of objectives and monitoring of results,
- defining standards of services and use of benchmarking solutions (possibilities of making comparisons with a sample of verified, good solutions).

This basic for the model of public management has been supplemented with results management elements, so as to provide effective public services, among others, by means of emphasis on the quality of services (models and tools) – the aim is to achieve excellence with regard to public services.

In public administration, it is possible to identify three phases of service quality development: [4]

- **normative** – refers to preparing detailed quality procedures,
- **effective** – in offices, the efficacy and effectiveness of the system functioning are examined,
- **satisfying** – guaranteeing high level of services.

Presently in Poland, we can notice that offices are moving from the first phase (normative) to the second phase (effective). In practice of Polish local administration offices, modern management models are used more and more often. Observation of functioning of the local level institutions shows that every year there are more and more local government units reaching for more professional forms of management. They begin to use modern models and tools supporting improvement in the quality of provided services. They include:

- Quality Management Systems, according to the ISO standard,
- European Foundation for Quality Management Excellence Model (EFQM),
- Institutional Development Program,
- CAF (Common Assessment Framework).

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3 Kurdycka B., "Zmiany w pozycji i statusie urzędników administracji publicznej. Nowe wyzwania i trendy", *Służba Cywilna*, 4/2002, p. 9.

4 Bugdol M., *op. cit.*, p. 34.

Common Assessment Framework, CAF[5], is a quality management tool which was inspired by the European Foundation for Quality Management Excellence Model (EFQM). This method is based on the assumption that achievement of the desired results of the organization's activities, including the results in the scope of the expected level of quality procedures, depends on the quality of leadership, which affects the employees, the resources, the processes, the interpersonal relationships, the quality of communication or, finally, the strategy of action, as well as mission and vision, which is characterized by the activity of the organization.

CAF system characteristics

The CAF method has been prepared as a consequence of an agreement concluded between the ministers of the EU Member States, responsible for administration. It was prepared by the Innovative Public Services Group (IPSG) – a work group of experts appointed with a decision of relevant General Directors, aimed at exchange of experience and cooperation in the scope of innovative methods for modernization of the apparatus of administration and public services in the Member States of the European Union[6]

CAF method was established, among others, in order to:

- promote quality management systems in the public sector in the European countries,
- support sharing the experience and good practices,
- introduce benchmarking actions in the public sector in Europe.

The CAF method has been designed for use in various organizations of the public sector (at the national, regional or local level) and in various kinds of projects, such as a part of the reform program or improvement in actions of specific organizations providing public services. In some situations, especially in the

5 (CAF Common Assessment Framework) in technological terms may be characterized (referred to) from the point of view of development, due to having having its special character, and identity of applied solutions (procedure stages) as a method, but also in literature, we encounter definitions assuming a broader formula of its application, where, owing to the complex nature of the proposed solution, the used notion is: system (in this definition it is assumed that particular elements shaping it serve as subsystems), or, accepting the assumptions contained therein and the implementation content resulting from it, it is presented as a model (pattern of actions leading to obtaining a specific condition of the organization); in this study, on the other hand, therse notions are treated as synonyms, assuming the possibility of diverse levels of application of this solution in organizations interested in its implementation, which is conditioned by the function of purposefulness of action, and depending on that, also by the attributed terminology concerning the definitions used. Most often, however, the most adequate term to be used is: method.

6 *Przewodnik Wspólna Metoda Oceny CAF 2006, Doskonalenie organizacji poprzez samoocenę*, Kancelaria Prezesa Rady Ministrów, Warszawa 2008, p. 8.

case of large organizations, self-assessment can be done at the level of particular sections or departments.

Interest in quality systems, modern management techniques, including self-assessment models, such as the CAF method, is increasing in Poland, which results from the process of integration with the European Union. Systematic implementation of CAF in public administration offices in Poland began in October 2006 along with the first pilot project. CAF self-assessment method, apart from the benefits arising from its implementation, has also some defects that are visible at the time of implementation.

Specification of advantages and defects is presented in Table 1.

Table 1: Advantages and defects of CAF method

ADVANTAGES	**DISADVANTAGES**
– theoretically cost-free method, – cost-free character at cyclic conduct of self-assessment, – the model is available for free, – high operational flexibility, universality of the model, – possibility of a complex look at the organization, – possibility to get to know the organization from the inside and from the outside, – it shows gaps in management and the methods for eliminating them, – objectivity of criteria, – informing employees on the stage of implementation, – self-assessment is prepared by the employees themselves, – possibility to evaluate the organization by employees of the lowest level, – possibility for employees to influence management, – informing the management on the areas for improvement, – stimulating the integration of the entire office, – more knowledge of the organization among the employees, – extensive assessment, – the organization develops through learning (weaknesses and strengths), – possibility of thorough identification of strengths and weaknesses, – possibility of comparing with other institutions, – possibility to develop cooperation between offices (people and institutions), – cyclic character of self-assessment makes it possible to assess the development,	– illegibility of the manual (difficult interpretation, failure to adjust to the needs, the specific nature, – hermetic nature of the language used in the manual, – mismatch of some subcriteria to the specific nature of the organization, – employees' commitment in the project at the expense of working time, – labour consumption and time consumption of the method, – difficulty in self-assessment, – the model requires people using it to possess knowledge concerning management, – the assessment scale is too broad, – problem with measurability of some criteria (especially results), – subjectivity of assessment, – no evidence for correctness of self-assessment, – the method is only diagnostic – it does not indicate how to make improvement.

– it makes it possible to observe changes taking place in the organization and to monitor its development, – bank of improvement activities, at the end of self-assessment, – improving actions resulting from the identified weaknesses, – forcing to undertake improving actions (continuous improvement).	

Source: prepared by the author on the basis of: Guide to self-assessment according to CAF method 2006.

To recapitulate, self-assessment, according to CAF method, makes it possible for the institution to obtain greater knowledge about its operations. In comparison with the full, developed TQM model, CAF is an introducing model which is easy to use. It is assumed that an institution which wants to go further on this path, will select a more appropriate detailed model. An advantage of the CAF method is the comparability with all models of this type – its use may thus prove to be the first step on the way to better management by quality[7].

The purpose of implementation of the CAF model is improvement of the management system of the office or the organization by means of complex assessment of maturity of the management system, with particular focus on identification of areas for improvement and strengths using a point-based evaluation and then implementation of improvement projects. The Common Assessment Framework – CAF method is a tool intended to improve the efficiency of the management process. The model focuses on conducting self-assessment, identification of areas to improve and introducing the required management improvements. According to this method, the organization undergoes regular (on average every 2 years) concurrent inspection from different perspectives as part of the whole process of analysis of the results of its operations. The CAF model is one of the public administration management tools of systemic and holistic nature. It may be used by every administrative unit because its principles are sufficiently general and can be introduced independently of the structure, the size and the specific nature of actions office[8] In consequence, there are no counter-indications for its application in the sector of non-profit organizations. As a result, organizations expressing the desire to implement the process of systematic improvement of their activities

[7] http://www.eipa.eu/files/File/CAF/Brochure2006/Polish_2006.pdf.

[8] Materials of the project: Organization and coordination of implementation process for CAF method 2006 and of the process approach in the selected offices of government administration being a component of the project: Improvement in the management capacity in offices of government administration co-financed from EU within the European Social Fund, implemented to the order of the Chancellery of the Prime Minister by the Consortium F5 Konsulting Sp. z o.o. and Quality Progress, Poznań 2008.

obtain a simple assessment tool, adapted for the specific nature of the public administration or non-profit sector.

The CAF method is to meet four basic objectives:

1. introduction and consolidation of principles of total quality management in public administration, by using and explaining the self-assessment method, starting from current "plan-do" phases until the implementation of the full "plan-do-check-act" (PDCA) cycle;
2. facilitation of self-assessment for public sector organizations, undertaken in order to formulate the diagnosis and undertake improving actions;
3. creating a bridge connecting various models used in quality management;
4. facilitation of mutual learning between the organizations of the public sector (*benchlearning*).

Along with the CAF method, an organization receives an important instrument making it possible to begin the process of continuous improvement. This method enables:[9]

- assessment based on evidence, using a set of criteria commonly used in public administration units in Europe;
- determination of whether the assumed progress and level of implementation were actually achieved;
- obtaining consistency of undertaken actions and a consensus on what should be done to improve the organization;
- obtaining consistency between the achieved results and the used potential;
- stimulating the interest of employees and encouraging them to get involved in the improvement process;
- popularization of experience with regard to good practices and sharing them inside and outside the organization;
- incorporation of various initiatives concerning improvement of the quality in day-to-day activities of the organization;
- measurement of the progress achieved with the passage of time, by periodic self-assessment.

Holistic approach of TQM (total quality management) and CAF means not only comprehensive evaluation of all aspects of functioning of the organization, but that all elements of the whole affect one another. However, it is possible to see the difference between:

- causal relations between the left side of the CAF (potential – causes) and the right side (results – effects), and
- holistic relations between causes (potential).

As an instrument of total quality management the CAF method is based on basic notions related to the idea of excellence, in the perspective of the European Quality Management Foundation (EFQM), namely: focus on the results, focus on

[9] Guide: Common Assessment Framework CAF 2006, Organization improvement through self-assessment, *op. cit.*, p. 10.

the customer as well as leadership and stability of objectives management through processes and facts, involvement and development of employees, continuous improvement and introduction of innovations, development of partner relations with contractors and sense of social responsibility[10].

Elements of the Common Assessment Framework CAF

The CAF model provides a tool which is easy to use, and thanks to which the European public sector entities can reach for the techniques of quality management to improve the results of activities. The model contains nine criteria, which refer to basic areas of organization, subject each time to analysis while carrying out the self-assessment:

- **potential criteria** (Leadership, Strategy and planning, Employees, Partnership and resources, Processes),
- **results criteria** (Results of operations in relations with citizens, Results of operations in the relations with employees, Social results of operations, Key results of operations).

The nine-field system indicates the most important aspects requiring consideration during the analysis of organization's operations. Criteria concerning the organization potential define what a given organization does and how it approaches achieving the desired results. When analyzing the results criteria, account is taken of those that relate to the results achieved with clients (citizens), and with the society, as well as the key results of operations on the basis of a survey on opinions and assessment of internal indicators[11] Every criterion consists of subcriteria, together there are 28 of them. The subcriteria define the issues that should be examined when assessing a given organization.

Leadership Criterion – includes the full scope of activities of ruling and executive bodies of a local government unit for achieving long-distance and long-term objectives, being the realization of the unit's vision and its mission. Actions of the leaders of the organization can contribute to determination of a clear objective and creating the conditions, in which a given organization and its employees will act in a visible way. The leaders set out operation destinations for the organization, formulate the vision, the mission and the values necessary to ensure success in the long run. They motivate and support the employees, setting an example with their attitude and behaviour compliant with the propagated and approved values. The leaders form, execute and monitor the organization management system, and

[10] *Wsparcie edukacyjne dla pracowników samorządowych sposobem wzmacniania zdolności administracyjnej samorządów*, ZN WSAP, Kielce 2010, p. 29.

[11] *Ibidem*, p. 30.

analyze the obtained results[12]. They are responsible for improvement in the results and preparation of changes that, in the future, should be introduced in order to implement the mission.

This criterion includes several significant subcriteria:
- mission, vision and values,
- implementation and improvement in the managerial solutions, their efficacy and flexibility,
- motivating employees to achieve strategic and operational goals,
- management in relations with the political levels for co-responsibility and higher effectiveness in quality management.

Strategy and planning criterion – is a part of plan-do-check-act (PDCA) cycle that begins with collecting information on the present and the future needs of the parties involved, as well as the direct effects and long-term consequences, which constitute information determining the planning process. Information should be credible – this also applies to signals coming from all parties concerned and determining actions at the operational level, the planning process and the adopted strategic direction. A factor of equal significance for achieving the intended improvements in the activities of an organisation are conclusions from the review of internal processes. The way in which organization effectively combines different trends of its activity into one hole determines its general results of activity. The organization pursues its mission and vision as a result of a clear strategy focused on the parties involved, considering the directions and the objectives of the policy and the needs of other the parties involved, also as a result of regular improvement in management methods for resources and processes. Strategy is reflected in specific plans, measurable general and detailed objectives. Planning and Strategy reflect approaches which organization has assumed towards modernization and innovations[13]. Strategy and planning subcriteria include:
- obtaining information about the needs of the parties involved,
- planning and developing a strategy of an organizational unit, taking account of the needs of the parties involved,
- pursuing strategy and plans,
- modernization and innovative actions.

Employees criterion – is the basis for assessment whether the organization adjusts its strategic goals to possessed human resources, determines the resources,

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12 Guide: Common Assessment Framework CAF 2006, Organization improvement through self-assessment, *op. cit.*, p. 14.

13 Materials of the project: Organization and coordination of implementation process for CAF method 2006 and of the process approach in the selected offices of government administration being a component of the project: Improvement in the management capacity in offices of government administration co-financed from EU within the European Social Fund, implemented to the order of the Chancellery of the Prime Minister by the Consortium F5 Konsulting Sp. z o.o. and Quality Progress, Poznań 2008.

their development and employment and care for them. It decides about their optimal use and achievement of success.

Subcriteria with regard to the detailed Employees criterion are:[14]

- planned human resources management,
- identification and use of the employees' competence,
- subjective treatment of employees by their involvement and dialogue.

Partnership and resources criterion – includes everything the local administration bodies have for implementation of services for the inhabitants and fulfilment of its mission in the environment of a local government community, namely: tangible resources, funds, infrastructure with buildings and other real estate, equipment and all movables, technology, gathered information and knowledge. In the constantly changing and increasingly complex social conditions, execution of strategic objectives requires that organizations took care of managing relations with other entities (both in the public and the private sector). Another consequence of the said complexity becomes the need for more and more active participation of citizens (clients) as key partners[15]

An important thing is to identify the requirements with regard to knowledge and information which should be subsequently included in periodic inspections of the strategy and the planning process. It is necessary to ensure timely obtaining of appropriate knowledge and information, in an easily available format so as to enable employees to effectively implement their tasks. The subcriteria of the Partnership and resources criterion include:

- relations with key partners,
- relations and cooperation with the inhabitants (clients),
- finance management,
- knowledge management,
- technology management,
- property management.

Processes criterion – two from among the most important factors in the development of the process are innovation and the need for constant increase in the value of citizens (clients) and other concerned parties. In every well operating organization, many processes take place – these are lines of consecutive activities which transform the resources, that is outlays, into results, i.e. the direct effects (outputs) and the long-term consequences (outcomes), and thus generate the value added. The processes can be divided into various kinds: basic processes, of crucial importance for delivery of products and services, management processes, concerning control of organization, and auxiliary processes related to delivery of

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14 *Wsparcie edukacyjne dla pracowników samorządowych sposobem wzmacniania zdolności administracyjnej samorządów*, *op. cit.*, p. 40–41.

15 Guide: Common Assessment Framework CAF 2006, Organization improvement through self-assessment, *op. cit.*, p. 22.

necessary resources. Under the CAF method, assessment covers only those from among all the mentioned processes that are defined as key ones.

Subcriteria with regard to the detailed Processes criterion are:
- management of implemented processes,
- delivery of products and services for the inhabitants of local government units (clients of the office),
- introduction of innovation to processes.

Starting from criterion 6, the gravity point of assessment moves from "Potential" to "Results". Using the Results criteria, a measurement is conducted as to the way of how we are perceived by our employees, citizens (customers) and the whole society[16]. Also internal action indicators are available, showing the results achieved as compared to the assumed long-term consequences (outcomes). Assessment of the results requires a set of answers that from that moment on will be based on the scale of "Results Assessment".

Criterion of Results of operations in relations with citizens (clients) – applies to the results of measurements with regard to the quality of individual services and indicators regarding services. Relations of public sector organizations with the society can be quite complex. In some cases they can be characterized as relations with a client (especially in the case of direct provision of services by organizations of the public sector), in others, as relations with a citizen – where the organization deals with determining socio-economic living conditions and enforcement of these determinations. Since these two aspects are difficult to clearly separate, these complex relations should be defined as relations with citizens (clients).

This criterion consists of two sub-criteria:
- customer satisfaction measurement results,
- indicators of the organization's attitude towards customer needs and community needs.

Criterion of Results of operations in the relationships with employees – means the operating results obtained by the organization with regard to competences, motivation, satisfaction and effectiveness of action of its employees. This criterion refers to the satisfaction achieved by all employees of the organization. In order to measure the satisfaction, organizations usually use tests conducted among the employees, but may also use supplementary techniques, such as e.g.

[16] Materials of the project: Organization and coordination of implementation process for CAF method 2006 and of the process approach in the selected offices of government administration being a component of the project: Improvement in the management capacity in offices of government administration co-financed from EU within the European Social Fund, implemented to the order of the Chancellery of the Prime Minister by the Consortium F5 Konsulting Sp. z o.o. and Quality Progress, Poznań 2008.

focus groups, periodical interviews and assessments[17] Organizations can also check work results as well as the level of employees development skills. The freedom of the organization in that area is sometimes limited by external factors. Hence, the requirement of clear presentation of limitations and activities of the organization to overcome or mitigate them. An important issue for all organizations is direct recording of achieved results in the relations with employees, as to their opinion about the results of the organization's activities and implementation of its mission, the work environment, the leadership of the organization and management systems, professional development, increase in qualifications and improvement in products and services provided by the organization. Organizations should dispose of a number of internal indicators enabling measurement of the achieved results in the relations with employees, combined with the formulated goals and the reported expectations (general level of satisfaction, results of employees' actions, increase in qualifications, motivation, level of involvement in the organizations' activities). The subcriteria of the concerned criterion include:

- measurement results as to satisfaction and motivation among employees of the office of a local government unit,
- indicators of employee satisfaction and relations.

Criterion of Social results of operations – that is the operation results obtained by the organization as to satisfying the needs and expectations of the local community of the whole society, as well as the international community. Criterion 8 quantifies the intended and unintended impact on the society, i.e. the total impact of the organization going beyond its main mission, statutory authorization or basic directions of action.[18] This criterion includes two subcriteria:

- measurement results as to perception with regard to the impact on the society,
- establishing indicators of impact on the society.

Criterion of Key results of operations – means, in turn, the results achieved by the organization in the area of strategy and planning with regard to satisfying the needs of various parties involved (external results) and the results achieved with regard to the management method and the organizational improvement (internal results).

The key results of operations relate to everything that the organization recognized as basic and measurable achievements allowing it to succeed in the short and the long term. They reflect the possibilities of adopted guidelines and processes with respect to achieving the assumed goals (also operational goals).

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[17] *Wsparcie edukacyjne dla pracowników samorządowych sposobem wzmacniania zdolności administracyjnej samorządów*, *op. cit.*, p. 42.

[18] Guide: Common Assessment Framework CAF 2006, Organization improvement through self-assessment, *op. cit.*, p. 33, 34.

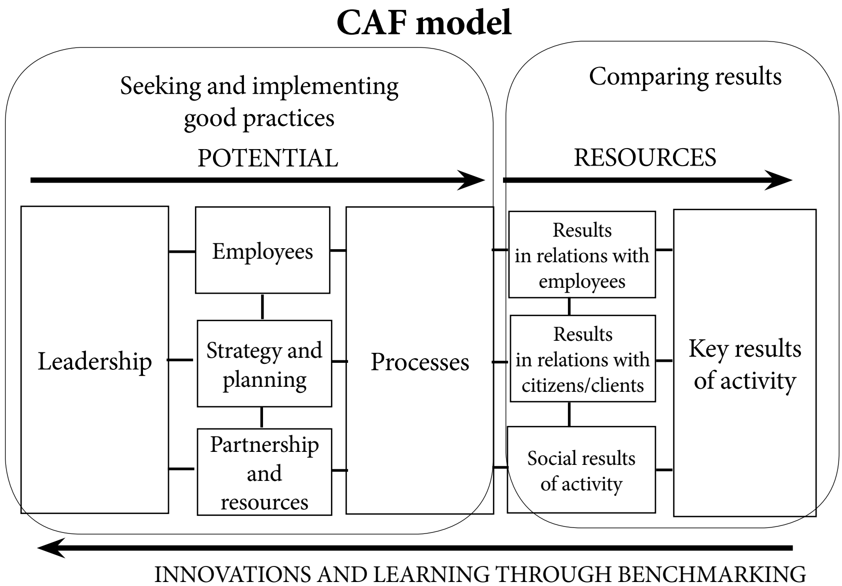

Fig. 1 Structure of the CAF method

Source: Common Assessment Framework, improvement in the organization through self-assessment, Chancellery of the Prime Minister, Warszawa 2006.

The key results of action can be divided into:

1. **external results**: measurements of effectiveness of adopted guidelines (policies) and provided services (products), from the point of view of the possibility to improve the situation of their direct beneficiaries, achieve the objectives of key activity in terms of the effects of services and products and the consequences, that is the impact that the basic activity of the organization has had on the parties involved (effectiveness),
2. **internal results**: measurements of internal functioning of the organization – management, improvement and financial results (effectiveness and economy).

Key results of operations can be divided into two subcriteria:

- external results concerning the results achieved,
- internal results.

Figure 1 presents the structure and the construction of the CAF model (method).

This model includes 9 criteria, divided into two groups: “Potential” and “Results”. The criteria concerning the potential make it possible to describe the way the organization performs its core functions, and the criteria related to the results refer to the real effects of its activities. Of course each criterion is then developed into subcriteria (described in detail above), which may become the basis for formulation of questions in the self-assessment process.

The CAF model is supposed to foster understanding and using quality management techniques and diagnosing the management system status, as well as serve as a simple analytical tool, easy to use and suitable for self-assessment of the organization[19] It may also perform the role of a tool supporting international cooperation and exchange of experience and serve as the starting point for measurement and comparisons between different public administration organizations. However, its qualities and structure, as it seems from the aforementioned characteristics, are so universal that it can be successfully applied also for use in the sector of non-profit organizations. The list of particular phases and steps, that is the analytical procedure, is presented in Figure 2.

Figure 2 presents the process of self-assessment in which there is a passage through subsequent phases and steps, having a significant impact on the process of conducting self-assessment in a given organizational unit – it is a graphic presentation of algorithmical determinants in the research procedure in the CAF method.

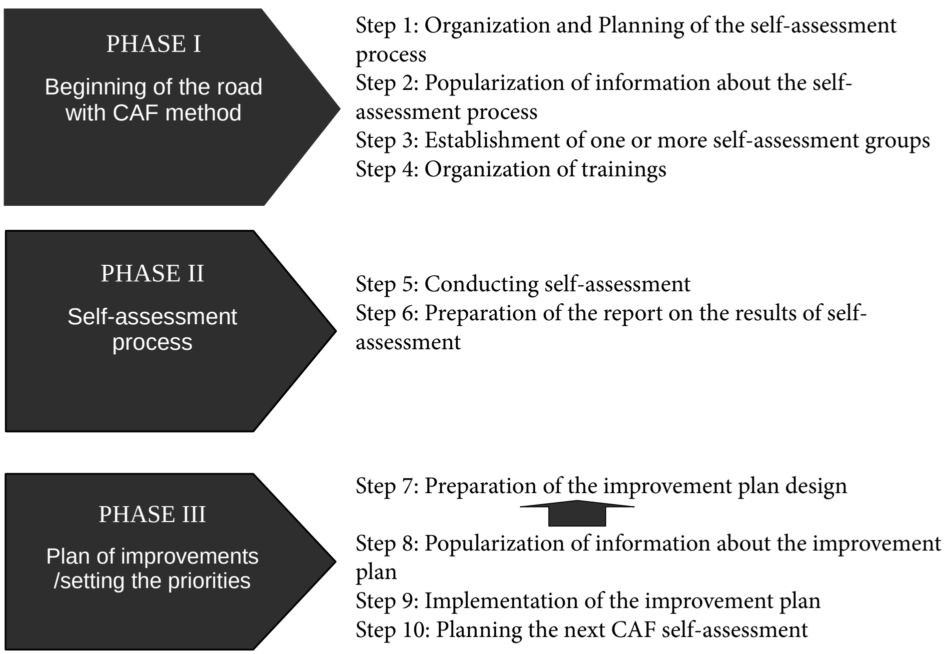

Figure 2. Steps in the process of CAF self-assessment

Source: own study on the basis of source literature.

[19] http://www.egov.pl/index.php?option=contentEtask=viewEtid=6Etltemid=6 (15.05.2011).

Attempt to apply CAF model (method) in the 3rd sector

Application of the Common Assessment Framework in the sector of non-profit organizations, means, in terms of directive analysis, the possibility to achieve a more efficiently and effectively managed organization. Conducting self-assessment may help the management of the NGO sector in making decisions as to the directions of further improvements in the scope of institutional development e.g. creating a system for customer service, cooperation with the society, creation of new tasks etc. Implementation of CAF gives a possibility to compare the achieved results with similar organizations, which may be the stimulus for the leaders to more effective management of the organization. In the study, an attempt was made to use the CAF method to improve the system of organization management through self-assessment with the example of Fundacja Polsat [Polsat Foundation] and Anna Dymna's Foundation "Mimo Wszystko [In Spite of All]". Polsat Foundation, one of largest non-governmental organizations operating in the Polish area, has been addressing its aid to sick children and their parents for thirteen years. This foundation saves health and life of children who, without its aid, have no chances for recovery. funds are used for treatments, surgeries, therapies and rehabilitation. Up to this day, the Foundation has reached with its aid 13 695 young patients and financially supported 997 hospitals and medical centres in the whole Poland, which were repaired or equipped with modern medical equipment. Altogether, for statutory purposes, the Foundation has transferred so far 152 878 611.64 PLN.

The results of self-assessment in Polsat Foundation are presented in Table 2. According to the adopted assessment methodology, within each of the assessed criteria, the organization may obtain no more than 100 points, depending on the degree of meeting the described specific terms.

Table 2. Point assessment of particular criteria

Number of points	Potential criteria	Results criteria
0–10	We do not act in this field. We have no or almost no information.	No results were measured and/or no information.
11–30	We have such plans.	Key results are measured and show decrease trends and/or the results do not have the assumed objectives.
31–50	This is what we do.	No changes in results and/or achieving some of the assumed goals.
51–70	We check/conduct review as to whether we deal with relevant issues and in a proper way.	Trend of improvement in results and/or achieving the assumed goals.
71–90	We make adjustments (wherever appropriate) on the basis of a check /review.	Trend of considerable improvement in results and/or achieving all of the assumed goals.

91–100	In all activities, with regular planning, execution and adjustment, we learn from others. In the discussed area, we entered into a cycle of permanent improvement.	Obtaining excellent and permanent results. Achieving all of the assumed goals. Positive result of comparisons with appropriate organizations within the scope of all key results.

Source: http://www.kolbudy.gd.pl/strategia/sciagnij/informacja_samoocena_caf_ug_kolbudy_lipiec_ 2011.pdf.

On the other hand, the results of point assessment of particular criteria are presented in Table 3.

Table 3. Results of point assessment of particular criteria

RESULTS OF POINT ASSESSMENT OF PARTICULAR CRITERIA			
No.	Criterion	Assessment of detailed criterion	Criterion assessment
POTENTIAL CRITERIA			
1.	**Leadership**	**85**	
1.1	Mission, vision and value of the foundation. – Polsat Foundation has been addressing its aid to sick children and their parents for thirteen years. It saves health and life of children. Money is used for treatments, surgeries, therapies and rehabilitation. Up to this day, the Foundation covered with its aid 13 695 young patients and financially supported 997 hospitals and medical centres in the whole Poland, which were repaired or equipped with modern medical equipment.	95	
1.2	Motivating the Members of the Foundation Board by the Management Board of the Foundation to achieve the strategic and operational goals. – If the Foundation Board adopts an appropriate resolution on granting and on the amount of remuneration, the members of the Foundation Board, by way of exception, can collect remuneration for activities, for employees, however, the most important issue is the health of children:...The greatest award is the joy of a child as well as the awareness that, thanks to our help, yet another boy or girl may get well, feel better or avoid suffering. Every child we can help becomes our child. This is the most wonderful prize – President of Polsat Foundation, Malgorzata Żak.	80	
1.3	Management of relations for co-responsibility and higher effectiveness in foundation management. – The Management Board of the foundation, among others, manages current operations of the Foundation, is responsible for implementation of its statutory objectives and appoints managers, approves the organizational regulations of the institutions.	80	

2.	**Strategy and planning**	**82.5**	
2.1	Obtaining, by the Management Board of the Foundation, information about the needs of the parties involved. – The responsibilities of the Management Board include receiving subventions, donations, inheritances and credits.	90	
2.2	Planning and development of the strategy of the Foundation Management Board, taking account of the needs of the parties involved.	85	
2.3	Implementation of strategies and plans by the Management Board of the Foundation.	85	
	– The Foundation has created a system of quick and effective response to a request for help. Information gathered from parents are verified and then their applications are considered according to the established criteria.		
2.4	Modernization and innovative actions.	70	
3.	**Employees**	**85**	
3.1	Planned human resources management. – The Management Board determines the volume of employment and the amount of funds for the remuneration for the employees of the Foundation.	80	
3.2	Determination and use of the level of the employees' competence.	85	
3.3	Subjective treatment of employees by their involvement. – "…All our actions, numerous awards, which we can take pride in for many years, are the merits of my invaluable employees. We are a perfectly integrated and competent organization, having respect and trust for one another, and the involvement of employees and their co-participation in implementation of objectives always guarantees success and good results..." said the President of Polsat Foundation, Malgorzata Żak.	90	
4.	**Partnership and resources**	**85**	
4.1	Relations of the foundations with key sponsors. – The Foundation has 45 sponsors which include, among others, POLSAT, Orange, Plus, Sami Swoi, Era, DANONE SP. Z O.O., INVEST BANK, Śnieżka, Wedel, Zdrovit, Świat Książki and a number of others.	90	
4.2	Relations and cooperation with sick children and their parents.	90	
4.3	Finance management.	80	
4.4	Property management. – The responsibilities of the foundation include management of its property.	80	
5.	**PROCESSES**	**81.7**	
5.1	Management of processes performed by the Management Board.	80	
5.2	Delivery of products and services for the sick children and their parents.	85	
5.3	Introduction of innovations to executed processes.	80	

RESULTS CRITERIA			
6.	**Results of operations in relations with citizens/clients**	**87.5**	
6.1	What are the achievements of the foundation with regard to satisfying the needs and the expectations of the sick children and their parents, based on the results of measurements of their satisfaction? – “So far we have spent, for ten years, a hundred and thirty million, and we helped eleven thousands children...” – said the President of Polsat Foundation.	90	
6.2	What are the achievements of the foundation with regard to satisfying the needs and the expectations of the sick children and their parents, based on the results of measurement of relations with them? – A very important thing is relation with the parents, their trust is important, they must be aware of the fact that their child are taken very good care of, that everybody cares about his or her life.	85	
7.	**Results of operations in the relations with employees**	**80**	
7.1	What are measurement results as to satisfaction and motivation of foundation employees? – “Every child we can help becomes our child. This is the greatest award” – President of Polsat Foundation, Malgorzata Żak	75	
7.2	What are the indicators of employee satisfaction and relations? – This organization has programs for employees aimed at integration of employees around common values (training, promotions, bonuses, prizes).	85	
8.	**Social results of operations**	**25**	
8.1	What are measurement results as to perception with regard to impact on the society? – Emphasis should be put on social campaigns carried out by the government, the ministries. People do not are aware of the fact that transferring 1% of the tax for non-governmental organizations is very important, because they are rescuing the life and health of children.	25	
8.2	What are the indicators of the impact on the society established by the Foundation Management Board? – Since the people are still unaware that there is a mechanism to pay 1% of the tax for non-profit organizations, for this reason, it is still a young mechanism, and unfortunately, it is insufficiently widespread, therefore the non-governmental organizations, the mass media are responsible for speaking about this fact, because these are really huge amounts of money that are unused.	25	
9.	**Key results of operations**	**90**	
9.1	What is the evidence for achieving by the foundation the assumed goals based on the external results: comparing the achieved results and the effects of assumed objectives?	90	

	– The Report on the Foundation Description contains a description of the statutory activity, along with the specification of particular results in implementation of socially useful objectives in the reporting period.		
9.2	What is the evidence for achieving by the foundation the assumed goals based on the internal results? – By means of the description of statutory activity we can learn about particular outcomes of implementation of socially useful objectives in a particular reporting period.	90	

Source: own study on the basis of the available data.

Based on the analytical procedure resulting from application of the CAF method, an attempt was made to compare Polsat Foundation with Anna Dymna's Foundation "Mimo wszystko" which is presented in Table 4. "Mimo wszystko" foundation was established to rescue groups of intellectually disabled adults, inhabitants of the hostel in Radwanowice near Krakow, who, under the amendment to the Act on professional and social rehabilitation, as well as employment of the disabled of 20 December 2002, lost the right to use the local Occupational Therapy Workshops, financed from the state budget. Initially functioning of the foundation was based on the activities of volunteers. In the first months of 2004, full-time employees were employed. The idea that, since the very beginning, has been guiding the social activity of Anna Dymna, as well as all employees of the "Mimo wszystko" Foundation, is equalizing the opportunities between people with and without disabilities, and thereby – removal of mental barriers that divide their two seemingly separate worlds. Currently, "Mimo wszystko" Foundation employs thirty five full-time employees. Average employment in the Foundation in 2009 was 29 people. The Foundation also uses the assistance of ca. 350 volunteers.

Table 4. Results of self-assessment of Anna Dymna's Foundation

RESULTS OF POINT ASSESSMENT OF PARTICULAR CRITERIA			
No.	Criterion	Assessment of detailed criterion	Criterion assessment
POTENTIAL CRITERIA			
1.	**Leadership**	**81,7**	

1.1	Mission, vision and value of the foundation. – The "Mimo wszystko" Foundation was established to rescue groups of intellectually disabled adults, inhabitants of the hostel in Radwanowice near Krakow, who, under the amendment to the Act on professional and social rehabilitation and employment of the disabled of 20 December 2002, lost the right to use the local Occupational Therapy Workshops financed by the state budget.	95	
1.2	Motivating the Members of the Foundation Board by the Management Board of the Foundation to achieve the strategic and operational goals. – "You are often unable to answer the question of why do you help others, why do you devote your time to ill, lonely, suffering people...You explain: "Because that is what the need", "Because it gives them joy", "Because I like when someone smiles, thanks to me" – Anna Dymna in the letter to the volunteers.	70	
1.3	Implementation and improvement of managerial solutions, their efficacy and flexibility.	80	
	– The Management Board undertakes actions in all matters not reserved for competences of the Assembly of Founders and the Foundation Board, e.g. it represents the foundation outside.		
2.	**Strategy and planning**	**82.5**	
2.1	Obtaining, by the Management Board of the Foundation, information about the needs of the parties involved. – The foundation receives applications with information about an ill person.	90	
2.2	Planning and development of the strategy of the Foundation Management Board, taking account of the needs of the parties involved.	85	
2.3	Implementation of strategies and plans by the Management Board of the Foundation. – Whether the sent documents qualify an individual into the assistance, is determined by the commission, consisting of three employees of the Foundation. In the case of financial support, the final decision on its granting is made by the Management Board.	85	
2.4	Modernization and innovative actions.	70	
3.	**Employees**	**90**	
3.1	Planned human resources management. – The Management Board with regard to promotion and organization of voluntary service by: – co-organization of voluntary service ceremony, – organization of other campaigns supporting voluntary service, also in the mass media.	95	
3.2	Determination and use of the level of the employees' competence.	85	
3.3	Subjective treatment of employees according to their involvement. – average employment in the Foundation in 2009 was 29 people. The Foundation also uses the assistance of ca. 350 volunteers. Every, even small assistance is of tremendous importance.	90	

4.	**Partnership and resources**	**85**	
4.1	Relations of the foundations with key sponsors. – The income of the company comes mainly from the campaign on 1% of tax and from individuals. Main companies supporting the activities of the foundation are: McDonald's, Leroy Merlin, Mieszko, MediaMarkt, Confectionary Michalski, ABC – office supplies warehouse, City Centre Culture Centre in Krakow and a number of others.	90	
4.2	Relationships and cooperation with sick people and their families.	90	
4.3	Finance management.	80	
4.4	Property management. – The responsibilities of the foundation include management of its property.	80	
5.	**PROCESSES**	**85**	
5.1	Management of processes performed by the Management Board.	85	
5.2	Delivery of products and services for sick people and their families.	85	
5.3	Introduction of innovations to executed processes.	85	
RESULTS CRITERIA			
6.	**Results of operations in relations with citizens/clients**	**87.5**	
6.1	What are achievements of the foundation with regard to satisfying the needs and expectations of the sick and their families, based on the results of measurements of their satisfaction? – Artistic Therapy Workshops are conducted and maintained for the wards with mental disability, and the sick and the physically disabled are supported throughout Poland, but also two rehabilitation-therapeutic centres are built, every year, an outdoor integration party is organized at the Main Square of Krakowskim, a song festival of national range and – together with the Brother Albert Foundation.	90	
6.2	What are achievements of the foundation with regard to satisfying the needs and expectations of the sick and their families, based on the results of measurements of relations with them? – A very important thing are the relations with the sick people, their trust is important, they must be aware of the fact that it is levelling the opportunities between people with and without disabilities, and thereby – removal of mental barriers that divide their two seemingly separate worlds.	85	
7.	**Results of operations in the relations with employees**	**85**	
7.1	What are measurement results as to satisfaction and motivation of foundation employees? – All actions of the foundation would not be possible without the selfless assistance and great kindness of many friends assisting the foundation since its beginnings, sponsors, as well as persons who, giving the support, want to remain completely anonymous. The key role in this work is played by volunteers gathered in the Young People's Office of Anna Dymna's Foundation "Mimo wszystko".	85	

7.2	What are the indicators of employee satisfaction and relations? – Currently, The "Mimo wszystko" Foundation employs thirty five full-time employees (some of them are disabled). They form a well-integrated, verified team. Professionalism, involvement in the cause, mutual friendliness and understanding constitute the basis for their everyday labour for the sick and the disabled. Without such features of character, the effectiveness of the foundation's activities would not be possible. Almost all employees are former volunteers who, once, when they were learning or already working, devoted their free time to support charity activities of Anna Dymna.	85	
8.	**Social results of operations**	**45**	
8.1	What are measurement results as to perception with regard to impact on the society? – The society is informed about the possibilities of assistance and support for the foundation, however, we can always try to reach the people who do not know about the foundation.	50	
8.2	What are the indicators of the impact on the society established by the Foundation Management Board?	40	
	– Since still not all people are aware of the fact that aid can be provided in different ways, e.g. by visiting the Republic of Dreams of Anna Dymna's Foundation "Mimo wszystko" Foundation, which is a social co-operative, employing, among others, the disabled, by sending charity text messages, by sending a transfer or 1% of tax, therefore it is necessary to make people aware of the possibilities all the time.		
9.	**Key results of operations**	**80**	
9.1	What is the evidence for achieving by the foundation the assumed goals based on the external results: comparing the achieved results and the effects of assumed objectives? – The Report on the Foundation Description contains a description of the statutory activity, along with the specification of particular results in implementation of socially useful objectives in the reporting period.	80	
9.2	What is the evidence for achieving by the foundation the assumed goals based on the internal results? – By means of the description of statutory activity we can learn about particular outcomes of implementation of socially useful objectives in a particular reporting period.	80	

Source: own study on the basis of the available data.

Conclusions from the analysis

When comparing the results of point assessment of different criteria of both Polsat Foundation and Anna Dymna's "Mimo wszystko" Foundation, extra caution should be maintained, in formulating applications on the one hand, while on the other, the application of the solution should, in consequence, indicate directions of improvement activities. When reference is made to the benchmarking activities using the CAF concept, it means that the organization has assessed its activities and results in at least four key areas: organization employees, clients, external environment in which the organization operates and the general conditions of shaping the current potential of the organization. Assessment of the results achieved in these key areas gives a comprehensive image of accomplishments of the organization along with specific numeric data. However, in order to be able to obtain the whole range of benefits from benchmarking activities, it is also important to consider the area of organization management. This is reflected, on the other hand, in the criteria of "Potential". The first criterion of division is leadership. The value of evaluation of both foundations is within the range of 71–90 points. This shows that both Polsat Foundation and Anna Dymna's Foundation have quite clear and precisely defined vision, mission and objectives of their operations. They should communicate it to their employees and demonstrate personal involvement in their implementation and continuous improvement of the organization. In addition, the top management motivates and supports employees in performance of their tasks, with particular focus on maintaining the best possible relations with customers and other stakeholders, though in this matter, Polsat Foundation is slightly better than "Mimo Wszystko" Foundation, which is reflected in the number of attributed points. The second criterion is strategy and planning. The value of assessment of both foundations is also within the range of 71–90 points and, what is particularly important – they obtained identical score. Organizations implement their mission and vision as a result of a clear strategy focused on the parties concerned, considering the directions and the objectives of public policy, as well as the needs other parties concerned, also as a result of regular improvement in methods of resource and process management. The third criterion are employees. In this matter higher point assessment was received by Anna Dymna's Foundation. This shows that this organization better adjusts its strategic objectives to the possessed human resources; it determines their potential and directs the actions for their development and care for them, determines their optimal use and achievement of success. The fourth criterion is partnership and resources. The value of assessment of both foundations is also identical and is within the range of 71–90 item This suggests that both organizations are quite good in terms of planning and managing partner relations – especially with clients/citizens – in terms of support for strategies and plans, as well as effective implementation of processes. The last criterion of the potential are processes. As a result of a subjective assessment, Anna Dymna's Foundation was slightly better. It should be stated that this organization has better defined key processes which it implements with a view to achieve direct effects and long-term consequences, subject to the expectations of citizens /clients and other interested parties. Owing to the fast pace of changes and new solutions with regard to designing, innovation and new technologies, it is extremely important to subject processes to regular inspections. This organization, in addition, has launched mechanisms of mutual information flow with the parties concerned about improvement in its service offer. It is a natural thing that analysis at a higher level of detail would also enable formation of a more comprehensive reasoning formula. Additionally, as a result of the conducted self-assessment, also areas requiring improvement have been defined, based on the result benchmarking analyses that are different in the analyzed organizations.

To sum up, it seems, however, extremely important that the application of CAF method in the area of management of non-profit organizations does not constitute a greater problem. An important thing is that as a result of conducted self-assessment, it makes it possible to acquire skills related to measurement of the potential of the organization as well as its achievements. A positive element in the self-assessment system is also the fact that this process is based on assessment of the organization not only by the management, but more commonly by "regular" employees, which increases the self-awareness of the organization's employees. The CAF method is characterized, in addition, by ease of application, involving small measures and a small amount of time needed for its conducting. The information obtained as a result of self-assessment is used by the management of the organization as a reference when making some decisions. An important issue is that the participants of the group established to implement CAF noticed that the greatest value for them is an opportunity to talk about their work in such a wide range, in a large group and in the atmosphere of partnership. As a result of the applied method it is possible to identity the strengths of the organization as well as the areas for improvement. Common actions perfectly integrate the participants of the self-assessment group and teach the group members to talk about the organization as well as to achieve the agreed positions and assessments. A success is carrying out reliable and objective self-assessment, as well as employees' commitment in matters related to operations of the organization and the desire for improvement of the diagnosed improvement areas.

During the self-assessment in non-profit organizations, the self-assessment groups have managed to achieve some benefits from implementation of this method, and these group encountered difficulties associated with implementation of self-assessment. The specification of benefits and difficulties is presented in Table 5.

Table 5. Benefits and difficulties during application of the CAF method

BENEFITS	DIFFICULTIES
– strengths and weaknesses of the organization are aptly identifies, – a logical improvement plan, ordered in time, is created, – databases of good practices are created in various spheres of the organization's operations, – a significant improvement occurs in information flow between the organizational units, – possibility to speak "openly" about the problems of the organization, – vertical communication improves, – the sense of work's significance increases, – there is a significant growth in knowledge about one's environment, – reasonable satisfaction from performance increases, – the sense of development intensifies, – the sense of being appreciated increases, – the environment of the employee is more friendly, – the prestige of the institution increases, – it integrates the participants of the self-assessment group and project teams, – assessment of functioning of the organization based on facts (evidence),	– resistance of some employees in the course of introduction of changes, – difficulties during collection of documents, – description of the criteria caused difficulties in interpretation, – lack of time and possibilities to gather self-assessment group members in the same place and time-coordination difficulties, – distinctness the work status of volunteers and full-time employees, – time-consumption related to implementation of this method with regard to normally performed obligations, – ambiguity of the method in some areas,
– it teaches the group members to talk about the organization as well as to achieve the agreed positions and assessments, – it increases the chances of the organization to obtain external funds for implementation of improvement projects as a result of properly prepared and reasonable projects, – it strengthens commitment of employees and the management staff to good management.	– no funds for execution of improvement projects and motivation of the self-assessment group, – no training for the management in the CAF model, – not matching the project implementation with the work rhythm of the organization.

Source: prepared by the author.

To sum up, self-assessment according to the CAF method allows the organization to obtain greater knowledge about its operations. An advantage of the CAF method is comparability with all models of this type, its use may thus prove the first step on the way to better management by quality. Model CAF method is owned by the public and is available free of charge. It seems, however, extremely important that the application of the CAF method in the area of management of non-profit organizations does not constitute a greater problem.

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Summary

The study has discussed issues concerning use, in the public organization management process, the modern CAF method (Common Assessment Framework).

CAF common assessment framework is a quality management tool that was inspired by the European Foundation for Quality Management Excellence Model (the EFQM). The method is based on the assumption that achievement of the desired results of the organization's activities, including the results in the scope of the expected level of quality, depends on the quality of leadership, which affects employees, resources, processes, interpersonal relationships, quality of communication, or finally the strategy of action, as well as the mission and the vision, which characterize the activity of the organization. Results of analyses are then subject to implementation in the form of guidelines of improvement for the management process.

In the article, an attempt has also been made to apply this methodological solution to the sphere of management of non-profit organizations, depicting considerations by empirical examples.

Janusz Fudaliński
Andrzej Frycz Modrzewski Krakow University
Cracow University of Economics
Krzysztof Pawlak
Andrzej Frycz Modrzewski Krakow University
Cracow University of Economics

CONDITIONS OF SHAPING THE PROCUREMENT FUNCTION IN THE PROCESS OF DEVELOPMENT OF THE SECTOR OF NON-PROFIT ORGANIZATIONS

Introduction

The issues of organization development management have already a relatively long history. This is also reflected in the multidimensionality of this process and continuously appearing new perspectives. An unquestionable thing is, however, the natural pursuit, by any organization, of constant development and consequently, the search for formulas of actions that will be able to implement this goal.

There is a correlation between the development stage of the organization and the sector in which it operates, and the directions of strategic activities, which should be adopted by it, moving it to different levels of strategy formulation, also the functional area referred to implementation of the procurement function. The presented dependencies gained acceptance in the business sphere, while many solutions in this field still wait for attempts of application with regard to the sector of non-profit organizations whose role in the contemporary world and the economies is no longer questioned, and, at the same time, whose development potential is bigger and bigger, which implies the need to use professional solutions related to management sciences that will make it possible to obtain the desired level of effectiveness of actions.

Therefore, the purpose of the study is an attempt to emphasize the increasing role of the non-profit organization sector in the contemporary world and to indicate the trend focused on the need for professionalization of the management process, since non-profit organizations (just like enterprises or companies) are subject to changes resulting, on the one hand, from their life cycle, and, on the other hand, from the need to adjust to the changes taking place in their environment and competing for resources necessary for survival and development. The place occupied by an organization is not, after all, for life, and is the effect of continuous process of changes which, cannot be always fully affected, but which can be influenced to some extent. The formula of these impacts has a diverse form, and one of its signs is focus on improvement of functions implemented in the management process, including procurement functions.

Organization development process

Among the alternative theories concerning the issues of organization development, the relatively often mentioned ones are behavioural and biological theories[1]. They use the metaphor of an organism as the paradigm of the organization's development, putting a particular emphasis on evolutionary development cycle, paying, at the same time, attention to the fact that the final stage of this development is the end – and in the case of living organisms – death. Analysis of an organization life cycle based on the analogy referred of living organisms means the assumption of development sequences relevant for these organisms and examination of factors determining development processes from the moment of creation (conception) of the organization through intermediate phases until the moment meaning the end of its activity. In this perspective, we can talk about the ontogenesis of the organization[2] (the development process of the organization), which means emergence of changes in the organizational system and shaping the relations between the organization and the external factors, focused on achieving the state of balance (homeostasis). It can, therefore, be concluded that the essence of organization development management comes down to monitoring development stages, predicting the events that may negatively affect the organization functioning and pursuit of coherence between the organization and the environment in which it operates. Assuming, however, as the basis, the organic organization development model, mutual conditioning of intra-organizational phenomena and processes, which can and should be perfected, should be considered natural. However, although previously of this type of phenomena have been examined with regard to the companies sector, presently the trend of research and improvement of development processes with regard to the sector of non-profit organizations is developing very rapidly, also in the functional scope.

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1 Gruszecki, T. 2002. *Współczesne teorie przedsiębiorstwa*. Warszawa: PWN, p. 227.

2 See: Machaczka, J. 2001. *Zarządzanie rozwojem organizacji*. Warszawa: PWN.

Elements of competitiveness of non-profit organizations

The essence of competitiveness is more and more often expressed in undertaking actions aiming at creation of organization potential, which, in the conditions of turbulence and unpredictability of the environment gives the basis to create answer to market challenge not only in the national, but also in the international and the global context. Looking at these issues in a complex manner, it is required to indicate notions describing its multidimensionality, which include[3]:

- arena of competition,
- subjects of competition,
- objects of competition,
- scope of competition,
- intensity of competition,
- nature of competition.

The arena of competition is the space where, between specific entities, there is a phenomenon of competition and though this may be surprising, also in the sector of non-profit organizations. Here, we can distinguish market competition, which takes place between market participants on the part of the demand and on the part of supply, as well as non-market competition. Subjects of competition are units competing with one another. We can distinguish competition between blocks of states, national economies, companies, organizational units inside companies, different people in the organization. In addition, competition is a driving force behind the organization development and the main drive for the development of the market economy[4]. In fact, this means clear reflection also in the sector of non-profit organizations and thereby the need to take actions for continuous improvement of the potential of any organization in the areas outlined above. This also means professionalization of the management process in the non-profit sector with regard to functional aspects of the activity, including the procurement function.

Outline of the idea of non-profit organizations management

Model solutions with regard to possibilities of application of modern tools directing non-profit organization management to professionalization is also becoming stronger. Although the differences related to this distinctness of forming the product – service offer seem obvious, in fact, the bundle of objectives remains similar.

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[3] See Błaszczyński, B., Stygares, J. 1995. *Słownik pojęć ekonomicznych. Glossary od Economic Terms*. Kraków: Szkołą Zarządzania Uniwersytetu Jagiellońskiego, Towarzystwo Handlowe „Atlant", p. 108.

[4] See Hamel, G., Prahalad, C.K. 1999. *Przewaga konkurencyjna jutra*. Warszawa: Business Press, p. 224.

Non-governmental organizations also aim at improvement in their offer and possibly professional operation, however, subject to the fact that they are, to a greater extent, focused on the process, whose effect may be, and often are, individual products.

Hence, the attempt to apply, or (which can be stated more clearly), the application, equally with the business sphere, of methodological solutions, or the entire concepts and ideas used as contemporary management trends to the non-profit organization sector. R. S. Kaplan and D. P. Norton[5], based on the idea of the strategic scorecard[6], put forth a concept for shaping some patterns of strategic activities, specifying their graphic form as the "strategy map", which in its essence is supposed to combine different elements of the strategic scorecard into a causal chain, integrating the expected results with the factors that facilitate obtaining them. As a result of research works, it has been clearly stated that the strategy maps are applicable and bring measurable effects in the activity of companies operating in the sphere of business, and that they turned out to be, as a concept, equally useful for types of non-profit organizations. This can prove, on the one hand, the existence and the attempts of application of verified solutions in the sphere of business to the non-profit organizations sector, but on the other hand, it also proves the inevitability or the need, already at the stage of shaping these concepts, to consider the third sector, needs related to it, and in respect its of growing worldwide, even creation of solutions taking account of the special character of non-profit organizations.

Traditionally, non-governmental organizations were not willing to pay the highest attention to effectiveness of their activities, effectiveness and management quality[7]. Concentration on the program activity and implementation of the social mission was supposed to serve here serve as a justification. It began to change in the 1980s. Then, in the Anglo-Saxon countries, a distinct relocation took place with regard to many social functions from the state administration organizations to non-governmental organizations[8]. This change in the policy resulted from the conclusion that their social needs would be better satisfied by organizations which are closer to these needs, in local communities. Moreover, state administration often lacked in specific skills and knowledge, and separation of the role of the employer from the role of the contractor was supposed to additionally foster

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[5] Harvard Business Review on Advances in Strategy, Kaplan, R.S., Norton, D.P. 2006. *Masz problem z wypracowaniem własnej strategii? Przedstaw ją w formie mapy*, Gliwice: Harvard Business School Publishing, Polish edition copyright 2006 by Wydawnictwo Helion, 83 and further.

[6] See Kaplan, R.S., Norton, D.P. 2001. *Strategiczna karta wyników*. Warszawa: PWN.

[7] Drucker, P.F. 1995. *Zarządzanie organizacja pozarządową. Teoria i praktyka*. Warszawa: Fundusz Współpracy, Program Phare Dialog Społeczny – NGOs, p. 119.

[8] Gumkowska, M. 2005. *Voluntary service, philanthropy and 1%. Research report 2005*. Warszawa: Stowarzyszenie Klon/Jawor, p. 4, 20.

transparency of action and effectiveness[9]. Although, undoubtedly, the sector of non-profit organizations should not be treated as a substitute of the state and administration[10].

Non-profit organizations as a result of their social nature and autonomy towards administrative mechanisms or market profit maximization are characterized by great innovativeness – they often try themselves to innovatively solve different problems – and flexibility of action[11].

Role, functions and tasks of non-profit organizations

The nature of operations conducted within the third sector, like any other organization in a democratic state, is subject to a number of legal regulations. The legal basis for activity of public benefit organizations is the Act of 24 April 2003 on public benefit activities and on voluntary service (Journal of Laws No. 96, item 873 as amended), Article 4. According to this Act, the public benefit sphere is the sphere of public tasks, implemented in the scope of (Article 4):

- social aid, including aid for families and persons in a difficult life situation, as well as compensation of opportunities for these families and people;
- activities for the benefit of professional and social integration and re-integration of people endangered with social exclusion;
- charity activity;
- sustaining and popularization of the national tradition, cultivation of Polish identity and development of national, civil and cultural consciousness;
- activities for the benefit of national and ethnic minorities, as well as the regional language;
- health protection and promotion;
- activity for the disabled;
- promotion of employment and professional stimulation for people who remain unemployed and who are endangered with losing job;
- activities for the benefit of equal rights of women and men;
- activities for the benefit of people in retirement age;
- activities supporting economic development, including development of entrepreneurship;
- activities supporting development of technology, inventiveness and innovation, as well as promotion and implementation of new technical solutions in business practice;

[9] Gumkowska, M., Herbst, J. 2005. *Basic facts on non-governmental organizations – research report 2004*. Warszawa: Stowarzyszenie Klon/Jawor, p. 7.

[10] See Hausner, J. *Zarządzanie publiczne*, *op. cit.*, p. 92.

[11] www.sic.to/indexpl.php?page=1723 (28.12.10).

- activities supporting the development of communities and local communities;
- science, higher education, education and school system;
- vacation of children and teenagers;
- culture, art, protection of culture goods and national heritage;
- support and popularization of physical culture and sport;
- ecology and protection of animals, as well as protection of the natural heritage;
- tourism and sightseeing;
- public order and public safety;
- state defence and activity of the Military Forces of the Republic of Poland;
- popularization and protection of human freedoms, rights and civil liberties, as well as activities supporting the development of democracy;
- rescue and protection of the population;
- aid to the victims of catastrophes, natural disasters, military conflicts and wars, both in the country and abroad;
- popularization and of protection of consumer rights;
- operations for European integration and development of contacts and collaboration between societies;
- promotion and organization of voluntary service;
- assistance to Polish emigrants and to Poles abroad;
- activities for the benefit of combatants and persecuted persons;
- promotion of the Republic of Poland abroad;
- activities for the benefit of family, maternity, parenthood, popularization and protection of the children's rights;
- counteracting addictions and social pathologies[12].

In recent years non-governmental organizations has also been significantly developing contacts with the business. Thanks to promoting of the idea of corporate social responsibility, modern companies more and more often take care of not only their business, but also of the issues of ethics, ecology and the social interest. The business sector gets close to the non-governmental sector and establishes cooperation with it by funding social initiatives and implementing employee voluntary service projects.

In comparison with the organizations in Western Europe, Polish organizations are certainly weaker, as institutions. There is fewer of them, they employ less personnel (also in comparison with our neighbours, such as Hungary or the Czech Republic). However, the possessed potential even now affects more than 100 thousand employees and accumulated expenses (of the purchasing nature) exceeding billions of PLN (Support Strategy for Development of Civic Society does not include such data directly, however, this results indirectly from the data concerning administration expenditures for the tasks of non-governmental organizations and participation of the administration in the income of the non-

12 http://poradnik.ngo.pl/x/423531 (10.07.2011).

governmental sector). The Sustainability Index quoted in NGO Strategy (tool of the Office of Europe and in Eurasia USAID), which measures the ability to survive and the degree of development of the non-governmental sector gives Poland the 2nd place among 10 states of Central and Eastern Europe. On the scale from 1 to 7, where the lower index means the higher level of development, Polish organizations have been assessed at 2.3. Differences in the forefront are, however, very small – between the first one – Estonia, and Lithuania – the seventh in the ranking, the difference is only 0.6 points (accordingly 2.1 and 2.7). Only Romania, Ukraine and Slovenia expressly stick out of the rest of the examined countries. The sector of non-governmental organizations in Poland on the basis of SWRSO, does not makes us different from other countries of this part of Europe, with which we are connected with a similar modern history.

SWRSO forecasts development trends in the field of the civic society. In the opinion of the authors of the Strategy, four clear phenomena will appear, which will affect the situation of non-governmental organizations.

The first of them, is the formula of public-social partnership, that is cooperation of administration and non-governmental entities to solve problems of inhabitants.

The second trend are to be "strong non-governmental organizations in a good state" where organizations perform services, are the representative of the people, and, at the same time participate actively, as a consultant, in making decisions by the public sector.

The third forecast applies to organizational development in the area of social integration and social exclusion as a service provider in this the area.

The last one assumes the development of social economy, that is increase in employment in organizations, but also development of economic operations and new forms, such as social co-operatives or social companies.

On the basis of the diagnosis and the forecasts, the mission of government included in the Strategy is: "undertaking actions for strengthening subjectivity of citizens and their communities, as well as creation of conditions for development of civic society institutions".

SWRSO determines then three strategic goals: achieving an optimum level of participation of citizens in public life; quantitative and qualitative development of the civic society institutions and development of mechanisms of functioning of a good state.

The above, general goals are to be completed by implementation of activities included in four priorities: *Active, conscious citizens, active local communities; Strong non-governmental organizations in a good state; Development of non-governmental organizations for social integration; Development of social entrepreneurship*. The proposed actions are adequate in relation to the purposes and based on the forecasts[13]

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[13] Załącznik do uchwały nr 240/2008 Rady Ministrów z dnia 4 listopada 2008 r. [in Polish].

All these arguments indicate the dynamics of non-profit organizations sector and the intensely increasing tasks, functions assigned for implementation to the 3rd sector.

As mentioned before, an organization, and even all sectors, like a living organism, go through life cycles, evolve. This will also apply to its individual functions, including the procurement function.

Idea of professionalization of the procurement function

The need for evolution of the procurement functions was foreseen by Peter Krajlic as early as in 1983. However, more than 25 years later, many companies have still remained at an early stage of transformation of tactical purchases into strategic supply management. It is surprising, because a lot of research confirms the impact consisting in the fact that such a transformation of the purchase department could bring profits by means of improvement in effectiveness, regardless of the trade and the region. Furthermore, the best patterns in supply were broadly examined, and in leading organizations, the procurement function is of strategic nature, which means that it significantly affects the implementation of the company's strategy. However, many companies have so far not implemented these practices. The procurement function has still remained at the tactical level. It is necessary to pay attention here to the lack of research confirming the development of the procurement function in non-profit organizations. Non-profit organizations are subject to similar mechanisms of development as companies, therefore, is should be believed with high probability that non-profit organizations, also in the scope the development of the procurement function will be very similar to companies. According to one of the first reports on the procurement function in Poland[14], most Polish companies and the more so, organizations from the public and the non-profit sector remain in the initial phase of development of the procurement function, and the size of the organization, the length of time of market actions and the territorial range are positively and strongly correlated with the character of the procurement function.

Recent tests absolutely indicate why so many organization nowadays have not evolved above the basic supply role. Firstly, conclusions of Ellram, Zsidisin, Siferd, and Stanly suggest that where the boards of organizations do not pay attention to the efficiency and effectiveness of operation, there is no possibility of efficient purchases. One of important features of purchases (both production and non-production) is that they increase efficiency of operation of the whole organization. Secondly, the studies of Das and Narasimhan prove that the basic source

[14] Kardasz, H. 2007. *Rola i ranga zakupów w polskich przedsiębiorstwach*. Warszawa: MarketPlanet, Harward Business Review.

of effectiveness of purchase and supply (PSM) are holistic purchasing competencies. This probably indicates that many companies try to implement best professional practices individually, instead of developing a plan of complex holistic development of purchases in the long run in order to improve purchasing competences. Thirdly, even if PSM department tries to transform, other functional departments in the organization defend themselves against acceptance of the strategic role of the procurement function, which will probably be also related to the organizational culture and the type of the trade.

The greater part of these potential barriers seems to refer, either directly or indirectly, to soft factors, such as perception, attention, mentality in the organization.

Appropriate questions for managers seem to be: Where are Purchase Departments positioned as compared with other departments in the company? What do they have to focus on to provide the maximum value for the organization?

The purchasing/procurement function in the organization can operate at the strategic level, purely operational-administrative level, or somewhere in between. Sometimes, the term of purchasing[15] is used to indicate the transaction or operational role, while Supply management or procurement – to indicate the strategic role of this function. Also in non-profit organizations the purchasing-procurement function may be on various levels, what is more, the level of development of the procurement function will specify how the procurement function will be able to manage the suppliers. The higher the level of the organization of the procurement function, the greater the orientation of the procurement function on strategic suppliers, which will be presented in detail in the subsequent chapter, when the Krajlic model will be discussed.

The first models of development of the procurement function were presented by Van Weele[16], Stannack, Reck and Long in the 1980s and accordingly, the 1990s[17].

In the case of Reck and Long model, they enumerated phases of development of the procurement function, with the following characteristics included in table 1.

[15] Purchasing and Procurement have two different meanings. For the needs of translation it has been assumed that purchasing means supply (operational function, focusing on transactions), procurement has broader meaning and refers to all activities related to purchasing.

[16] van Weele, A. 1984. "Purchasing Performance Measurement and Evaluation." *Journal of Purchasing and Materials Management* (Fall).

[17] Reck, R. and Long, B. 1988. "Purchasing: A Competitive Weapon." *Journal of Purchasing and Materials Management* (Fall).

Table 1. Model of the development of the procurement function according to Reck and Long

Model	Characteristics of the procurement model
Phase I Passive	The function of purchases does not have a strategic importance in itself. Purchase departments execute the basic supply needs. Most time is relatively devoted to performing routine operations. The main parameter for selection of the supplier is the price and the availability. Relations with suppliers are of no importance
Phase II Independent	In the implementation of procurement functions, procurement techniques and processes are used. Some procurement strategy is created or is there already, however, it is not associated with the strategy of the company There is an improvement of work at the operational level Relations with suppliers do not have any importance The most important thing are savings
Phase III Supporting	Procurement function supports implementation of the competitive strategy of the company Suppliers are considered to be business resource, emphasis is put on their experience and motivation, Markets, products and suppliers are still monitored and analyzed
Phase IV Integrating	Procurement strategy associated with competitiveness strategy of the company. ą Saving is replaced by rationalizing Very high competences of employees of purchase departments. Outsourcing of operational purchasing tasks appears Policy and procedures are very developed Change of the supplier is very difficult, costly and long-term – global suppliers Frequent large dependence on the supplier Suppliers support the company's strategy and the relations are of a critical importance for the company.

Source: Reck, R. and B. Long (1988). "Purchasing: A Competitive Weapon." Journal of Purchasing and Materials Management (Fall).

Van Weele describe the development of the procurement function in a very similar manner (table 2).

Table 2. Model of the procurement function development according to Van Weele

Model	**Characteristics of the procurement model**
Model I Transaction orientation model	The most important parameters for selection of the supplier who offers delivery of products at the most beneficial price, quantity and quality supplied in the right time. Purchases are treated as support for production and logistics, the structure is often dispersed in the organization. The most important objective of purchases is to ensure continuity of deliveries. Purchase actions are a reaction to the appearing demand for a given product/service/material. Lack of planning and building long-term relations with suppliers
Model II Commercial orientation model	The purchase department is often centralized. Purchases are seen as a source of generating savings. Negotiations are often of "position" nature Relations with suppliers are hardly important.
Model III Strategic orientation model	Relations with critical suppliers are of particular importance in the purchase department. Suppliers are treated as a strategic resource of the company. Management of relations with suppliers is based on common creation of the development strategies of particular assortment groups (commodities) KPI (TCO) are developed.

Source: prepared by the author on the basis of: A. Van Weele: Purchasing & Supply Chain Management, Thomson Learning 2004.

There is an enormous quantity of literature examining the relations between Purchase Strategic Management (PSM), and various measures effectiveness. Some of them discover significant relations between specific purchasing practices, and results. Others confirm the positive impact of strategic purchasing practices on tactical and operational purchasing goals[18].

The third trend of research examines the impact of purchasing practices (PSM) on the comprehensive results of corporations, at the same time partially assuming more complex reasons for structuring in the areas of various thought-logical structures.[19]

[18] Stock, G.N., Greis, N.P., and Kasarda, J.D. 1998. "Logistics, Strategy and Structure: A Conceptual Framework," *International Journal of Operations & Production Management*, Vol. 18, No. 1, pp. 43–51.

[19] Rich, N. and Hines P. 1997, "Supply-Chain Management and Time-Based Competition: The Role of the Supplier Association," *International Journal of Physical Distribution and Logistics Management*, Vol. 27, No. 3, pp. 210–215.

Logisticians and researchers of SCM long time ago noticed the advantage of "borrowing" and implementation of theories from other disciplines.[20] The complexity of the today's system and the phenomenon of supply chain management cannot be clearly explained by one theory. Therefore, in order to provide more in-depth knowledge about new theoretical framework, a wide variety of literature was discussed, related to the subject concerned: strategic management, marketing and social sciences. In particular, four significant perspectives of the theoretical Structure of Strategic Performance (SSP,) Resource-based View of the Company (the RBV), Transaction Costs Economics (TCE) and social network analysis are considered to be particularly important owing to the motives discovered in our quality surveys. While preparing a complex framework, a two-stage approach was proposed.

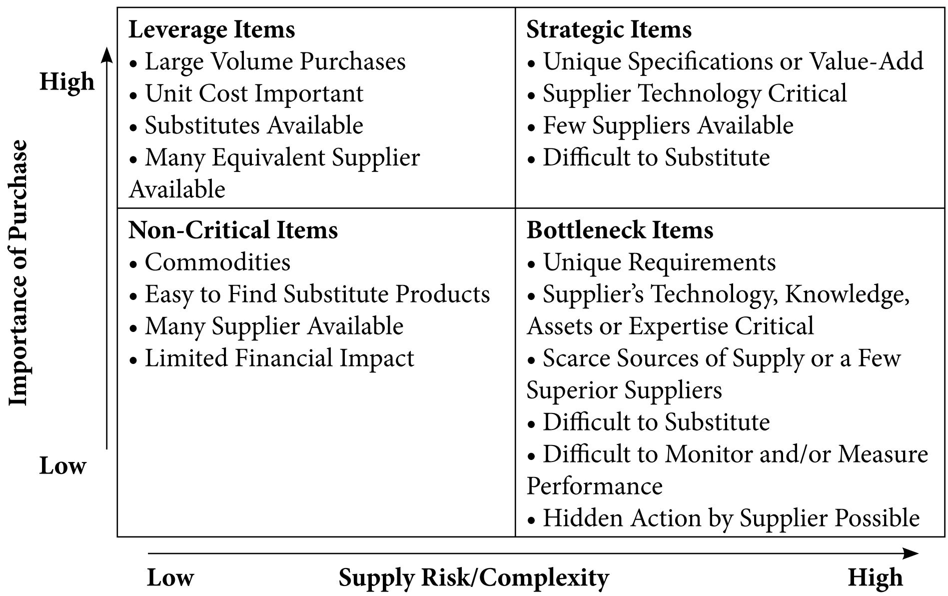

Fig. 1. Purchasing categories in the Kraljic model

Source: Wendy L. Tate, Lisa M. Ellram, (2009) "Offshore outsourcing: a managerial framework", *Journal of Business & Industrial Marketing*, Vol. 24, Iss: 3/4, pp. 256–268.

[20] Frankel, R., Bolumole, Y.A., Eltantawy, R.A., Paulraj, A., and Gundlach, G.T. 2008. "The Domain and Scope of SCM's Foundational Disciplines—Insights and Issues to Advance Research," *Journal of Business Logistics*, Vol. 29, No. 1, pp. 20–26.

The above models of the procurement function development are significant for the possibility to apply the Krajlic model in purchase management. The Kraljic model presents the possible purchasing strategies, the method of use of resource in management of suppliers, and it determines the purchasing approach, depending on the size of purchase and the complexity of purchased services/goods or purchase categories. Purchases burdened with low risk and concerning, in total, low expenses do not require a lot of caution on the managerial part and do not have a strategic potential. The expenses necessary for managing this purchase group are minimized, thus there is no need for sophisticated tools and knowledge in the organization about purchased services or goods within this category e.g. office supplies. On the second pole of the Krajlic matrix there are the so-called strategic purchases, that is burdened with a high risk and large expenses. Managing this purchase category requires a lot of attention and expenses, often in the form of time, knowledge, resources needed for efficient and effective management of this category. Often, the procurement risk is defined by means of identification of dependence on suppliers, or the probability of interruption of deliveries e.g. purchase of rare metals in production of processors requires a very good knowledge of the market, the culture of China (the main manufacturer) deposits, regulations etc.

If we compare two models: the procurement function development (Reck and Long, Van Welle, etc.) and the purchase management model by Krajlic, it seems obvious that the management of strategic suppliers is possible only at a late stage of development of the procurement functions i.e. Integrating or Supporting phase (according to Reck and Long) or the commercial or strategic orientation model.

Place of the procurement function in the process of strategic management of organizations

SSP framework is widely used in the field of strategic management. Its basic principle is that the strategy of the company is driven by the development of organizational structures and processes[21]. Adjusting the strategy and the structure of the company leads to better results, because the structure provides necessary systems and necessary processes for successful implementation of the strategy. Practitioners of management, as well as academic employees of SCM[22], expanded the SSP framework to the supply chain. Christopher suggests that competitiveness is located rather at the level of the supply chain, and not at the level of organization[23] From the point of view of non-profit organizations, we may be under an impres-

[21] Galunic, D.C. and Eisenhardt, K.M. 1994. "Renewing the Strategy-Structure-Performance Paradigm," *Research in Organizational Behavior*, Vol. 16, pp. 215–224.

[22] Supply Chain Management.

[23] Christopher, M.L. 2005. *Logistics and Supply Chain Management*, London, UK: Prentice Hall.

sion that this phenomenon may not have such an importance, as many organizations of this type, in the opinion of their management board "manage well on the market". But the challenges of contemporary conditions of activity does not beguile us: in a nearer or further time perspective, management professionalization, also within the area of various functions, necessary for effective action, will become inevitable.

Of course, here it is possible to assume that these organizations will less effectively manage costs as compared to large organizations, where the procurement function is appropriately better developed, however, it seems that the concept of Chow, Heaver, and Henriksson[24] ideally matches the needs of this study. These authors described the need for proper organizational structure of the company and suggested that finding the best structure depends on the situation and the circumstances in which a given organization finds itself. The success of the process of supply chain integration depends on whether it is possible to propose a strategy matched to the structure of the company. This would mean that small organizations will constantly have undeveloped chains of deliveries or pursuant to the Reck and Long model, they will only provide typical functions indicated in Phase I – Passive. In other words, if we look at non-profit organizations, in search for and when analyzing procurement structures of twelve major Polish non-profit organizations, it should be stated that these organisations have been existing for a relatively short time, they have national territorial range and trade in relatively low budgets[25]. As compared to foreign NGOs, that is e.g.:

- World Food Programme (WFP):
- United Nations High Commissioner for Refugees (UNHCR):
- United Nations Children's Fund (UNICEF):
- United Nations Development Programme (UNDP):

it should be stated that the listed organizations have a relatively well-developed procurement function through:

- centralized procurement function in the form of a separated purchase department,
- purchasing policies,
- clear procedures,
- prepared suppliers assessment criteria,
- high ratio of coverage with purchase policy,
- purchasing tools i.e. purchasing systems,
- developed ethical codes for running business[26]

These relations are outlined in chart 1.

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[24] Chow, G., Heaver, T.D., and Henriksson, L.E. 1995. "Strategy, Structure and Performance: A Framework for Logistics Research," *Logistics and Transportation Review*, Vol. 3, No. 4, pp. 285–308.

[25] Below 1 000 000 USD.

[26] The so-called Standards of Business Conducts.

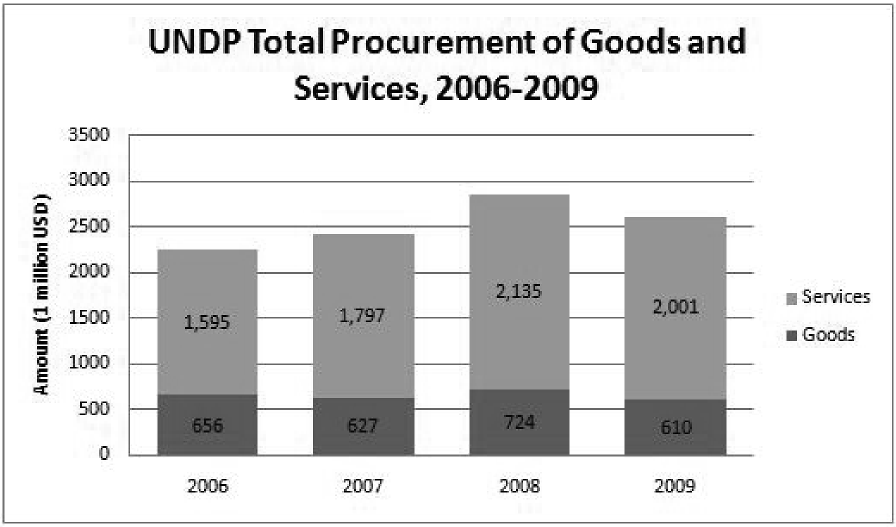

Chart 1. Purchasing expenses of UNDP

Source: http://www.undp.org/procurement/statistics.shtml [2011-07-15].

The Resource-based View (RBV) perceives a company as a bundle of various resources and suggests that companies are able to generate profits or competitive advantage through development of unique resources and skills[27]. First of all, the company should thus focus on cultivation and development of these skills that enable it to obtain competitive advantage, are difficult to copy by the competitors. All other skills or functions in the company that do not form these unique resources or skills should be outsourced outside the company. In the purchasing approach, the applied "make or buy" technique [28] refers in fact to the answer to the question of whether generation of a particular service or satisfying a given need will take place at the cheaper expense under the resources available to the company or whether it will be more effective to order carrying out a particular service to an external company. The procurement function may be treated according to the RBV theory as a unique ability. This situation is quite rare in the business practice, interesting examples include: Wall Mart, Dell or IKEA, where it is believed that the procurement function is of critical importance for the whole value chain and thus contributes to obtaining competitive advantage on the market.

[27] Day, G.S. 1994. "The Capabilities of Market-Driven Organizations," *Journal of Marketing*, Vol. 58, No. 4, pp. 37–52.

[28] Create or buy.

Strategic aspects of the procurement function in the process of management of non-profit organizations

Most often the procurement function helps an organization in effective allocation of its resources and their use. In NGOs this may have key importance owing to continuous deficiency of resources, and thus the need for their effective use is particularly important. The need of probably rarely efficient procurement function is also justified by the instability of revenue, which affects the lack of possibility to build specialized functional structures such as transport, marketing, finance etc. and thus definitely outsourcing and purchasing services outside at the suppliers' is definitely more frequent and more efficient. The above claim applies, first of all, to small NGOs, including, in most cases, Polish NGOs. The effectiveness for the company means the possibility to achieve competitive advantage on the market by preparation of unique possibilities of generation of value added in the value chain[29], and thus the possibility of survival. However, for the NGO organizations, the lack of appropriate effectiveness is not tantamount, in the long run, with obtaining competitive advantage, and only better and more effective management of resources. This results from the fact that these organisations do not act in conditions of extreme competitiveness as in the case of commercial companies. It should be pointed out that, after all, the catalogue in tasks and functions implemented by the sector of non-profit organizations is continuously expanding, and consequently, affects the presence of natural phenomena of competitive character. In this context, therefore, we can speak both about the competing within the sector of non-governmental organizations for implementation of specific tasks, and the emergence of subjective interactions in the triad: public sector – business sector – sector of non-profit organizations. It is difficult to presently clearly specify the borderline separating these three basic sectors. It is conditioned by the model of relations shaped between them in the cross-section of particular countries, but also intensifying globalization processes that are intermingled within the scope of functions, roles and tasks to be implemented, attributed to these sectors.

While traditional RBV literature focuses on internal resources of the company, representatives of the world of science began to put emphasis on the meaning of external resources from the perspective of the network[30].

In 2009, a project was launched in USA, focusing on creating a proper network of suppliers supporting NGO organizations, under which, a site has been established, where all NGOs can made consolidated purchases at the suppliers who have decided to co-operate with the platform http://www.nonprofitpurchasing-

[29] Bowersox, D.J., Closs D.J., and Stank, T.P. 2000. "Ten Mega-Trends That Will Revolutionize Supply Chain Logistics," *Journal of Business Logistics*, Vol. 21, No. 2, pp. 1–16.

[30] Gulati, R., Nohria, N., and Zaheer, A. 2000. "Strategic Networks," *Strategic Management Journal*, Vol. 21, No. 3, pp. 203–215.

group.org/. In Poland the process of creating relations with suppliers has more informal character, and the examples are the foundations of Ochojska, Owsiak etc. Rooting the companies in the external relations networks has a significant impact on the company's results. For this reason, the relevance of RBV for the process of supply chain integration becomes obvious, due to involvement of both internal and external resources.

Resources are a key factor of RBV theory. This acquisition of resources in such a case will be a factor critical for the success of the company. In connection with the above, the supply chain integration by integration, smoothening (optimization of resources) and appropriate use of resources, both external and internal, is intended to increase efficacy and effectiveness, and leads to obtaining competitive advantage.

Strategy is mainly the organizational action plan to achieve the main objective of the organization. The strategy results directly from strategic priorities of the organization's activities, which have their source in the awareness, the possibilities and the needs that are a kind of challenge for the management personnel. A derivative of activities understood this way are also changes in the organizational structure, which should reflect the context and the idea of the architecture of strategic intentions. A company may develop different strategic priorities such as e.g. leadership of costs or diversity[31].

The above considerations provide the following implications for the NGO organizations, in the context of building an appropriate procurement model.

Firstly, the procurement function for the NGO organizations is equally important as for companies and increases the effectiveness of used resources.

Secondly, comparing the models of Krajlic and the models of procurement function development (Reck and Long et al.), it should be supposed that organizations with low procurement function development are not able to effectively manage purchases and their procurement function is of operational nature and is limited only to non-strategic purchase categories.

Based on the models of procurement function development, it should also be assumed that the dominant procurement model present on the market is the transaction orientation model, that is concerning the early phase the procurement function development (passive phase according to Reck and Long), where the main purchasing categories are non-strategic purchases according the Krajlic model. This model is typical of small NGOs. Possibly, based on examples of large NGOs, the dominant model is the strategic orientation model, typical of large international NGOs, in which emphasis is put on management of strategic purchasing categories, that is of a high percentage share within the structure of expenses and encumbered with a relatively high risk.

31 See Porter, M.E. 1980. *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: The Free Press.

The main factors decisive for the choice of an appropriate procurement model are thus the size of the organization and its development that may be indirectly determined by the by the stage of the procurement function development, as well as their complexity and the risk related to the obtained goods and services. In this matter, help may be provided by the Krajlic model that determines appropriate purchasing strategies for respective purchases. For purchases with low value and low level of complexity and risk, the best model is the transaction procurement model, for purchases with a high level of complexity and risk, and a high value, the most optimum model is the strategic procurement model.

With regard to NGOs, exactly these two extreme models appear to be the most popular.

An important conclusion for NGOs will be the fact that one of the bigger problems at procurement function development of NGOs is the so called critical mass of purchases, that is the value of purchases in the annual perspective, which determines the grounds for investment in the procurement function development in the organization, which would enable a passage from the Passive stage or the transaction model focused on non-strategic purchase management to purchases of strategic character. Investing in the procurement function development means here, in great simplification, employing a supply specialist and creation of appropriate purchasing tools, whose constituent part are, above all, ERP systems dedicated to purchases. This is undoubtedly connected with incurring additional costs by the organizations, that should at least be returned so as to speak about the economic substantiation of bearing additional costs. In Poland, based on the payroll report of HR Test, the median of earnings of an individual position of the purchasing manager is the amount of 9615 PLN gross (July 2011).

Additionally, employment costs are approximately within 30–80% of the value of all expenses associated with maintenance of procurement structures, in small and medium companies, which means that in the case of the Polish companies estimated costs of maintenance of procurement structures, will range from around 144 to 385 thousand PLN per annum.

For companies operating in commercial conditions in developed countries of the EU or in the US, the level of profitability of investment in purchase employees is defined at the level of 10 million EUR, and the procurement purchase costs, including all costs associated with having procurement structures, are estimated at the level from 0.15%[32] of the total value of purchased goods and services in the scope of competences of the purchase structure (the so-called purchasing policy coverage index), up to 1% in companies with low purchasing effectiveness. It is deemed that if overheads of the purchase structure exceed 1% of the value of purchased goods and services procurement structures should be only restricted to minimum and be of purely transactional nature.

[32] In the so called "Best in class", that is market leaders.

Bearing in mind the above discussion, it should be assumed that the critical procurement mass, in which it becomes profitable to invest in building procurement structures of strategic character, reaches the level of at least ~25 million PLN. If, therefore, we assume that NGO organizations are also subject, to a large extent, to the same market mechanisms as commercial companies and the above data would be applicable for NGOs, the level of expenses at which it becomes profitable to invest in the procurement function development is at a relatively high level. It should be borne in mind that the critical procurement mass applies to the expenses for services and goods under purchasing control, which means that they include only those purchases that pass through the decision-making process of a separated procurement structure e.g. the purchase department. In practice, approximately 75–90% of the company's expenses (except for payroll) are subject to purchase departments, which means that only at purchase expenses of the company at the level above 33 million PLN, it is beneficial to invest in building strategic procurement structures. Another factor influencing the character of the purchase department according to the Krajlic model is the risk and the complexity of purchases. The risk and the complexity are defined by means of assessment of dependence on suppliers and a possibility to change a supplier in a short time, which comes down to the force, with which functioning of the supplier is reflected in the purchasing organization functioning e.g. purchase of energy or iron ores for steelworks or chemical raw materials for drugs producer carries with it disproportionately higher risk and a definitely longer process of change of the supplier than in the case of office supplies purchase. In NGOs the complexity and the procurement risk is relatively low, owing to the nature of purchased goods and services, which may constitute another obstacle in building developed procurement structures.

The above theoretical discussion may have the following practical implications for persons managing NGOs, in the context of making decisions about the accordingly effective building of the procurement functions, which has been presented in figure 2.

In NGOs with expenses in the scope of the purchasing policy (critical mass) below 30 million PLN annually, a transaction procurement model is proposed, that is focus on purely operational, simple purchases, not encumbered with a high procurement risk, which is suggested by the Krajlic model and staying at the Passive phase or Independent phase according to Reck and Long model. For the purchase expenses above 40 million PLN annually, the model of strategic purchases is proposed, where it is worth investing in development of the procurement functions, that is developing purchases for the Supporting or Integrating phase according to Reck and Long model, and paying attention to purchases encumbered with high risk and expenses. Due to the fact that in most cases dependence on suppliers and the complexity of NGOs are low, the procurement risk, as a factor affecting selection of the appropriate procurement model can have secondary meaning.

<table>
<tr><th></th><th></th><th colspan="2">Risk and complexity of purchases</th></tr>
<tr><td></td><td>from</td><td>Low</td><td>High</td></tr>
<tr><td rowspan="13">Procurement expenses (million PLN)</td><td>- PLN</td><td rowspan="6">Transaction model</td><td rowspan="4">Transaction model</td></tr>
<tr><td>5 PLN</td></tr>
<tr><td>10 PLN</td></tr>
<tr><td>15 PLN</td></tr>
<tr><td>20 PLN</td><td rowspan="2">Intermediate model</td></tr>
<tr><td>25 PLN</td></tr>
<tr><td>30 PLN</td><td rowspan="2">Intermediate model</td><td rowspan="7">Strategic model</td></tr>
<tr><td>35 PLN</td></tr>
<tr><td>40 PLN</td><td rowspan="5">Strategic model</td></tr>
<tr><td>45 PLN</td></tr>
<tr><td>50 PLN</td></tr>
<tr><td>55 PLN</td></tr>
<tr><td>60 PLN</td></tr>
</table>

Figure 2. Proposed procurement model for Polish NGOs

Source: prepared by the author.

Final conclusions

Growth in importance of the sector of non-profit organizations, its significant development dynamics, increasing number of tasks to be implemented cause basic changes in the formula of their actions.

Transfer of many functions and directing public funds to non-governmental organizations created completely new operating conditions for them. On one hand, it strengthened and raised the importance of the sector, on the other hand, however, it created new requirements as to the method of running business. Along with the flowing public funds, strict requirements appeared, relating to reporting, effectiveness and quality. The management model for a non-governmental organization began to change and caused the need to think from the point of view of professional solutions, taking account of the most advanced achievements in a given area, also concerning performance of the purchasing (procurement) function whose dynamic growth is observed in recent years.

The maturing process of the third sector takes place as a result of its professionalization, manifesting itself also in formalization of organizational structures.

The basis for professionalization processes of social entities is the intention of full use of resources of that organization, which is supposed to contribute to the growth in their effectiveness. Professionalization is understood here as the growth in professional substantive knowledge concerning the implemented projects, as well as improving the level of knowledge and technical skills that enable efficient management of the organization.

The procurement function seems, in this context, particularly important, though hardly noticeable. Analyzing the experience of countries where the sector of non-profit organizations has a well-established structure, we can clearly see the need for professionalization of the procurement function. The idea of using simple benchmarking formulas encourages accepting solutions verified on the ground of practice with regard to similar activity sectors. As a result, it is important to popularize solutions already positively verified by practice of the activity, and/or create those that can in the future raise effectiveness of organizations, also non-profit organizations.

In the above deliberations attention should be paid to the lack of appropriate literature with regard to the procurement function of NGOs, which is a large obstacle in the assessment of accuracy of the aforementioned statements, especially applicability of borrowings from commercial companies, for instance with regard to determining the profitability of investment in the procurement structures. This suggests the need for deeper and further research on the type and the nature of purchased goods and services in terms of risk and complexity, which is presently unknown. Also, account should be taken of such issues as the lack of knowledge about the quality and the importance of creation of networks in the supply chain of NGOs, in the context of informal relations, which can have positive and high importance for the price level of purchased goods and services.

Therefore, the above suggestions with regard to selection of a proper strategy of procurement function development and the choice of the procurement model should be treated as a "signpost" for practitioners managing NGOs rather than as the final remedy.

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Summary

The study focuses on the analysis of development projects concerning the sector of non-profit organizations, paying attention to the fact of continuously progressing professionalization of management in this area.

In connection with the growing meaning of the sector as well as increase in functions and tasks attributed to implementation, the study presents also presents a proposal of a professional perspective of the purchasing (procurement) function, whose implementation would make it possible to increase the effectiveness of management in this area. The study applied available theoretical knowledge and the data regarding supply, including the models of the procurement function.

Jolanta Walas-Trębacz, PhD
Andrzej Frycz Modrzewski Krakow University
Cracow University of Economics

THE SIGNEFICANCE OF A STRATEGIC RENEWAL PROCESS FOR A COMPANY

Introduction

The notion of change in literature on this subject is not a new concept, however the growing competition which caused that change started to be viewed not as a transition of an organization from one state to another, but as a continuous process, which in reference to strategic change might be called strategic renewal (organizational).[1] This process requires knowledge, creativity, a critical analysis, proper communication and leadership as well as an ability to appropriately assess potential alternatives[2]. P. Drucker warns that an organization, which adheres to current policies, abilities and achievements, looses the ability to adapt. Moreover, it will not be able to survive in the changeable future as change is the only invariable destiny of Man[3]. The intensifying competition and less and less stable conditions of functioning of current companies demand a search for various modifications and improvements of their activity as well as a quick reaction to external dynamics.

The aim of this article is to explain terminology pertaining to strategic renewal of a company. Moreover, in this work, reasons for commencing the process of strategic renewal of an organization as well as areas of renewal and factors influencing its course have been indicated. Special attention in this article has been given to the methodology

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1 The subject of changes and renewal is becoming popular not only in the area of management studies but also in other disciplines, e.g. socilogy, psychology, information technology (Volberda, H.W., Baden-Fuller, C., Bosch, F.A.J. 2001. "Mastering Strategic Renewal: Mobilising Renewal Journeys in Multi-unit Firms". *Long Range Planing* 2001, Vol. 34, No. 2, p. 159–178).

2 Walas-Trębacz, J. 2008. "Uwarunkowania powodzenia rewitalizacji strategicznej przedsiębiorstwa". *Zeszyty Naukowe Uniwersytetu Ekonomicznego w Krakowie* 2008, Vol. 772, p. 95.

3 Drucker, P.F. 1994. *Menedżer skuteczny*. Kraków: Wydawnictwo Akademii Ekonomicznej, p. 71.

of conducting strategic revitalization in a company as well as to the implementation of a strategy arising from strategic renewal. The article also contains a brief explanatory exemplification of the means in which types of strategic change introduced into Puma and Nokia companies influenced their positions on the market.

The concept of strategic renewal of a company

The Latin term *innovatis* is understood in the Polish language as an innovation[4]. Strategic renewal (organizational) is understood interchangeably as creative "reconstruction of a strategy", strategic revitalization of a company, regeneration or reorientation, as well as strategic restructuralization, and it requires innovations in the area of a business model of a company[5]. In this work, the terms renewal and revitalization are used interchangeably.

In literature on the subject, strategic revitalization is defined in various ways. H.W. Volberda, C. Baden-Fuller, F.A.J. Bosch define strategic revitalization as actions taken by a company in order to change its business, leading to redesigning the current path of company's development[6].

According to B. Wawrzyniak strategic renewal signifies a creation of something new, doing something from the beginning, hence it means an adoption of a new strategy of planning and implementing changes that would differ from the past orientation[7]. Interpretations of the concept of strategic renewal are presented in Table 1.

In literature on the subject, the process of strategic revitalization is sometimes identified with strategic change[8]. Referring to the above division, done according to two criteria: a criterion of continuity/discontinuity of change and a criterion of change type in an organization in relation to changes in the environment, the thesis that the concept of strategic renewal should be extended with two situations – strategic turn and strategic revitalization, might be put forward (see fig. 1). It means that the process of strategic renewal is realized in two cases: an occurrence

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4 Wawrzyniak, B. 1999. *Odnawianie przedsiębiorstwa na spotkanie XXI wieku.* Warszawa: Poltext, p. 126.

5 Walas-Trębacz, J. 2008. "Uwarunkowania powodzenia rewitalizacji strategicznej przedsiębiorstwa". *Zeszyty Naukowe Uniwersytetu Ekonomicznego w Krakowie* 2008, Vol. 722, p. 96.

6 Volberda, H.W., Baden-Fuller, C., Bosch, F.A.J. 2001. "Mastering Strategic Reneval: Mobilising Reneval Journeys in Mult-iunit Firm". *Long Range Planning* 2001, Vol. 34. No. 2, p. 160.

7 Wawrzyniak B. 1999. *Odnawianie przedsiębiorstwa na spotkanie XXI wieku.* Warszawa: Poltext. p. 126.

8 Floyd, S., Lane, P.J. 2000. "Strategizing Throughout the Organization: Managing Role Conflict in Strategic Renewal". *Academy of Management Review* 2000, Vol. 21, p. 155.

of a strategic gap or anticipation of an occurrence of a strategic gap between organization's competence and the environment's demands[9].

Table 1. The concept of renewal (revitalization) according to different authors

The author	The concept of revitalization
H. Hart, A. Berger	A change of fundamental character and a significant influence on company's efficiency. It pertains to relations with the business environment (clients, suppliers), transformation processes (technology configuration), structures, systems and routines (making decisions, information, human resources) as well as financial results and individual and organizational behaviour.
W.D. Guth, A. Ginseberg	A company's transformation that occurs through the renewal of its key ideas (competence)
S.W. Floyd, P.J. Lane, K. Malewska	The process that consists in indicating new directions for the organization activity and adapting a company to the changeable business environment
S. Cyfert	The process of dynamic character, in which the existing, relatively anticipated divergence between resources and key competence that company has and needs of the environment, results in the necessity of implementing changes of irregular character. Those changes are realized in the process of learning, unlearning and acquiring knowledge about the organization and they lead to the development of a new business model, in which the current key competence of an organization are replaced by new ones.

Source: compiled on the basis of: (Hart, H., Berger, A. 1994. "Using Time to Generate Corporate Renewal". *International Journal of Operations and Production Management* 1994, Vol. 14, No. 3, p. 25; Guth, W.D., Ginseberg, A. 1990. "Guest Editors Introduction: Corporate Entrepreneurship". *Strategic Management Journal* 1990, Vol. 11, p. 5; Floyd, S.W., Lane, P.J. 2000. "Strategizing Throughout the Organization: Managing Role Conflict in Strategic Renewal". *Academy of Management Review* 2000, Vol. 25, p. 154–177; Malewska, K. 2005. "Kolejność zmian zachodzących w procesie odnowy strategicznej przedsiębiorstwa", in: Skalik, J. (ed.), *Zmiana warunkiem sukcesu. Przeobrażenia metod i praktyk zarządzania*. Wrocław: PN AE, p. 432; Cyfert, S. 2005. "Strategiczna odnowa organizacji – proces wymuszonego doskonalenia organizacji", in: Stabryła, A. (ed.), *Innowacyjność we współczesnych organizacjach*. Kraków: AE w Krakowie, p. 175).

[9] Cyfert, S. 2007. "Rekonstrukcja istoty strategicznej odnowy przedsiębiorstwa we współczesnych koncepcjach teoretycznych", in: Banaszyk, P., Cyfert, S. *Strategiczna odnowa przedsiębiorstwa*. Warszawa: Difin, p. 13.

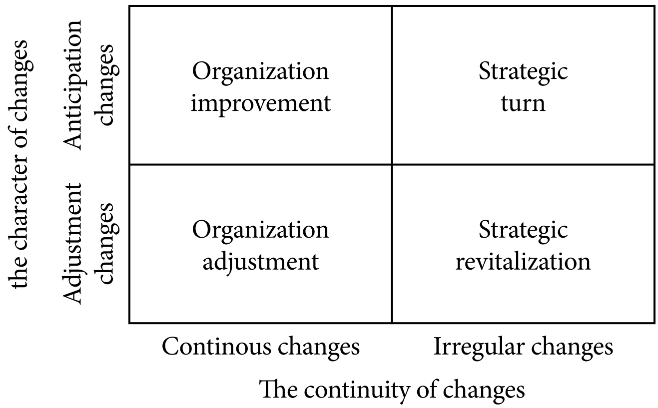

Figure1. Typology of actions in an organization in terms of changes character

Source: Cyfert, S. 2007. "Rekonstrukcja istoty strategicznej odnowy przedsiębiorstwa we współczesnych koncepcjach teoretycznych", in: Banaszyk, P., Cyfert, S. *Strategiczna odnowa przedsiębiorstwa*. Warszawa: Difin, p. 14.

The reasons for the strategic renewal of a company

The process of changes in an organization may be realized in a continuous (adjusting) or irregular (quantum) formula. Continuous changes are aimed at a current improvement of an organization, while irregular changes mean a radical alteration of an organization, which is connected with a necessity of creating and implementing a new business model.

While analyzing the effectiveness and efficiency of the above mentioned approaches to change implementation, the following assumptions should be considered:

- firstly, implementing adjustment changes in an organization is connected with a lighter burden for the management system in comparison with a model of irregular changes, however in the long run, this model is unable to ensure an organization's success and a stable advantage over competitors;
- secondly, due to three crucial factors of the process of changes: time pressure, resistance to changes and uncertainty resulting from the environment – in many cases, the realization of the irregular changes process ends with failure at the early stage.

Companies' success depends mainly on the capability of strategic regeneration – a dynamic creation of new models and new strategies of conducting business activity according to the changing conditions[10].

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[10] Hamel, G., Yalikangas, L. 2003. "W poszukiwaniu zdolności strategicznej regeneracji". *Harvard Business Review* 2003, Vol. 11; www.eMidwest Newsletter Polish and foreign companies, inter alia, Coca-Cola, Mercedes, Samsung, Apple, Kodak, Eros, the National Mint, Techmex and the like, provide many examples of successful strategic turns. (Kaleta, A. 2006. "Istota i znaczenie zmian

Ignoring changes in the business environment postpones the process of renewal, while costs increase with every month. In order to maintain the capability of strategic renovation, a company has to drastically shorten the time between the statement "it cannot be true" and the conclusion "we have to accept the world as it is." Hence, the following question arises: how to get out of the "hard shell" of self-censorship and the rejection of changes in the environment? There are at least three courses of action:

– firstly, managers of the higher rank have to introduce a habit of visiting those places, in which germs of changes occur;
– secondly, the rule of double filter should be applied, i.e. information conveyed by those who have filtered it before should be filtered one more time;
– thirdly, the inevitability of growing old and becoming outdated of each strategy should be accepted. Strategies of companies become outdated due to four reasons:
– *copying* (coping by competitors dispossesses a strategy of its distinctive character, and hence, it deprives the strategy of its power to generate above-average profits);
– *displacing* (a good strategy is displaced by better). In times of global economy, when ideas and capital move with lightning speed, new strategies become outdated much faster;
– *wear and tear* (as the market becomes saturated, suppliers get bored with a monotonous offer, and optimalization programmes reach a critical point in which a decline in profits begins; strategies loose their potential);
– *unproductivity (*strategies also become unproductive). The Internet obviously has not changed everything but it significantly shifted the power from manufacturers to consumers. In no other branch of economy, it is so visible as in the area of services connected with tourism, where clients get the lowest prices possible from the airlines and hotel companies.

A thorough and honest assessment of the level of the process of growing old and becoming outdated is an effective antidote to the rejection of the reality.

Fundamental reasons for strategic renewal of an organization are:

– a crisis of a company which manifests itself in an abrupt decrease of basic economic indexes;
– serious difficulties in coordinating actions ensuing from the undertaken aims;
– the incompatibility of information and decisive systems with the turbulent environment;
– changes commenced in other strategic areas of a company;
– maladjustment of the realized actions to the clients' requirements.[11]

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strategicznych we współczesnych przedsiębiorstwach", in: A. Stabryła (ed.), *Doskonalenie systemów zarządzania w społeczeństwie informacyjnym* 1. Kraków: AE w Krakowie, p. 368–369).

[11] Malara, Z. 2001. *W poszukiwaniu dojrzałości organizacyjnej przedsiębiorstwa.* Bydgoszcz: OPO, p. 103.

Nowadays, so called company-renovators, which every 5 years reform their model of activity in order to be popular with clients and gain profits from other areas, prosper on the market. Conventional logic concentrates on the shares in the market, while logic of renovators concentrates on clients and profits. In order to introduce changes in the model of company's activity, it is necessary to take into consideration its four strategic dimensions: the choice of clients, the seizing of values, strategic control and the scope of activity[12].

A company which aims at being successful on the market should design its activity in such a way that all key elements are adjusted to the most important priorities of clients while still being profitable for a company.

With the passage of time, as a result of competitive character of companies' activity, the majority of models do not bring in profits. Their sphere of profits is shifted, hence if a company aspires to be valuable and maintain itself in the area of profits, it should modernize its model of activity.[13]

According to K. Arogyaswamy, V.R. Barker and M. Yasai-Ardekani, strategic renewal of a company is indispensable due to the following reasons:

– a decline in support of external stakeholders;
– the efficiency of the activity decreases;
– an organizational climate and the efficiency of decision processes deteriorate[14].

A strategy of continuous, deep changes in a company, reflecting the activity of a number of contemporary companies, has received the following name: "a strategy of setting a pace" in contrast with "a strategy of acting according to the events.[15]„

As a result of the process of strategic renewal, a strategic gap between company's key abilities, resources and demanded competence by the environment in a given sector, disappears.[16]

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[12] A detailed description of strategic, operational and organizational dimensions of company's activity model is presented in: (Slywotzky, A.J., Morrison, D.F.J., Andelman B. 2000. *Strefa zysku*. Warszawa: PWE, p. 387–389).

[13] *Ibidem*, p. 26–29.

[14] Arogyaswamy, K., Barkera, V.R., Yasai-Ardekani, M. 1995. "Firm Turnarounds: an Integrative Two-stage Model". *Journal of Management Studies* 1995, Vol. 32, No. 4, p. 506.

[15] Kaleta, A. 2006. "Istota i znaczenie zmian strategicznych we współczesnych przedsiębiorstwach", in: A. Stabryła (ed.), *Doskonalenie systemów zarządzania w społeczeństwie informacyjnym 1*. Kraków: AE w Krakowie, p. 365.

[16] Cyfert, S. 2005. "Strategiczna odnowa organizacji – proces wymuszonego doskonalenia organizacji", in: A. Stabryła (ed.), *Innowacyjność we współczesnych organizacjach*. Kraków: AE w Krakowie, p. 170–171.

Revitalization areas and factors influencing strategic revitalization

It is hard to delineate specific areas in which strategic revitalization would take place because the whole company is reformed, an in this process marketing (client), technology, staff and finances, which are interconnected, lead the way[17].

According to D. Miller and P. Friesen, renewal of a company is linked with changes in four areas:

- a style of decision making (innovation is visible in terms of risky situations, proactive and pro-developmental activities in comparison with an organization at the stage of stabilization or decline),
- an organizational structure (procedures of information processing, the level of centralization/decentralization of power, dismembering of an organization),
- management strategy (changes in types of a strategy, e.g. a transition from a search strategy to an analysis strategy or a defence strategy),
- a situation (it pertains to changes in a size of an organization, a number of owners, a client's influence on making decisions, tactics used towards competitors, clients, production lines, distribution channels as well as changes in technology, products, human resources or methods of management[18].

However, according to R. Larsson and L. Bengtsson, three main areas of strategic changes might be delineated:

- in the area of unique competence and strategic resources (internally placed changes, e.g. in the area of key competence of an organization);
- in the dimensions of strategy (changes of competition position, a schema of behaviour or a perspective of interpreting phenomena);
- organizational "borders" in relation to the environment (changes by means of expansion, closure, restructurization, relations between an organization and the environment[19]).

The process of strategic renewal is influenced by the following factors:

- managers' engagement on the particular level of management (those managing a corporation as a whole organization, assistant managers and line managers);
- a way of approaching a choice between today's results and results in the future;
- the ability to study an organization[20];

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[17] According to B. Wawrzyniak generally two spheres of organization renewal might be distinguished, i.e. a sphere of resources and functions as well as a sphere of regulation (Wawrzyniak, B. 1999. *Odnawianie przedsiębiorstwa na spotkanie XXI wieku.* Warszawa: Poltext. p. 107–108).

[18] Malewska, K. 2005. "*Dwuogniskowa* wizja strategii przedsiębiorstwa", in: Stabryła, A. (ed.), *Innowacyjność we współczesnych organizacjach*. Kraków: AE w Krakowie, p. 433.

[19] Dąbrowski, J. 2002/2003. *Zmiany strategiczne w teorii i praktyce zarządzania.* Warszawa: Wyższa Szkoła Przedsiębiorczości i Zarządzania im. L. Koźmińskiego, p. 12.

[20] Cyfert, S. 2005. "Strategiczna odnowa organizacji – proces wymuszonego doskonalenia organizacji", in: Stabryła, A. (ed.), *Innowacyjność we współczesnych organizacjach*. Kraków: AE w Krakowie, p. 173–174.

- the size of an organization and the phase of its life cycle;
- the process of information exchange and the applied information systems;
- the level of power decentralization;
- the scope and number of undertaken decisions[21].

Factors conditioning an organization's ability to strategic revitalization might be presented in the form of four groups as: objective conditioning, situational conditioning, conditioning connected with people's awareness in an organization as well as conditioning connected with having power[22].

The methodology of strategic revitalization

The process of strategic revitalization has an evolutionary character, and it mainly consists in a company's ability to adapt itself to the changing business environment. It may proceed in three stages, namely:

1. A company encounters a situation in which strategic renewal is required due to the considerable transformation of the environment or a drastic decline in the economic efficiency, or due to both those situations at the same time.
2. The executive management commences working on a strategic reaction to the situation of an operational "disaster". At this stage, a method of a rational strategic analysis is applied and "the great leap" that means a radical strategic change in a company is created.
3. Repair interventions that may lead to an improvement of company's activities (e.g. improved performance, so called success) or may not (e.g. cessation of activities in a given sector).[23]

A different attitude to the process of radical strategic renewal is presented by F. Lohrke, A. Bedeian, T. Palmer. They indicate three basic stages of this process (see fig. 2).

After strategic renewal has been conducted as a result of creating a better organizational atmosphere and improving economic results of a company, a transition from strategies resulting from the decline of efficiency to strategies of economic revival, occurs.

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[21] Malewska, K. 2005. "Kolejność zmian zachodzących w procesie odnowy strategicznej przedsiębiorstwa", in: Skalik, J. (ed.), *Zmiana warunkiem sukcesu, Przeobrażenia metod i praktyk zarządzania.* Wrocław: AE we Wrocławiu, p. 436–437.

[22] Walas, J. 1997. *Identyfikacja zmian organizacyjnych w przedsiębiorstwie* 499. Kraków: ZN AE, p. 133.

[23] Lohrke, F.T., Bedeian, A.G., Palmer, T.B. 2004. "The Role of Top Management Team in Formulating and Implementing Turnaround Strategies: a Review and Research Agend". *International Journal of Management Reviews* 2004, Vol. 5–6, p. 65.

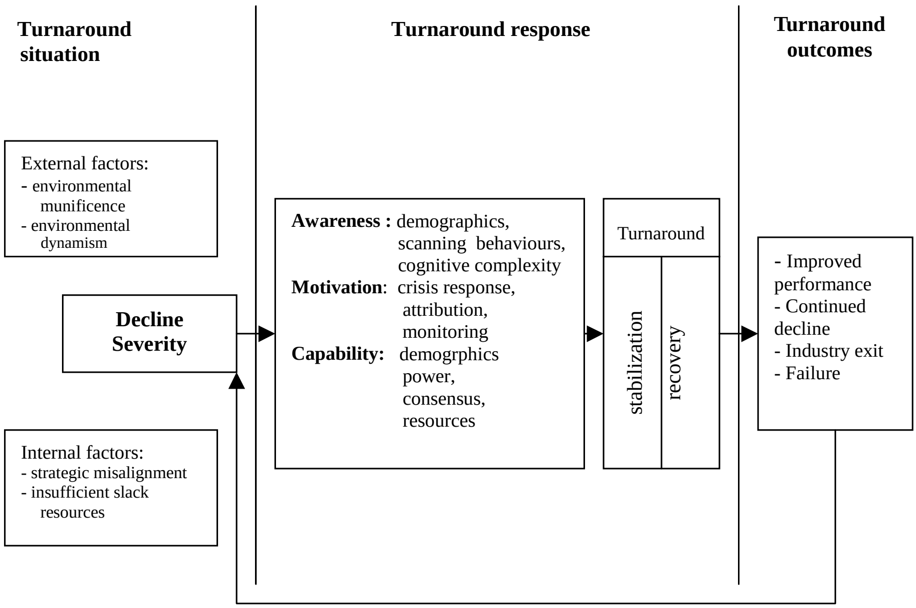

Figure 2. A methodology model of the turnaround process of a company

Source: Lohrke, F.T., Bedeian, A.G., Palmer, T.B. 2004. "The Role of Top Management Team in Formulating and Implementing Turnaround Strategies: a Review and Research Agend". *International Journal of Management Reviews* 2004, Vol. 5–6, p. 73.

Effective strategies of economic revival lead to:

- diminishing or eliminating reasons for the activity decline,
- improving a company's competitive position on the market.

The most effective strategies of the company's economic revival are:

1) Strategic reorientation of the existing resource potential of a company:
   a) an incremental strategy of a strategic position improvement by more efficient usage of the existing resources;
   b) an incremental strategy of maintaining a strategic position by the usage of historically shaped forces.
2) Strategic reorientation of a company by creating new resource capabilities:
   a) adjusting a company's resource potential to the consumers' requirements;
   b) maintaining a company's resource potential in those market sectors, in which the resources are most highly valued[24].

The methodology of strategic revitalization should firstly take into consideration stabilization of a bad strategic situation, and then "a great strategic leap", i.e. a radical strategic change.

[24] Arogyaswamy, K., Barkera, V.R., Yasai-Ardekani, M. 1995. "Firm Turnarounds: an Integrative Two-stage Model". *Journal of Management Studies* 1995, Vol. 32, No. 4, p. 509.

Successful future of a company depends on the level of mastering three basic forms of strategic innovation:
- *revolution* signifying creative destruction; innovation pertaining to the basic rules of the game and means of activity,
- *renewal* meaning creative reconstruction; requiring innovations in the area of a company's business model,
- *resilience* understood as a capability of continuous reconstruction and renewal in terms of strategies and a business model.

A company unable to keep up with the changing environment quickly looses its position on the market, clients and consequently, a support of all interested in its outcomes. Irrespective of whether a company ceases its activity or is bought out, the relocation of human and financial capital will bring only marginal profits from the investment of those resources.[25]

The process of change implementation arising from strategic renewal

Defining a particular type of strategy does not guarantee a complete success because apart from the process of formulating a strategy, a significant phase is also the stage of implementing suggested directions of changes, the so called implementation[26] process of a strategy in a company.

The implementation process encompasses three phases:
- the instrumentalization of the process of strategy realization, which aim is to gather and process information for the phases of the formulation strategies process, create an organizational structure adjusted to the introduced strategy, and appoint and organize work teams cooperating in the process of strategy formulation;
- preparation of the material means of strategy realization consisting in the creation of a broadly understood material potential of a company (material resources, human resources, skills and the like);
- preparation of the realization and realization itself which aims at an optimal performance of production (service) plans within the frames of the existing strategic material potential[27].

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25 Hamel, G., Yalikangas, L. 2003. "W poszukiwaniu zdolności strategicznej regeneracji". *Harvard Business Review* 2003, Vol. 11; www.eMidwest Newsletter.

26 A term "implementation" derives from the English language: a term *implement* means – an instrument: to put into operation (a project, contract or reform); to realize (a project, contract or task); fulfill (promise, obligation); to introduce (a proces, plan); to implement in the area of computers (software, system) (*Wielki słownik angielsko-polski*. 2002. Warszawa: WN PWN--Oxford, p. 592). Implementation means putting into operation theoretical models or practical projects, containing various types of innovations and improvements (Stabryła, A. 2007. *Zarządzanie strategiczne w teorii i praktyce firmy*. Warszawa: WN PWN, p. 306.

27 Moszkowicza, M. (ed.). 2005. *Zarządzanie strategiczne. Systemowa koncepcja biznesu.* (a joint publication) Warszawa: PWE, p. 125.

The implementation process, unlike the process of strategy formulation, which aims at limiting ambiguity and indeterminacy, focuses on uncertainty reduction. The process of strategy formulation is grounded in a prognostic model of a company, and its task is to create such a setting in which functioning of a company would proceed in the most effective way possible. Hence, recognizing predicted conditions of acting (why? what? how? when?) constitute the essence of strategy formulation.

The role of strategy implementation is totally different because it is not about ensuring suitable condition for the company's functioning, but about answering the question: how to proceed from the current state (t_o) to the desirable state in the particular conditions of the company. Hence, the core of the activity will be an appointment of managers and workers necessary to realize the adopted strategy (want!), an appropriate allotment of resources (can!), developing skills – training courses (be capable!) as well as an appropriate organization of company's functioning in time (be on time! anticipate!)[28].

In the process of strategy formulation it is significant to rely on the adopted mission, vision and company's strategic goals which are indicators of company's functioning, and to indicate a competitive strategy model (domain), whereas in the process of strategy implementation a point of departure is adoption of strategic arrangements, e.g. on the basis of a resource model or transactional model of a company[29] using different concepts that would enable a realization of the adopted strategic alternatives (e.g. TQM, reengineering, outsourcing, lean management and the like).

Inner factors influencing the process of strategy implementation are: resources and skills of a company (production potential, market and management potential), values and aspiration of the management, a company's organizational structure, a style of management. Factors determining strategy implementation are characterized in more detail by the „7S" model: strategy, structure, systems, style, staff, value system and skill[30]. Those factors are interconnected, hence changing one of them should cause adaptation of the rest. The key tasks in the process of strategy implementation are:

- *operationalization* of *aims, acquiring and allocation of resources;*
- translation of strategies into precise functional policy (market, finances, staff);
- defining operational plans and exact quantitative tasks;
- ascribing particular tasks to performers;

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[28] *Ibidem*, p. 126.

[29] A strategy of implementation should be adjusted to the specificity of a company and conditions of its activity, as well as to the specificity of the formulated strategy of an organization's renewal (Urbanowska-Sojkin, E., Banaszyk, P., Witczak, H. 2004. *Zarządzanie strategiczne przedsiębiorstwem*. Warszawa: PWE, p. 375)

[30] Dess, G., Miller, A. 1993. *Strategic Management*. New York: McGraw-Hill, p. 235.

- building of an organization capable of effective enforcement of strategies (changes in an organizational structure);
- defining budget used for implementing a strategy (creation of a control system);
- determining, acquiring and allotment of resources required for strategy implementation;
- building of a backup management system;
- changes of systems, processes and technologies;
- entering alliances with people who may support new directions of activity[31];
- modelling of organizational culture adjusted to the realized strategy;
- developing a motivation system and control system focused on connecting aims and achieving strategies;
- organizing trainings and social activities, programmes aiming at achieving new qualifications and new competence;
- providing strategic management that complements culture and creating a system of motivation[32].

Changes (strategies) arising from the conducted process of revitalization might be implemented in various ways[33], namely: peremptory, reorganizational, collaborative, cultural and grass-roots[34]. It should be remembered that implementing strategy may cause different responses depending on the level of organizational culture.

Examples of companies in which the process of strategic renewal has been applied *Virtual PUMA*

PUMA, known as one of the leading companies producing and selling sports clothes and shoes, was in deep crisis at the beginning of the 90s. In 1993 Jochen Zaitz, who was previously a manager of COLGATE PALMOLIVE, became a new head of the company. In few weeks' time, with a small group of co-workers, without external advisors, he created a three-stage plan – 3R (*restructuring, reengineering, reform to growth*):

- *restructuring* – was mainly conducted in 1993 by flattening the structure, dismissal of one third of employees and reorganization of the central office structure. With a turnover of 1.3 bn DM, 20 subordinate factories and sales in 80

31 Rokita, J. 2005. *Zarządzanie strategiczne. Tworzenie i utrzymywanie przewagi konkurencyjnej*. Warszawa: PWE, p. 342.

32 Urbanowska-Sojkin, E., Banaszyk, P., Witczak, H. 2004. *Zarządzanie strategiczne przedsiębiorstwem*. Warszawa: PWE, p. 377–412.

33 R.W. Griffin suggestes different ways of strategy implementation besed on: leadership, structure, technique, information and control systems as well as human resources (Griffin, R.W. 2004. *Podstawy zarządzania organizacjami.* Warszawa: WN PWN, p. 260–262).

34 Supernat, J. 1998. *Zarządzanie strategiczne, pojęcia i koncepcje*. Wrocław: AE in Wrocław, p. 177.

countries, the company had 180 workers – from the CEO to the doorkeeper. A radical programme of cutting costs was also introduced.

– *reengineering* – in 1994, changes were focused on the scope and means of the company's activities. The own production was closed down, and the whole production was outsourced. Moreover, since 1995 transportation from factories in Asia has been operated by the external partner. PUMA only deals with designing clothes or shoes, marketing, production planning with foreign partners, as well as controlling and coordinating activities;
– *reform to growth* – in 1996, profits of PUMA amounted to 60 m. DM. The company does not have debt, which in 1991 amounted to 145 m. DM. It has the VISION 2000 strategic programme, which is implemented by 14 task groups working on further improvements.

Zeitz, the CEO, constantly repeats that improving constitutes a constant process, and it cannot be stopped. His favourite saying is: *keep in running.*

Three rules of building a virtual company:

1. Consistent outsourcing and focus on key skills based on the analysis of chain elements of value creation.
2. Creating a dense web of cooperative relations, directed by a small head office with the usage of modern means of telecommunication.
3. The activity relies on a flexible structure, almost without a hierarchy, a division of work, formal procedures and the like [35].

PUMA constitutes an example of building a company from the ground up. From the production organization, which it was a few year ago, it turned into the operator of production and sale. For this reason, it uses the internationally recognized trademark as well as the key skills connected with designing and selling sports clothes and shoes. PUMA is also a good example of innovation in management, the essence of which is reflected in focus on building something new instead of restoring the old. Frequently, the latter improves the mood of the management board, but does not ensure the company's survival in a longer period of time[36].

Strategic renewal of Nokia

At the end of 1991 and the beginning of 1992 when the collapse of the USSR caused a recession, Nokia faced the problem of from which point building a new strategy should be started: from positioning or competence development?

Nokia was established in 1869 as a firm that dealt with wood processing. Until 1980, it strongly diversified its activity, expanding its scope with new areas: rubber, paper and electronic sectors. Nokia was directly connected with the Eastern Bloc, hence the above mentioned collapse of the USSR significantly influenced its activity. Since 1991, it has started to make a considerable loss, which was caused

35 Fijałkowski, M. 1996. "Wirtualna Puma". *Zarządzanie na Świecie* 1996, No. 4, p. 16–18.

36 Wawrzyniak, B. 1999. *Odnawianie przedsiębiorstwa na spotkanie XXI wieku*. Warszawa: Poltext, p. 131.

by the fact that its main shareholder (Finnish Bank) decided to withdraw. The company also attempted to sell one of its new business units connected with mobile communications to its competitor – Ericsson, which rejected the offer. In the case of Nokia, a traditional approach of competitive positioning offered limited possibilities. Hence, in this situation the company decided to turn to the approach formulated by C.K. Prahalad and G. Hamel, which focuses on key competence.

Nokia commenced the process of strategic renewal and decided to focus its activity on mobile communications. Its strategy was strongly connected with skills development, which was to lead to the market creation. It was a very risky decision as it was not Nokia's main sector. Moreover, the inner potential of the market in this respect was not certain. However, with time this market turned out to be very dynamic, and Nokia became a world leader in the production of mobile phones surpassing its former competitors: Ericsson and Motorola.

A turning point in Nokia's activity took place in 1994 and was connected with introducing the Nokia 2100 model into the market. The company predicted the sales of 40 thousand mobile phones, while finally more than 20 million were sold. In 2002 an overall sale of mobile phones amounted to 400 million, out of which as much as 38% (156 million) constituted Nokia's share.

In the last decade Nokia employed two basic approaches to strategic management. At first, the resource strategy (competence-oriented) enabled the company to conduct strategic renewal as well as create new market, and then an approach of competitive positioning made it possible to strengthen and consolidate the gained position of the leader. With regard to significant transformations of the market of mobile communications, it seems that Nokia again will have to turn to a competence-oriented approach in order to surpass its new, strong competitors (Sony, Microsoft)[37].

Conclusion

Contemporary changes occurring in the business environment are multifaceted and exert an influence on all spheres and levels of company functioning. They enforce a particular transformation and adjustment to the structure and potential of this environment[38].

The process of strategic renewal (revitalization) demands from an organization a necessity of an improvement. This improvement might be realized in an irregular way in a formula of strategic turn or strategic revitalization, which is connected with the necessity of changing a business model. The continuation of

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37 Malewska, K. 2005. "*Dwuogniskowa* wizja strategii przedsiębiorstwa", in: Stabryła, A. (ed.), *Innowacyjność we współczesnych organizacjach.* Kraków: AE w Krakowie, p. 326–327.

38 Penc, J. 2007. *Zarządzanie innowacyjne. Sterowanie zmianami w procesie integracji europejskiej.* Łódź: Wydawnictwo Wyższej Szkoły Studiów Międzynarodowych w Łodzi, p. 37–40.

the current concept of business sooner or later will result in the self-destruction of the company[39].

Efficiently conducted strategic renewal (revitalization) of a company should make possible not only an improvement in effectiveness, but also an improvement of its competitive position on the market, the ability to establish stronger and stronger relationships between clients and a company, changes in organizational structure facilitating its flexibility to react, as well as the ability to expand the scope of delegating rights, key competence, value chain optimalization and the like.

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[39] Cyfert, S. 2005. "Strategiczna odnowa organizacji – proces wymuszonego doskonalenia organizacji", in: Stabryła A. (ed.), *Innowacyjność we współczesnych organizacjach*. Kraków: AE w Krakowie, p. 176.

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Halina Smutek, PhD
Andrzej Frycz Modrzewski Krakow University
Cracow University of Economics

INTELLECTUAL CAPITAL AS A SOURCE OF A COMPANY'S VALUE

Introduction

The maximization of a company's value has become a strategic aim of company boards and owners since the beginning of 1980s. The reason for such a redefinition in the structure of the company aims and, in consequence, the growth of the concept of managing by value is the increasing pressure of major changes in global economy. Growing openness of economy, privatization, liberalization, deregulation of international economic relations, increase of private capital, progress in information and telecommunication technologies have led to a dynamic growth of capital market and an increase in the significance of institutional investors (such as trust funds, pension funds and insurance companies). Institutional investors accumulate means obtained from individual investors. They expect larger profits, which makes institutional investors demand greater value from the invested capital, i.e. an increase in share prices and a consistent payment of dividends.

The analysis of business practice has led to the conclusion that no longer material resources but the proper use of intangible assets, being part of intellectual capital, is the key factor in creating company's value.

Value in the hierarchy of company aims

Organizations are target-oriented entities, which means that their key component is the goal (or the group of goals) they plan to accomplish. The goal is to achieve an intended result or a desired future state of affairs[1].

However, when discussing company's goals it needs to be emphasized that we are dealing with a whole set of goals that consist of mutually related aspirations and intentions enabling the accomplishment of the mission, i.e. the realization of value.

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[1] Sudoł, S. 1999. *Podstawy nauki o przedsiębiorstwie. Teorie i praktyka zarządzania*. Toruń: TNOiK, „Dom Organizatora", p. 61.

Survival and development .... **Goal of the highest order-aspirations**

Balanced functioning – Game of resources

Maximization of profit

Creating values – undertaking a mission

Accomplishment of concrete intentions, task and actions **Goals of the lowest order**

Fig. 1. The hierarchy of operational goals

Source: Dołhasz, M., Fudaliński, J., Kosała, M., Smutek, H. 2009. *Podstawy zarządzania. Koncepcje, strategie, zastosowania*. Warszawa: PWN, p. 13.

The process of establishing goals in a company often requires compromises and agreements between its particular components and workers who represent different aspirations and attitudes. They perceive company's interests, chances and threats differently, which gives a broader perspective and the opportunity to recognize and translate these factors properly into the company's goals. Though the process of establishing company's goals is a game of interests, opportunities and limitations, the main responsibility for results and their accuracy rests on a managing person. Indicating company's interests and defining goals which are going to be undertaken are one of the most crucial functions of management.

Putting all of the aforementioned considerations into the context of an enterprise, a goal is an economic variable or variables (reaching their particular and earlier projected level) which refer strictly to the business' activity and which are the focal point for the company's board, making it a main criterion for the selection of the nature and direction of intended actions.

Every company governed by the principle of rationality should have the goal or goals that will delineate the point and direction of actions. Running a company without a precisely defined goal would be an act of accidental and unorganized behaviour. The necessity of having a set of goals is dictated by the following issues:

1. goals act as a hint and impart a uniform direction of actions performed by company workers allowing them to understand what the policy of a company is aiming at and why achieving an intended state of affairs is so crucial,
2. the source of motivation for employees are defined clearly and precisely, especially if the accomplishment of a goal is rewarded,
3. Setting goals gives an opportunity to anticipate the future and create company's development scenarios,
4. Established goals form the basis for the assessment of the effectiveness of company's activity, board, teams and particular employees[2].

An increase in variability, complexity and intensity of workplace environment indicates a problem that has remained unnoticed until recently, i.e. the problem of social responsibility of a company which should care not only for the accomplishment of goals relevant for its owners and managers but also for the needs of stakeholders, both internal and external, and include them in its activity. A company should particularly create suitable working conditions, offer fair payment for work and meet other justified needs of employees such as getting satisfaction from work etc. It is internal social responsibility. At the same time, it should also take into consideration interests of business partners such as suppliers, clients, creditors and others and furthermore attempt to solve or at least not to create social problems in a region it works in. It is external social responsibility which extends to ecology, culture, science, job market, charities etc.[3]

The basic and most general goal of each enterprise is survival. A condition that enables the functioning and longevity of an enterprise is developing a proper level of internal and external balance. What is important, this state is not given or obtained forever. As regards the organizational balance, it must be clearly stated that it is a dynamic balance which gives a company an opportunity to adapt to changing conditions within surroundings and arrange assets correctly in the context of possibilities and threats generated by these surroundings. In practice, it implies the necessity of ensuring operational efficiency, consequently financial fluidity and, in the long term, company's profitability. It appears that survival might be a main goal only in case of being at the risk of bankruptcy and under normal conditions it is a preliminary goal, partially determining the realization of other goals.

A natural consequence of reaching the proper level of balance is directing all the attention and efforts to the development of a company understood as improving and strengthening its position in the market. Specialist literature suggests two approaches to the definition of development-qualitative and quantitative. In general, development is seen in qualitative terms and growth in quantitative terms.

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2 *Zarządzanie przedsiębiorstwem*, eds. Strużycki, M., Warszawa: Difin, 2004, p. 107.

3 Sudoł, S., *Podstawy nauki o przedsiębiorstwie…*, *op. cit.*, p. 72.

A basic model of neoclassical economy[4] illustrates an enterprise as an entity maximizing profits. Basic variables are: total cost-fixed and variable, unit cost-average and marginal, total revenue, marginal revenue, equilibrium price, optimal size of production, moreover they can be analyzed in short and long periods of

[4] According to methodological assumptions derived from management studies an enterprise should be/ is viewed as a complex system composed of several subsystems. Each of them reflects only one aspect of functioning of a company and needs applying a special method of analysis and description. One may distinguish the following levels of the description of an enterprise and enterprise models attributed to them. 1. **Economic model** which is a major perspective for economists. From this perspective an enterprise is a strictly economic entity described in terms of effective usage of resources, i.e. difference between outlays and profits. In the most general sense, an enterprise is a kind of devise converting outlays into results and generating profits. The basic terms for distinguishing variables are: production factors, capital, receipts, expenses in an economical terms, profits, effectiveness and its measure; 2.**Financial model** treats an enterprise as a system of resources having financial value and transformed into cash flow. These assets form capital that can own as well as borrowed. Capital possessed by an enterprise is treated as value not as a set of material factors of production. The assessment of this value and its changes is based/founded on specific data such as an accounting (statement) convention and economic convention which differ from one another, i.e. cost seen from accounting perspective differs from cost understood as an economic term. A financial convention introduces a number of variables that do not exist in a traditional microeconomic analysis, for instance goodwill as a crucial component/constituent of an enterprise value; 3, **Production (technological) model** illustrating an enterprise as a technical system which converts energy and matter of outlays into a particular product with complex technical and functional parameters; 4. **Organizational model** describes an enterprise as a specific kind of an organization. It is useful in those cases in which we deal with a large enterprise that demands complex organization; 5. **Legal model** deals with an enterprise as a specific subject of rights and duties which form and system are always determined in a given legal system. Thus, an enterprise in a given economy is a concrete legal structure operating in accordance with existing legislation. Economists often disregard the fact that what we tend to perceive as an enterprise is actually a product of convention. A legal form has a vital meaning in defining a system, competence of particular units, owners' rights within a company etc. These regulations play a significant role in determining the scope and manner of sustaining proprietary rights (corporate governance); 6. **Socio-psychological model** (behavioural) – its theoretical aspect is studied by the theory of organization and management while its practical sphere is examined by business administration. An enterprise is analyzed here as a social system. The main assets are people-managers and crew members, if it hadn't been for them, tangible and financial assets as well as production would be dead. The central question is how to make employees carry out the goals set by the board. Major variables are: authority, leadership, motivation, stimuli, the system of praise and punishment, loyalty, management style, taking part in a decision-making process etc; 7. **Ethical model** examines people's behaviours in an enterprise, especially those of management stuff and owners on account of moral norms and standards of behaviour acceptable in given society. This aspect has been ignored in Poland so far while in developed market economies it plays a crucial role. Regardless of supervision conducted by governmental agencies to monitor whether the law is obeyed or not, there are special commissions in business, e.g. in the capital and insurance market, set up by businessmen working there to estimate compliance of given behaviour with standards established in this particular enterprise in cases that are ambiguous. The fundamental notions here are, for instance the mission of an enterprise, or career models.

time. Adapting an economic model of an enterprise implies the maximization of profit as a main goal justifying the existence of a company. There are numerous reasons supporting an enterprise's aim formulated in such a way, for instance:
1. Compliance with fundamental characteristics of market economy (private property, competition, freedom of choice),
2. A motive for behaviour which is transparent and has a great impact on owners and managers,
3. Traditional accounting and financial reporting is based on profit and loss account,
4. Possibility of quick and direct assessment of an enterprise's operations[5].

The acknowledgement of profits maximization by neoclassical economy as the company goal was quite often a subject of criticism raised by authorities. For instance, P. Drucker stressed that profit cannot by a goal by itself but a goal enabling the realization of other goals such as survival (in the initial phase of functioning and or in a critical situation) and growth during its prosperity. At this point we can indicate reservations based on empirical, economic and ecological arguments questioning the idea of generating profits as the sole purpose of company's operations. These reservations suggest that:
1. It is based on a traditional accounting model accepting currently existing rules and regulations of accounting and tax reporting;
2. Profit is historical measure;
3. Profit is an internal measure of company's operations and not an external objective valuation (market valuation);
4. As an indicator it is susceptible to manipulation by accountants and managers, sometimes on the edge or against the law;
5. Its synthetic character causes delays and difficulties with identification of crucial processes and their reasons taking place in a company;
6. Profit in a limited scope motivates management to intensified actions;
7. There is a large number of enterprises (small one-man companies, family businesses, innovative, cooperative, state and municipal companies) which do not maximize profits, but the usefulness of the interested party understood from a wider perspective;
8. Limited rationality of decision-makers (i.e. limitation of time, transactional costs, structural insecurity) makes maximization impossible to carry out;
9. Disregarding ethical limitations and social norms and focusing only on one aspect of human activity[6].

In practice, the main goal for large companies is not maximization of profits, as it is commonly believed, but the maximization of sales. Managerial theories

5 *Teoria przedsiębiorstwa*, eds. Kasiewicz, S., Możaryn, H., Warszawa: SGH, 2004, p. 60.

6 *Ibidem*, pp. 61–62; Gruszecki, T., *Współczesne teorie przedsiębiorstwa*, *op. cit.*, p. 159–166.

of an enterprise explain this state by the existence of a system where salary and privilege increase of managerial personnel is directly proportional to a company's growth speed. That is why managers' attention is concentrated on the maximization of production scale and sales volume by the use of lower prices and devoting more attention to advertisement and promotional activities than if it was for the maximization of profits. The maximization of sales is particularly important in case of entering new markets, releasing new products and services as well as in the initial phase of growth. Companies aim to sustain or increase unprofitable sales[7] consciuosly.

In recent years the necessity of maximizing company values has been stressed and fulfilling this mission has become a primary long-term goal for a managing board. Despite some criticism the concept of value maximization is still a future-oriented and pragmatic goal which implies the need for selecting a proper strategic perspective[8]. Its realization is more difficult because a company must take into account also the obligations to various groups of stakeholders.

Reasons for the focus on value

The concept of value management derives from the principles underlying market economy, for instance research undertaken by A. Smith who proved that actions of entrepreneurial individuals striving for satisfying their needs are the source of prosperity, or M.H. Marshall who created principles of analysis concerning true measures of company's activities, and M.H. Miller and F. Modigliani who pointed out much later that a company' s value is determined by economic revenue and risk level.

In 1990s new measures of company's value estimation were proposed by G.B Stewart. He introduced EVA – Economic Value Added, i.e. net operating profit after taxes minus a capital charge-own and borrowed, and MVA, i.e. Market Value Added which he described as the difference between market value of a company and the market value of its capitals-both own and borrowed invested in the company which constitutes the measure of value for the investors.

Due to economic features and capital characteristics, the maximization of value carried out by generating high revenue from the invested capital and with acceptable risk is intended to increase owners assets. It is regarded as a natural tendency of individuals and social groups to give more meaning to their existence and to possess and accumulate values, including economic values[9], for this purpose.

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7 *Ibidem*, p. 62–63.

8 Marcinkowska, M. 2000. *Kształtowanie wartości firmy*. Warszawa: PWN, p. 21.

9 Jaki, A. 2004. *Wycena przedsiębiorstwa. Przesłanki, procedury, metody*, Kraków: Oficyna Ekonomiczna, p. 34.

In a financial model for an enterprise the strategic aim is the maximization of its value. There are four reasons which can be indicated for which the structural goals of an enterprise have to be redefined:

- an increase in size and the expansion of private capital in countries with well-developed market economy,
- the emergence of the global market of financial assets,
- the development of information and telecommunication technologies,
- a danger of a hostile takeover.

An increase in size of private capital and its expansion in developed countries in the recent 50 years is a result of the technological progress and continuous development of international trade. A larger number of people are making private investments in order to provide means for the retirement, additional health insurance or simply to add to their savings. This phenomenon has led to a dynamic growth of capital markets, in particular stock markets, and as a consequence an increase in importance of institutional investors (trust funds, retirement funds, insurance companies). Institutional investors pool money deriving from individual investors who expect larger profits. Consequently, institutional investors demand higher values from companies i.e. the increase of price of their shares as well as consistent dividend payment. As the percentage of shares owned by institutional investors grows steadily, their opinions and influence over the boards are becoming increasingly more important.

The second reason is **establishing the global market of financial assets**. Under the terms of various treaties reducing commercial barriers since 1970s, global markets of goods and services have been growing and widening their scope. Nevertheless, the majority of restrictions associated with international money transfers were removed not until 1980s as a result of agreements between the member countries of The Organisation for Economic Co-operation and Development (OECD). Investing abroad has become a common phenomenon and enterprises competing in international markets do not only seek customers but also capital. The ability to draw capital is conditioned by investing attractiveness from the perspective of value for shareholders, taking a risk bonus into account. Most of international capital investment comprise the purchase of shares and commercial papers characterized by a high level of fluidity and enabling fast and safe realization of profits (divestment).

The advances in information and telecommunication technology made it possible for investors to transfer money and information very quickly to different parts of the world. They also possess specialized tools able of performing complex analyses and providing access to specialist databases. Services such as Reuters or Bloomberg supply market information from all over the world. Enterprises which pursue open information policy and maintain permanent contacts with the media and investors draw more capital.

The danger of a hostile take over is a serious argument for the enterprise value maximization in countries such as the USA or Great Britain and, quite recently, in economies characterized by statism which gradually become more liberal such as France, Germany and Italy. Ineffective enterprise management (from the perspective of shareholders' value) is the reason behind a relatively low market valuation and the grounds for the risk of takeover by competitors or financial investors by so-called leveraged or management buyout. In a well-developed market economy, in the situation of constant risk of hostile takeovers, the ability to defend against such actions is a significant criterion in the performance evaluation of companies boards[10].

Similarly, **the growing pressure of global changes** taking place in world economy as the rationale for the increased interest in the concept of generating value for owners can be observed in the following aspects as stated by A. Szablewski:

- rising openness of economy, privatisation, liberalization and deregulation of economic relations between countries,
- building of new relations between the state and enterprises, including global enterprises,
- growth of international trade and strengthening of regional groups,
- an increase in direct foreign investments,
- a growing role of institutional investors as well as the development of capital markets[11].

The most effective form of reaction to these challenger, as indicated by enterprise's various experiences, is creating strategies and management systems which create value for shareholders. This approach is also beneficial for the economy. Countries in which this framework is implemented achieve a higher level of development, work efficiency, economy competitiveness and employment in comparison to countries aiming at reaching the equilibrium of all interest groups in an enterprise[12].

There are numerous advantages and benefits of managing an enterprise with the value multiplication as a focal point:

- a long-term character of the aim,
- a balance between short-term and long-term goals,
- a synthetic and measurable character of a company's aim,
- a better understanding and a higher level of strategy acceptance within the enterprise,
- prevention of undervaluing the prices of enterprise's shares,

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[10] Jeżak, J. 2001. „Zarządzanie przedsiębiorstwem zorientowane na wzrost wartości dla jego właścicieli", *Przegląd Organizacji* 2001, No. 5, p. 21 and the following pages.

[11] Szablewski, A. 1999. „Tworzenie wartości dla akcjonariuszy", *Ekonomika i Organizacja Przedsiębiorstwa* 1999, No. 12, p. 6.

[12] Copeland, T., Koller, T., Murrin J. 1997. *Wycena: mierzenie i kształtowanie wartości firm*. Warszawa: WIG-Press, p. 4.

- facilitating the communication between investors and analysts,
- an improvement in resource allocation,
- the orientation of planning and budgeting,
- setting more effective targets on which the system of praise and punishment is based,
- agreeing upon priorities of management and enhancing decision-making processes,
- serving as a catalyst for changes,
- making more profitable takeovers and fusions with other enterprises more easily,
- preventing being taken over by other companies,
- a strong pressure from shareholders and investors,
- taking elements of risk and uncertainty into consideration while managing,
- higher requirements in financial management in comparison to managing oriented toward maximising the profit level,
- the ability to provide an objective assessment with regard to economic scale and operations range,
- being capable of verifying diverse activities of an enterprise with respect to their contribution to building and destroying value,
- enriching the work of junior executives,
- smaller possibility of manipulating the level and changes of value,
- greater convergence of the aim with the focus on the customer[13].

A basic aspect of managing enterprise's value is the awareness and understanding of factors shaping the value as well as the places and process in which the value is created and in which the value is consumed and destroyed. In order to achieve the goal of maximizing the value of an enterprise it is essential to manage the factors which form value comprehensively.

Managing enterprise value or Value Based Management is a process of conscious and well-organized activities leading directly to the realization of the major aim of an enterprise i.e. the maximization of its value. These activities are of institutional character and are formal moves which, by taking advantage of the knowledge of the essence and source of enterprise value, will increase its value for owners and the speed of company's growth. Thus, value based management is an approach to enterprise management which requires submitting enterprise's aspirations and processes realized there to maximising its value, which in practical terms implies a need for continuous restructuring in the direction of improved ways of resources use as well as strategic reorientation.[14]

[13] Marcinkowska, M. *Kształtowanie wartości…*, *op. cit.*, p. 22; *Teoria przedsiębiorstwa*, eds. Kasiewicz, S., Możaryn, H., *op. cit.*, p. 64.

[14] Copeland, T., Koller, T., Murrin J. *Wycena: mierzenie i kształtowanie…*, *op. cit.*, p. 86–87.

Sources of an enterprise's value

Apart from traditional sources of an enterprise's value associated with the statements on a balance sheet, there are a number of other factors or aspects of an enterprise's operations, which are in the scope of interests of traditional accounting. These are not accounted for in financial statements but grow in importance in the context of enterprise value. M. Marcinkowska indicates the following factors which are not included on balance sheets, therefore not contributing to the book value but rather the company's value:

- external factors: environment and owners,
- human capital, organizational culture,
- mission and strategy,
- customers,
- product, quality and innovativeness
- brand,
- information and information systems,
- strategic alliances, takeovers, fusions,
- attitude towards natural environment,
- advertisement and public relations[15].

An enterprise's value may also be affected by its owner structure and the nature of owner supervision. Companies with a major strategic investor are usually worth more than those with fragmented shareholding or with a major state-owned share. A company's employees, including the managerial staff, is of great significance for that enterprise's value. Their knowledge and skills are a deciding factor for that company's market position and perspective of further development. It has become an increasingly popular belief that the most valuable element of every enterprise are its employees, acting as entities within it.

In modern market, which is characterized by high competitiveness change dynamics, success may be accomplished by a careful selection of a market **strategy** and carrying it out with great consistency. A strategy is a plan of action devised to ensure the realization of adopted aims. A well-prepared strategy should include:

- Strong and weak points of the enterprise,
- Opportunities and risks present in the environment,
- Environment's expectations,
- Personal values represented by participants of creation and implementation of the strategy[16].

When formulating and implementing a strategy, we need to take into consideration the necessity of constant adjustment of the strategy to the present conditions and its impact on the value of our company. A crucial source of an enterprise's

[15] Marcinkowska, M. *Kształtowanie wartości…*, *op. cit.*, p. 38.

[16] Porter, M.E. 2009. *Strategia konkurencji. Metody analizy sektorów i konkurentów*. Warszawa: PWE, p. 16.

value are its customers. The company itself, constitutes merely a profit-generating tool, the real value is created in its environment and depends on the acceptance of its activities, products, services and functions.

The ability of getting to the customers and winning their loyalty is regarded as a warranty of the future income and the reduction of operations risks. The concept of managing by values places emphasis on expanding owners' capital by providing customers with products and services which meet their expectations. Enterprises must, therefore, sustain a proper level of fulfilling their customers' needs by acquiring their loyalty and attracting new customers.

Maximizing an enterprise's value does not always mean maximizing customers' satisfaction. The relation between these two categories is not always of linear nature, hence, from the perspective of an enterprise, there exists a particular level of satisfaction which guarantees high revenues to its owners. Aside from the successes in winning and retaining the customers, catering for their needs and acquiring a greater market share, a deciding factor is sustaining the optimal customer profitability[17].

A product perceived in a broader sense and closely associated with it quality and innovativeness, are means of fulfilling customers' needs. A product is not only the physical goods but also services and more and more often ideas, persons, places and or organizations. A product adding value to the enterprise is one which can be described as having a positive relation between its usefulness for the customer and the costs of its production. It can, thus, be concluded that an enterprise may maximize its profits by means of increasing the utility value of the product or reducing the costs of its manufacture. This can be achieved by adopting quality management systems and research and development programmes.

One of the key components of the company value, not included directly in financial statements, is the brand. Manufacturers of established brands have a bigger market share and customers are willing to pay more for the brand product, which are characterized by:

- trade mark – product identification,
- brand name (company) – the identification of a producer, organization, association etc.,
- certificate mark – the identification of a particular feature of the product,
- collective brands – the identification of a specific group or association,
- design – the look of the product, person, place.[18]

Enterprises operate in the conditions of incertitude and risk, which hinders making rational decisions and increases the probability that the actions taken would produce results below the expectations. The information has its value and the cost of acquiring, processing, storing, analyzing and making it available via information systems.

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[17] Marcinkowska, M. *Kształtowanie wartości…*, *op. cit.*, p. 117–119.

[18] *Ibidem*, p. 136.

In the recent years, strategic alliances, takeovers and fusions, pro-ecological and marketing activities connected with public relations have gained in popularity. All of them can become a source of the increase in value of an enterprise, however, judging by experience, a great deal of takeovers and fusions end up as failures[19] whilst activities dealing with the protection of the environment require considerable outlays.

The concept of intellectual capital

The notion of intellectual capital is defined in various ways by different authors. This notion is frequently replaced with terms such as intangible assets, knowledge assets or intellectual property. All of these concepts draw our attention to the non-material nature of the notion in question and refer to the resources of knowledge and the human factor, which is their medium. A selection of intellectual capital definitions is presented in the Figure 1 below.

Fig. 1. A selection of definitions of intellectual capital

Author	**The accounts of intellectual capital**
L. Edvinsson, M. Malone	Intellectual capital is the gap between its balance sheet and its market valuation, hence, the sum of all invisible assets not included in the financial report. Intellectual capital is, therefore, the non-financial capital, reflecting the gap between the book and market value.
L. Edvinsson	Intellectual capital is the knowledge, experience, technology, customer relations and professional skills which give a company competitive advantage in the market.
T. Steward	Intellectual capital is the sum of everything everyone knows in an enterprise and what gives it competitive advantage
The Society of Management of Canada	Intellectual assets are the assets based on knowledge and which the property of a company and will be a source of profits in the future.
E. Skrzypek	The base of intellectual capital is understood as useful knowledge but facets such as communication, intuition, feelings and needs of employees are also taken into account
M. Marcinkowska	Intellectual capital is the knowledge of both employees and managers, which is a resource of strategic value affecting the competitive position and market potential of an enterprise. This resource is difficult to appraise and protect against loss.

[19] Wróbel, P. 2002 „Wyniki badań wpływu fuzji i przejęć na wartość dla akcjonariuszy", *Przegląd Organizacji* 2002, No. 4, p. 23–27.

K. Perechuda	Intellectual capital comprises the managerial knowledge which, if used in enterprise's operations, generates value added. It encompasses: – human resources generating value added – intellectual assets which are a source of innovation and represent intangible values of a company
Wagner, Hauss, Warschat	Author divide intellectual capital into 4 areas: – human capital (competences, mutual relations, leadership and development) – organizational capital (processes, infrastructure, culture, management) – market capital (relations with customers, relations with suppliers, market competences, and other relations) – innovation capital (processes of enhancement, service, technologies)
M. Bratnicki, J. Strużyna	Intellectual capital can be divided into two main parts: the first represents intangible resources and processes and creates organizational and social capital, the second one reflects the knowledge of people and engenders human capital. This discrimination concerns both the unconscious and conscious components of intellectual capital.

The origins of the notion of intellectual capital can be traced in so-called Japanese approach, based on the work of H.Itami, who conducted a research on the impact of intangible assets on the management of Japanese corporations, or in the works collected by D. Teece who gathered articles from various scientists in 1986 and drew our attention to a new view on the functioning of an organization.

In 1993, in his book entitled "Post Capitalist Society" P. Drucker presented his own vision of a learning society which was supposed to be the driving force of the new economy. Its base would be knowledge, to be more specific, the value the source of which are innovations exemplifying the knowledge.

A great contribution to the concept of intellectual capital was made by K.E. Sveibi and his researches regarding different dimensions of human and intellectual capital. They have become a basis for evaluating an enterprise's value by its employees' competences and knowledge[20].

At the beginning of the 1990s L. Edvinsson worked on the concept of intellectual capital in a Swedish insurance company Skandia. According to him **intellectual capital** (IC) denotes possessed knowledge, experience, organizational technology, relations with customers and professional abilities which give an enterprise advantage in the market[21].

Intellectual capital reflects the gap between the book and market value of an enterprise. In other words, the real value of an enterprise consists of its financial and intellectual capital. The relation between these two categories and the components of intellectual capital are presented in Figure 2.

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20 Jarugowa, A., Fijałkowska, I. 2002. *Rachunkowość i zarządzanie kapitałem intelektualnym. Koncepcja i praktyka*. Gdańsk: ODiDK, p. 64.

21 Edvinsson, L., Malone, M.S. 2001. *Kapitał intelektualny*. Warszawa: PWN, p. 40.

Human Capital is composed of knowledge, skills, experience, creativity, innovativeness and abilities of employees enabling efficient execution of enterprise's operations. The key factor is the capability of expanding and implementing the knowledge on a regular basis. This also includes an enterprise's value, its corporate culture and philosophy. The most significant elements of human capital are: competences, attitudes (arising from motivation, organizational culture and management style) and intellectual acumen.

Structural capital is defined as the elements which are owned by an enterprise and support the productivity of its employees: information systems, hardware, software, databases, customer lists, organizational structure etc.

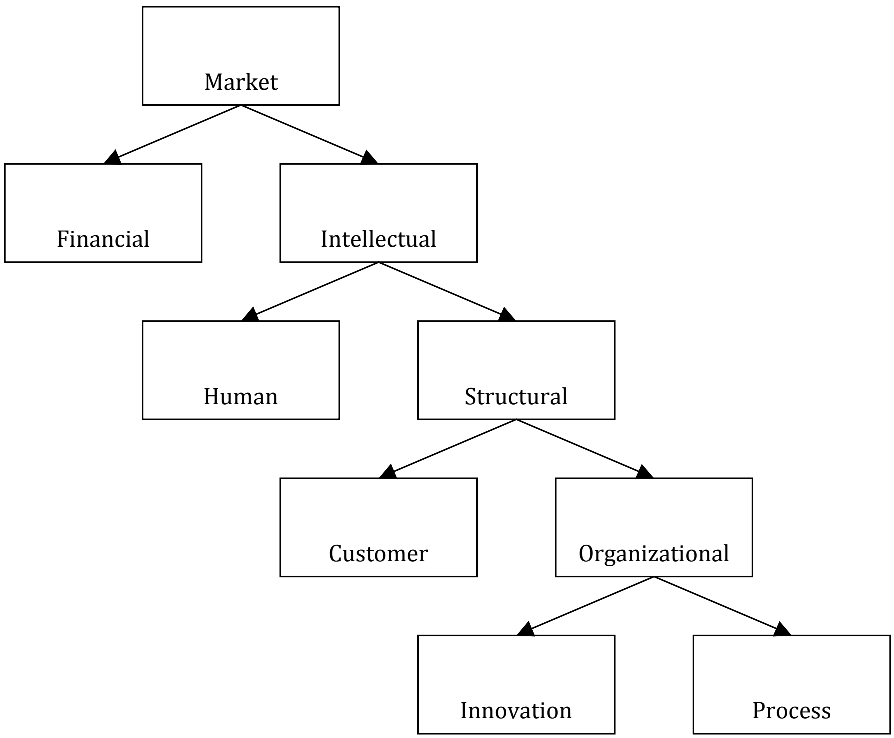

Fig. 2. Skandia's model of market value

Source: Edvinsson, L., Malone, M.S. 2001. *Kapitał intelektualny*. Warszawa: PWN, p. 45.

Customer capital (relational capital) is a list of customers as well as the relations between them and an enterprise. A crucial factor here is the ability to win customers and build strong bonds with them.

Organizational capital comprises investments in systems and tools enhancing the flow of knowledge within an organization and between the organization and its environment. We may distinguish **innovation capital** associated with the renewal and development of an entity and process capital consisting of increasing the efficiency by work processes, techniques and employee programmes[22].

A dynamic development of the category of intellectual capital fosters attempts of incorporating this vital factor in building competitiveness and value of an enterprise into systems of business reporting. Since intangible assets do not usually meet the requirements of the formal definition of assets employed in accounting standards, they cannot be listed in the balance sheet. Therefore, most efforts concentrate on creating concepts of frameworks of separate reports that would enable presenting these invisible sources of value in the form of intellectual capital without the necessity of adjusting such assets to balance sheet accounts regulations. Reports appraising the value added, human capital, customer relationship as well as social and ecological reports are compiled. In recent years there have been several attempts at combining and institutionalizing separate initiatives aiming at working out one common model of accounting for intellectual capital in financial reports. The intended model would have unambiguous framework, clear criteria for selection and presentation of measures and verification of information[23].

The result of research done by L. Edvinsson was creating the report of Skandia navigator, which was set to be an instrument for presenting an enterprise's finance and intellectual capital by means of carefully-selected indices. There are no universal indexes applicable to every enterprise. The measures which present the character of each capital group, enterprise or even its branch must be selected or created every single time. Such a report portrays an enterprise's operations from various perspectives which ought to focus on:

- financial perspective,
- customer perspective,
- internal processes perspective,
- development perspective,
- enterprise's employees perspective

A figure 3 represents the concept of the Navigator.

Financial perspective is associated with the history of an organization and includes all traditional financial yardsticks and the new ones, connected with the results, pace and quality. The areas of **customer and process focus** constitute the basis for current company operations and measure customer and process capitals. The area of **development** concerns the future and is deals with indicators of the rest of organizational capital i.e. innovation capital and these related to enterprise's environment. The last area focuses on people and connects all the other fields. Employees are the active driving force of any enterprise, which permeates all areas and are the most important component of this system, without them none of

[22] *Wycena i zarządzanie wartością firmy*, eds. Szablewski, A., Tuzimek, R., Warszawa: Wydawnictwo Poltext, 2004, p. 65.

[23] Marcinkowska, M. 2004. *Roczny raport z działań i wyników przedsiębiorstwa*. Kraków: Oficyna Ekonomiczna, p. 208.

the other value-generating constituents will not work[24]. There is a clear similarity between the Skandia Navigator and the Balanced Scorecard which, however, does not incorporate an additional human perspective but includes other relevant indicators in the remaining four areas.

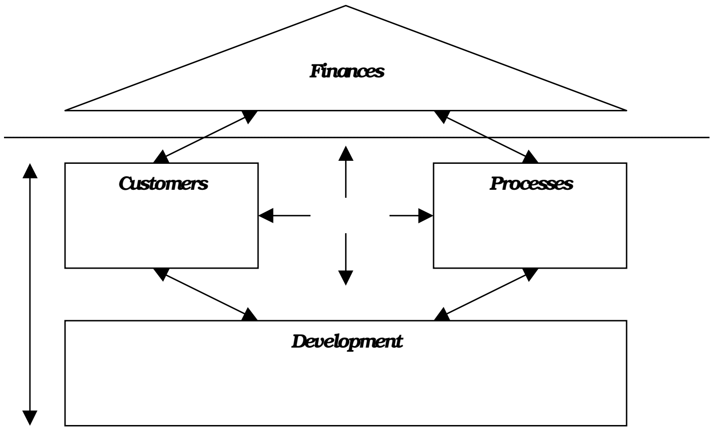

Fig 3. Skandia Intellectual capital Navigator

Source: Edvinsson, L., Malone, M.S. 2001. *Kapitał intelektualny*. Warszawa: PWN, p. 56.

A tool created by Kaplan and Norton-Balanced Scorecard (BSC) combines financial and non-financial indices while the budget is still measured predominantly in money. An enterprise focused on creating value in long-time perspective, operating with such notions as customer satisfaction, innovations or employee skills i.e. intangible concepts, encounters problems in representing these aspects in a monetary sense, even though they contribute greatly to the success of the enterprise. One of the advantages of BSC is incorporating strategic factors which generate value added. Furthermore, while budget accounting employs "delayed" financial indicators, BSC makes use of "early" indicators as well[25]. The method drawn up by R.S. Kaplan and D.P. Norton is not only a reporting tool, but also a comprehensive system of managing and organization in the long term by analyzing the impact of the strategy on the realization of intended aims. Balanced Scorecard assumes that all operations and decisions ought to increase the value of an enterprise, which requires identifying key factors which will contribute to the success in the following four areas: financial, customer, internal business processes, innovativeness and learning. Key indicators are evaluated with financial and non-financial measures informing if the strategy and its realization is capable of

[24] Edvinsson, L., Malone, M.S. *Kapitał…*, *op. cit.*, p. 56, 57.

[25] Sierpińska, M., Niedbała, B. 2003 *Controlling operacyjny w przedsiębiorstwie*. Warszawa: PWN, p. 310.

contributing to the financial success of the enterprise[26]. The authors of Balanced Scorecard stress the importance of formulating and measuring a way of providing value to customers. The basic principle at this point is acknowledging the fact that the necessary requirement for achieving long-term financial success is the improvement in meeting customers' needs by obtaining information regarding activities increasing and not increasing the value of the product for the customer[27].

Balanced Scorecard should include both the measures of target realization (indicators for the past) and indexes for the future success conditioning realization of set goals (indicators for the future). The measures ought to constitute a series of logically related, coherent and supplementary targets and indicators. The scorecard should introduce a comprehensive set of cause and effect relations between key variables determining the future value[28].

Another framework offering a way to account for intellectual capital, which resembles Balanced Scorecard in terms of structure is **Intangible Assets Monitor**. The creator and promoter of this system of indicators is the abovementioned K.E. Sveiby. He emphasizes that financial information enables for only partial evaluation of an enterprise's condition in the past, the monitor, on the other hand, allows for appraising the current situation. The main advantage of using the monitor is pointing out key factors for the future success of the company: employee management style, customers and investments.

The indicators incorporated in the monitor are divided into two major groups: tangible and intangible assets. The latter group can be separated into three subgroups associated with:

- customers (external structure indicators),
- organization (internal structure indicators),
- employees (competence indicators),

In all these areas we may isolate indicators of growth/renewal, efficiency and stability. The choice of indicators should be appropriately adjusted to the strategy and the character of the operations of a particular enterprise[29]

Apart from the knowledge of the levels of particular indicators influencing the company's value, it is indispensible to being able to estimate the total value of the enterprise, in particular, the impact of the decisions made and actions taken so as to create value for the owners.

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26 Kaplan, R.S. Norton, D.P. 2006. *Strategiczna karta wyników. Jak przełożyć strategię na działanie*. Warszawa: PWN, p. 27.

27 *Współczesne źródła wartości przedsiębiorstwa*, eds. Dobiegała-Korona, B., Herman, A. Warszawa: Difin, 2006, p. 137.

28 Kaplan, R.S., Norton, D.P. *Strategiczna karta wyników…*, *op. cit.*, p. 45–47.

29 Marcinkowska, M. *Roczny raport z działań… op. cit.*, p. 212.

Conclusion

The aim of the present paper is to indicate the essence and complexity of the concept of managing the value of an enterprise. It is not an easy task to build a long-term enterprise value during the present conditions of progressing globalization, growing competition, dynamic advancement of new technologies and the pressure of the capital market. It is expected from the management to sustain satisfactory profits from the capital invested by the owners as well as to build harmonious relations with customers, company's personnel and other interested parties.

Owing to a complex character of the issues in question as well as an ongoing search for new solutions and constant growth of knowledge the scope of the presentation is limited fundamental aspects related to managing company's value and the role which is played by intellectual capital. Providing investors, managers and all other interested entities with reliable information concerning the factors increasing the value of the enterprise is a serious challenge for contemporary accounting. The measurement of these facets as well as the presentation of the information other than that which can be found in traditional financial reports will foster a more complete evaluation of an entity and will point out the achievements in these areas which are crucial for an accurate appraisal of an enterprise and its value.

Increasing stronger relations between Polish and global economy as well as the dynamic growth of the capital market in Poland make the concepts of managing enterprise value and the measurement and presentation of intellectual capital gain in importance. The present paper cannot be treated as an in-depth analysis of the topic under discussion but rather as an attempt at elucidating the main issues. In the age of insecurity one may pose a question how can the concepts described above be referred to real processes occurring in every company and, secondly, whether this focus on intangible assets can lead to neglecting the real, material sphere which creates value added.

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Małgorzata Budzanowska-Drzewiecka
The Jagiellonian University in Krakow
Andrzej Frycz Modrzewski Krakow University
Magdalena Dołhasz
Cracow University of Economics
Andrzej Frycz Modrzewski Krakow University

PATIENTS' OPINION ON THE ROLE OF PROMOTIONAL ACTIONS IN CREATING AN IMAGE OF A MEDICAL FACILITY

Introduction

Same as other providers that function on the free market of medical services, health care units (institutions, facilities) were forced to change their business and include a pro-client approach in order to work and develop. The fact that competition has emerged on the market and the patients have been allowed to chose a doctor caused an increase in the significance of marketing aspects in the activity of a medical facility.

Decisions made by a patient depend on expectations pertaining to services that satisfy his needs, which brings attention to the quality of provided services as well as to supplier's image. An increase in patients' demands ensues from the observed technological advancement in medicine, and also from the growth in awareness of the increasingly better educated society. Competing for patients also causes that medical facilities depend on the number of services they sold. Thus, they cannot content with focusing attention on enhancing the objective quality of services, but need to actively seek good reputation and a patient's loyalty.

One of the fundamental attributes of the medical services market is a strongly asymmetrical balance of power in a supplier-patient relation. In such circumstances, making a decision about the choice of a provider is closely connected with a supplier's image – the image of a medical facility. Thus, the increasingly bigger competition within the scope of marketing communication that aspires to build a positive image of medical facilities.[1]

The report aims at determining the basic actions in marketing, in the health care industry, that aspire to build an image of a medical facility. It mainly focuses on showing the role of promotional actions, including the way they are perceived by a recipient – a patient (a customer of a medical service).

The report comprises a systematization of basic concepts pertaining to a company's image, specific character of healthcare marketing, especially a medical service and marketing communication tools, as well as an analysis of selected excerpt from studies conducted among patients of Cracow medical facilities.

Specific character of marketing in the health care industry – the review of the key concepts

Marketing in health protection (including marketing in health care) means adapting to the health care system ideas, rules, principles, and experiences that pertain to marketing. The aim is to create and exchange services directly and indirectly connected with health that have some value, assuming that the subjects operating in the medical services market are, to a great extent, non-profit organizations. Service marketing, because this is the marketing specificity one should refer to when analyzing actions in medical services market, is a system directed at a broadly understood exchange of human activity (inside and outside the market) applied by all enterprises and institutions included in the service sector (*not-for-profit* and for-*profit*).

The impact of marketing on the healthcare sector was first observed by P. Kotler and S. Levy in 1969.[2] The development of marketing thought in healthcare is also attributed to the work of the researchers: G. Zaltman'a and I. Vertinsky'ego (1971). In the 1970s of the 20th century, their works caused many controversies as for extending marketing ideas on the non-economic aspects of life.[3]

Implementing marketing ideas in healthcare, as it has been already mentioned, is becoming more and more justified due to the commercialization of healthcare services, as well as extending their range and developing their quality. Using marketing approach requires: conducting regular studies on clients' needs, market segmentation, coordinating actions in order to increase customers' satisfaction,

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1 Rudawska, I. 2011. "Relacje partnerskie między podmiotami opieki zdrowotnej – warunki powodzenia". *Przegląd Organizacji:* 2011, No. 5; Rudawska, I. 2010. "E-pacjent na rynku usług medycznych". *Marketing i Rynek:* 2010, No. 11.

2 Rudawska, I. 2005. *Marketing w nowoczesnej opiece zdrowotnej. Wybrane aspekty*. Szczecin: Wydawnictwo Uniwersytetu Szczecińskiego.

3 Rudawska, I. 2005. *Marketing w nowoczesnej… op. cit.,* p. 70.

regular communication with the environment, and most importantly in this sector, acting in accordance with ethical norms.

The idea of marketing is based on the Marketing Mix. The fact that it can be adjusted to a variety of factors connected with market status and segment constitutes its merit. In the classical idea of the Marketing Mix, McCarthy distinguishes: product, price, place and promotion (4P's). However, the scope and way of using these elements is different with reference to various economic sectors. In the case of service marketing, the following elements were added to the initially distinguished ones: people, process, i.e. the course of providing a service, from a client's interest through information, sale and a post-sale service as well as physical evidence, that is all visual and material elements (buildings, logo, furniture, technical equipment, leaflets, etc.), which prove to the client the quality of a given service.

The activity of a medical facility should refer to the extended concept of the Marketing Mix, the so-called 7Ps, i.e. a particular type of services offered to a given market segment (segments), prices of theses services, promotion and market communication methods, process, the way of providing services, as well as professional knowledge of people who provide these services.

Marketing actions (the Marketing Mix) that build the image of a medical facility

As it has been stressed before, marketing actions of medical facilities should aspire to build their positive image. B. Gardener and S. Levy were the first to use the term 'image' when they were describing the phenomenon of consumer behaviour. First of all, definitions of 'image' that might be found in literature differ in terms of perspective from which this category is perceived by representatives of various social and economic life spheres. The image of a company is defined as 'an image among people who come across it – clients, contractors, clerks, employees, and others. In other words, it is what people think about a company. The identity of a company is a sum of elements that identify it and make it stand out among other companies. It is expressed in a visual form in its individual character'.[4] From other perspective, corporate image is 'a way of perceiving, as well as impressions pertaining to an organization that were evoked in the society as a result of interactions with an organization and the way it presents itself'.[5] The shared element of the two perspectives is, first and foremost, a subjective assessment of a company's image by the participants in a communication process.

The elements of image, listed in the definitions quoted above, can be arranged according to groups into which people, giving opinions and receiving a company's

[4] Budzyński, W. 2002. *Wizerunek firmy: kreowanie, zarządzanie, efekty*. Warsaw: Poltext.

[5] Słownik pojęć ekonomicznych. 2007. *Biznes* 2007, No. 10.

image, as well as factors (dimensions) that might be deciding for them are divided. Different sort of factors will be crucial for an employee (e.g. a certainty of employment), and different ones will draw a supplier's attention (business profile). Hence, we can talk about two types (perspectives) of an image about an image: the internal and market one.[6] The report focuses on creating a market image.

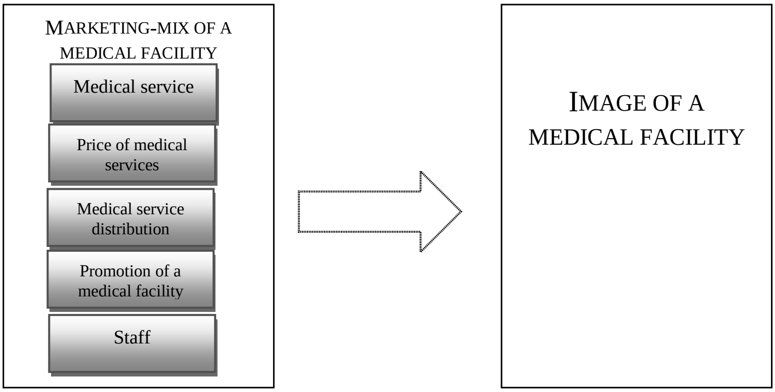

Figure 1. The Marketing Mix vs the market image of a medical facility

Source: own development.

There is no doubt that the way of using proper marketing tools in creating a company's image is determined by a disparately formulated business subject, i.e. medical service, as well as specific features that differentiate it from material goods.

There is no one accepted way of understanding a medical service. There are some departures depending on the field that defines it. Legally, it signifies: 'an action serving to preserve, save, restore and improve health, as well as other medical actions ensuing from treatment or separate principles regulating the rules of their performance, especially connected with: check-ups and a medical counsel, a treatment, an examination and a psychological therapy, a medical rehabilitation, taking care of a pregnant woman and her foetus, labour, confinement, and an infant, taking care of a healthy child, a diagnostic test, including a medical analysis, nursing the sick, nursing the disabled and taking care of them, palliative-hospice care, announcing and giving opinion about health, preventing injuries and diseases by prophylactic actions and protective vaccination, technical actions within the scope of prosthodontics and orthodontics, actions within the scope of supplying orthopaedic items and aids'.[7]

6 Cf. Rozwadowska, B. 2002. *Public Relations: teoria, praktyka, perspektywy.* Warsaw: Wydawnictwo Studio Emka.

7 Health care facilities act of August 30, 1991 (*Journal of Laws:* No. 91, item 408, as amended).

In the area of medical actions, it is important to present medical service as 'a unit of professional actions using available medical knowledge and professional equipment in order to restore, preserve and improve health within the scope of human health protection'.[8] Putting an emphasis on the significance of a relation between patient and medical staff, K. Krot defines a medical service as 'a number of non-material actions – from the first contact between a patient and a medical facility until the moment when the patient is released – taken at a request in order to provide health (its preservation, saving, restoring and improving) or enrich personal qualities. The course of medical service depends on the character of relations between staff and the initiative of each party.[9] This perspective means that a given medical service is attributed to an individual medical facility which dictates the value and scope of benefits offered to a patient. A relation created when the service is being provided constitutes a crucial element which decides about the whole service, affecting its shape, quality and patient's satisfaction. Additionally, the definition stresses a non-material character of the service, which is the main source of clients' doubt, and following on from that a challenge to the marketing actions that are taken.

In marketing, according to H. Mruk, a service comprises, apart from non-material features, a combination of material elements which aspire to fully satisfy clients' needs and wishes.[10] Thus, every medical service is characterized by: non-materialness, inseparability, diversity, impermanence, inability to be resold, information asymmetry, uncertainty and risk.

Also, a specific character of medical services as professional services is connected with the following features:[11]

- Responsibility before the environment: doctor cannot always fulfil patients' demands (e.g. in the case of euthanasia, gross medical malpractice).
- Significant meaning of experience – in a situation of uncertainty of purchase, patient is directed by, inter alia, doctor's experience – whose status as an expert is proven by age or an academic degree.
- Quality control – often limited, depends on patients' conduct and expectations.
- Medical staff – their conduct and approach towards patient, apart from professional responsibilities, decides about quality control and the level of patients' satisfaction.
- Influence of interpersonal relation on the assessment of service quality, as well as building a mutual trust and engagement.

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8 Rudawska, I. 2003. "Pacjent – klient na rynku usług zdrowotnych". *Marketing i Rynek* 2003, No. 2.

9 Krot, K. 2008. *Jakość i marketing usług medycznych*. Warsaw: Wolters Kluwer Polska.

10 Based on: Woźniak, K. and Klamerek, A. 2008. "Marketing w opiece zdrowotnej na rynku usług". *Pielęgniarstwo Polskie:* 2008, Vol. 28, No. 2.

11 Krot, K. 2008. *Jakość i marketing usług…*, *op. cit.*, p. 15-16.

A set of material and non-material features constitutes an offer directed at a patient. It comprises three basic levels:[12]

Table 1. Medical service from the perspective of marketing

Medical service level	Characteristics	example
service core and the scope of medical help	basic service constituting the essence of a benefit that ensues from fulfilling a specified need	pain alleviation
real service	attributes of an offer (including quality) comprising elements that constitute the so-called bundle of satisfaction for a patient	effectiveness of the provided service, medical staff competence and professionalism, modernity of a medical facility
additional benefits	extending service in order to gain new purchasers, as well as advantage in the healthcare market	care and control over patients after they have been released form a medical facility, high technology and procedures

Source: based on Wojda, M. and Pogorzelska, D. 2006. "Usługa Medyczna jako produkt marketingowy". *Pielęgniarstwo Polskie:* 2006, Vol. 21, No. 1, p. 79.

Medical services have many subjective features that depend on individual reception. A patient who obtains a medical service based on measurable and immeasurable criteria makes a subjective assessment of the provided service. The final effect of obtaining a medical service, an improvement of a patient's health as well as his satisfaction or its lack, depends on various features which are typical for a medical service. [13]

That is why, the quality of a medical service is its important attribute. From patient's perspective it depends, among others, on: medical staff qualifications and conditions in which medical services are provided, the course of appropriate medical procedures, as well as the atmosphere in which these procedures take place, and finally on effect of a treatment, i.e. a degree of health improvement.[14]

Price is often a tool used to verify the quality of a service. The price of a medical service represents its value for a supplier and seller. There are considerable price ranges of the same services according to a subjective valuation of price by the subject, both on the demand and supply side. Non-material worth, as well as

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[12] Wojda, M. and Pogorzelska, D. 2006. "Usługa Medyczna jako produkt marketingowy". *Pielęgniarstwo Polskie:* 2006, Vol. 21, No. 1.

[13] Wantoch, A. 2007. "Cechy charakterystyczne usług medycznych – ujęcie marketingowe". *Pielęgniarstwo Polskie:* 2007, Vol. 23, No. 1.

[14] Klamerek, A. 2008. "Usługi medyczne jako produkty marketingu społecznego". *Pielęgniarstwo Polskie:* 2008, Vol. 30, No. 4.

involvement of professional human work in medical services together with individual patients' needs cause difficulties in objective valuation. The prices of many medical services are regulated by subjects that control the health care system; they are set in overall batches rather than in individual transactions. Not every client of a medical service knows its price (worth) for he does not pay directly for its execution. Often, a branch of National Health Protection Fund does it on his behalf.

People – medical staff are an important element which diversifies the quality of a service, creates an additional benefit as well as constitutes a source of competitive advantage.

The level of patient's satisfaction with a medical service is assessed twice, i.e. before and after treatment. Apart form the above mentioned features of a medical service itself (connected with the process of providing it, the staff and quality), a key element are promotional actions which constitute a crucial and important marketing action in the health care industry.

Promotional actions that create an image of a medical facility

Based on promotion, which is an element of the Marketing Mix that communicates content, patients can create an image of a medical facility. Promotion of medical services constitutes a set of tools and resources applied in order to achieve diversified goals. The preparation of this process requires taking basic decisions concerning goals, recipients, a message and ways of reaching the recipients (Table 2).

Table 2. Specific character of selected stages of planning promotional actions in healthcare industry

Stage of the planning process	characteristic features of functioning in healthcare industry
goal of promotional actions	Aspiring mostly to build reputation and an image of a medical facility
target group	Changeability of a target group ensues from the lack of specialization of services provided by medical facilities. They are directed at patients obtaining a health service regardless of their social, demographic and psychographic characteristics.
message	It should only transfer information with a legally limited scope of persuasion
selection of promotional tools	A chance to use diversified tools within the scope of promotional mix that comes under legal conditions

Source: own development on the basis of Czerw, A. 2010. *Marketing w ochronie zdrowia*, Warsaw: Difin, Bukowska-Piestrzyńska, A. 2008. *Marketing Usług Zdrowotnych*, Warsaw: Wydawnictwa fachowe CeDeWu.pl.

The specific objectives of promotion in services market, including medical services, result from the features of an object of exchange. Due to its non-material character, marketing specialist, first and foremost, rely on promoting an image. The inability to store it requires that the objectives of promotion concentrate on creating a demand as well as levelling it in time. A. Bukowska-Piestrzyńska claims that promotional activity of medical facilities should concentrate on:[15]

- presenting benefits when purchasing a service offer for a patient,
- presenting distinctive features of a facility with relation to competition,
- building a facility's reputation

The realization of objectives is possible due to the choice of proper content as well as tools in the promotional mix, adjusted to the target audience.

All tools traditionally included in the promotional mix: advertisement, additional promotion, public relations, personal selling, as well as direct marketing, are used, to a great extent, in healthcare industry. According to A. Bukowska-Piestrzyńska and I. Rudawska, apart from the above mentioned forms of promotional actions, building an image of a medical facility is possible by means of:[16]

- visual incentives (e.g. decor and facility's architecture),
- verbal incentives (e.g. call centre),
- behavioural incentives (e.g. medical staff conduct),
- staff experience,
- modernity of the applied technologies,
- providing complementary or facultative services.

Among all the above mentioned promotional tools, advertising is the most often used by medical facilities. One of the most important factors that determine its content and form are legal conditions. Polish legislation allows only objective information to be included in the message when providing medical services. Medical facilities can issue announcements that include:

- encouragement to use health services,
- promises, information about methods and time of treatment,
- prices and means of payment,
- information about the quality of medical equipment.

Most often, advertising is in a form of notice boards, classified ads (only in medical services section), directory entries, medical services guides, websites, information via special call lines, as well as annotations in medical magazines (guides).[17] It is also used in a form of brochures, leaflets and posters.[18]

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15 Bukowska-Piestrzyńska, A. 2008. *Marketing usług zdrowotnych*. Warsaw: Wydawnictwa Fachowe CeDeWu.pl, p. 33.

16 Ibid. Rudawska, I. 2005. *Marketing w nowoczesnej opiece zdrowotnej. Wybrane aspekty*. Szczecin: Wydawnictwo Uniwersytetu Szczecińskiego.

17 Bukowska-Piestrzyńska, A. 2008. *Marketing usług zdrowotnych*…, *op. cit.*, p. 35

18 Czerw, A. 2010. *Marketing w ochronie zdrowia*. Warsaw: Difin, p. 54.

Another instrument, commonly used within the scope of medical services, which plays an important role in forming relationships with patients are public relations (PR). PR includes:[19]

- relation with media (press, radio, TV)
- publications (press announcements, participation in press shifts, articles in local papers, brochures and posters),
- exhibitions and presentations,
- organisation of seminars and conferences for promoting a facility,
- lectures concerning a facility or office activity,
- financial support for charities,
- 'open door' policy, e.g. free consultations.

Public relations plays a considerable role in showing distinctive features of medical facilities with reference to competition. They propagate its positive image, both in the internal and external environment.

Sales promotion serves to cause a rapid sales growth, as well as to convince a patient to visit a medical facility again. These actions can have different forms. A. Czerw lists, inter alia:[20]

- prices for the youngest patients,
- free samples of selected products (e.g. toothpaste),
- demonstrations how to perform basic prophylactic actions,
- reduction in prices on provided services, in a form of discounts for regular clients or their families,
- loyalty/frequent purchase programmes.

Personal selling, the last tool of the promotional mix, is considerably rarely used by medical facilities. In this case, medical facilities can organize meetings as a part of "White Saturday" when they promote a healthy smile.[21]

Image of medical facilities in the view of patients – selected research results

The studies that were conducted served to define the opinion of patients in Cracow medical facilities on the subject of activities shaping an image of a medical facility. They mostly concentrated on:[22]

- defining factors that condition the assessment of a medical service in the opinion of respondents,

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[19] Bukowska-Piestrzyńska, A. 2008. *Marketing usług zdrowotnych…*, *op. cit.*, pp. 37–38.

[20] Czerw, A. 2010. *Marketing…*, *op. cit.*, p. 55.

[21] *Ibidem*, p. 55.

[22] The quoted data constitutes an integral part of the studies entitled '*How medical facilities are perceived by patients*' conducted as a part of research studies in Marketing Department at the The Cracow University of Economics, between December and January 2010/11. They were to constitute an attempt to initially diagnose attitudes of a Polish consumer-patient in terms of perceiving medical facilities as well as their offer, with special emphasis put on image.

- defining actions determining a positive perception of an image of a medical facility in respondents' opinion.

The assumptions could be realized thanks to the isolation of more detailed scopes.

First of all, focus was placed on the way respondents perceive a medical facility.

The second area referred to defining the role of staff in creating an image in a medical facility. This approach ensued from a conviction that very often the choice of a medical service is made on account of the assessment of staff professionalism, mostly doctor's, which constitutes a basis for the assessment of a medical facility's trustworthiness.

As far as the aim of the studies is concerned, it was important to determine the criteria used by patients to assess an image of a medical facility. Despite the fact that every patient assesses an image through his own subjective criteria ensuing from personal experiences, it was decided to define the most important, according to the respondents, criteria of assessment. It was assumed that contact with the facility staff as well as verbal incentives (information and opinions given to patients) and visual incentives (colour scheme, equipment) are important when an image is being created.

The last scope of research is an attempt to define communicative actions, expected by respondents, that allow a medical facility to create a positive image.

The population that was studied comprised persons who were real and potential patients of medical facilities in Cracow. A mean-per-unit sampling was used in the research. Data was gather by means of a questionnaire. 103 respondent participated in the research. 101 correctly completed questionnaires were used in the analysis.

Data shown in the picture below indicate that women constituted the majority of people who participated in the study (Figure 2).

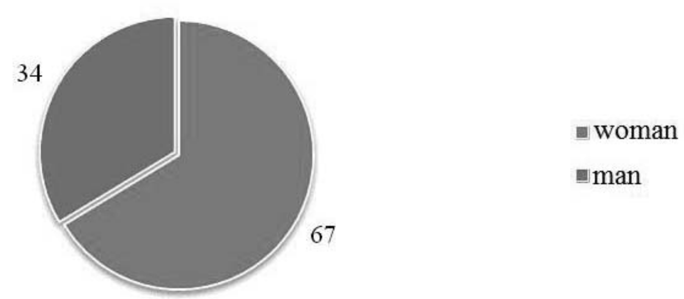

Figure 2. Sex ratio of respondents

Source: own development.

When analyzing respondents' place of residence, it should be stated that 91 respondents came form the city, and among them 69 named Cracow as their place of residence. Only 8 respondents lived in the countryside. That being so, place of residence was not used as an independent variable when testing relations. The mean age of people who took part in the study is 26 years, the median amounts 24 years. Both men and women assessed their situation as average (3.29 on a 5-degree scale, regardless of gender).

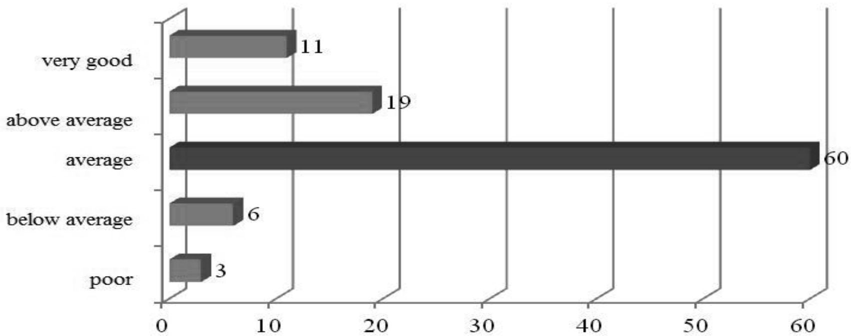

Figure 3. Distribution of the assessment of respondents' material situation

N=99 (due to the lack of data)
Source: own development.

A question about the use of services during the last year was asked in order to confirm that respondents have basis for assessing an image of medical services (Figure 4). The majority of respondent used medical services (73 people). Only 28 respondents said that during the last year they had no need to use a medical facility.

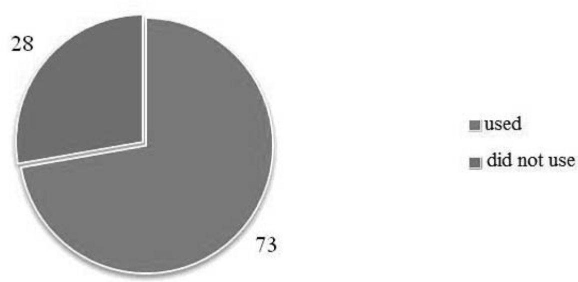

Figure 4. Use of medical facilities service by respondents

Source: own development.

According to data, respondents mainly use private medical facilities (50 respondents). Only 15 persons claimed to use only public medical facilities. 36 respondents did not define their preferences. A tendency to use private medical facilities more often does not depend on gender (Figure 5). Both men and women more often use an offer of private medical facilities.

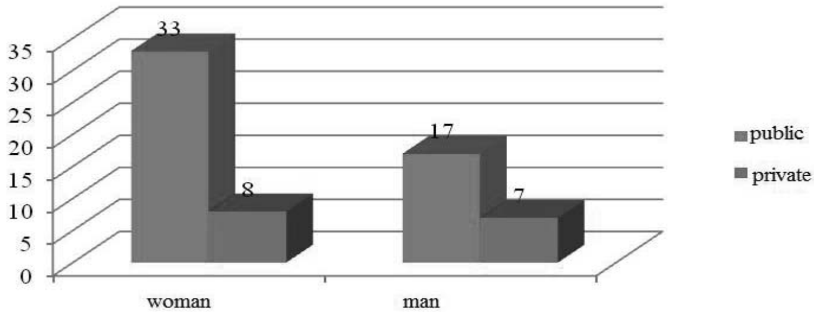

Figure 5. Type of facility vs patient's gender

N=65 (due to the lack of data)

Source: own development.

More importantly, financial situation does not differentiate significantly a respondent's choice of a medical facility. Data shown in picture 6 indicate that people with a satisfying and unsatisfying financial situation more often prefer to use private medical facilities.

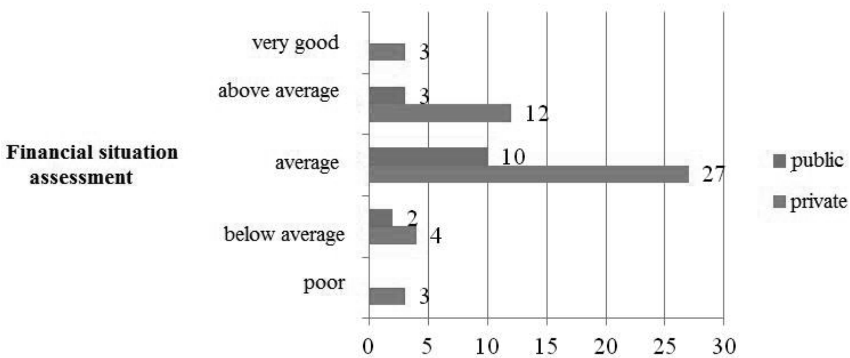

Figure 6. Assessment of residents' material situation vs the use of medical facilities

N=65 (due to the lack of data)
Source: own development.

This situation can partly result from the negative opinions of respondents about medical facilities.

Assessment of an image of a medical facility in the opinion of respondents

The majority of respondents negatively assess an image of medical facilities (public) (Figure 7). Among associations they named are mostly queues, unpleasant staff, and the fact that waiting takes a long time.

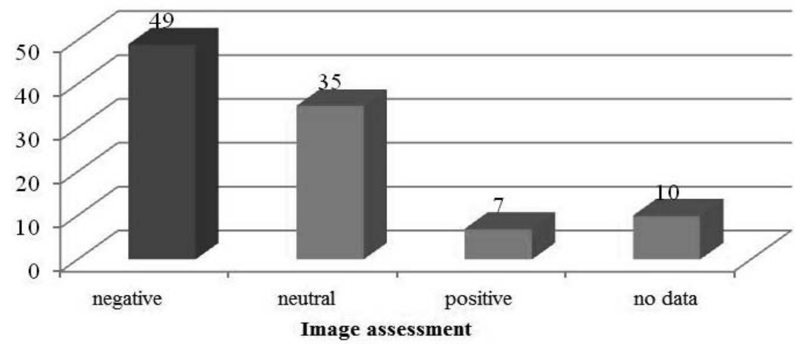

Figure 7. Assessment of an image of medical facilities in the opinion of respondents

Source: own development.

It is interesting that the assessment of an image depends neither on gender nor on the use of a medical facility. Both men and women more often consider an image of a medical facility negative or neutral. Only 6 women and one man positively assessed the image (Figure 8).

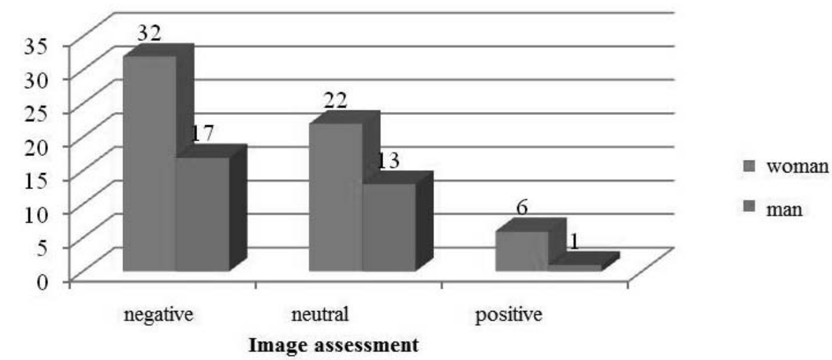

Figure 8. Assessment of an image of medical facilities vs respondents' gender

Source: own development.

A similar distribution of data was obtained when analyzing relations between assessment of an image as well as using or not medical facilities (Figure 9).

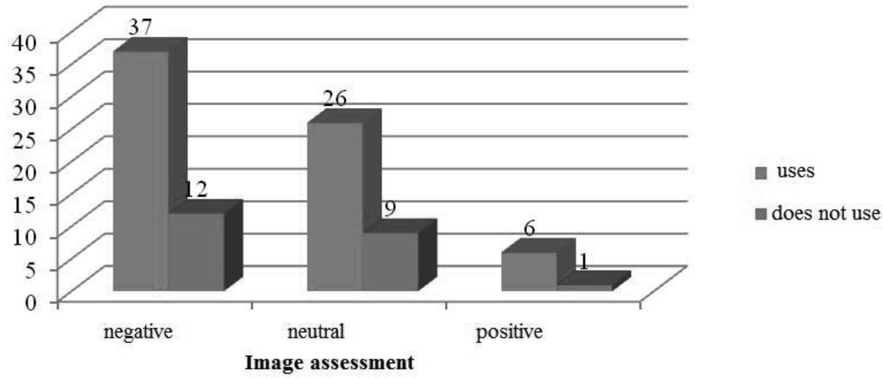

Figure 9. Assessment of an image of medical facilities in the opinion of respondents vs using a medical service

Source: own development.

The majority of respondents has a negative opinion about a medical facility. Only 7 persons had a positive opinion about it, 6 of them used and 1 did not have a chance to use services of medical facilities during the year before the research.

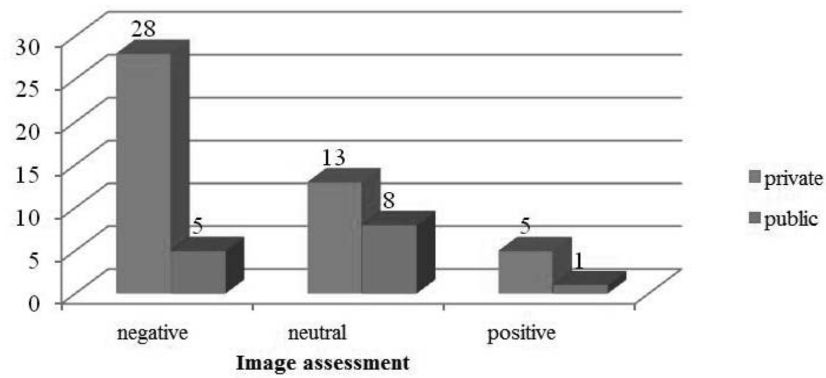

Figure 10. Assessment of an image of medical facilities in the opinion of respondents vs a type of a medical facility

Source: own development.

It should be noted that people who had a negative assessment of an image of a medical facility mostly use private medical facilities. It might be assumed that dissatisfaction or negative convictions constitute grounds for making a decision about using private medical facilities. This is partly confirmed by data presented in picture 11. Positive associations with medical facilities had only those people who were satisfied with the provided medical service.

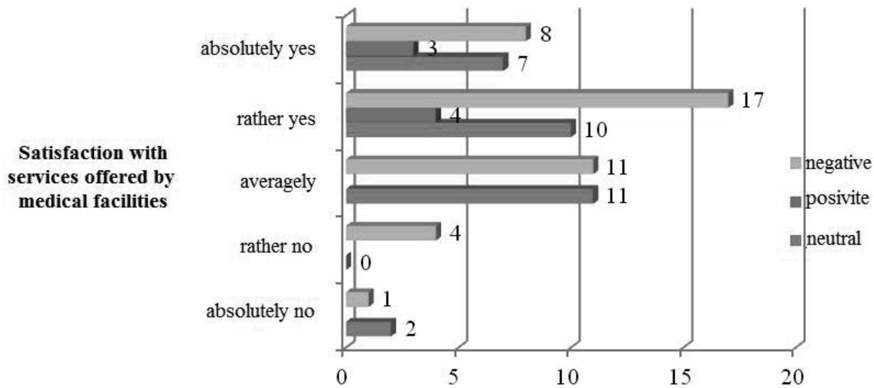

Figure 11. Assessment of an image of medical facilities in the opinion of respondents vs satisfaction with services

N=78 (Data does not amount 101 due to the lack of data)

Source: own development.

Elements included in an image of a medical facility in the opinion of respondents

In accordance with the expectations, doctor was the most often listed association with a medical facility (approx. 20% respondents' answers). Apart from doctor, a noticeable factor was also medical staff.

According to data shown in picture 12, the majority of respondents think that staff is significant as a factor building an image of a medical facility (58 answers). Only 7 respondents does not notice such a relation. More importantly, in the case of people using services of public facilities, all of them emphasized the role of staff, which allows us to claim that using public facilities, to a great extent, ensues from employing highly qualified personnel.

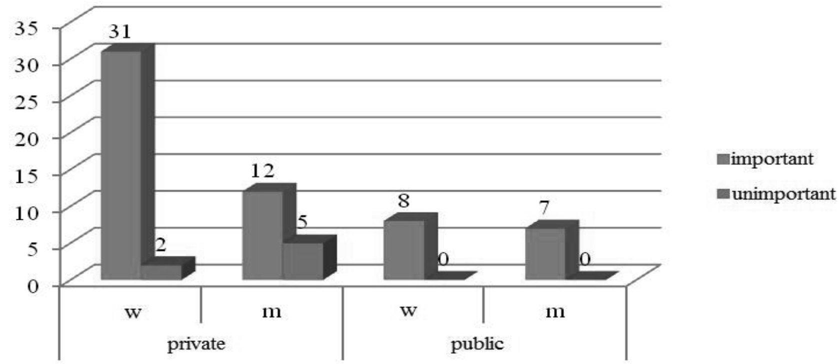

Figure 12. Role of staff in creating an image of medical facilities in the opinion of respondent vs gender and a type of a facility

Source: own development.

As it has been mentioned in the premises of the research, it is difficult to unambiguously determine the criteria of assessment when choosing a market offer according to the subjectivism that results from individual conditionings of purchase decisions. However, the study results made it possible to define which factors govern respondents' choice when opting for a medical service (Figure 13).

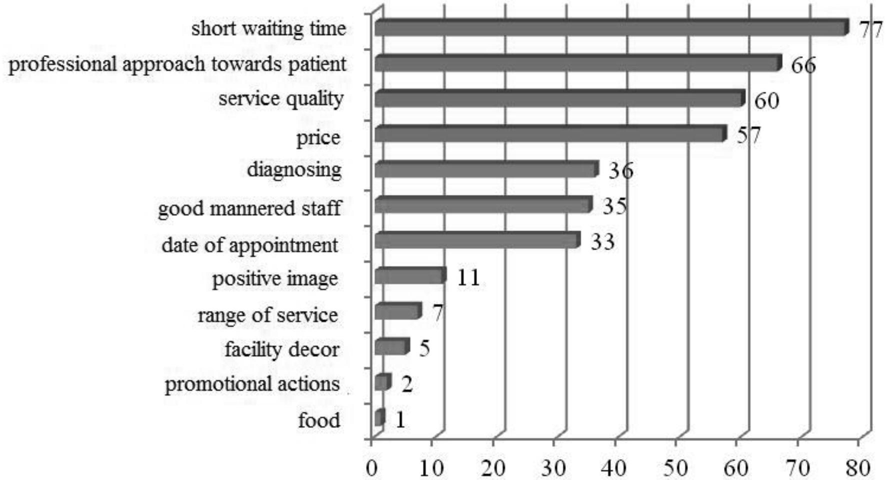

Figure 13. Factors of assessing a medical service in the opinion of respondents

Data does not amount to 101 – a multiple choice question

Source: own development.

Among the criteria that were used earlier by respondents, there are: a short waiting time for providing a service in a facility itself, as well as a professional approach towards client, the quality of a service and price. Thus, it might be stated that according to respondents, most important are the quality of a provided service, the level of customer (patient) service as well as pricing policy. Thanks to them, it is possible to shape a conviction that a given facility provides high quality service.

Similar results were obtained when asking respondents about their opinion on factors shaping an image of a medical facility.

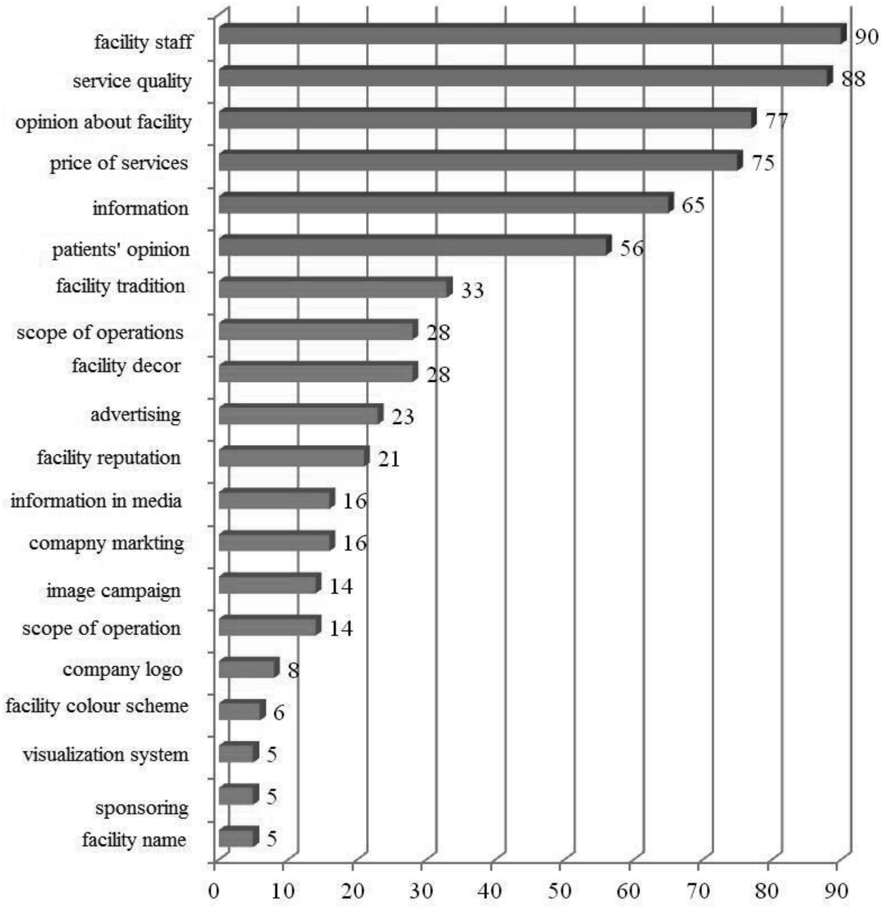

Figure 14. Factors shaping an image of a medical facility in the opinion of respondents

Data does not amount to 101 – a multiple choice question

Source: own development.

The study results confirm that a factor which in the opinion of respondents translates into a positive image of a provided service is the quality of customer service, as well as the quality of a provided service and pricing policy. The fact that patients' opinion was noticed as a factor shaping an image (56 answers) deserves attention. It proves that here, same as in the case of services provided in other markets, other patients' opinions are perceived as significant.

Factors have a similar significance for both genders. The study results show that there is no diversification, apart from the assessment of sponsoring. In the case of this factor no answer was marked by any of the men.

Creating an image of a medical facility requires selecting the appropriate promotional actions. With a view to identify means of conveying which respondents would use as sources of information on medical facilities, a question concerning preferences within this scope was asked (Figure 15).

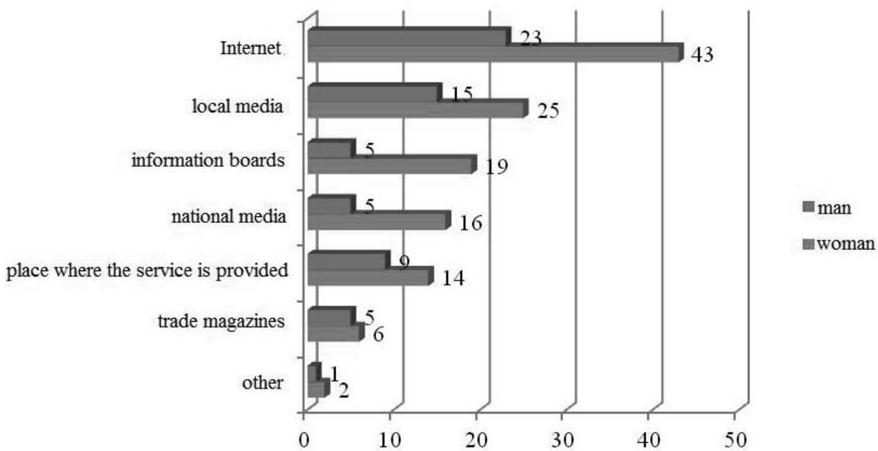

Figure 15. Preferences within the scope of means of conveying information about a medical facility in the opinion of respondents.

Data does not amount to 101 – a multiple choice question

Source: own development.

Data indicates that in the opinion of respondents the best mean of conveying information of a promotional character is the Internet. Preferences within this scope do not depend on gender. Both men and women unanimously claim that the Internet is a mean of conveying that a medical facility should use to communicate with patients. At the same time, this result may be directly dependant on a characteristics of a group of subjects, students who live mostly in the city.

As one can expect, information pertaining to medical facilities were being sought also in local media, less important is the information in the place where a service is provided.

Also, respondents assessed the significance of individual interest groups in creating an image of a medical facility (Figure 16).

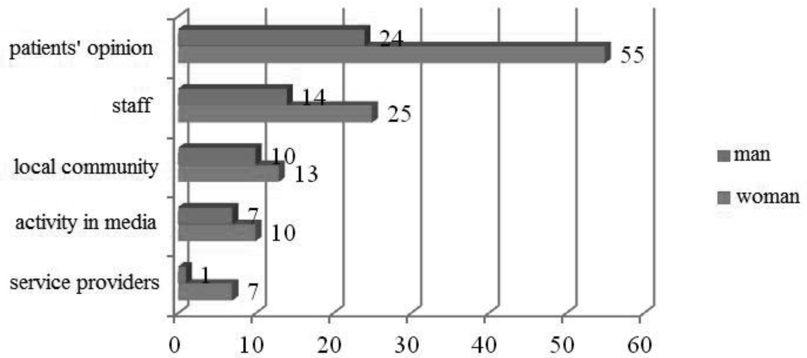

Figure 16. Significance of selected clients in the shaping of an image of a medical facility in the opinion of respondents

Data does not amount to 101 – a multiple choice question

Source: own development.

Both men and women unanimously decided that patients' opinion is most significant in the shaping of an image. This result is in accordance with previous observations indicating that others' opinion is taken into consideration as a factor of assessing a facility's offer. Also, both genders stressed the significance of facility staff, which determines a necessity of taking care of the level of customer (patient) service.

To sum up, the study results show that in the case of planning an advertising campaign it is important to reach local communities by means of local media. When organizing the functioning of a medical facility, the organization of traffic in a facility (information boards) should not be neglected. Putting an emphasis on the significance of patients' opinion allows traditional promotional tools (respondents deliberately do not attach attention to them) but also word-of-mouth marketing to be recommended.

Conclusion

The results of the studies that were conducted confirmed thesis comprised in reference books concerning an important significance of an image of a medical facility. The most important factors that grab patients' attention are: quality of the provided services and actions of a facility's staff (including medical staff). Patients that were studied admit that their own opinions on the subject of facilities providing medical services have a considerable significance for the image of a facility, which should be an additional argument in seeking their favour. Due to the specific character of services, promotional actions should be closely directed at local community, patients that use the services of a given facility (except for a situation when a facility provides specialized services, which was not included in the research). The research explicitly showed that despite marketing actions being more and more consciously realized by medical facilities, they often deal with a very negative stereotype. This situation indicates that introducing actions aspiring to improve an image of medical services is very important and current. Also, it makes it possible to forecast that these actions will be a fundamental task for managers managing medical facilities.

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Summary

An increase in competitive actions in the healthcare industry caused a need for medical facilities to take marketing actions into consideration. Due to a specific character of an object of exchange in the market – a service that comes under a subjective assessment due to an asymmetry of information typical for the market, marketing actions should aspire to shape a positive image. The report categorizes basic notions connected with marketing tools that can be used in creating a marketing image of a medical facility. The analysis was expanded by results of studies conducted among patients from Lesser Poland. Their aim was to present opinions on the subject of factors shaping an image of a medical facility.

Bożena Pera
Cracow University of Economics

CULTURAL FACTORS AND BUSINESS NEGOTIATIONS WITH SELECTED PARTNERS FROM THE EUROPEAN UNION

Introduction

Analysing the integration processes in the European continent as well as the undertaken unifying actions, an issue of cultural diversity of states creating the European Union is frequently omitted.

The aim of this article constitutes an attempt to define the influence of a cultural factor on business negotiations with partners from the European Union.

The essence of business negotiations with foreign partners

Many definitions of negotiations can be found in very rich literature on this subject. One of them was created by Z. Nęcki, who regards negations as a sequence of mutual moves taken by parties, which aim at a possibly beneficial solution of a partial conflict of interests[1]. A different approach is represented in another definition that considers negations as a bilateral process of transferring information aiming at reaching a final agreement in a situation of a seemingly irresolvable conflict[2]. Negotiations can also be understood as a communicative and decisive process in which sides freely try to solve a conflict in such a way that a result of it would be acceptable[3].

R. Fisher, W. Ury and B. Patton attempt to explain a concept of negotiations, and they pay attention to both their final effect, emphasizing that negotiations are a basic way to obtain what we want, and to the process of negotiating itself. Accord-

[1] Nęcki, Z. 2000. *Negocjacje w biznesie*. Kraków–Kluczbork: Oficyna Wyd. Antykwa, p. 17.

[2] Krzymieniewska, G. 1998. *Od walki do współpracy. Negocjacyjna sztuka zawierania porozumienia*. Bydgoszcz: TNOIK, p. 34.

[3] Brdulak, H., Brdulak, J. 2000. *Negocjacje handlowe*. Warszawa: PWE, p. 13.

ing to them, negotiations constitute a reflexive communication process, the aim of which is to reach an agreement in a situation where both sides are involved in the same interests, some of which are common and some of which are opposite[4]. Negotiations are also deemed creative communication[5].

Although, the quoted definition does not completely reflect the essence of negotiations, it emphasizes a possibility of communication between both parties. A. Fowler also considers negotiations as a process of an interaction, adding that both sides notice a necessity of joint involvement in order to achieve a goal and they attempt to overcome differences existing between them, as well as to find a mutually satisfying solution[6].

R.J. Lewicki, J.A. Litterer, D.M. Saunders, D.M. Minton put an emphasis on different interests and expectations in negotiations. They state that negotiating is a process in which we try to exert an influence on other people in order to make them help us to satisfy our needs, but that we take into consideration their own needs as well[7]. W. I. Zartman, however claims that negotiation is a process in which opposite stances are connected in a common decision[8]. According to W.B. Jankowski and T.P. Snakeskin's definition, negotiations constitute a method of reaching an agreement, and they contain elements of cooperation and competition[9].

On the basis of the mentioned definitions, it follows that negotiations are an information process that has interactive character, in which a conflict of interest and a common stance constitute key elements. A prerequisite of commencing a discussion is also a willingness to reach an agreement, which is a result of the decisions undertaken by both sides.

The process of negotiating has its own dynamics and structure. The following phases can be distinguished: preparation, recognition, opening as well as main and final phases[10].

In theory, various styles are also distinguished. Next to distributive negotiations, also known as positional or hard, more and more frequently appreciated is the concept of integrative negotiations[11]. A crucial advantage of negotiations

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4 Fisher, R., Ury W., Patron, B. 1999. *Dochodząc do TAK. Negocjacje bez poddawania się* (2nd ed.). Warszawa: PWE, p. 27–28.

5 Salacuse, J.W. 1994. *Negocjacje na rynkach międzynarodowych*. Warszawa: PWE, p. 58.

6 Fowler, A. 1997. *Jak skutecznie negocjować*. Warszawa: Wyd. Petit, p. 12.

7 Lewicki, R.J., Litterer, J.A. 1993. Saunders D.M., Minton, D.M., *Negotiation. Readings, Exercises, and Cases* (2nd ed.). Irwin, Burr Ridge I11, p. v.

8 Zartman, W.I. 1994. *International Multilateral Negotiation*. San Francisco: Jossey-Bass, p. 5.

9 Jankowski, W.B., Sankowski T.P. 1995. *Jak negocjować*. Warszawa: CIM, p. 3.

10 More on that: Myśliwiec, G. 2007. *Techniki i triki negocjacyjne, czyli jak negocjują profesjonaliści.* Warszawa: Difin, p. 12–15; Brdulak, H., Brdulak, J. *Negocjacje handlowe*, *op. cit.*, p. 104–161.

11 More on that: Fisher, R., Ury W., Patron, B. 1999. *Dochodząc do TAK. Negocjacje bez poddawania się* (2nd ed.), *op. cit.*, p. 43–44; Nęcki, Z. *Negocjacje w biznesie*, *op. cit.*, p. 25–71.

conducted with reference to the essence of a particular issue is obtaining benefits by both sides.

A contract concluded under favourable conditions may, to a large extent, contribute to establishing and developing long-term business cooperation. However, the choice of a negotiation style depends on many factors, mainly significant in this respect are a partner's stance, a *bargaining force,* or even a negotiated element of a contract. Irrespective of the choice of a negotiation style, one should be aware of the possibility of using different tactics and negotiation techniques, ignorance of which may, to a considerable degree, contribute to a failure in achieving set goals[12]. One of the most frequently encountered barriers, which hinder or even make it impossible to reach an agreement, is negative emotions, which result from an uncontrollable reaction to rejection, and which may be reflected in anger, inflexibility, and are connected with the comportment of both sides. Moreover, other obstacles might be an uncompromising attitude to negotiations presented by the other side, a lack of satisfaction of a partner, who does not reach an agreement on his conditions, and the other side's attitude towards negotiation forces[13].

In international business, barriers influencing the course of negotiations might be encountered, which in fact are present in the case of an expansion into foreign markets. The most common barriers are: the business environment of negotiations, cultural differences, ideological discrepancies, bureaucracy, legal regulations, various currency systems and a lack of stability of an international economic system[14]. Each of the mentioned barriers is connected with a risk of not realizing the set goals. Hence, the preparation for negotiations is a very significant task, especially if the talks are to end with success. In international negotiations, apart from experience, intuition, patience or a creative approach to a problem, an ability to recognize, notice, and overcome barriers is necessary.

In the current economy, an issue of cultural differences, which may more and more frequently hinder, to a significant extent, not only the course of negotiations, but also reaching an agreement, is addressed.

The essence of national culture

Culture is reflected on various levels of social life. There is national culture, societal culture of a given region, and organizational culture. However, in further deliberations on this issue, the broadest approach to culture will be considered. In literature on this subject, there are many ways of understanding culture. While

12 More on the negotiation tactics: Myśliwiec, G. *Techniki i triki negocjacyjne, czyli jak negocjują profesjonaliści*, *op. cit.*, p. 53–80, 82–94, 95–118.

13 Ury, W. 1995. *Odchodząc od NIE. Negocjacje od konfrontacji do kooperacji*. Warszawa: PWE, p. 26–29.

14 Salacuse, J.W. *Negocjacje na rynkach międzynarodowych*, *op. cit.*, p. 18–19.

analyzing the concept of culture, A. Kłoskowska distinguishes 6 different approaches towards it: ethnological, historical, normative, psychological, structural and genetic. Moreover, she pays attention to the advantages and disadvantages of such ways of attempting to explain the concept of culture. Among approaches of explaining culture, there are some which regard culture as a category identical to civilization. Their complex character is emphasized, which consists of: knowledge, beliefs, art, morality, laws, customs as well as abilities and habits acquired by people. In historical definitions an emphasis is put on the tradition which creates culture. A psychological approach to culture takes into consideration the psychical mechanism of culture formation. In a structuralist approach, scientists concentrate on the general character of certain cultures, whereas in a genetic approach an origin of culture is dominant[15]. T. Paleczny, however suggests an organization of approaches to culture. According to him, among definitions explaining this phenomenon, the following approaches might be distinguished: genetic, historical, distributive and normative. From a genetic point of view, a basic indicator of culture is a group and its bonds. The development of culture occurs from small, basic and homogenous groups, to complex and mixed groups occurring through the process of evolution, diffusion or the merging of components from various backgrounds. In a historical approach, culture matures and develops, and its diversity and complexity, on the basis of mechanisms of change, grows. Every generation conveys new elements to the cultural system, while some of its elements may disappear. A distributive approach, based on an integration web schema and rational human behaviours allows one to regard culture as a system of laws and rules of conduct, models and values, to which individual as well as group behaviours and actions are submitted. A normative approach enables for a presentation of culture in an evaluative way thanks to the usage of rules pertaining to an outlook on life and an accepted ideology of the world structure[16].

In literature on this subject, various definitions of culture might be encountered. Attempts to define culture have been taken by philosophers, sociologists, anthropologists, psychologists.

T. Paleczny understands culture as a way of organizing human stances, behaviours and actions. It is connected with consciousness and the means of the objectification, perseverance and transferring of culture[17].

W. Tatarkiewicz defined culture as “a subjective, psychological, inner, individual state, different for everybody but also in various ways similar among different people, especially those that live close to one another”[18]. According to A. Kłoskowska, culture constitutes a world of artefacts and thoughts developed

[15] Kłoskowska, A. 2005. *Kultura masowa*. Warszawa: PWN, p. 21–22.

[16] More on that, cf.: Paleczny, T. 2005. *Stosunki międzykulturowe. Zarys problematyki.* Kraków: KTE Sp. z o.o., p. 87–88.

[17] *Ibidem*, p. 88–89.

[18] Tatarkiewicz, W. 1978. *Parerga*. Warszawa: PWN, p. 79.

by generations, which has an influence on every member of a given society. It encompasses human behaviours, which have become a social habit as well as objects resulting from these behaviours. It might be added that human comportment is subject to common social patterns and models[19].

J. Szczepański describes culture as "the entirety of objects of human activity, both material and non-material, as well as values and accepted ways of conduct, which were made objective and adopted by various societies, and later passed on to other societies and subsequent generations[20] F.E. Jandt, however claims that culture is a sequence of relations, in which a society has to be big enough in order to be self-sufficient, and that its actions are steered by the thoughts of the entire group, as well as experiences and behaviour patterns, which are handed down from generation to generation, while members of this society consciously identify with it[21]. Hence, culture is composed of historically shaped set of various phenomena and patterns of behaviour.

Hence, culture is understood as the entire achievements of a given society, including convictions, models of behaviour, rules of coexistence, which are handed down from generation to generation. It is also regarded as a quality that belongs both to an individual and to the society. An individual acquires it through the process of socialization using various methods.

In a concept of culture, at least four dimensions might be distinguished: ritual, material, intellectual, organizational and political[22]. Such an approach makes it possible to differentiate between visible and invisible elements of culture. Visible elements of culture are for example buildings, clothes, an organization of the space around us, as well as symbolism (occurring in literature, art, religion, law and science)[23], while rules governing conduct, a way of people's thinking and reacting belong to an invisible concept of culture. They might be less noticed by the outsiders.

A similar approach to culture, emphasizing their layered structure, was expressed by F. Trompenaars and Ch. Hampden-Turner. According to them, culture is composed of many layers. The outer layer is composed of artefacts and human behaviours, the middle layer (which is a deeper layer of culture) constitutes values and norms created by the society. When reaching deeper, to the roots of human existence, the core of culture is encountered. Culture undergoes changes, when members of the society realize that some ways ceased to be effective[24]. In the era of

19 Kłoskowska, A. *Kultura masowa*, *op. cit.*, p. 23, 29, 40.

20 Szczepański, J. 1970. *Elementarne pojęcia socjologii*. Warszawa: PWN, p. 77, 78.

21 Jandt, F.E. 1995. *Intercultural Communication. An Introduction*. London–New Delhi: Thousand Oaks, Sage, p. 8.

22 Bryła, J. 1999. *Negocjacje międzynarodowe*. Poznań: WSZiB, p. 69–70.

23 Paleczny, T. *Stosunki międzykulturowe. Zarys problematyki*, *op. cit.*, p. 87.

24 More on the essence of culture: Trompenaars, F., Hampden-Turner, Ch. 2002. *Siedem wymiarów kultury. Znaczenie różnic kulturowych w działalności gospodarczej*. Kraków: Wyd. Oficyna Ekonomiczna, p. 36–39.

globalization and regionalization, the unification of some culture patterns, their acquirement and transference might be noticed. The process of transferring and accepting certain patterns of culture is subject to norms and recognized social aims. Under their influence, an elimination of certain types of behaviour takes places, while habits that turn into new patterns are reinforced. The rule of integration does not automatically occur with precision. The issue of the unification of certain cultural domains[25] does not mean that its integration in contemporary societies does not cause any difficulties[26].

Culture determines the existence of a nation. The process of enriching culture is done through people's actions, who create, adopt, realize and transfer culture through their own inner experiences and outer deeds[27]. However, culture is not a simple combination of qualities of an average citizen. Values of culture surpass the civilization achievements in permanence, moreover they often are not subject to destructive consumption[28].

The concept of a stereotype is connected with national culture, as well as with an attitude of distinguishing its certain characteristics, especially in terms of foreign relations. Stereotypes pertain to various domains of life and they are particularly evident in notions about foreign and domestic ethnic as well as national groups. They mainly have cognitive character. However, in certain countries stereotypes provide a feeling of familiarity, and emotional certainty in relation to the world[29].

However, it should be remembered that culture still creates its frames through patterns and norms, in which a social interaction, i.e. processes of reciprocal influence between people.

Some people regard culture as the content of interpersonal communication, i.e. they treat communication and culture as one thing[30]. A representative of this movement is, inter alia, E.T. Hall, who deemed culture to be the content of human communication. In his opinion, culture is embedded in human mind and exists beyond it. It constitutes a collection of situational models of behaviours and ways of thinking[31]. G. Hofstede emphasizing the significance of human communication, notices culture in human approach to himself and to the surrounding world. According to him, culture is a mental programming of the mind in perception

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25 The unification of culture is mainly discernible in some domains of mass culture. It mainly pertains to the uniform language system, entertainment or technology.

26 Kłoskowska, A. *Kultura masowa. op. cit.*, p. 49–53.

27 Kłoskowska, A. 2005. *Kultury narodowe u korzeni*. Warszawa: PWN.

28 Kłoskowska, A. *Kultura masowa*, *op. cit.*, p. 66.

29 Kłoskowska, A. *Kultury narodowe u korzeni*, *op. cit.*, p. 89–94.

30 Mikułowski-Pomorski, J. 1999. *Komunikacja międzykulturowa. Wprowadzenie*. Kraków: Wyd. Akademii Ekonomicznej in Krakow, p. 35.

31 Hall, E.T. 1984. *Poza kulturą. Wstęp.* Warszawa: PWN, p. 15

of values and stances of an individual and collective character, which separates members of one category from others[32].

Culture is realized in the processes of communication. The most common communicative phenomena are: steering, interaction and expression. A concept of steering is understood as a unidirectional activity, which aims at transferring cultural contents and strengthening values connected with them. Interaction is the process of a joint and democratic creation of rules of social coexistence achieved through an equal exchange of messages ensuing from members' cooperation and a reaction to the surrounding world. Expression is a phenomenon of expressing oneself in a communicative language, without the need of an external addressee. In fact, it is a subject who conveys a given message[33].

In the presented definitions a particular emphasis is given to the transference of values between participants, however the exchange of those values occurs also between various cultures. A developing process of internationalization of economic activity, globalization and regionalization have led to the development of the domain of intercultural communication and an occurrence of some values, which are perceived by individuals of the society in different ways.

Cultural differences may pertain to the following variables: educational system – education, legal regulations, economy, politics, religion, social norms, language, time, space, food, dress, manners or decision making. They might be common for the whole nation but they may also refer to an individual[34].

Deliberations presented above indicate that culture is shaped on various levels of social life. One universal definition has not been created so far, as it is suitable for a particular social group. The process of communication through its channels enables a transference and diffusion of certain element of culture. However, as it has been emphasized, culture and its components are not subject to frequent changes. Knowledge about certain characteristic approaches to the analyzed categories is significant, especially when cooperation in international environment is taken into consideration.

Cultural factors in selected countries of the European Union

First of all, culture may influence negotiations with foreign contractors through: negotiators' world-view, transference of information which is contradictory or strange to cultural assumptions of the other party, interpretation of the words'

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32 *Ibidem*, p. 16.

33 Mikułowski-Pomorski, J. 2006. *Jak narody porozumiewają się ze sobą w komunikacji międzykulturowej i komunikowaniu medialnym.* Kraków: TAiWPN Universitas, p. 217–218.

34 Murphy, H.A., Hildenbrandt, H.W. 1988. *Effective Business Communication*. New York: McGraw-Hill Book Company, p. 671–673.

meanings or even undertaken actions, which may lead to ascribing inappropriate behaviours or motifs to an opponent[35].

In the world's economy, there are no two identical cultures, each of them has its own features, which characterize it. In literature on the subject, a lot of types of cultures might be encountered[36]. However, some classifications are commonly used and have a greater significance, especially in the case of an analysis of differences existing within the frames of a chosen group of countries. Research in this area was conducted by: G. Hofstede, R. Gesteland[37] and F. Trompenaars and Ch. Hampendan-Turner[38]. Moreover, since the 90s, Ronald Inglehart, an American political scientist, has been conducting research called World Values Surveys, which has also contributed to the development of a classification of national cultures[39].

Cultural premises, which cause differences in an evaluation of negotiations behaviours, give basis for an interpretation of words and actions on the one hand, and they also influence a form and a content of a concluded agreement. However, it should be also taken into consideration that sometimes they are based on the existing stereotypes, which do not also reflect the reality but they even sometimes exaggerate it.

The first classification model of national culture created by Geert Hofstede will now be presented. He puts forward a classification of national cultures according to five dimensions. Power distance is one of the dimensions of cultural differences as stated by him. It pertains to a phenomenon of inequality between people. The concept of 'power distance' defines an emotional discrepancy existing between subordinates and superiors. Power and inequality are present in every society. This index informs also about relations of dependence in a given country. The low value of the index points to a strong need of consultation and subordinates' dependence on superiors. Employees are accompanied by great emotions on various levels of hierarchy, while exercising power is often based on a consultative way of making decisions, which may hinder negotiations and project management. Subordinates do not have difficulties in approaching their managers and

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35 Fisher, G. 1980. *International Negotiation. A Cross-Cultural Perspective*. Yarmouth: Intercultural Press, p. 55.

36 Cf. e.g. Paleczny, T. *Stosunki międzykulturowe. Zarys problematyki*, *op. cit.*, 86–89; Kłoskowska, A. *Kultura masowa*, *op. cit.*, p. 59–85.

37 In the work research conducted by R.R. Gesteland is omitted.

38 The previous research was conducted, inter alia, by K. Sitarami and R.T. Cogdell – eastern culture and western culture were distinguished, and by E.T. Hall – he introduced a division of culture into high and low context.

39 As a research method a questionnaire containing 360 questions about ecology, economy, emotions, education, family, gender and sexuality, government, politics, leisure time, friends, morality, religion, society, nation and work, was used. Cf.: http://www.worldvaluessurvey.org, an access date: July 2011.

expressing their objections. Abusing power is treated as an expression of human weakness. Moreover, a diversification of remunerations is considerably lower than in countries with a high index. On the other hand, a high value of index means subordination to often an autocratic boss. There exists a one-sided dependence of subordinates on their superiors. They do not express their objection in an indirect way. The authority of the superior might be emphasized with visible signs of status. It should be also remembered that sometimes some patterns connected with power distance are instilled in a family in a period of childhood, hence, it is extremely difficult to change them[40].

Next dimensions of national culture are collectivism and individualism. Collectivism is characteristic for societies, in which people feel that care and safety are guaranteed, whereas individualism creates loose bonds between individuals[41]. In the majority of countries, individualism and power distance are interconnected. Hofstede has noticed that the majority of high power distance countries is characterized by a low index of individualism, whereas countries with a low index of power distance are characterized by high individualism[42]. Taking into consideration an approach to negotiations, in individualistic cultures a banal discussion is better than a moment of silence, whereas in collectivist cultures nobody feels obliged to maintain a discussion. Moreover, it was noticed that people in more individualistic countries try harder to achieve their goals and more often show extrovert characteristics. In this culture, fulfilling tasks is much more important than human relations. In countries belonging to collectivist cultures, a necessity to get to know to a partner and to gain his trust occur before starting proper negotiations. Businessmen from countries with a high index of individualism may often unconsciously condemn themselves to discrimination due to fast attempts to conclude contracts with partners from collectivists countries. On the contrary, businessmen from countries of collectivist culture should respect a law to privacy which is especially important in individualistic societies.

The third dimension of culture are features of societies defined as masculinity and femininity. Those societies in which social roles are clearly defined (focused on financial success, toughness, ambition, competition or assertiveness) belong to "masculine" societies while femininity is characterized by modesty, tenderness, solidarity and care for a quality of life[43].

Uncertainty avoidance is another dimension of culture. This is expressed through stress and a *need* for *predictability, which might be satisfied by defined laws and customs*[44].

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40 Hofstede, G., Hofstede G.J. 2007. *Kultury i organizacje*. Warszawa: PWE, p. 53–59.

41 *Ibidem*, p. 89.

42 *Ibidem*, p. 94.

43 *Ibidem*, p. 133.

44 *Ibidem*, p. 181.

The last dimension of national culture pertains to long-term and short-term orientation.

One of the extremes expresses values connected with the future such as: persistence, perseverance, thriftiness and prudence, shaping interpersonal relations according to status, respect for circumstances, care for an ability to adapt oneself, while on the other hand there are the issues of exchanging greetings, favours, gifts, respect for tradition, saving face and personal stability, as well as settling down and finding balance, which are values connected more with the past and present. Among countries with long-term orientation, family business predominates. Striving toward a goal is a feature of every entrepreneur and it contributes to the development of enterprise. In short-term orientation countries, significance is not attached to stability, and taking risks and making changes are not encouraged. On the other hand, returning greetings, favours, and reciprocating gifts are to a larger extent connected with social ritual than economic activity. Those countries are characterized by a low level of thriftiness and investing in trust funds. The main values pertaining to work are connected with a feeling of freedom, individual's rights, achievements and thinking about oneself. An emphasis is put on deadlines and profits. In countries with a high index of long-term orientation, the index of corruption is much higher. Entrepreneurs from those countries make use of unofficial forms of payment and services for their contractors. Moreover, in those countries achieving success is only possible when one has contacts. Then, they concentrate on the position occupied on the market. Those countries are also characterized by a tendency to invest in real estate, and moreover, they are accompanied by a high level of thriftiness[45].

Below, a table with the European Union countries which were included in G Hofstede's research is presented.

Figure 1. Selected European Union countries according to Geert Hofstede's dimensions of culture

Rank	**High power distance**		**Individualism**		**Masculinity**		**Strong uncertainty avoidance**		**Long-term orientation**	
	Country	**Value**	**Country**	**Value**	**Country**	**Value**	**Country**	**Value**	**Country**	**Value**
1.	Slovakia	104	Great Britain	89	Slovakia	110	Greece	112	Hungary	50
2.	Romania	90	Hungary	80	Hungary	88	Portugal	104	Denmark	46
3.	Slovenia	71	The Netherlands	80	Austria	79	Belgium (French)	97	The Netherlands	44
4.	Bulgaria	70	Belgium (French)	78	Italy	70	Malta	96	Ireland	43
5.	France	68	Italy	76	Ireland	68	Belgium (French)	93	Finnland	41

45 *Ibidem*, p. 223.

6.	Poland	68	Denmark	74	Germany	66	Poland	93	France	39
7.	Belgium (French)	67	Belgium (French)	72	Great Britain	66	Romania	90	Belgium	38
8.	Portugal	63	France	71	Poland	64	Slovenia	88	Slovakia	38
9.	Belgium (French)	61	Sweden	71	Belgium (French)	60	France	86	Italy	34
10.	Greece	60	Ireland	70	The Czech Republic	57	Spain	86	Sweden	33
11.	The Czech Republic	57	Germany	67	Greece	57	Bulgaria	85	Poland	32
12.	Spain	57	Finland	63	Luxemburg	50	Hungary	82	Austria	31
13.	Malta	56	Estonia	60	Malta	47	Italy	76	Germany	31
14.	Italy	50	Luxemburg	60	Belgium (French)	43	The Czech Republic	74	Portugal	30
15.	Hungary	46	Latvia	60	French	43	Austria	70	Great Britain	25
16.	Estonia	40	Poland	60	Romania	42	Luxemburg	70	Spain	19
17.	Lithuania	40	Lithuania	60	Spain	42	Germany	65	The Czech Republic	13
18.	Luxemburg	40	Malta	59	Bulgaria	40	Estonia	59		
19.	Latvia	40	The Czech Republic	58	Portugal	31	Finland	59		
20.	The Netherlands	38	Austria	55	Estonia	30	Latvia	59		
21.	Great Britain	35	Slovakia	52	Lithuania	29	Lithuania	59		
22.	Germany	35	Spain	51	Latvia	29	The Netherlands	53		
23.	Finland	33	Greece	35	Finland	26	Slovakia	51		
24.	Sweden	31	Bulgaria	30	Slovenia	19	Great Britain	35		
25.	Ireland	28	Romania	30	Denmark	16	Ireland	35		
26.	Denmark	18	Portugal	27	The Netherlands	14	Sweden	29		
27.	Austria	11	Slovenia	27	Sweden	5	Denmark	23		
Range	**Low power distance**		**Collectivism**		**Femininity**		**Weak uncertainty avoidance**		**Short-term orientation**	

Source: Own work on the basis of: http://www.geert-hofstede.com, an access date: July 2011 Mikułowski-Pomorski, J. 2006. *Jak narody porozumiewają się ze sobą w komunikacji międzykulturowej i komunikowaniu medialnym*. Kraków: TAiWPN Universitas, p. 325–326, Hofstede, G., Hofstede G.J. 2007. *Kultury i organizacje*. Warszawa: PWE, p. 57, 91, 134, 182, 223.

Analysing Figure 1, it should be noticed that people engaged in international negotiations should be aware of the fact that in society there are differences in terms of equality. The index of power distance shows that there is a considerable diversification between countries belonging to the European Union. Large power distance is characteristic for some countries belonging to East-Central Europe (e.g. Slovakia, Romania). Small power distance might be observed in German-speaking countries (Germany and Austria) and Scandinavian (Denmark, Sweden, Finland).

From the conducted analysis it follows that the European Union countries which have the most individualistic features are Great Britain, Hungary and the Netherlands. In those societies the following characteristics are typical: self-sufficiency and independence. In this category, Poland occupies a middle place on the list. Greece, Bulgaria, Romania, Portugal and Slovenia belong to collectivist countries, in which great significance is attached to dependence on others (fig. 1).

Comparing features ascribed in the dimension "masculinity-femininity" – it might be noticed that Sweden, the Netherlands, Denmark are countries which have feminine societies. Among countries belonging to the European Union, the largest amount of masculine characteristics is shown by the societies of Slovakia, Hungary and Austria. In feminine countries, conflicts are resolved by the means of negotiations or compromise. Moreover, women much more frequently occupy responsible posts. In masculine societies, more emphasis is given to the results, and everybody is awarded according to their achievements, while conflicts are resolved by confrontations (fig. 1).

In the case of a dimension defined as strong uncertainty avoidance – the high values are represented mainly by Mediterranean countries (Greece, Portugal, Malta or even Spain), Franconian (Belgium, France, Italy). Considerable values are also presented by the countries of East-Central Europe (Poland, Romania, Slovenia, Bulgaria, Hungary or the Czech Republic). Cultures with a higher level of uncertainty are characterized by expressiveness, hence gestures and body language so essential in the process of negotiation, play an important role in those societies. Moreover, raising one's voice is also accepted. Among the European Union countries, the lowest indexes pertain to Nordic countries (Sweden and Denmark) as well as English-speaking countries (Great Britain and Ireland). In countries with a low level of uncertainty, emotions are not shown in public. Difficult and risky situations do not raise concern. Undertaken investment decisions are connected with risk. Different kinds of new products and technologies are quickly accepted. Law is introduced only in situations where it is deemed necessary. In countries with a low component of uncertainty avoidance, employees may work hard in the case of necessity but they also appreciate rest.

The criterion distinguished by Hofstede classifies the first member state of the European Union in 10th place – which is the closest to long-term orientation of the countries included in the research[46]. The value of this index comprised about 40% of the value of the first country – China. The analysed European countries are more or less in the middle of the compilation. Among the European Union countries, the following are close to short-term orientation: Great Britain and Spain, while the next to the last position from countries considered in the research is occupied by the Czech Republic.

The second compilation of selected European Union countries taken into consideration is based on the research conducted by Trompenaars and Ch. Hampden-Turner. It includes three categories (relationships with other people, attitudes to time and nature) and is based on 7 dimensions presented in Figure 2.

The first five patterns of attitude present people's approaches to one another. Another shows an attitude to time, and the last one to nature.

A universalistic approach regards codes, legal norms, ethical rules existing in a given society. In particularistic societies, much more important is friendship. Individualism and collectivism pertain to either individual persons or the interests of the entire group. Another dimension refers to showing emotions during business meetings. Devotion to professional activity is a preferable and desirable approach in establishing cooperation, and this aspect is presented in the next cultural dimension. The last index evaluating an attitude to people points to the position which was achieved on the basis of previous and current achievements. In the second example, kinship, connections as well as sex are important. An attitude to time may strongly influence the functioning of a company and the condition of cooperation. F. Trompenaars and Ch. Hampden-Turner have distinguished 2 attitudes to time, which they defined as sequential – time is treated in a linear way, as a sequence of events happening one after another. The second approach to time means that time is treated in a synchronic way, i.e. the present and the past coexist with the future events. The last dimension pertains to the differences in relation to the perception of the world. The world is viewed as stronger than an individual, and in the second approach a man can decide about himself[47].

At the beginning it should be stated that the European Union countries do not occupy the extreme positions when all countries are taken into consideration.

Among countries belonging to the European Union, the most universalistic approach can be seen in Spain, Holland, Sweden, Germany, Ireland and Finland, so in countries which are on a high level of economic development. A particularistic approach is mainly characteristic of the countries of East-Central Europe and Greece (fig. 2).

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[46] In case of the remaining four dimensions, the analysis encompassed 74 countries and regions, whereas in case of the last – fifth dimension – the researched encompassed only 39 countries.

[47] Trompenaars F., Hampden-Turner, Ch. *Siedem wymiarów kultury. Znaczenie różnic kulturowych w działalności gospodarczej*, *op. cit.*, p. 22–24.

Figure 2. Selected European Union countries according to F. Trompenaars and Ch. Hampden-Turner's dimensions of culture

Universalism	**Individualism**	**Neutral**	**Diffuse**	**Ascription**	**Sequential**	**Internal control**
Spain	The Czech Republic	Poland	The Nether-lands	Ireland	Greece	Romania
The Nether-lands	Hungary	Austria	Sweden	Great Britain	Portugal	Spain
Sweden	Romania	Bulgaria	Romania	Belgium	Bulgaria	France
Germany	Bulgaria	Romania	The Czech Republic	Denmark	The Czech Republic	Denmark
Ireland	Poland	Portugal	Denmark	Sweden	Austria	The Czech Republic
Finland	Spain	Holland	Finland	Finland	Hungary	Ireland
Great Britain	Denmark	Sweden	Bulgaria	Portugal	Sweden	Great Bri-tain
Hungary	Great Britain	Great Britain	Hungary	France	Denmark	Austria
Romania	The Nether-lands	Hungary	Great Bri-tain	Germany	Romania	The Ne-therlands
France	Finland	Czech Republic	France	Italy	Finland	Greece
Italy	Belgium	Finland	Ireland	Greece	France	Portugal
Denmark	Sweden	Belgium	Belgium	Hungary	Germany	Poland
Portugal	Ireland	Greece	Germany	The Czech Republic	The Ne-therlands	Belgium
Poland	Portugal	Germany	Poland	Poland	Great Bri-tain	Italy
Greece	Germany	Denmark	Portugal	Spain	Ireland	Finland
Belgium	Greece	Italy	Spain	Bulgaria	Italy	Germany
The Czech Republic	France	France	Italy	Austria	Spain	Sweden
Bulgaria	Italy	Ireland	Greece	The Nether-lands	Belgium	Bulgaria
–	–	Spain	Austria	Romania	Poland	Hungary
Particularism	**Collectivism**	**Emotional**	**Specific**	**Achieve-ments**	**Synchronic**	**External control**

Source: Own work on the basis of: Trompenaars, F., Hampden-Turner Ch. 2002. *Siedem wymiarów kultury. Znaczenie różnic kulturowych w działalności gospodarczej*. Kraków: Wyd. Oficyna Ekonomiczna, p. 51, 54–55, 70, 74, 76, 91, 110, 116, 130–131, 155, 172–173.

Collectivism, similarly to particularism, is associated with a traditional society. Among analysed countries of the European Union, the lowest number of individualists can be noticed among French and Italian people. In East-Central Europe countries, a high index of individual achievements is connected with the previous political system (fig. 2).

Representatives of cultures which are defined as reserved, neutral do not show emotion; they can control and restrain them. It follows from the conducted analysis that among countries from the European Union, the most reserved are Austria and Poland, whereas the least are Spain, Ireland, Italy and France (fig. 2). In self-controlled cultures, displaying emotions is often regarded as a lack of professionalism. Physical contact, gestures and vivid facial expressions are frequently unacceptable.

Southern Europeans and Austrians at first get to know a partner well, then having earned his trust, they proceed to business. In the concept of a diffuse-oriented culture – low context – first it is aimed at concluding a contract. It is begins with presenting detailed issues, then after the other side's interests has been evoked, the next step is to conclude and finalize a contract. The low context is represented by the Netherlands, Sweden and some countries of East-Central Europe. Those countries are characterized by flexibility and an ability to adapt (fig. 2).

Great Britain, Ireland, Belgium as well as Scandinavian countries belong to culture of a received status, whereas the Netherlands, Austria and countries of East-Central and South Europe are recognized as cultures of an achieved status (fig. 2).

Different attitudes to time are also reflected in a quality of human relationships. Cultures that treat time synchronically are more oriented towards collectivism, are more particularistic and they deem people exceptional (Poland, Belgium, Spain, Italy). Cultures that view time in a sequential way treat personal relations like an object[48]. Greece, Portugal, Bulgaria and the Czech Republic belong to this group (fig. 2).

The last dimension of culture pertaining to an attitude to nature presents that a stance of control over the environment is typical for Romania, Spain and France, whereas a flexible attitude aiming at compromises and peace is characteristic for Hungary, Bulgaria and Sweden.

The conducted research has shown that, despite the economic integration within the frames of the European Union, there are still cultural differences which exert an influence on negotiations between partners from the Member States.

National culture and implications for the course of business negotiations with partners from the European Union

In this section, an attempt to present a possibility that a cultural factor may influence business negotiations with partners from the groups of countries on the

[48] *Ibidem*, p. 159.

basis of the above delineated models (by G. Hofstede and F. Trompenaars and Ch. Hampden-Turner) is made. An assessment of cultural differences is viable provided that the essence of discrepancies, their sources and consequences are taken into consideration. Beginning business activity in a different country or negotiating conditions of cooperation, the country's peculiarities and a possibility of introducing potential changes that go beyond the accepted rules, should be taken into consideration. In some situations, for example in case of conducting business activity abroad, assimilation and discrimination processes may occur.

The negotiation process depends on a contractor's origin, hence it may take various forms. Negotiations conducted with partners from Austria, Greece or Italy are more time-consuming than discussions with the Dutch or Swedes. However, irrespective of with whom negotiations are to be conducted, they always require a thorough preparation.

A. Gottchalk delineated four basic styles of negotiation, which were defined on the basis of observing human behaviours. They might be often considered in international relations, in which there is a greater diversification of human behaviours and stances, as well as a significance attached to partners' mentality. A. Gottchalk has distinguished the following styles: a hard negotiation style, a soft negotiation style, an analytical negotiation style and a compromise-oriented style[49]. A hard negotiation style is represented by people who are characterized by a need for dominance, competition and power. Such negotiators often cause an outburst of conflicts, and their actions might be also aggressive. They persistently desire to realize their goals. They want to manipulate other people irrespective of their interlocutors' feelings. This style of conducting negotiations is often ascribed to the French. The opposite of a hard negotiation style is a soft negotiation style. It is the most frequently used by people intent on cooperation and open to others. They often support their opponents' suggestions, and they are not easily carried away with their emotions. They mainly concentrate on building relationships. Negotiators with analytical minds and well developed creative thinking use another style (the third one mentioned). They are reserved and are not influenced by emotions. They are well organized and prepared for negotiations, hence they can answer even the most difficult questions. An analytical type of negotiations is represented by, inter alia: Germans, the Dutch, Belgians, Danes and Portuguese from the north. The last style of negotiations concentrates on compromise. People that use this style want to solve a problem in the best possible way. They are consistent in their actions, but frequently they change the instruments and means of reaching a goal. Moreover, they are quite talkative[50]. This style is represented by Poles, Hungarians and Czechs.

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49 Gottchalk, A. *The People Factor in Negotiations*, http://ezinearticles.com/?The-People-Factor-in-Negotiations&id=2268788, an access date: July 2011.

50 Kendlik, M. 2009. *Negocjacje międzynarodowe*. Warszawa: Difin, p. 162–163.

The presented styles of negotiations are, as it is emphasized by their Author, based on stereotypes, hence they may overlap while conducting real negotiations. In the later part of this work, attention is given to other features that may hinder negotiating, and that define the conditions of cooperation with foreign countries.

In the emerging global economy, phenomena of intercultural exchange and channels of a supranational transmission of values, norms and behaviours, are playing a more and more important role. In the previous part of this study, two models showing cultural differences and similarities between selected countries of the European Union were characterized.

In order to distinguish countries with similar cultures, a taxonomic method of hierarchical grouping was used. It was attempted to group countries with similar values presenting their dimensions[51].

Cultural similarities of selected European Union countries according to G. Hofstede's dimensions

Subgroup 1: Slovakia
Subgroup 2: Hungary, France, Belgium, Poland
Subgroup 3: Denmark, the Netherlands, Finland, Sweden
Subgroup 4: Ireland, Italy, Austria, Germany, Great Britain
Subgroup 5: Portugal
Subgroup 6: Spain, the Czech Republic

The presented division concerns 17 countries that belong to the European Union. It might be noticed that two subgroups still contain only one element. The most numerous is subgroup 4, which consists of Ireland, Italy, Germany and Great Britain. Considerable similarities occur also between Denmark, the Netherlands, Sweden and Finland. It follows from the conducted analysis that in the case of Poland the least problems should be caused by negotiations with partners from Hungary, France and Belgium.

Similarly to cultural dimensions created by G. Hofstede, and also in the case of F. Trompenaars and Ch. Hampenden-Turner's research, a division of member states into groups was conducted. In the analysis, taking into consideration availability of the data, 18 countries were included and creating the group aggregation it was aimed at reaching such a situation in which Poland would not constitute a single element. Such a state was reached when member states of the European Union were divided in 5 subgroups.

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[51] For this reason Ward's method has been used. It assumes that every element of a discriminated set constitutes a separate class at the beginning. Further, there is successive diminishing of classes and combining into groups. More on this subject: Grabiński, T., Wydymus, S., Zeliaś, A. 1982. *Metody doboru zmiennych w modelach ekonometrycznych*. Warszawa: PWN, p. 145; Nowak, E. *Metody taksonomiczne w klasyfikacji obiektów społeczno-gospodarczych* 1990. Warszawa: PWE, p. 80–81.

Cultural similarities of selected European Union countries according to F. Trompenaars and Ch. Hampenden-Turner's dimensions
Subgroup 1: Romania
Subgroup 2: the Czech Republic, Bulgaria, Hungary, Poland
Subgroup 3: Denmark, the Netherlands, Finland, Great Britain, Sweden, Ireland
Subgroup 4: Spain, Belgium, Germany, Italy, France
Subgroup 5: Greece, Portugal

In case of research conducted by F. Trompenaars and Ch. Hampenden-Turner, it might be noticed that Poland creates a subgroup with selected countries from East-Central Europe, apart from Romania. The most numerous is group 3, which is mainly consisted of Scandinavian countries, the Netherlands, Ireland and Great Britain. The second group, in terms of a number of elements, is group 4 comprised of Spain and Italy, as well as countries that constitute three pillars of the European Union: Belgium, France and Germany.

The conducted analysis of cultural similarities, distinguished by G. Hofstede, F. Trompenaars and Ch. Hampenden-Turner, shows differences visible in certain group of countries as well as slight similarities. Discrepancies result from the applied research method and the adopted dimension of distinguishing cultures. They also arise from the availability of data used for an assessment of certain cultural features. It seems that distinguishing 7 dimensions of culture by F. Trompenaars and Ch. Hampenden-Turner provided a more complete picture of the analysed phenomenon.

As it was mentioned before, in negotiations with a foreign partner it is important to pay attention to his cultural identity, and ensuing specificity of conducting discussions. The two most commonly considered stereotypes pertain to the pace of making decisions and an attachment to conducting negotiations. In the European Union, Germans and Englishmen are perceived as traders who are especially attached to norms. In negotiations with Germans, it is advisable to emphasize a high quality and references regarding cooperation with other companies. Germans have a tendency to prepare extensive contracts in written form[52], whereas English traders are regarded as being relatively conservative, but they prefer oral arrangements. A certain problem is a slightly worse negotiation position of other businessmen who conduct negotiations in English. French traders are deemed meticulous, and act in accordance with the letter of the contract as long as it is profitable for them. Italian businessmen need a lot of time to make a decision and they like bargaining. Scandinavians put an emphasis on a quality and an efficient organization of the delivery[53].

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52 Budzyński, W. 2009. *Negocjowanie i zawieranie umów handlowych, uwarunkowania, ryzyka, pułapki, zabezpieczenia*, TNOIK, Warszawa: Wyd. Poltext, p. 165.

53 *Ibidem*, p. 165.

Sticking to dimensions of culture suggested by Hofstede, F. Trompenaars and Ch. Hampenden-Turner it might be added that in strongly universalistic countries, for example, in the Netherlands, Spain, Sweden and Germany, a courtroom is often a place of solving conflicts. In societies of universalistic cultures. a contract defines rights and obligations of the parties. Frequently, lawyers take part in negotiations which aim at emphasizing the significance of a contract and its provisions. In particularistic countries (in Bulgaria, Greece or the Czech Republic), contracts are treated as a general outline of the conditions of cooperation, which might be modified. Moreover, making an agreement is preceded by a long time of getting to know each other.

Among representatives of collectivist cultures, a team representation is preferred and they realize concepts of those people that have sent them (e.g. Italy, France, Greece or Germany). Negotiating on one's own in a country of collectivist culture diminishes the status of the negotiations and the position. Moreover, in collectivist cultures, making decisions takes more time and it results from consensus. However, the final result is much more long-lasting than in individualistic countries. When carrying out decisions in individualistic cultures, one frequently encounters difficulties. Representatives of such behaviours might be found in East-Central Europe countries.

Translators are often a part of the team, and in individualistic cultures they are regarded as neutral persons, while in collectivistic cultures they may fulfil the function of a main negotiator (fig. 2).

In a specific-oriented culture also defined as high context, which representatives are Austria, Greece and Italy, a long-term contract will not be concluded with a partner who is not credible. Southern Europeans and the French first get to know a partner thoroughly, and then after earning his trust, proceed to business talks. The means of reaching an agreement depends on which group of culture, diffuse or specific, a given society belongs to. In the concept of a diffuse-oriented culture (low context), it is aimed at concluding a contract. It commences from presenting detailed issues, then after the other side's interests has been evoked, the next step is to conclude and finalize a contract. Low context is represented by the Dutch, who moreover are characterized by flexibility and they easily adapt to any situation.

Negotiations between representatives of ascription-oriented cultures and achievement-oriented cultures may arouse controversy. Among committee from the country of ascribed status, there is "grey eminence", to whom everybody is submissive, and who should be made familiar with all suggestions and changes, even though his functions fulfilled in the organization are not known. On the other hand, a negotiating team composed of young people who show off their knowledge and conduct negotiations with representatives who are at least 20 years older (Ireland, Great Britain and Belgium) might be annoying and insulting for the country of an ascribed status.

Various attitudes to time may also be reflected in the process of negotiations and interpersonal relations. In negotiations with partners from cultures that view time management sequentially, interpersonal relations are treated like an object (Greece, Portugal and Bulgaria). It is important to meet deadlines and be punctual while having discussions with representatives of those cultures.

Considering an attitude to nature in the area of negotiations, it might be seen that internal control is often connected with a stance of dominance and pride. Representative of those cultures (Romanians, Spaniards and the French) may frequently cause a conflict. They feel discomfort when they cannot control the situation. They concentrate mainly on their own group or organization, whereas willingness to compromises, harmonious and calm actions, as well as flexible attitudes are represented by external control cultures such as Hungary, Bulgaria or Sweden.

On the basis of the above considerations, it might be stated that cultural factors considerably influence negotiations conducted among the European Union countries, although in the analysis only selected issues were discussed.

Conclusion

The processes of globalization and integration that are present nowadays have contributed to the greater internationalization of the economic activity.

Negotiations conducted with business partners often precede the realization of common undertakings and projects. As it was shown in the analysis, despite the economic integration between member states of the European Union, the cultural discrepancies still play a significant role in negotiations, and they occur on various levels of this process.

Cultural differences often create invisible barriers in international business. Considering their significance, some research aiming at defining dimensions of culture and grouping countries according to different attitudes to behaviours and situations are conducted. In the compilations that have been created thus far, not all of the European Union countries have been analyzed. Subgroups of countries manifesting similar cultures distinguished by Ward's method, especially those in which criteria from G. Hofstede's model have been applied, may evoke some kind of dissatisfaction. Bearing in mind the complexity of the concept of culture, it seems that a classification of a larger number of countries done according to appropriately chosen dimensions, would enable a more thorough presentation of the analysed issue.

Although, every country differs from another in their particular solutions, it should be remembered not to follow the stereotypes associated with a given country. Irrespective of the fact that cultural factors much more frequently play a significant role in business negotiations, it is worth being prepared for various approaches to negotiations and methods of negotiating.

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Summary

The growing number of different connections between Poland and member states of the European Union makes negotiations of new business undertakings, in terms of trade exchange, play a more and more significant role. Negotiations conducted in the international environment are connected with the possibility of appearing some barriers, in which cultural factors are of great importance.

This article constitutes an attempt to present the significance of cultural factors in business negotiations conducted between partners from the European Union.

The most crucial approaches to the essence of negotiations and national culture have been presented. The most extensive models of culture arising from the research conducted by G. Hofstede as well as F. Trompenaars and Ch. Hampenden-Turner, have been characterized and analyzed. Moreover, problems that may arise while establishing cooperation in selected countries of the European Union have been indicated.

The final part of the article aims at presenting implications resulting from cultural differences that influence negotiations conducted by member states of the European Union.

Stanisław Galata
Andrzej Frycz Modrzewski Krakow University
Urszula Pietrzyk
Państwowa Wyższa Szkoła Techniczno-Ekonomiczna w Jarosławiu
[State College of Technology and Economics in Jarosław]

THE MORAL ASPECT OF INFLUENCING A CONSUMER'S BEHAVIOUR ON THE MARKET

Introduction

The subject of the following consideration constitutes an attempt to evaluate one of the functioning business areas, namely marketing, from the aspect of morality of market participants. The author of the bible of marketing, Philip Kotler when asked what is marketing, answered, "...it is a study and an art of researching, creating and offering, at a profit, products, which have a value for a client in order to satisfy the needs of a target market. Marketing identifies unfulfilled needs and desires. It determines measures and defines quantitatively the size of an identified market and profit potential. It describes in detail, which market segments of a company might be satisfied in the best possible way, as well as it designs and promotes the appropriate products and services" [Kotler: 14]. Following Kotler, other authors formulate various definitions, which are similarly unoriginal as this one. The expressions such as „philosophy", „study", and „art" are used freely and randomly, while they have established connotations. Here, they are overused, and instead of explaining the essence of a phenomenon of "researching, creating and offering products at a profit, which have a value for a client", they rather have an enhancing character. Marketing is a form of human activity, and its significance has been clear since the prehistory of Man. Statements of the following kind: "Marketing is effective only when all employees want to provide a valuable product and satisfy clients' needs" are simply truisms. Moreover, obvious remarks about the relative character of the means of persuading clients about a value of offered goods and services are not really revealing. The fact that not everybody is keen on spinach was known to illiterate traders in the ancient times. They did not offer drinks to thirsty people in the vicinity of springs, fur coats on the equator or sandals in the north of the continent. Hence, "segmentation for every market and looking for the most promising segments from the perspective of a company's possibilities and aims" have been used for ages [Kotler: 15]. Not mentioning the evident gaps in a definition of marketing, the phenomenon itself is obviousness as a process inextricably linked with human activity in an existential sphere. This sphere is common for two subjects: manufacturers of products or those who provide services, and buyers (clients) of goods or services, both of which are market participants, where a market is a place of their meeting.

Their conduct is regulated by the forces interacting in the same direction but having different sense of a vector. Both of those subjects aim at the same goal: attaining profits. Sellers achieve this by maximizing income and buyers by minimizing expenses. The force regulating their behaviour is a function of many variables which have their roots in egzogenic (relating to a broadly understood environment) and endogenic (pertaining to individual determinants) spheres. There are so many diversified factors that some of them we cannot even name, while others we find out about after they have started to exist. Hence, in order to solve problems connected with marketing, there is a necessity to make use of the achievements of other disciplines, which are sometimes very different thematically. In this presentation of the problem, it has been assumed that a client is not only one of the business elements, but he is also its subject. It gives rise to particular methodological consequences. The phenomenon of "active trade" is not an invention of our times. After all, issues such as searching for and evaluating market possibilities, which lead to satisfying needs of particular buyers, a precise definition of those needs, and creating a product and a strategy of its distribution on the basis of this knowledge, as well as preparing an appropriate strategy of prize and promotion have constituted the subject of affairs of our ancestors since the distant past. Nowadays, we have just given them new names, such as advertisement, information about a product, distribution, viral marketing, product placement or recently: people, *physical evidence, package, permission, pass-along, positioning, publicity, purple cow* and the like [Kotler: 15].

Tempting with their attractive names and characters, "modern" methods and instruments, which are used, do not contribute to the understanding of the essence of the process, which takes the following form: resources – transforming resources into effects – effects distribution, and they do not even fill the content of this process. Making use of other theories, chosen according to a criterion of "matching" with the problem, results in atomizing of the process and deliberating on single elements without taking into consideration their broader context.

Declarative character of moral recommendations in business

Let's notice how frequently advice and recommendations pertaining to winning and keeping clients make the effectiveness and success of these actions conditional on morality of their doers but only in a declarative way. This issue mainly comes down to a trivial, general remark about the necessity of "being honest" in business. The interpretation of this recommendation is left to the disposition of an individual's potential honesty which is not clearly defined but which is verified in the area of an economics-ethics dilemma. This is a situation in which we know how to solve a problem, but we have some dilemmas as there are many variants of a solution, which are similarly strongly justified. Making use of an arsenal of social engineering methods, achievements of psychology and *neurophysiology, we may exert an influence on people's behaviour in every situation, including an impact on subcortical structures of individuals, according to our intentions.* Those intentions do not necessarily always coincide with the conscious intentions of those people to whom we apply such "tricks". There are already warnings from scientists that "losing control over a development of information techniques (e.g. social utilities) may lead to lessening of our sense of morality and may render people indifferent to everything which has a non-economic dimension" [Covey: 20]. A lot of systemic solutions do not correspond to our social needs and people as a whole, as well as to directors of companies, who are still unable to face social responsibility for conducting a business. This stems from a dangerous oversight that responsibility for others is also responsibility for oneself. Then, while creating "a manipulation web" around a client, it is easy to get entangled in it oneself. In the very nature of things, it is easier to decide how to manufacture a particular product and offer it at a best price to a client than worry about the social results of such decision. However, all those carefree people who turn a blind eye to immorality in business and claim that ethics and business are separate spheres that will never form a couple, are short-sighted; not looking further than the last verse of their financial report. Due to this, it might be easy to skip sometimes mortal danger. Here, an attitude according to which "socially accepted morality, which still develops itself and is subject to corrections, should be applied in issues which are a matter of business ethics" [Galata: 27]. Those questions should be discussed freely in public. If this public debate is to lead to reasonable conclusions, it should have a clearly defined subject, be based on knowledge, and it should be understandable and lucid as well as conducted in a rational way. Philosophers of morality try to develop theories of morality, which include our moral intuition and are concordant with it, and irrespective of the discussions about which theory is better, the majority of them agree in terms of acts which are deemed moral or immoral. We cannot wait until all theoretical issues are completely solved to start addressing practical moral problems. "Here, economic factors are a prerequisite, but not sufficient enough for the size of a system task (a continuous development) to be realized without considering cultural influences, a feeling of safety and moral norms, which are specific for each situation" [Galata: 100]. From the perspective of those determinants, the course of those processes might be followed in a more or less precise way while they occur. However, it is only a peculiar "photography" of the observed facts, which makes it possible to answer the following questions: *what do we want and how we can achieve it*? In order to indentify one's own potential (possibilities), with an intention to define its influence on the scope and size of the realized processes, it is necessary to know an answer to a question: *why do we want what we want?* Only then, it will be possible to single out and characterize those factors, which really shape chances for and dangers to a company's development, raison d'être of which is sanctioned by its clients' acceptance.

Motives for people's conduct

From a very general perspective in a consumer-market relation, the following stages might be distinguished: a choice of a contractor and a transaction, making a transaction, and an evaluation of the obtained results. Hence, it is a complex process, which runs on many planes, the effects of which are a function of features of both the environment and the whole psychophysical structure of particular individuals. Here, a subject of deliberations is the third stage, namely making a transaction. A consumer's behaviour at this stage is understood as a specific type of an individual's reaction to stimuli interacting in a particular atmosphere – purchasing a product or making use of a service – which favours expressing *emotions* experienced in this moment. The consumer's *emotions* define the quality and significance of the purchased items, experienced phenomena and interaction with other people as well as with his own person, and at the same time, they constitute a source of emotions. Until the first half of the last century, there was a conviction that they constitute a feature of a character. Nowadays, the research of neurologists make it possible to state that emotional processes are inextricably linked with the functioning of the limbic system, as a system integrating the activities of cortical structures, especially the frontal lobe with *neuroendocrynic* processes and the activity of the autonomic nervous system. Traditional introspective psychology distinguished three essential features of emotional processes: 1) a sign of emotions (value, valence) – their positive (pleasing) or negative (distressing) character, 2) intensity of emotions, which is connected with the influence of this process on behaviour, a line of thinking, and the like; 3) content of emotions, which defines a significance of a stimuli and disposes to a particular action (e.g. fear disposes to an escape, anger to aggressive behaviour). Frequently, emotional processes are also divided into 1) emotions – psychical states that expresses human disposition to particular events, people and other elements of the surrounding world, consisting in a reflection of a human approach towards the reality, 2) affects – emotions that mostly occur due to strong external stimuli, especially those that happen suddenly (anger, annoyance, despair, joy and fear), 3) moods – a long lasting emotional state with low intensity and a steady course (satisfaction or discontent, cheerfulness or sadness, despair, longing), 4) passions – these are lasting tendencies to experience different moods and affects connected with defined aims of man's aspirations. Their sources are processes taking place in the human brain. Passions have a great motivational force, they direct thoughts, observations, memory and other psychical processes.

They are characteristic of young age, and with time they become weaker; however some of them (e.g. greed) may get stronger. Scientists, when giving their opinions about a difference in genetic activity in a young and adult brain, claim that an extraordinary ability of the brain of a young person to adaptation, called *flexibility of the brain,* is one of the major riddles of neurobiology. Great flexibility of the brain is present only for a short period of time, e.g. if a child is deprived of normal visual stimulation during the first few years of his life, *permanent sight impairment* and poor eyesight occur. On the basis of this knowledge, experiments on animals were conducted. Animals were being kept in a complete darkness for 3 days, and then they were subjected to an influence of light. The genetic response of the cerebral cortex of each animal was that in a young brain an activation of specific genetic mechanisms and chemical modifications of essential proteins (histones) occur, while such changes do not happen in brains of adult animals. Histones are proteins around which DNA is wrapped and changes in their structure lead to making DNA available to enzymes indispensable for genetic activation. It was also stated that visual stimulation activates genes that regulate a transcription of other genes, i.e., redecoding information from DNA to RNA (next, translation occurs, and out of RNA protein is produced). In order to verify whether modification of histones, which was observed, is really connected with flexibility, scientists gave a substance that increases modification of histones to adult animals. It turned out that sight flexibility of adult animals was improved. Hence, it was concluded that visual experiences activate intracellular signalling paths, which control genetic expression in the cerebral cortex in a different way among young and adult animals. Depriving adult animals of this mechanism may regulate a reduction of flexibility, which occurs in the adult visual cortex. Probably, deprivation of the mechanism of genetic activation and of histones modification is connected with the termination of a short period of time in which the brain is highly susceptible to adaptation to absorption of new sensations. Passions are also – in the light of neurophysiologists and psychiatrists' research – characteristic for a gender. Recently, one of the well-known opinions on this issue has been presented by an American neuropsychiatrist, Lozann Brizendine, in the book *The Female Mind.* According to the author, an average woman utters 20 thousand words a day, while a man only 7 thousand. Talking is as pleasant to women as taking another dose of heroine for a drug addict. However, men think about sex every 52 seconds. They also have a significantly smaller centre in the brain that is responsible for hearing.

Hence, they are naturally deaf to the seemingly logical arguments of their mothers, wives and girlfriends, who reproachfully speak in vain, "you never listen when I talk to you." The basis of this thesis is that there is not a unisex brain. Girls and boys are born with different brains, which are essentially dissimilar in terms of their structure and chemistry.

Boys grow up "wired up" with neurons as men and girls as women. The brain produces emotions, impulses and values; hence the female and male perception of the world differs. As it is known, every brain at the beginning is feminine, however, since the eighth week of pregnancy, boys in the mother's womb are being bombarded with a masculine hormone – testosterone. This bombarding has an intensive character. Only in a period of adolescence is an eruption of testosterone similarly intense. The brain of masculine embryos is literally "marinated" in testosterone.

As a result, there is a "male" brain – testosterone causes connections in centres stimulating communication and expression of emotions to be reduced. In female brains, under the influence of a feminine hormone (oestrogen), which the author calls "a queen", communication centres and centres responsible for speech, expression of emotions and observation of emotion of the others, are developed. It can be said that women transfer emotions via an eight-line motorway, while men only through a narrow rural road. During an experiment at Stanford University, volunteers were shown pictures that caused strong emotions. In female brains nine different regions responsible for emotions were activated, while in male brains only two. As a result, even the behaviour of babies of both sexes is different – girls observe facial expressions in suspense, while boys are basically indifferent. Babies of masculine sex do not listen to their mother, not because they ignore them, but due to the fact that they cannot decipher emotions on their faces. Attempts of unisex upbringing are condemned to a failure. A few years ago, feminists denied the existence of a natural difference between a female and male brain. "Different" may mean also "worse". If such a difference exists, it only occurs as a result of upbringing, imposing "female" roles by the society. At the beginning of adolescent life, boys and girls represent the same mathematical abilities. However, hormonal changes then take place, and girls start to concentrate on their emotions, relationships and intensive talks with friends on the phone or via emails. In the very nature of things, boys are not really capable of interpersonal discussion, they become "fighters" and "lonely hunters", whose passion is competition in sports or amatory conquests. Why do adolescent girls talk all the time? Well, it is caused by the fact that intensive discussions activate in their brains centres responsible for pleasure. A talk triggers a whole cascade of hormones that generate good mood, namely oxytocin and dopamine. Making use of such states has to take into consideration the fact that expressed emotions occur in two forms: primeval – lower emotions, which pertains to satisfying the biological needs of an organism, and secondary – higher emotions, which have a social character and concern spheres of value and knowledge. Higher emotions encompass, inter alia, moral (ethical) emotions, aesthetic emotions and intellectual emotions. Being aware of how those emotions occur, the force of both the latter and the former might be regulated, i.e. the processes of consumer choices might be influenced by strengthening or weakening the clients' will. Let's have a look at an interpretation of an influence of inseparable *emotions* on our conduct in the context of *will.* Why is it difficult to control overwhelming emotions during an exam, job interview, when applying for a job or during a very important meeting? If we were informed earlier about a particular situation in a very detailed way, those feelings would be much stronger. Strong will which controls our actions is very frequently similar to a muscle, because as a muscle it can work very hard but only for a defined period of time, and then it gets tired. This is the reason why an average man needs a moment to rest between acts of controlling behaviour. Self-control is a particular inner energy which can be drained easily, e.g. a monotonous walk in an expansive area even of an interesting exposition of goods. One of the consequences of draining those valuable resources might be a less effective self-presentation, i.e. shaping one's own image by a control of behaviour. A woman playing a role of a lost blonde to avoid paying a fine or a client (who cannot afford to buy a given product) complaining and leaving with an expression of dissatisfaction, are examples of conscious ways of wearing masks and acting out social roles. Research shows that such a conscious adapting of a habitual self-presentation to circumstances demands a lot of effort. In one of the experiments students were requested to record a film with a presentation about their own person, which later could be shown to other students. Half of the group was requested to do it in a natural way, while the other half was to present themselves as likeable and competent people. A part of those students who were researched received information that those watching their presentation would have a sceptical attitude towards them. Then, after a stage of recording presentations, the participants of the experiment were watching a very exciting film during which they were requested to restrain themselves from showing any emotions. It turned out that those researched, who prepared the most demanding presentations ("I am likeable and competent"), could not effectively control their emotions (in the form of facial expressions) during a screening of a film. During a job interview, we aim at persuading a sceptical recruiter that we are meticulous professionals, who are also likeable and highly regarded. It is a very difficult task of a self-presentation. Such a conversation in which we present ourselves in this way depletes our ability to restrain ourselves from, for example, an excessive overeating. If you are on a diet or you try to control smoking, after such tough self-presentations, it will be much harder for you deny yourself eating a favourite cake or smoking a cigarette. Women in self-presentations emphasize good relations with other people, while men highlight their competence. Thinking that an opposite self-presentation would be difficult for both sexes, another experiment was conducted. First of all, a task for students was to hold in their fists an instrument used for exercising forearm muscles for a long period time. Then, those researched were divided into two groups in terms of sex, and they were randomly ascribed to one of the groups. The task of the first one was to record a presentation on making relationships, and the other on competence at work. Such a division guaranteed that men describing their work and women describing their relationships would be presenting themselves in a typical way, while men talking about their relationships and women describing their jobs would have to consciously control their image. After recording all the presentations, all four groups of the researched students had to again hold in their hands the instrument for the longest time possible. Having compared the length of a grip before and after presentation, it turned out that people presenting themselves in a way divergent from a stereotypical gender role maintained a grip for relatively shorter that those whose presentations were concordant with their typical self-presentations. Hence, those researched who presented themselves in accordance with a stereotype had more resources of self-control.

However, not every effort to embellish our image will enable us to restrain ourselves from satisfying, for example, compulsive drives. According to the research, a regeneration of a muscle of self-control takes places during sleep. In popular interpretations, a form of demonstrated emotions is also connected with human nature. Since Ancient times, the concept of human nature has constituted an important element of conceptual systems; once it was regarded as "nature in general," and sometimes it was also connected with the word "human." Without considering various philosophical and religious systems, let's concentrate on interests in human nature as presented by economists. Since the 19th century, "gravitation" toward facts in organization science might be observed. Authors restrict the scope of their evaluative and normative deliberations to purely factual considerations. This search places the issue of Man's behaviour in the area of an eternal dispute about human nature. "Within the frame of this dispute, it was discussed whether a man always aims at his own pleasure, even when it is hard to state it precisely, or whether for that pleasure he is ready to egoistically offend other people and ignore their needs, or whether his social instincts encourage him to take into account the needs of others" [Covey: 9]. Solving this dispute is indeed like a confirmation given to either *Homo homini lapus* (man is a wolf to his fellow man) or *Homo homini fratter* (a brother).

However, sometimes there are even opinions that the concept of human nature is not important in this dispute. First of all, it needs to be stated that, until now, a uniform, unquestionable stand has not been worked out. Hence, it constitutes an incentive for further discussion and evaluations, as well as closer reflection on the issue, which cannot be omitted in considerations, only due to the fact that it is difficult. A. Smith, who is deemed one of the creators of modern economics, claimed that Nature, in order to secure people, equipped human hearts with fear of reprimand and anxiety of punishment. This particular aspect of interests in human nature (fear), as represented by economists, reflects itself in paying attention to a man's attitude to work, ownership, and usage. For instance, economic liberalism was connected with an optimistic opinion about Man, about the possibility of reconciling contradictory human interests. In other economic theories, this optimism is not shared. "Opponents of abolishing private ownership, frequently stated that it would be divergent with human nature, with its attitude to proprietorship and work, which would be never appropriately efficient, if directed by one's own desire for profit. Supporters of nationalizing property believed in work, which was not directed by a desire for personal profits, but they assumed that there was a possibility of a different man's approach to other people and to work. […] "For such an imagined person, lawyers create their labour codes fortifying themselves against those socially harmful acts to which, according to them, Man is driven by strong temptation. A social reformer decides when it comes to things for which a man is suitable or unsuitable, while an educationalist is interested in the extent to which man can be transformed by well-thought out, planned effort" [Covey as above: 14]. What results from this opinion? Well, from this opinion it follows that everybody should behave according to the will of a "social reformer." The issue of the *economy* of this behaviour is not mentioned here; any worker may perform it with bigger or smaller engagement provided that he will not cross an established margin of efficiency. Moreover, it does not require speculative evidence to state that a worker, when not motivated with additional gratification (direct or postponed in time), will care only about fulfilling regulation requirements. However, observing visible signs of conduct have never been sufficient to state what Man is really like.

It results from the thesis, that only Man "as a subject of action, behaves consciously, and only he, constantly stating observed facts, asks the question: why?" [Galata: 10]. Here, a reference to motives playing a significant role in discussions on human nature is present. The word "motive" (from Latin– *motus*) is used in many senses:

1. In the broadest sense in which this word has ever been used with reference to thinking beings, a motive is understood as everything which may contribute to evoking any action or even contributing to its prevention. In this meaning, a motive might even be such automated actions as getting out of bed, reading a newspaper, drinking coffee, that is every movement, even biochemical actions taking place in our organism.
2. In the second sense, a motive is connected with the word "reason". "If we perform any action (physical or psychological) we have a feeling that a certain experience makes us do this action, then we say that this experience is a motive of this action" [Ossowska: 26]. As is visible here, the first element constitutes a certain emotion, while the second one is an action (with indicating its character). Probably, it is the most frequent academic presentation of this issue.
3. The third understanding of the word "motive" is expressed by Ch. Ehrenfels' definition: "A motive is an emotional disposition which has become a factor in determining an occurrence of a desire" [Ossowska as above: 27]. Here, a ques-

tion about motives does not refer to sporadic behaviour, but to *motivating forces,* understood as forces which move engines; hidden springs of actions. We bear in mind such motives when we ask whether Man's conduct is governed by common sense, passion, egoism or will.

4. Also, a frequently encountered significance of the concept of "motives" is connected only with an *intentional* action, and it means an action which has an aim, not necessarily a successful action (i.e. the one that leads to an aim). According to McDougall, "a properly established motive of any action is always an instinctive impulse or a group of such instincts" [as above]. However, such mental speculations lose the essence of a problem; if Man when led by hunger is looking for food, he does not do it unconsciously. He considers the consequences of obtaining it from a place in which food is placed.

   A hungry animal instinctively strives for food without considering whether the place with food is safe, as for example, it may be trapped. Considering an action which has not led to achieving an aim, a purposeless action would be like regarding attempts to rescue a drowning person as senseless only because they were unsuccessful, or like regarding an unsuccessful assassination attempt as aimless. This artificial, indeed fruitless, splitting of the concept of having a goal, organizes a prakseological presentation and distinguishes an intentional, aimless action and activity contradictory to purpose.

5. In the narrowest sense of the word, a "motive" refers to "the fact that if all actions have their reasons, it is certain that some actions do not have motives. It is obvious in terms of impulsive actions or in the case of intentional activity" [Ossowska: 30]. According to this meaning of a motive, an action has a motive only when a person considers different alternatives and chooses one which is the most favourable to him. However, let's note that regarding actions that we do routinely without thinking (it does not mean that we perform those actions subconsciously), whether or not what we are doing could have a better alternative, as purposeless, would be unjustified.

All those different presentations have one flaw in common: an attempt at a universal interpretation of a "motive" which does not refer to specific characteristics of individuals and conditions in which those individuals act. A motive, in its final shape, manifests itself as an exact relation between a reason and effect. It would be like regarding a warm overcoat, unquestionably indispensable in freezing conditions, as a universal outfit in every climatic sphere (at the equator or at the poles). In every situation, including one performed out of surprise, a subject of an action (Man), takes a decision in three stages: *problem* (taking or not taking an action), *dilemma* (which variant of conduct should be chosen), *task* (how to realize it). What matters is only the duration of those stages, but each stage has to be realized. A transition from infancy to adulthood cannot skip the period of adolescence, however, in particular cases, those stages can occur at different times and at their own pace. In order to omit the above mentioned gaps in an understanding of a "motive", it can be assumed that a motive, as an indirect incentive of human behaviour, results from an interaction of many factors, both psychological and physical; intellectual ability to make use of knowledge, experience, physical characteristics of a person in particular conditions, in which this person takes action. Frequently, a motive is associated with an intention (plan) in colloquial language. However, then it is confused with an aim. For instance, the intention to hurt somebody constitutes an aim of an undertaken action, which encompasses many elements, and each of them may have different values in terms of choosing a way of conduct. Then, we would deal with many motives and aims, while there would actually be one aim: hurting somebody. Hence, it is artificial to ascribe to Bentham a differentiation between an intention and a motive: "Intention comprises all the reasons for and against committing a given deed. Motives are only the first of those factors. People are not different in terms of their motives because everybody strives for some pleasure or benefit. They differ with regard to the rest of their intentions, i.e. why they do what they do. A thief and an honest buyer have the same motives: to earn some money, whereas they differ only in their approach to other people. Taking into account harming other people cannot stop the former from committing particular actions, while it stops the latter" [Ossowska: 35]. Hence, it is all about influencing people's behaviour in a particular situation, in this case choosing a product and a type of a transaction. In order to do that it is necessary to bear in mind conditions (a group of factors) which are the source of client's behaviour. Other difficulties notwithstanding, the time of making a transaction itself does not allow one to take into account: genetic conditioning, obligation, fear, hedonism, egoism or social instincts. Here, it is important to notice one of the factors which has an enormous influence on "both sides of the counter" (seller-buyer), namely, a fear of crisis in the face of the current economic situation. A crisis, or even its spectre, does not let anybody stay indifferent. It is not about a fear of another danger – credit insolvency, a loss of a job or possessions – but a fear that afflicts many people nowadays, and the more elusive and difficult its cause is to define, the more destructive it is. Not by chance, philosophers, economists and sociologists notice not only the an economic breakdown of the western world, which Poland joined 20 years ago, but the corrosion of the current image of humanity. It might be observed that some kind of devastating virus has afflicted not only the world of finance, but also seemingly clear values, which contemporary Man should follow, and goals to which he should aspire. As it can been seen, the question: "what directs a man" in his conduct? is not synonymous with the question: "what governs a man" in his conduct? Sometimes when we say that somebody was governed by patriotism, a desire for profit, or that he was directed by love, we mention certain motives of behaviour. Both those expressions, used in particular, defined contexts may get different meanings. Let's consider the way in which a question of whether Man is governed by common sense or whether he is a being directed by senses and passions has been discussed for ages. "Governing by common sense" might be understood in the following way:

"1. One is governed by common sense in the first place, who has a certain stable hierarchy of values, who, because of that hierarchy, has justified beliefs about what should and what should not be done, and who wants to lead his life according to those beliefs. In this sense, being governed by common sense is connected with a certain propensity for planning. Such planning remains, in contrast with the lack of planning exhibited by somebody who is governed by passions. Such a person acts unsystematically, and his conduct depends on what he wishes for in any given moment.
2. According to the first interpretation of a life directed by common sense, it was enough to consequently adapt one's conduct to a certain source of convictions and evaluations of any content in order to be regarded as a man governed by common sense only when somebody adapts one's behaviour to a completely defined system of beliefs and has a definite hierarchy of values. A strong willed man is a slave to his resolutions similarly to how a man of a weak will is a slave to his whims.
3. However, it often happens that we ascribe following common sense to anybody who acts in a way that we personally deem appropriate. Hence, stating that somebody is governed by his common sense is like praising somebody's conduct and regarding it as rational from our point of view.
4. When quoting a common saying by Pascal *la raison est dupe de Coeur* (the mind is always deceived by the heart) people claim that even when we are supposedly directed by common sense, our common sense is led by the nose because of feelings" [Ossowska: 39].

It is assumed here that we are governed by common sense if we are capable of formulating and justifying our beliefs without falsifying those processes in order to match them with our needs or likings in situations in which our interests are engaged. The phrase "being governed by pleasure" also has many interpretations. Expressions such as "unpleasant", "pleasure", "pain", "delight", "happiness" have positive and negative emotional tones. Stimuli evoking such reactions may have a psychological character (e.g. smell may evoke pleasant or unpleasant sensations) or non-psychological (e.g. when a photographer asks for a pleasant facial expression, he means a stereotypical image, not a facial expression showing pleasure).

Considering the sources of motivation for people's behaviour, irrespective of the scope of this consideration, a factor that plays a very significant role in choices and evaluations of individual comportment cannot be omitted, and this factor is conscience. "Experiences that we today connect with a disposition called conscience, unquestionably have been known to Man from time immemorial, as there is no human group which would not have its prohibitions, and where prohibitions are present, conditions to shape this disposition occur. The most basic form of conscience is viewed by Freud with reference to taboos imposed on people. It is forbidden to kill an animal which is a totem, you mustn't marry a woman from the same totemic group – these are restrictions limiting certain desires of a primitive man, and making him feel guilty" [Ossowska: 322]. A concept of conscience understood as a certain power inside Man was formed in the Middle Ages under the influence of Christianity. Concepts that were shaped later, both contradictory to and convergent with the first understanding of conscience, referred to this. Differences among them that might be observed, sometimes lead to peculiar speculations, and they mostly arise from their authors' attitude towards a religion in general. Philosophy of the 17^{th} and 18th century changed God's voice into a voice of nature. However, in both cases, conscience functions as an infallible voice common to all people. Accepting, as in religions, a voice of supernatural forces enables people to choose individually among various ways of conduct, whereas regarding a voice of nature as a source of our interaction to stimuli is determined by our psychophysical construction. In the second case we cannot do anything against what nature holds. It can be noticed that such an understanding leads to a blind alley, as for instance, is there any sense in shaping the character of an unruly student if nature has equipped him with particular features? Another argument of proponents of conscience as a voice of nature is: "In every group, apart from moral rules dictated by changeable likings and antipathy, who were strong enough to impose them, there exists a group of common rules – common because there are certain common rules of safeguarding life in every human association. For instance, in every group, it is obligatory to defend the lives of its members, their possessions and good name, […] just as somebody would defend the existence of an inborn sense of building a house on the basis that people build it with a certain similarity" [Ossowska: 224]. What will happen however, when there is a change of external conditions?

Does it mean a beginning of new conscience? Does a change of individual conditions in the face of economic crisis alter our attitude towards other people? Hence, a situation of moral "colour blindness" may occur easily, a situation in which something that we would have regarded as evil in the past, does not seem that way now. Thus, we talk about a so called "broad" conscience, and there can also be the other extremity, a so called "narrow" conscience. It is about scrupulousness. Hence, the question arises: what is good and wrong in our comportment when confronted with problems of others? We should look for an answer to this question in ourselves. If we do not find it there, we seem to be passively led by other people, and to accept, without our own judgement, everything that takes an attractive form.

Possibilities of arousing motives of people's conduct

Development of engineering and technology exerts an influence on every domain of our life. Free movement of people, goods and ideas within the framework of the current stage of globalization facilitates an extension of this process. A growing arsenal of technological resources makes it possible to solve many problems in the areas which have been so far inaccessible to the human brain. It is not difficult to notice that a human tendency to imitate others has an influence on arousing motives of people's behaviour. Imitating constitutes a particular form of education, on which certain educational interactions are also based. Thanks to this, we learn language and other skills, socialize and become embedded in our culture. The following question arises: what causes us to be able and willing to imitate somebody? Current research in the field of cognitive neuroscience has broadened our knowledge about the areas of the brain responsible for this process. In the 90s of the previous century, Giacomo Rizzolatti and his co-workers from Parma University, when conducting research on monkeys, discovered that a certain group of neurons, localized in the front part of their brains (in the area of F5), got activated both during observations or performing similar actions. For instance, when a monkey was looking at somebody picking up a nut from the floor, it did the same. The newest research with the usage of neuroimaging techniques indicates that the mentioned neurons, which are called mirror neurons (MN) can be also found in our brain, in area 44, called the Broca's area, which is a counterpart of a monkey's F5 area. The above discoveries encouraged scientists to put forward a hypothesis that mirror neurons enable us to understand observed actions by mapping them in our brain in the areas activated during the performance of similar actions. There is a growing body of evidence that those mirror characteristics supposedly constitute a cerebral basis for more complex processes of social cognition. It is about understanding somebody's intentions or an ability to "put oneself in somebody else's position" in order to better understand his arguments in a discussion. Mirror neurons seem to be responsible for those functions that for instance people with autism lack. Scientists hold an opinion that MN dysfunction may cause not only difficulties in comprehending others' thoughts and intentions, but also a lack of empathy or the ability to imitate. Imitating constitutes an important element of social interaction, as for example contagious yawning or following in alcoholic's footsteps, or in an interesting area for us, copying other people's bearing and lifestyles. In order to answer the question whether mirror neurons constitute a cerebral basis of those behaviours and whether their lack in brains of some people is really responsible for certain comportment, scientists – neurocognitivists – attempt to monitor and map mirror neurons. A broad range of techniques of imaging is used. A relatively new method is functional magnetic resonance imaging (fMRI), which uses radio waves and a strong electromagnetic field to detect those areas in the brain, which are active during a performance of a given activity. fMRI technique shows areas to which the largest amount of oxygenated blood flows. Simultaneously, those are the most active regions, hence they need more oxygen. In one of the experiments, a participant of the research was asked to move his finger and at the same time to look at another person who was doing something similar or the same. During that, the researchers were scanning the brains of the participants. It turned out that irrespective of what the researched persons were doing, the same areas in their brains were being activated. When the researched persons were doing exactly the same as what they were observing, the level of activation was significantly higher. This confirms the existence of a system of mirror neurons responsible for matching the things that we perform to what we see. fMRI research has also proved that when people with autism observe and imitate facial expressions of others, their MN system does not show any activity. It is more proof that this neural dysfunction might be a cause of social difficulties. In another research with the usage of fMRI, the activity of the MN systems of dancers was monitored. It turned out that when dancers observed a dance which was their specialization, their MN system was much more strongly activated than when they observed a different style of dance. It proves that the MN system may be developed by learning. In the research, electroencephalograph (EEG) is also used to record fluctuations, so called *mu* waves. These are electromagnetic oscillations of the brain's electrical activity, which occur as a result of synchronization and a cohesive activity of large groups of neurons. Scientists from California University in San Diego discovered that *mu* waves are suppressed not only during a performance of some actions but also while observing them. When we watch some action, our MN system is the only motorically active region. Hence, it was concluded that mirror neurons block *mu* waves. Thus, monitoring *mu* waves while observing some actions is a safe, non-invasive method of measuring the activity of an MN system. As is emphasized by researchers, we may freely steer our *mu* waves thanks to the usage of neurofeedback. It is possible that this process has a significant influence on the development of the MN system of each of us. Similarly as in the case of every step taken forward, here we may also expect both benefits (an application in medicine for eliminating organism's defects) as well as damages (causing such defects). Hence, another question arises, and the answer to it is fraught with consequences. What are the limits of using our knowledge about the means of arousing or restraining motives of people's conduct to make them behave according to our aims? After all, knowing the mechanism how certain subsystems of our organism function, we may utilize the results of both its strengthening and weakening. Causing disruptions in the process of connecting observation with a performance – in which a significant role is played by mirror neurons – there is a possibility of triggering a dysfunction of the MN system that controls the processes of cognition of the environment in its real shape. Hence, we may make a person behave according to our intentions with limited or no participation by the person's will.

Conclusions

1. Economic factors constitute a prerequisite, but not sufficient enough for the size of a system task (a continuous development) to be realized without con-

sidering specific – for each situation – cultural influences, a feeling of safety and moral norms functioning in them.

2. A client is not only the most important element of the business – he is mainly its subject.
3. Making use of an arsenal of social engineering methods, achievements of psychology, neurophysiology *we may exert an influence on people's behaviour in every situation, including an impact on subcortical structures of individuals according to our intentions.* Those intentions do not necessarily always coincide with the conscious intentions of those people (in this case – consumers) to whom marketing applies such "tricks".
4. The rationality (after all, according to one of the oldest definitions, a human being is a rational animal) of a man (consumer) obliges him (in every economic system, especially in economic liberalism) to:
   a) acquire knowledge of the rules of the market (which aspires to the accumulation of material goods)
   b) have a broadly understood knowledge of advertising and its function, especially in terms of manipulation human needs
   c) be responsible for oneself, the natural environment, and future generations (according to a "social reformer's" will)
5. From this responsibility, appropriate choices of products that fulfil real needs because they are existential (in two dimensions of his nature – physical and spiritual), arise.
6. A connection between a structure of economics (including advertising) and a structure of human needs (according to nature, the essence of a man) is of two kinds:
   a) the economic system adapts to peoples' needs
   b) the economic system makes people (consumers) adapt to its needs (manipulating them only for its own profit)
7. A consumer, who is placed in the world of trade values, in order not to become a victim of consumer society, cannot be "immersed in the world of matter (immanent in master), and cannot lose the ability to constantly transcend himself – following an axiology of mind, he is obliged to critically reflect on this world and his life.
8. Conclusion/question: Who bears the so called social responsibility for educating consumers according to an axiology, which has in mind, following a classical idea of ethics, the good of a man who realizes the possibilities (potential) of his nature? A company? A state? A business? Consumers associations or maybe a religion? Is such an education of rational consumption necessary?

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Summary

In this presentation of the problem one turns their attention to the fact that the customer is not only one of the elements of the business – it is its subject, and this produces definite methodical consequences that examine the influence of marketing manners on the consumers' comportment on the market. The manipulation of his behaviour (including the influence on subcortical centres of the brain) for gaining solely economic profits (the economic system adapts the man to its own need) raises the question of the responsibility in economic life both on the level of an individual (the consumer), as well as on the level of the whole consumerism-oriented society. Also, the problem of the education of the consumer appears, as a rational person realizing not only the physical needs of his nature, but also the needs of his second nature – of an immaterial dimension.