



CRACOW  
UNIVERSITY  
OF ECONOMICS



# KNOWLEDGE ECONOMY SOCIETY

REORIENTATION AND TRANSFORMATIONS  
OF ECONOMY AND ORGANIZATIONS  
MANAGEMENT CONCEPTS



Edited by  
Bogusz Mikuła, Tomasz Rojek



**KNOWLEDGE – ECONOMY – SOCIETY**

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MANAGEMENT CONCEPTS**



CRACOW UNIVERSITY OF ECONOMICS  
Faculty of Management  
FOUNDATION OF THE CRACOW UNIVERSITY OF ECONOMICS

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## **REORIENTATION AND TRANSFORMATIONS OF ECONOMY AND ORGANIZATION MANAGEMENT CONCEPTS**

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Bogusz Mięka, Tomasz Rojek

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## **Reviewer**

*Krzysztof Janasz*

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# Introduction

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The contemporary economy is characterised by transformations which are rapid, often unexpected and strongly influence entities functioning in it. A significant role in the transformation processes is played by diverse, dedicated conditionings existing in a given economy. Among external conditionings deep changes in the market structure, in the shaping of competition and in the course of economic processes positively or negatively affecting the capability of conducting business activity and the accomplishment of enterprises' goals should be indicated in the first place. At the same time, particular processes which in different periods exerted significant impact on activities of enterprises should be indicated in the external conditionings sphere. These are primarily the processes of globalisation and socio-economic integration, implying the growing interdependence of economies, systemic transformation processes in Central and Eastern Europe countries, processes of changes in the activities of enterprises, related to the occurrence and development of the "new economy" sphere, as well as regional and global economic crises bringing about serious perturbations in the functioning of the market and threats to the existence of enterprises functioning on it.

Internal conditionings, on the other hand, primarily refer to entities functioning in a given economic system and are most often related to changes occurring in the course of these activities and concerning the role and importance of various economic resources, which in recent years referred first of all to the ever-growing role of intangible assets. The changes were accompanied by the occurrence and spread of new solutions in the sphere of technique and technology, as well as operating activities of enterprises, which was also indirectly connected with the impact of the development of the "new economy" on the forms and capabilities of conducting business activity.

All those conditionings, and the main determinants implying the aforementioned transformations among them, make up a set of the factors of development shaping the functioning of economic systems and enterprises. Among the most important contemporary determinants the following should be distinguished: transformation, economic integration, globalisation and postmodernisation. Transformation should be understood as a change, namely the process of transition between two states of things. As a rule, it concerns the process of transition from one level of development to another one. The situation is never a short-term process, and a new level emerges gradually. Economic integration is understood on the one hand as the basic effect, and on the other hand as an important conditioning of the contemporary stage of the development of market economy. Most often the process is discussed on the level of international relations and defines changes in the economic structure of a given group of countries towards the formation of a uniform economic structure and, based on it, a uniform economic body. The process is striving for the unification of economic policies among countries through partial, or even total abolition of tariff and non-tariff constrictions in the trade between them, aiming at the introduction of the common trade policy. An important aim of this process is cost reduction both to manufacturers and sellers of goods and to customers, which in a longer run creates conditions for an increase in productivity, improves the conditions of conducting business activity and results in the growth of the living standards of residents of the integrating states and their regions. Integration of countries, societies and individuals, taking place as a result of the reduction of transport and

communication costs and the abolition of border barriers, which enables free movement of capital, knowledge and workforce leading to the internationalisation of the processes of production and service provision, is understood as globalisation. In consequence, the process, basing on the deepening economic integration, is changing economic relations fundamentally. It often leads to rapid extension and acceleration of the global (economic, technological, transport, communication) interdependence of people, becoming the basic conditioning of contemporary social and economic transformations. In this situation, network relationships between business entities are developing dynamically. They include both transnational and domestic corporations, as well as small enterprises. Their interdependence is already so strong that on the one hand it fully uses the existing conditions for cooperation, and on the other hand it exerts considerable pressure on the progressing economic integration in all spheres of social and economic life. Against this background, to put it simply, postmodernisation means a process following modernisation and is identified with postmodernism.

The survival of an enterprise in such conditions and guaranteeing development to it require the introduction of radical changes in management systems, production technology and service provision, the dissemination of adapted knowledge and modernisation and offering of new products. All those activities aim at the adjustment of the functioning of contemporary enterprises to dynamic changes in their environment. Therefore, when analysing the conditionings of the functioning and development of enterprises it becomes necessary to show various manifestations of entrepreneurship, factors influencing its development, as well as barriers limiting the possibilities of the use of entrepreneurship as an instrument of increasing competitiveness of the economy and its entities.

The consequence of the influence of the mentioned external and internal conditionings is the need for changes in the processes of managing contemporary organizations. It refers both to the evolution of the concepts, methods and instruments of management used so far, and to the implementation of totally new solutions within that scope. Therefore, as the basic goal this publication adopted the presentation, analysis and exemplification of the conditionings of the functioning of the contemporary economy, identification of its challenges and perspectives, as well as the presentation of concepts, models and tools of managing contemporary organisations in the conditionings of the changing economic, social and political environment. Partial issues making up the implementation of this goal are exposed in the form of the following four parts of the presented work:

1. Global aspects and challenges of the contemporary economy.
2. New conceptions and business models of organization functioning.
3. Quality and organisational culture in the contemporary organizations.
4. Analysis and control of status, strategy and efficiency of the organization.

This book has a character of a theoretical and cognitive, as well as methodological study whose aim is the presentation and systematisation of the scientific and practical output concerning selected content areas, discussion and critical assessment of this output, as well as the presentation of own thoughts and proposals on the analysed issues and problems. Handing over the discussed work to the Readers, we express our belief that the publication in the presented formulation is fully justified, both for theoretical and cognitive, practical and educational reasons. It can constitute a reference point for new reflections, research, disputes, analyses and critical discussion over the presented problems. The involvement of a large group of Authors enabled to show the discussed issues in a broad and many-sided way. As the scientific editors of this study, we would like to thank cordially all the Authors for accepting our invitation to co-create the publication and share the findings of their research with the Readers.

# **PART I**

## **GLOBAL ASPECTS AND CHALLENGES OF THE CONTEMPORARY ECONOMY**





# Chapter 1

## **“Internet of Things” in the Global Production: Experience for Ukraine**

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*Anatolii Mazaraki, Ganna Duginets*

### **1. Introduction**

The development of information technologies, unprecedented in its pace, has become the decisive trend in technological development over the past decades. Firstly, this tendency is to observe in the economies of the world's leading countries, which led to the formation of a segment of innovation-information, or “new” economy, in these developed countries. At the same time, processes of internationalization of economic activity take place, caused by the lack of resources in an environment where new technologies create new markets and industries and promote the growth of labor productivity and the competitiveness of particular sectors and entire national economies. Often, these technologies serve as drivers for changing the economic structure, as they have the potential for a qualitative upgrade of production processes, their organization and the involved labor resources. From a technical point of view, new production technologies are primarily associated with the concept of “Internet of Things”.

Since 2000, the number of “connected” devices in the world is steadily increasing, and with it increases the frequency of use of “Internet of Things” (IoT) in the economy: energy industry, production, housing and communal services, agriculture, transport, healthcare etc. Automation, lowering the cost of data transfer, the rapid increase in the number of “connected devices” and the development of cloud technologies allow industrial companies to transform business models and increase service revenues (for example, from after-sales service). At the same time, economic agents combine to form international production networks, blurring the boundaries between industries.

### **2. Problem statement**

The results of studying various aspects of the IoT concept and the problems of its implementation in real production were reflected upon in a large number of analytical reports of international organizations and in the works of many scientists (see, for example Majstorovic, 2016; Dijkman et al., 2015; J'son & Partners Consulting, 2017; Shipp et al., 2012; McKinsey, 2015; Voigt, 2012).

As for Ukrainian scientists, it should be noted that, at the moment, only a small number of domestic works are focused on this subject (see for example Skitsko, 2016; Opanasiuk, 2018; Mazaraki, Melnichenko & Duginets, 2018).

Taking into account the aforementioned, the purpose of this work is to study the introduction of the IoT concepts in global production processes in order to determine the possibility of utilizing the experience accumulated in the world in Ukraine. This, in the long run, would allow the country to make a fundamental breakthrough aimed at integrating into the global technological transformations trend.

### 3. Results

Worldwide practice shows that the last decade has seen a rapid expansion and active use of technologies that are inherent in the concept of Internet of Things (henceforth IoT) (Dijkman et al., 2015; *The 13<sup>th</sup> ...*, 2013). The concept describes a computing network of physical objects (“things”), equipped with embedded technologies to interact with each other or with the external environment. The concept explores the organization of networks that are capable of rebuilding economic and social processes, and which do not necessarily require human involvement (*Internet of...*, 2013). This concept combines fundamental inventions in the field of data analysis (data science, machine learning), innovative advances in the development of sensors and self-managed (unmanned) technology, which allows the collection of data and control of all objects at a previously unreachable level, as well as connected network solutions, control systems, platforms and applications (which, for example, bring the technology of growing plants and animals to a new level). The world’s technologically advanced countries such as Germany, Japan, China, the USA and others, actively develop and implement IoT. To this end, they finance research and design work, as well as launch large-scale processes of restructuring training programs, including higher qualifications. The main areas of implementing IoT in these countries are among the top five technological drivers of global competitiveness in the 21<sup>st</sup> century (Tab. 1).

Table 1. Top Five Technologies of Global Competitiveness

| Perspective production technologies      | Place in the assessment of the importance of the country |       |        |
|--|--|-------|--------|
|  | USA  | China | Europe |
| 1  | 2  | 3     | 4      |
| Predictive Analytics                     | 1  | 1     | 4      |
| Intelligent, connected products (IoT)    | 2  | 7     | 2      |
| Perspective materials                    | 3  | 4     | 5      |
| Intelligent factories (Industrial IoT)   | 4  | 2     | 1      |
| Digital design, modeling and integration | 5  | 5     | 3      |

Source: compiled by (*Global ...*, 2016).

Implementing IoT in the production process is characterized by a growth rate 3-4 times higher than that of other industries, a large share of value added in the final product, significant export volumes and a high innovation potential capable of providing innovation not only to the main

but also to the related industries of the economy. As a result of the functioning of such industries, a synergistic effect is generated from the spread of innovations in the national and global economies. These highly important characteristics of high-tech industries make them a priority target for global innovation, as well as the main object of risk capital investments, allowing to lower the costs of technological processes, the impact of the human factor and the risks of accidents, and to switch to new business models in the economy, transforming global production. In worldwide practice, IoT concept is most actively implemented in international retail, global logistics, agricultural business, engineering (industrial “IoT” or “Intelligent factories”), housing and communal services (“Smart cities” and “Intelligent buildings”) etc.

The rapid introduction of IoT to supply chains has become an impetus for the formation and development of global logistics networks, which, through the use of advanced technologies, can track the position of cargo at any moment. The systems of connected transport and fleet management create the potential for saving on operating expenses incurred in road freight transportation, by optimizing repair and maintenance, increasing the transparency of processes and minimizing abuses. For monitoring the state of the transport infrastructure, IoT technologies form a complex management system able to track mobile objects (for example, in railways – using sensors along the tracks) in order to analyze the current state and perform necessary maintenance.

It should be noted that, in the coming decade, **retail trade** will be among the first in terms of the benefit generated by the use of IoT in comparison to any other industry. International retail outlets possess a wide range of opportunities to improve their performance and provide significantly greater benefits to their customers in the following areas:

- supply chains; inventory, logistics and fleet management. Existing technologies, such as bar-coding, already allow retailers to control their stocks, but IoT provides a high capacity for managing information on deliveries operations. This can significantly improve the efficiency of the supply chain and allow more efficient stock management. Major retailers, such as Wal-Mart’s US-based network, already use IoT in the supply and inventory chains,
- IoT already demonstrates signs of a revolutionary way of doing retail trade in terms of customer interaction when it comes to analytics and real-time promotion of goods. By using a combination of connected devices in the store, as well as customer data, retail outlets can tailor promotions to a specific customer. In many ways, IoT will allow traditional merchants to have real-time information on customers, a feature currently only available to online merchants.

A noteworthy example of this trend are Macy’s, one of the largest international retail chains, plans to significantly reduce its physical presence as a result of a decrease in retail space. In August 2016, the company announced that it intends to close some 100 Macy’s maxi stores, whose sales have, in most cases, been steadily declining in recent years. Most of these stores are scheduled to be closed early in 2018. The company plans to increase its trading experience in the remaining stores and accelerate its digital and mobile sales investments (CNN Money, 2016).

It should be noted that it is the rapid development of IoT technologies that caused high-tech companies to turn their attention to the **agro-food sector**. The introduction of innovative IoT technologies enabled these companies, together with their partners, to control the full cycle of plant or animal growth due to smart devices (equipment and sensors measuring the parameters of the soil, plants, microclimate, animal characteristics, etc.), as well as seamless communication channels between them and external partners. In the XXI century, the agro-food sector becomes a sector with a very intense data flow. Information comes from various devices located in the field, on the farm, from sensors, agro equipment, meteorological stations, drones, satellites, external

systems, partner platforms, suppliers. General data from different members of the production chain, collected in one place, allows to receive information of a new quality, to find regularities, to create additional value for all involved participants, to apply modern scientific methods of data processing (data science) and to make appropriate decisions, minimize risks, improve business and customer experience.

While in 2010 there were no more than 20 high-tech companies working in the field of agriculture in the world, (J'son & Partners Consulting, 2017) and the market of venture investments was worth \$ 400 thousand, the growth of venture capital became exponential since 2013. By 2016, more than 1300 new technological start-ups were financed, with more than 500 high-tech startups created annually (Tab. 2).

As a result, the new AgTech investment and innovation segment was formed, which combines various equipment and technologies based on receiving and processing data both inside and outside of the agricultural production cycle used to increase yields, efficiency and profitability.

IoT is one of the manifestations of the formation of the Fourth Industrial Revolution, a qualitative distinguishing trait of which is the synergistic effect resulting from the merger of various technologies: computers, information processing, nanotechnology, biotechnology etc. But it should be noted that the concept of IoT appeared earlier and is, in a sense, not so much an element of the fourth industrial revolution, but rather the American name of what German experts called "Industry 4.0" (*Industrie 4.0. ...*, 2013; Jaruzelski, Schwartz & Volker, 2015), and the former concept is aimed, first of all, at the consumer, and the latter – on the industrial implementation. It is worth noting that sometimes the term "Industrial Internet of Things" is used instead of "Industry 4.0" or vice versa, depending on the purpose of the authors' research.

Table 2. The largest investment segments in the modern agro-food sector, 2014-2016

| Year | Major investment segments                                    | Volume of investments, mil. USD |
|------|--|---------------------------------|
| 1    | 2  | 3                               |
| 2014 | Farm e-commerce  | 460                             |
|      | Bioenergy  | 374                             |
|      | Technologies for monitoring the condition of land and plants | 314                             |
| 2015 | Farm e-commerce  | 1700                            |
|      | Irrigation solutions   | 673                             |
|      | Drones   | 389                             |
| 2016 | Farm e-commerce  | 1290                            |
|      | Biotechnology  | 719                             |
|      | Seed selection technology                                    | 523                             |
|      | Farm management software, sensors, IoT                       | 363                             |

Source: compiled by (J'son & Partners Consulting, 2017).

It should be noted that the main indicator of a country's readiness to adopt and implement the concept of IoT is the innovation and technological development of the country. Unfortunately, in this area, Ukraine continues to be an intellectual donor. Ukraine's share in global exports of high-tech products is about 0.3% (according to *Global...*, 2016). According to the State Statistics

Service, the share of high-tech exports amounted to only 5.5% of the total volume of Ukrainian exports in 2015.

The economy of Ukraine is characterized by technological multimodality (which reduces its efficiency), since its individual components correspond to different technological structures – from the second to the fifth, which negatively affects its efficiency because of the fact that cooperation of enterprises of different technological paradigms leads to significant resource losses. If Ukraine continues to strive to increase its exports of lower-end goods, it is threatened by the “dampening growth” effect described by well-known international trade theorist Bhagavatti (1958). In addition, Ukraine’s economy has certain conditions for implementing innovation potential, but there are problems with creating the conditions necessary for the efficient utilization of resources. According to statistics, there has been a negative dynamic of state support for this sphere in recent years. In 2016, the total own expenditures of organizations carrying out research and development (henceforth R&D) amounted to 11530.7 million UAH, of which 49.9% were labor costs. The share of state financing for the implementation of R&D amounted to 32.1% (in 2015 – 35.6%) (*State...*, 2017).

In the Ukrainian economy, there is also little innovative activity of industrial enterprises, which results in a corresponding low share of innovative products’ sales in the total industrial volume. But it is the presence of knowledge-intensive industries that is important for the development of a country’s economy and forms the potential for introducing IoT technologies. It should be noted that the basis of a country’s innovative development is, first of all, human capital. However, its effective implementation is hampered by the very low state funding of education and science, as well as the low level of private investment expenditures, which causes scientists to find other sources of funding and, as a consequence, emigrate from Ukraine: according to the State Statistics Service of Ukraine, in 2015-2016, the number of scientists decreased by almost 18%, and, compared to 1991 – by 78% [State Statistics Committee].

In our opinion, a means to improving the existing condition is the development of a common vision for the innovative development priorities between various entity groups within the national economy, each with their own set of competences, resources and interests. These include:

- the state, which has a legitimate right to establish institutions, as well as financial resources,
- large private businesses involved in the international division of labor, whose interests lie in the field of scientific and technological development and who are ready to manage the risks associated with new technological solutions,
- SMEs, represented by enterprises capable of rapid modernization to a new technological basis,
- the scientific community, which includes research, analytical and expert centers, which work either autonomously or as part of the country’s leading higher education institutions.

As part of developing such a common strategy for innovation development, it is appropriate to focus on supporting and developing cross-sectoral system technologies able to provide effect in many sectors of the economy, as well as on large-scale “breakthrough” sectoral projects. Implementing two to three megaprojects (Agrotech, aerospace complex, biotechnology, shipbuilding, etc.), which can substantiate a long-term vector of innovative development for Ukraine’s economy, appears to be an optimal course of action. In our opinion, the agrarian and food industry complexes can become the driver of the country’s innovative development. A confirmation of this is the fact that, in recent years, the role of exporting agricultural products has been increasing: in 2016, the share of agricultural products in the commodity export structure of Ukraine exceeded the share of ferrous metals and products of them. According to the State Statistics Service, they comprised 42% in the structure of commodity exports of Ukraine, against 18.7% in 2011 (*State...*, 2017).

Taking into account the existing potential of Ukraine and the current tendency of increasing world prices for agricultural products, the industry's role in creating revenues from exports of goods will continue to grow. The gradual introduction of IoT technologies into the manufacturing process can, in the long run, provide an opportunity to obtain innovative benefits and economic benefits at the national level.

#### **4. Conclusions and recommendations for further research**

Summing up the study, it should be noted that the concept of "Internet of Things" is multi-disciplinary, and its impressive success is a strong argument in favor of the thesis that it's time to integrate social and human sciences, creating a new comprehensive theory that could be used to protect social interests of the people and get scientific answers to the challenges of time. It should be noted that the mentioned examples of IoT's use are only a small part of modern technological transformations in global production.

The introduction of this concept brings undeniable economic benefits, but there is a downside – the loss of jobs already noticed by representatives of many global areas of activity. Accordingly, the problem of properly preparing the future workforce – qualified specialists capable of managing the transformational opportunities that will come with the "IoT" – gains relevance; training specialists with the competencies necessary to solve specific industry tasks and achieve concrete results.

Another important consequence of introducing IoT is information security, which has recently been considered a minimum prerequisite for IoT technology vendors desiring to win the competition. This is due to the fact that devices that previously did not have a digital interface are now connected to the Internet and can be "hacked". With the development of IoT markets, cyberattacks could target vehicles, urban infrastructure, private homes and apartments, as well as production. If IoT devices are not properly protected against hacking, the damage from cyber-attacks could be considerable. Therefore, in parallel with the development of innovative technologies, a system for their protection is to be implemented within the framework of IoT.

The above analysis shows that the implementation of the "IoT" concept will remain a global trend in the coming years. In Ukraine, the state should play an important role in this process by improving the regulatory framework, developing the mechanisms for supporting "IoT", and creating conditions for the development of human resources. In the case of a substantiated systemic approach, "IoT" could become one of the factors driving the growth of Ukraine's economy in the long run. It is, however, important to take into account the multiplicative effect that IoT technology would give to Ukraine's economy by increasing labor productivity and reducing costs.

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# Chapter 2

## **Neo-Weberian State versus Public Governance in Management of Public Administration<sup>1</sup>**

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### **1. Introduction**

Public administration creates a system of public institutions, functioning in every state, the aim of which is to satisfy collective and individual needs of citizens, related to co-existence of people. In Poland, public administration contains national government and local government administrative units. The role of public administration has changed over the years. Originally, it consisted in enforcing the binding law. At present, it is first of all creation of public value, understood as ensuring efficient and effective satisfaction of the public needs of citizens. Now a more and more strongly stressed social expectation is also the opportunity for citizens to have a real, direct influence on the functioning and decisions of public administration. In the opinion of Hausner (2008, p. 32), these tendencies are, first of all, a consequence of the evolution of the role of the individual (citizen) who “doesn’t want to be only the elector and claimant, but expects to be a client and a stakeholder”. A consequence of the discussed changes is implementation, since the mid-1990s, of the concept of participatory public management in public administration (Public Governance), assuming more widespread inclusion of citizens, on the principles of partnership, in the governance processes both at the level of the whole state and in local government. However, the concept is more and more often criticized. The main charges relate to dispersion of accountability and ignorance of the aspect of efficiency of operation. Based on these opinions, we can more and more often hear opinions about the need to come back to the assumptions for the operation of public administration based on certain, transparent principles, ensuring its high efficiency. This approach is referred to as neo-Weberianism (Neo-Weberian State), referring in this way to the original concept of creating administrative organizations, developed by German researcher, sociologist, lawyer and economist, Max Weber.

The purpose of the chapter is to compare the concept of participatory public management and neo-Weberianism. The authors will attempt to answer the question, whether these concepts are separate, or complement each other, from the point of view of the contemporary public administration management.

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## 2. Development of the public administration management concepts

The subject literature most frequently distinguishes four basic development stages of public administration and the related management concepts (Izdebski, 2007, pp. 7-19; Zawicki, 2011, pp. 16-17) (Fig. 1).

The first stage of public administration development is defined as “the state of law”. It was associated with the beginnings of administration institutions on the European continent. Their presence dates back to the period from the 17<sup>th</sup>-18<sup>th</sup> centuries until the mid-19<sup>th</sup> century. At that time the role of public administration institutions was limited to guarding obedience to law. These institutions often operated on the principle of “the law of the police”, namely the authorization to interfere in any mode and extent wherever, as defined by the established legal order, required by the considerations of the common good.

The next development stage of this area was the period since the mid-19<sup>th</sup> century until the early 1980s. At that time the role of public administration was subject to a material change. It ceased to be restricted, as earlier, only to executing the law, but, above all, was involved in detailing the principles of its application. Administration was also separated from politics. The primary idea behind its operations was public service. The development of the public sector in this period is related to two concepts – separation of politics and administration (Wilson) and the perfect bureaucracy model (Weber). This stage is defined as the birth of public administration (public administration).

The third stage in the evolution of public administration is new public management (New Public Management). It is also commonly referred to as managerial public management. Its beginnings date back to the early 1980s. It is associated with the concept of using the principles and methods applied in the private sector in public administration management. As a result, in public administration the following ideas have been used, among others: management by objectives, outsourcing, more flexible structures, process management, cost and effect analysis. These actions have been aimed to increase effectiveness of functioning of public administration in the face of the growing public finance crisis.

Another public administration management concept is participatory public management (Public Governance). The beginnings of participatory public management date back to the mid-1990s. According to the idea behind this concept, public administration is treated as an element of the social system, being in strict interaction with its members. In this perspective, public administration should be characterized by: openness, transparency and clarity, equality and no discrimination in access to public service, responsibility and pursuit of sustainable development.

Table 1. Evolution of management in the public sector

| Periods   | Phases of management evolution in the public sector |
|---|---|
| From the 17 <sup>th</sup> /18 <sup>th</sup> century to the first half of 19 <sup>th</sup> century | “The State of Law” (Rechtsstaat)                    |
| From the second half of the 19 <sup>th</sup> to the first half of 80s of 20 <sup>th</sup> century | Public Administration                               |
| From the second half of 80s of the 20 <sup>th</sup> century                                       | New Public Management                               |
| From the second half of 90s of the 20 <sup>th</sup> century                                       | Public Governance                                   |
| From the 21 <sup>st</sup> century   | Neo-Weberian State                                  |

Source: authors’ own study on the basis of (Izdebski, 2007, pp. 7-19; Zawicki, 2011, pp. 16-17).

Recently, more and more publications have been released, presenting another, newest concept of management in this sector referred to as neo-Weberianism (Neo-Weberian State). The concept of neo-Weberianism returns to certain assumptions of the Weberian organization supplemented by the assumptions of the current effective administration operation paradigms. Its development dates back to the beginning of the present century (21<sup>st</sup> century). The emergence of this concept is associated with striving for high organizational efficiency of public administration entities, as the precondition for achieving the assumptions of the previous concepts, in particular ensuring innovation of these entities.

### **3. Weberian public administration concept**

Weberian public administration concept is a result of research conducted over organizational authority. According to Max Weber, authority is “possibility to subordinate other persons’ behavior to one’s own will” (Bendix, 1975, p. 259). However, due to a very wide range manifestations of authority, Weber focused only on the types of authority occurring in business organizations and state administration, which allows it to be called organizational authority. For this kind of authority, he distinguished its three characteristic types: charismatic, traditional and reasonable (legal). The distinguished types of power are present only in the theory in the pure form. In practice we are dealing with certain configurations of “pure” types of authority, however each type of authority requires the existence of proper administrative apparatus. In the case of legal authority there is the bureaucratic administrative apparatus referred to as bureaucracy (Martyniak, 2002, p. 126). It is important that, for Weber, bureaucracy is a form of “rational organization”, typical of modern administration. The rationalization process, identified with bureaucracy, was, in his opinion, a result of prolonged changes that were taking place as modern western societies were being formed. He regarded bureaucracy as such rationalization of the social organization that replaces the authority of tradition and persons by the authority of formalized principles (Janik & Sztumski, 2012, p. 121). In the Weberian bureaucratic administration, the principle are permanent competences of particular bodies, generally ordered according to rules, rights or administrative regulations, which means that (Weber, 2002, p. 693):

1. There is permanent division of necessary goals of the entity having the bureaucratic rule, regular activities as official obligations,
2. The commanding rights necessary to fulfill these obligations are also permanently divided, and the means of coercion assigned to them are strictly limited by rules,
3. Regular and continuous fulfillment of such divided obligations and realization of particular rights is taken care of by planning, employing persons characterized by generally defined qualifications.

Weber also connected the development and implication of the practical principles of bureaucracy not only with the state, but assigned it the nature of an autonomous power which is capable of covering all spheres of the social and economic life with administrative service. Such understanding of the efficient functioning of the bureaucratic apparatus gave Weber’s concept universal characteristics. Despite focus on accurate compliance with the rule of law and regulations of particular organizations, Weber emphasized the fact that the basis for functioning of bureaucratic institutions is “service of interests”, and not blind and hearless fulfillment of abstract legal regulations. The task of bureaucracy is to prevent “arbitrariness in decision making”. Interesting is also the conclusion

that, in Weber's opinion, there is no reasonable alternative to bureaucracy, because "we can choose only between making administration "bureaucratic" and "dilettantic", and a big asset, offering an advantage to bureaucratic administration, is professional knowledge ..." (Weber, 2002, p. 166). Weberian vision of bureaucracy reminds of the functioning of a highly effective mechanism which, by articulating its rational nature, provides certain social governance, in the turbulent world (Janik & Sztumski, 2012, p. 127). As a result of thorough thoughts, Weber himself felt disappointed by bureaucracy, in spite of demonstrating a number of characteristics of its ability. He emphasized that bureaucracy, the consequence of which is "depersonalization" of official tasks, creates obstacles, when the decision has to be adapted to a single case. This reservation is characteristic, because it co-exists with the attribute being the basic part of his concept – the principle of predictability. If administration is governed by regulations that are known, its decisions must be predictable. Weber expressed this thought by means of an exaggerated comparison of a judge (official) to a machine, which, when documents concerning a given case are inserted to it along with a fee, throws out the ruling along with the statement of the reasons, mechanically prepared on the basis of the code (Bendix, 1975, p. 381). He was also disturbed by the symptoms of the fight for authority among officials, who, thanks to being nominated for a position involving lifetime employment, can become the new social caste, and may use their positions to expand power, even if they do not abuse it. The same means that protect bureaucracy against the abuse of power and social privileges, i.e.: the system of verifying qualifications, regular promotions, ensuring pensions in the old age and regulated supervision as well as the agreed appeal procedure, may also give rise to new class privileges, supported by monopolistic practices (Bendix, 1975, p. 391)<sup>2</sup>.

The concept of perfect bureaucracy was widely criticized. According to Crozier, bureaucracy is dysfunctional by its nature. This researcher devoted to the evaluation of this model the monograph entitled: *Bureaucracy. Anatomy of the phenomenon* (1967). He indicated four basic reasons for bureaucracy dysfunctions: impersonal scope of the regulations, centralization of decisions, isolation of each hierarchical group and groups' pressure on the entity and development of parallel authority relations. These elements create bureaucratic "vicious circles" which detach the organization from reality in which it operates and make it impossible to improve its operations by learning by its mistakes (Crozier, 1967, pp. 287-300).

Merton indicates the syndrome of learned ineptness as the principal defect of bureaucracy. Bureaucracy achieves high effectiveness thanks to "reliability of responses and rigorous obedience to regulations". However, this makes it difficult to adapt to new conditions, unless provided for in the regulations. As a result, in the event of a change in the conditions, this type of organization shows a significant level of inefficiency (Merton, 1982, p. 260).

Formalism and stiff organizational structure were indicated as sources of inefficiency of the bureaucratic model also by Gouldner. In his opinion, when an employee's action is regulated by strict regulations and procedures, he or she shows a tendency to keep activity on the minimum, safe level. In his or her action, he or she is limited only to fulfilling the regulations, at the same time having fully clarity of the boundary of meeting the expectations. Such conditions are best suited for persons who do not have a strong motivation for achievements, and derive satisfaction from safety of work, performing routine, non-risky tasks, non-absorbing emotionally (Gouldner, 1954, pp. 79-83).

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<sup>2</sup> See more in: (Wodecka-Hyjek, 2016, pp. 131-142).

Presence of the bureaucratic model in public administration is also criticized. The main allegations are that in this model officials concentrate all their attention on observing the regulations and fulfilling superiors' requests, and not satisfying demands of those for whom the office has been established. Low operational flexibility is also emphasized, related to the culture of following strictly regulations and provisions, a significant part of which are ambiguous, and not following the social good and not being oriented on action and development. This situation also creates the risk of corruption. The bureaucratic model contributes to the increased size of the organization. No financial motivation for effectiveness makes action goals be reoriented from economization to deriving prestige from power and managing large entities (Stiglitz, 2004, p. 238).

The presented negative consequences of bureaucracy have made this notion being commonly negatively received at present. However, it should be remembered that this model, in its theoretical assumptions, is a solution corresponding most to the specific nature of functioning of public administration units. A statement can even be made that in these conditions it is a natural solution. According to Kozuch (2004, p. 32), presence of the bureaucratic model in public administration is caused by the following properties of these entities:

1. Action on behalf of and on account of the state.
2. Special link to politics.
3. Action on the basis of the law and only within its boundaries.
4. Action in public interest, understood as common good.
5. Action under the competence granted by the law.
6. Impersonal nature of actions.
7. Hierarchical nature of subordination of the authorities at various levels.
8. Delegation of task implementation to professional, technical bureaucratic personnel.
9. Continuity and stability of actions.

Low effectiveness of the bureaucratic model in public administration often results not so much from the specific nature of the model itself as from incorrect interpretation of its assumptions and selective application of its principles. A common phenomenon in the domestic public sector is widespread violation of such rules as: impartiality, non-appropriation of positions, subordination only within the scope of professional duties, nominations for positions on the basis of competence assessment. Attention has been drawn to these problems many times in reports of NIK (Supreme Chamber of Control) and various scientific studies (Kieżun, 2005, 2012).

## 4. New Public Management

The notion new public management (New Public Management – NPM) was coined in the late 1980s, by British and Australian scientists, working in the problem area of public administration. It was used to call the international trend of public sector reforms (Czarnecki, 2011, p. 5). The most important publications from that period, describing the assumptions behind this concept, are the article by Hood “*A public management for all seasons?*” (1991) and the book, published by this author together with Jackson: “*Administrative Argument*” (1991). These works are most frequently cited in studies dedicated to the discussed concept.

The main assumption of NPM is deviation from the traditional public sector management model and introduction of solutions and mechanisms used in the private sector. This is to increase effectiveness and efficacy of operation of both the entire public sector and its particular entities.

This concept is also referred to as managerial public management (Pollitt, 1990; Kickert, 1997, pp. 15-40; Hausner, 2008, p. 25).

The idea of new public management became widespread all over the world very fast. The first reforms under the concept were introduced still in the 1980s. These implementations took place in the UK, Australia, New Zealand, Sweden and Canada. In the early 1990s this concept also became the basis for reforming the public sector in the United States. Positive experience of the developed countries contributed to its further spread. In the 1990s NPM was also applied in Central and Eastern Europe, including Poland.

According to Hood (1991, pp. 4-5) new public management comprises seven following elements:

1. Direct (hands-on), professional public sector management by a nominated person, namely a manager.
2. Clear standards and means of work quality measurement (performance measures), which guarantee focus on goals and accountability.
3. Increased emphasis on output control, more focused on performance than fulfillment of procedures.
4. Disaggregation of the public sector entities related to abandoned “monolithic” structures in favor of divisional structures concentrated around the given product, budgeting decentralization, application of contracts, both inside and outside the public sector.
5. Increased competition in the public sector (introduction of periodical contracts, tender procedures).
6. Adaptation of the management style from the public sector (as opposed to “public sector ethics”, flexibility in employment and remuneration, creation of a new organizational culture).
7. Greater discipline and savings in using the resources (need to “do more for less”).

Managerial approach to management is related to the expanded scope of management rights of executive staff in public sector entities. Managers, like in commercial enterprises, have substantial freedom in managing the entity, on the other hand, they are expected to demonstrate a higher level of performance. Definition of the performance standards and measures is the main factor ensuring high internal efficiency. Actions are subordinate to the goals and plans related to different execution levels. Performance is subjected to control. Instruments are used, making it possible to associate performance with employee motivation. “Monolithic” structures, based on the functional division are also abandoned and replaced with resources grouped from the point of view of the implemented processes or delivered products. Systems developed by in this way allow effectiveness to be assessed and currently monitored to a greater extent. The application of market competition mechanisms is associated, above all, with the common application of tender procedures and transfer of operations to the private sector (outsourcing). A consequence of the described actions is primarily decreased size (“slimming”) of the public sector and its increased operational efficiency. This is also fostered by other management instruments, commonly used in the private sector. These include – apart from the mentioned outsourcing – benchmarking, controlling and financial audit, planning and strategic management, performance management, operations budgeting, flexible performance-based employment and remuneration, customer focus, quality management, organizational excellence models, public relations.

Such a management model was to guarantee accountability for the actions undertaken, efficacy and effectiveness in spending public funds as well as transfer of power to the society. Accountability of managers performing their duties under contracts was also intended to remove political bias from the operations of public institutions. Still, excessive focus “to the inside” of the organi-

zation has not proven effective in intensifying diverse social needs and expectations. In addition, contemporary public organizations are embedded in the state and must be understood in this context (Peters, 2017, pp. 611-612). A critical reflection on the theory and practice of the reforms postulated by NPM prompted the need to re-define the role of the state. As a result of the started discourse, the governance concept emerged, emphasizing “the soft” formula for public management, as a process based on unforced collaboration of independent entities cooperating on the principle of trust and shared responsibility, which also has not met the desired expectations. Governance notices the matter of power dependencies between the institutions involved in joint action; applies to autonomous, self-managing actors’ networks; its foundation can be noticed in the sociology of the organization, the concept of the pluralistic state and network theories (Stocker, 2008; Osborne, 2006; Kulesza & Sześciło, 2013).

## 5. Public Governance and Neo-Weberian State

Participatory public management is the newest paradigm of management in the public sector. This approach is also referred to as “co-ruling” or “interactive management”, “co-management” or “partner management” (Izdebski, 2010, p. 24). In the subject literature in English language this trend is represented under the name Public Governance.

The first broader publications describing the essence of Public Governance come from the mid-1990s. The most important of them are works of: Rhodes (1996, 1997), Kickert (1997), Peters, Pierre (1998), Kooiman (1999) and Denhardt, Denhardt (2003). A huge role in popularizing this trend has also played the World Bank and the European Commission. In the opinion of Rudolf (2011, p. 411) Cleveland, American columnist, researcher in public management, should be regarded as the real precursor of governance in the public sector. This author already in 1972, in the book: *The Future Executive: Guide for Tomorrow's Managers* (1972) presented a vision change in public management compliant with the governance paradigm. As emphasized by Rudolph, Cleveland “demonstrated truly unusual intuition” in forecasting changes in the public sector (Rudolph, 2011, p. 73).

The main assumption behind Public Governance is engagement, on the principle of partnership, of citizens in the governance process. The government as well as local institutions must take account of the aspirations and expectations of citizens. Traditional right (hard law), being the sum of regulations, is increasingly becoming insufficient for good management and must be supplemented with norms and standards (soft law) which will regulate public activity. These rules should specify the way in which the administration will communicate with citizens, engage them in public matters and support initiatives of the citizens (Hausner, 2008, p. 27).

An important element of Public Governance are social networks (Social Network). The problem of social networks is the subject of research in sociology and anthropology. This idea was used for the first time by Barnes in 1954. It is metaphoric in nature. This applies to the relations between entities which propagate in the society like a network (Lisiecka et al., 2011, pp. 66-79). In Public Governance a network is formed by relations and linkages that appear between various stakeholders, in the public ruling process. Network participants in this case are in particular: administrative institutions, citizens, social organizations, private sector.

According to Peters and Pierre (1998, pp. 225-227), the idea of Public Governance may be characterized by the following four properties:

1. Network domination. The network participants, including citizens, determine the scope and method of providing public goods.
2. Interactive instead of imperative governance. Influence instead of control. In Public Governance the shape of the country's social policy is a result of a partnership with social network participants, treated as equal partners in the political process. The government still has authority and instruments of direct impact; however, they are used to influence certain processes and phenomena and not to control them.
3. Combining public and private resources. Cooperation of public and private entities, allowing them to access resources and attain goals which would be impossible to obtain without that cooperation.
4. Use of various impact instruments. Application of various mechanisms of influencing the development of cooperation and partnership in social networks.

A vital element of Public Governance is public value. In Public Governance, it is the main goal, being generation of a system of sustainable value, available for a greater social group or even for the whole society. That value is related to satisfying specific needs and feelings of different groups of stakeholders (Bosacki, 2010, p. 52).

Public Governance as well as public value are often criticized for too theoretical and at the same time not enough clear perspective. There are even voices that they are evidence of postmodernism penetrating to the public sector (Izdebski, 2010, p. 21).

The concept Neo-Weberian administration (Neo-Weberian State) has developed under the current critical debate on new public management (New Public Management) and co-management (Public Governance). In the age of non-critical solutions traditional values of the bureaucratic model have been picked again (stressing the status of the state and restoration of the special ethic of public service) which, supplemented by elements of new public management, has become the basis for the presently postulated stream of Neo-Weberian Administration (Neo-Weberian State). The precursory contribution to the separation of this concept in the subject literature is assigned to the publication co-authored by Pollitt and Bouckaert entitled *Public Management Reform. A comparative Analysis* (2000 and later editions). Neo-Weberian approach in the opinion of Kulesza and Sześciło (2013, p. 132) is not being commonly accepted as a separate, independent public management model. In opposition to this statement is Mazur (2016, p. 17), in the opinion of whom it seems to be justified to understand neo-Weberianism as:

1. Model of a state being a collection of specific values, institutions, structures and functions of the democratic state of law with a capitalist political system, embedded in the European culture.
2. Public management model incorporating a set of relatively consistent terms, theories and concepts concerning the rules, structures and mechanisms of public affair management).
3. Type of reforms perceived through the prism of changes in structures of the state and public management mechanisms, consistent with the assumptions of the Neo-Weberian public management paradigm.

The Neo-Weberian approach does not contain completely new and original postulates, but is a combination of the features of the Weberian bureaucratic administration, New Public Management concept and elements of the governance model. With regard to the bureaucratic order, neo-Weberianism emphasizes efficiency, efficacy and rationality, continuity of operation, honesty or the objective attitude towards citizens. In a special way it also restores "the public service ethos", in which principles of ethics and apolitical state administration are observed, at the same time

stressing the specific organizational culture and separate management methods in this area. In addition, it also emphasizes systematic control and a specific standardization of officials' work, which assumptions hark back to the principles of the scientific work organization. Weberian elements can also be noticed in restoration of the role of the state which could not be perceived only in the economic and financial aspect, as it turns out to be necessary in "... political activity, legal regulations, caring for compliance with the principle of equality, preventing discrimination, provision of a continuous and adequate level of services as well as consistency of societies..." (Kulesza & Sześciło, 2013, p. 133). The introduction of regulations encouraging focus on performance has been taken from the managerial approach, with special emphasis on ex-post control (of performance, actions) rather than ex ante, but on the condition that it cannot lead to non-observance of the procedures at the stage of taking actions. Care for high public service quality should be pursued by market orientation, but on the condition of building the adequate quality of operation of the administration itself, shaped by way of citizens' participation in decision-making processes. With regard to management of public institutions the specific nature of the public sector's organizational culture should be noticed, and "a modern bureaucrat" should be flexible, open to learning and experience, well-oriented not only on professional and effective performance of duties, but also, above all, on satisfying citizens' needs. In turn, reference to the governance concept can be noticed in emphasizing the network mechanisms, expressed by cooperation under consultations and citizens' participation in decision-making processes to rebuild their subjectivity, which is an expression of openness to learning processes in the organization and its employees. Both coordination and cooperation within the network requires improvement in officials' competences, who independently initiate changes, are creative and open to innovation. Such approach is necessary for professional solving of problems, being increasingly diverse and multifaceted, determined by the expectations of a wide group of stakeholders. Therefore, specialization and rationality in operation, as appropriate for an official in the bureaucratic apparatus, are undoubtedly noticeable also in participatory public management mechanisms, in which the success of cooperation depends on the consistent perception of goals and skills to fulfill them. In addition, a symptom of the network paradigm is both current monitoring of social expectations and partnership with the third sector and the private sector in the provision of public services, although the hierarchical structure and procedural mechanisms of conduct are a challenge with regard to searching for productive and effective solutions.

A synthesis of the aforementioned discussion, identifying the most important attributes of neo-Weberianism, is presented in Table 2.

The concepts of Neo-Weberian public administration and participatory management, though substantially differ in their assumptions, do not rule out each other. The introduction of the assumptions of neo-Weberianism into the practice of public administration management may supplement participatory management, increasing its effectiveness. The implementation of even the most justified social objectives, without ensuring the proper efficiency and professionalism in achieving them, will not result in the expected level of satisfaction of citizens' needs. Thanks to using the best solutions, related to development of various public administration management concepts, postulated under the idea of Neo-Weberian organization, such an effect becomes more likely.

Table 2. Attributes of the Neo-Weberian public management model

| Criterion                    | Characteristics   |
|------------------------------|---|
| Management method            | <ul style="list-style-type: none"> <li>▪ Emphasis on efficiency, effectiveness and rationality of actions,</li> <li>▪ Return to reasonable hierarchical systems,</li> <li>▪ Focus on management by performance,</li> <li>▪ Compliance with procedures and standards of conduct,</li> <li>▪ Introduction of motivation and rewarding mechanisms as adequate to the achieved performance,</li> <li>▪ “Removing political bias” from management and holding offices,</li> <li>▪ Emphasis on professional knowledge and competence improvement,</li> <li>▪ Increased freedom in the operations of public institutions and employees in the execution of public tasks,</li> <li>▪ Improvements and competition by benchmarking,</li> <li>▪ Use of modern management methods</li> </ul> |
| Organizational culture       | <ul style="list-style-type: none"> <li>▪ Promotion of organizational development through learning,</li> <li>▪ Compliance with ethical standards and social justice,</li> <li>▪ Introduction of instruments of legal protection of citizens against abuse of power</li> </ul>  |
| Decision making              | <ul style="list-style-type: none"> <li>▪ Introduction of mechanisms of consultation in legislation and public policies,</li> <li>▪ Citizens’ participation in decision-making processes,</li> <li>▪ Compliance with standards of citizen subjectivity</li> </ul>  |
| Provision of public services | <ul style="list-style-type: none"> <li>▪ Introduction of innovative and increasingly broader public service packages, as adequate to social expectations,</li> <li>▪ Outsourcing and contracting public services,</li> <li>▪ partnership with the third sector and the private sector in the provision of public services,</li> <li>▪ Return to particularly “sensitive” public services being provided by the state, regardless of economic effects</li> </ul>   |
| Control mechanisms           | <ul style="list-style-type: none"> <li>▪ Delegation of responsibility and management control,</li> <li>▪ Introduction of reporting, monitoring and settlement mechanisms,</li> <li>▪ Accountability for results,</li> <li>▪ Efficient use of resources</li> </ul>   |

Source: prepared by the authors.

## 6. Conclusion

Neo-Weberianism is a result of critical reflection over the theory and practice of the reforms based on new public management and applies to the directions of public sector reforms in the countries of continental Europe (Kulesza & Sześciło, 2013, p. 132). However, despite demonstrating a number of advantages, values and rules, the Neo-Weberian paradigm of public management is still weakly established methodologically and its boundaries are extensive and poorly marked. Among the visible flaws, researchers of the subject matter stress that the analysis of practical

actions of public administration in states assigned to the Neo-Weberian tradition does not bring any unambiguous conclusions. For instance, states of Northern Europe, such as the Netherlands, Sweden, or Denmark broadly and intensively use the network management mechanisms, while France, Italy or Spain and to a certain degree Germany are more willing to use hierarchical mechanisms of management of public affairs. The hierarchical and procedural logic of Neo-Weberian administration assumes the existence of a monocentric center of organizational authority regulating instrumentally and procedurally the actions of its components. Meanwhile, in reality, public affair management takes place in the network environment which makes often centralized, hierarchical and procedural mechanisms of management ineffective and inefficient. Also the process of learning in such organizations most frequently applies to the individual level, focused only on improving knowledge of legal regulations and managerial procedures, necessary to perform officials' tasks (Mazur, 2016, pp. 230-234).

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# Chapter 3

## **Competitiveness and Innovativeness – The Phenomena Shaping Development of the Sector and Food Market<sup>1</sup>**

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*Iwona Szczepaniak*

### **1. Competitiveness and innovativeness – introduction**

A tendency toward rapidly escalating uncertainty with simultaneously increasing importance of the product, process marketing and organisational innovativeness processes and global aspect of these phenomena are the specific features of the economy of the early 21<sup>st</sup> century. This means that the enterprises are influenced by strong market competition and at the same time face instability of the essential market and competition parameters which are additionally fed by the risks related to the global financial and economic crisis. This results in multiple threats for operation of enterprises, in particular SMEs, which prevail in the Polish food industry. Such enterprises – having no resources enabling them to overcome the global threats and turbulent market environment – must attempt to survive in this unstable situation and seek the right development paths. One of the methods to tackle these problems should be implementing and developing innovations addressing the challenges posed by competitive environment and strategic perspective, including in particular these focused on seeking the innovative solutions for products, processes as well as marketing and organisational activities adequate to resources held by the enterprises and their market positions.

The essential parameters of the market economy is entrepreneurship and innovativeness decisive for gaining competitive advantage by the enterprises operation on the market, for their success and market position as well as development capabilities. Innovativeness and competitiveness of enterprises are also the engines of economic development in long-time perspective that create a demand for innovative products among the recipients and consumers and in effect result in further strengthening of innovativeness processes in the economic scale. The available literature emphasizes the importance of innovations for effective competitiveness and economic growth

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as well as the importance of research and development (R&D) expenditures for introducing and implementing the innovations that might create the conditions to ensure that growth. In 2015, the expenditures for R&D in Poland measured by the GDP share of these expenditures accounted for only 1.00%. In addition, Poland has been ranked 20<sup>th</sup> among the EU Member States for this indicator, which was twice as low as the EU average (GUS, 2016). Such poor intensity of R&D activities in Poland clearly demonstrates the presence of serious obstacle to economic growth in Poland. The effect of low equity rate and modest scale of R&D operation of the Polish enterprises is that only a minor share of them is able to develop and implement the truly innovative products.

The specific nature of the food industry (a relatively short shelf life of agricultural raw materials and expiry date of food products) is decisive for importance assigned to the value chain understood as a set of integrated activities that must be implemented to supply and sell food products to the purchasers. Industrial (food) processing has a special role to play in this chain. When emphasizing the specific nature of the industry we must note that this chain is defined as food chain that additionally plays a significant role in assuring quality and health safety of food products (Chechelski, 2015). These conditions determine the vertical integration of food chain that promotes functioning of small enterprises within this chain and strengthens their competitive position on the market. Proprietary, contract and organisational regulations followed by strong bonds between the actors of the integration process form a serious obstacle to competition and consolidate the competitive advantage of these enterprises as well as decide on their joint activities in the area of implementing the market strategies or information acquisition and management.

The early 21<sup>st</sup> century brought however the demolition of the previously functioning solutions in the form of integrated value chain and introduced the new competition strategy paradigm i.e. modularity (Daszkiewicz, 2008). based upon permanent changes of market environment, including in particular encompassing changes and increasing importance of information observed in the global economy and information revolution conditions (Evans & Wurster, 1997). The encompassing change should be understood as radical innovations (involving comprehensive technological changes) and general changes to product development and market participation capabilities. This approach addresses also permanent changes on the food market, on which the groundbreaking technological changes decrease the importance of previously gained production or distribution advantages. This in turn stimulates seeking the new products, discovering new market segments or new distribution channels. The previous competitive advantage in the food chain is rapidly diminished by increasingly frequent radical innovations and changing competition determinants with particular focus on the role of destructive power of information revolution and new market communication conditions (Skawińska, 2002).

Thus, innovativeness and competitiveness are the two complementary and interrelated phenomena influencing the current market position of the enterprises and decisive for their development capabilities on the turbulent food market. Dependence of these phenomena on the situation on the global market and resulting competition determinants posing a significant challenge for the food industry enterprises is their specific feature. Therefore, both these phenomena determine the market situation of enterprises and play the role of mechanisms decisive for their functioning. At the same time, innovativeness and competitiveness have a major impact on the consumer behaviours on the market and therefore should not be omitted in the process of food chain development. The analysis of innovativeness of the Polish food industry enterprises reveals its low intensity which, in long-time perspective, may pose a threat both for competitive position of our manufacturers on domestic and foreign market and their survival capacity on the competitive markets (Szczepaniak, 2016a).

The purposes of theoretical considerations brought up in this chapter will be defining the innovativeness and competitiveness phenomena in context of their influence on the development of food industry and market with a view to analysis of food chain functioning as a whole.

## **2. Importance of competition in development of the sector and food market**

Market is the essential category and managing environment in the food industry and chain. There is a strong feedback between the economic sector (industry) and the market. On the one hand the industry is a market element and participates in its processes, whereas on the other hand – due to significant share – it strongly influences the market, its structures and functioning. Market functioning is based on the essential competition mechanism occurring in presence of relevant competitive conditions and processes, which in turn implies understanding of competition as a process (Skawińska, 2002). The effect of these processes is competitiveness acting in recent years as the essential rule for economic functioning in the national, sectoral and entrepreneurial scale. Innovativeness, including seeking the new solutions in the scope of products, processes, organisational and marketing solutions, is one of the pillars of competitiveness.

Recognising the role of competitiveness as the key mechanism influencing the development of enterprises operating in the food industry prompts building development of this industry around the active competition policy, which in consequence leads to establishing the practical conditions for competitiveness. This process seems to be of particular importance for SMEs operating in this industry and featuring lower competitive potential (i.e. having lower resources and competences), which must face strong market competition of increasingly global nature.

Competition forming an inherent part of the market is its actual core (Nasiłowski, 1992). Awareness of market competition (local, national and international), common for the Polish food economy, has been among the key determinants of activity performed by the market processes actors and market development in recent years. Competition features also a practical dimension – it accompanies the economic processes and its proper assessment enables the market entities to make relevant and adequate decisions. Competition can be understood differently (Adamkiewicz-Drwiłło, 2010). Firstly, it is defined as market condition and structure. In the other meaning, competition is a dynamic and complex process, in the course of which the market actors compete for specific scarce goods, among which satisfaction of goods and services purchasers takes a prominent place. Dynamic concept of the competition indicates the market-related component of rivalry as the consequence of scarcity of goods phenomenon. This concept emphasizes the nature of competition as the process leading the economic system (country, industry or enterprise) towards sustainability.

It is further commonly recognised in the literature that the natural winner of the market competition shall be the enterprise offering the only and unique product that is not offered by the competitor of that the competitor cannot offer at equally high quality (Pomykała, 1995). This means that innovations and innovativeness are crucial here. In addition, conducting a business activity in any domain requires knowledge on market functioning, its specifics, structures and gaining information on the rate and intensity of competition, competing enterprises and raw material suppliers and purchasers. This knowledge enables gaining competitive advantages and enhances competitive position of the enterprises on the market (Porter, 2001).

The specifics of competition in the food industry and on the food market results from different reference points comparing to the other industries. These include: scale of enterprises (prevailing SMEs), market conditions (local markets versus global commercial networks), the essential nature of needs satisfied by food products (health, food safety) and socio-economic nature of manufacturing agricultural raw material and products (animal products). Thus, it is understandable that strict influence of the competition on the food market is somehow limited. In this context, we should also consider the importance of phenomenon compatible to competitiveness i.e. innovativeness.

### **3. Innovativeness in development processes of the sector and food market**

Success on the food market under increasing competition has been identified with behaviours of enterprises continuously pursuing towards improving their products, seeking the new solutions for their composition, properties, type of packaging, manufacturing technologies, sales organisation and activities in the area of active market communication. Development and introducing the new products on the market, which can be defined as innovative products, requires the enterprise to keep regular contacts with the customers to identify their needs. Regular communication with the consumers is therefore crucial for the enterprises' success. One of the effects of innovativeness process is the new product which properties address the consumer needs and are able to satisfy the purchasers' expectations (Górska-Warsewicz & Krajewski, 2013, pp. 152-161). Innovative enterprises should additionally have adequate human and financial resources and assets and be capable of analysing and projecting the competitor behaviours.

Hardly radical nature of innovations is specific for the Polish food market. Innovations implemented by the food industry enterprises have so far resembled simple repetition of already existing solutions rather than actually implemented innovations (this is proved by among others low R&D expenditures) (Szczepaniak, 2016a). Process (technological) innovation developed in effect of applying the new advances in food science into the manufacture are scarce, so as organisational or marketing innovations. The food industry has been relatively quickly implementing the essential innovations derived from the other sectors, including ITC technologies or logistical advances.

Analysis of innovativeness of the Polish food industry reveals its low rate. Share of expenditures for innovative activities in value of sales of the food industry displays a downward trend and accounted for only 1.5% in 2014. The prevailing expenditures in the structure of expenditures for innovative activities are these related to fixed asset investments i.e. machinery and equipment as well as buildings and structures (app. 85%). The food industry enterprises are however hardly interested in generating or acquiring new know-how (share of expenditures for R&D and purchasing new knowledge from external sources accounted for app. 6% in total) (GUS, 2015).

Also the share of innovatively active enterprises in the food industry has been decreasing i.e. there is an increasingly lower share of these enterprises that introduces product and process innovations followed by marketing and organisational innovations observed. In 2012-2014 both product and process innovations were implemented by only 9% of enterprises, whereas the share of new and modernised products in sold manufacture of the food industry did not exceed 4% in this period. App. 6% of food industry enterprises implemented organisational innovation in this period and 8.5% of enterprises – marketing innovations (GUS, 2015).

The greatest capacity to develop innovative food products have been observed in the pro-healthy and functional food market that enables following the recommended diet, maintain health and good physical condition. In this way the food industry addresses the needs of a health-oriented consumer and to the activities of national and international institutions involved in adequate nutrition policy focused on limiting obesity and overweight and increasing physical activity. The enterprises continue to include more and more innovative products in the functional food segment that are targeted on satisfying the specific needs of the human body, have positive impact on health or reduce the risk of so called lifestyle diseases. The recipient of these products is a large and increasing segment of consumers existing in the well-developed countries, dynamic development of which results from promoting health maintenance, better access to information on nutrition and health correlations and society ageing. Rapid increase of product innovations has also contributed to expansion of food additive market. Food additives are developed both in the R&D centers of trans-national corporations and the units specialised in such type of production.

Development of innovative technologies in food industry correlates with improved technological processes, designing technologically advanced machinery and equipment or the entire technological lines to acquire the new food ingredients, raw material processing, market preparation, packaging, storage and distribution of the newly-manufactured food products as well as with application of different physical, chemical and biological method in these processes.

Food market development tending towards globalisation of attitudes and standards (products and process attitudes and standards in context of distribution) pose the new challenges before the food manufacturers and imply the potential unknown risks to health and interests of direct consumers. Thus, food manufacturing requires application of safe, scientifically proven and evidence-based technologies in context of human health.

Development of the new bio-analytical methods necessary for assessing food safety with a view to such phenomena as introducing the GMO-based products or nanotechnology is a crucial element influencing the food chain situation. Intensive development of quality control methods for the new products and processes in context of microorganisms, plants and animals, including sustainable use of their biodiversity has been projected. On the other hand the food industry in well-developed countries has been introducing the technologies of so called mild processing of food raw materials to satisfy growing demands of the consumers for keeping the food products as natural as possible. This translates into effective selection and application of innovative technologies that meet this condition i.e. mild processing technology. Applying these technologies enables manufacturing of relatively fresh food. At the same time, despite low processing rate, the manufacturers pursue towards meeting the consumer demands to make this food nearly or completely ready-to-eat i.e. easy to use.

#### **4. Innovativeness in context of the food chain competitiveness**

The innovation theory has been introduced to economic sciences by J.A. Schumpeter. According to him, innovations are a crucial change of the production functions consisting in different combination of the production factors. Innovations are therefore the new combinations of various natural elements and human productive force, covering the following: introducing the new or improved products to production, implementing the new or improved production process, application of the new sales or purchasing method, opening of a new market, application of new raw materials or semi-products, implementation of the new production organisation (Schumpeter, 1960). The ob-

jective scope of this definition is extensive and covers the essential technical and organizational changes however it hardly considers the importance of such factors as: knowledge, intellect and information. The process of implementing the innovation was divided by Schumpeter into three subsequent stages i.e.: invention, innovation and propagation. The advantage of this definition is that it requires the new products and processes to display an economic value. In this approach, any non-implemented inventions cannot be considered as innovations.

This interpretation of innovation complies with the thesis of Drucker (1992), according to whom innovation is more like economic or social term rather than technical. The first condition of effective introduction of innovation is to perceive a change as a potential opportunity rather than threat. Pomykalski (2001) defines innovation in his considerations as a holistic process covering all the activities related to creating the idea, development of the invention and implementation of the new product, process or service. He assumes also that innovations result from technical, social, economic, legal, cultural and organisational processes that are subject to development and forming.

Definition of the new product specifying it as the “completely original, improved or modified product displaying significant technical and technological changes and competitiveness and satisfying the existing or new needs of the purchasers in a greater degree, manufactured under the research and development processed and offered within the distribution channels for the period not exceeding one year from its introduction on the market” is of particular importance for the food chain (Rutkowski, 2007).

The enterprises within the food chain (food industry, distribution and trading enterprises) pursuing on the one hand towards maximum profit and on the other hand towards maximum customer satisfaction must continuously tailor to their needs and the existing market conditions by adjusting the offered services and product range, prices and quality of products, effective market communication and for the most by widely understood innovativeness of all their activities being the key element decisive for competitive position of these enterprises from strategic perspective. These activities imply comprehensive scope of application of various innovations.

Introducing the food chain innovations on the market correlates in most cases with technical progress that can be of absolute nature (absolute, original and creative), which means a global-scale novelty i.e. pioneer solution or of relative nature (secondary, imitating, repetitive, adaptive or copying), which means implementing of technical solutions that have been already applied in the other country or competitive enterprise. It is equivalent to purchasing various licenses, patents or know-how (Sudoł, 2000).

The key area of innovativeness and the most frequent type of innovation implemented in the food chain remains however development and introduction of new products on the market. For a consumer, any new food products implemented on the market means a good, which has been not available previously, whereas for the manufacturer – the product that has never been offered on the market. Such new product is in parallel the product innovation (sometimes process innovation due to necessary development or implementation of a new technology) and marketing innovation. In terms of marketing, product innovations are defined as the completely new products able to satisfy the needs not identified previously as well as products satisfying the needs addressed previously by the other products, which means the products of the new functional and aesthetic solutions. In this context, the product innovations are divided into modernised and improved ones (Altkorn, 1996). Similarly, the enterprises operating on the market should also be innovative that correlates to the statement that “today, the innovation is the key to competition strategy” (Kotler & Trias de Bes, 2004), meaning the efforts of enterprises to gain stable position on the competitive market by developing and implementing the innovations.

The key area of innovativeness in the food chain that gains an increasing importance along with progresses in the modern market development processes is the distribution link (including storage and transport processes) and trading area, both being the service-related segments. Until recently, the service industry, including trading activity, has been considered unsusceptible to technical progress or innovations. At present this industry continues to benefit from the advances of the scientific and technical progress. This results in particular from the product-related changes of high level of intangibility, need for communication between the service provider and customer, integration of external factors of heterogenic nature and strong contribution of personal human factor (OECD/Eurostat, 2005).

The other type of innovations – organisational innovations – are included into non-technological innovations and apply among others to: implementing innovative or advanced management techniques, implementing the new or significantly modified strategies of enterprise operation, introducing the new method of organisation in services or significantly modified organisational structures (OECD/Eurostat, 2005). These innovations include the changes having a positive impact on economic results of the enterprise. The purpose of implementing the organisational innovations into the food chain may include better economic results in effect of decreased administrative expenditures or transaction costs, lowering the supply costs, gaining access to know-how and intangible assets or better satisfaction from work. Applying such organisational method that has not been applied previously and that results from strategic decisions made by the management of the enterprise is the discriminant of organisational innovation (including the other organisational changes implemented in the enterprise) (Tul-Krzyszczuk & Krajewski, 2014).

From the perspective of consumers being the last link in the food chain, innovation is defined as the way the new products influence their consumption. Perception of the new food products depends on their comparison with already existing products and covers both functional and legal comparison. From the point of view of an enterprise, the key focus should be on attitude i.e. the way the consumers perceive innovativeness and cutting-edge nature of these products (innovativeness level) (Przybyłowski et al., 1998).

The today's consumers have been increasingly frequently educated by the market i.e. appreciate the products satisfying their specific needs, often exceeding the conventionally understood benefits from their use. The consumers more frequently demand virtual values and satisfaction from purchasing and use of purchased products and services, including also food products. Thus, they expect that food will address the completely new functions like providing additional benefits, enhancing health, maintaining slim figure or good physical condition, sparing cooking time and many other, increasingly diversified and sophisticated expectations. This creates a specific pressure to develop new products or to tailor the conventional products to these needs by using the new technologies, special packaging or service providing processes.

Modern food sector puts attention to the integration processes that enable gaining competitive advantages to the enterprises in a given industry (via horizontal integration) and enterprises from different industries establishing mutual relationships (vertical integration). These solutions are largely innovative solutions deriving from open innovation concept (Szczepaniak, 2016b). The network correlations of the interests of individual entities incorporated into the food chain established in this way are focused on better addressing the market functions, gaining better economic and financial indicators, establishing more favourable conditions for enterprise development and better satisfaction of customer and end consumer needs.

## 5. Conclusion

Innovative activities taking place in today's world have been underlying the advanced economic development and enterprise growth strategies for years. Rapid rate of changes in the field of technique, technologies, marketing and organisation makes that only the enterprises capable of implementing the innovative changes manage to survive on the increasingly competitive market. Thus, vast majority of enterprises operating under the food chain, both the food processing and distribution, trading and logistic enterprises, feel the great pressure for innovation. In addition, such innovations are frequently present in many areas at the same time i.e. cover the new products, processes as well as new marketing and organisational solutions.

Previous competitive advantages of the enterprises, in particular SMEs, decrease rapidly due to radical innovations that have been increasingly frequently introduced on the market and that diametrically change the conditions of competition (these include among others information revolution). This results in decreased capacity to establish permanent competitive advantages by participating in the value chain per se and current scheme of protecting the competitive position of the SMEs. The enterprises willing to keep their competitive advantages are forced to introduce innovations to their operation on the continuous basis.

Rapid implementation of process, marketing and organisational innovation and introducing the new products on the market increases the chances of the food industry entities for development and better competitiveness in particular when such innovations are open i.e. consist in cooperation of the enterprise with the external partners and mutual benefiting from competences and experiences.

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# Chapter 4

## **Tourism in Ukraine: Concepts of Public Management Transformation**

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*Anatolii Mazaraki, Tetyana Tkachenko*

### **1. Introduction**

The chapter studies basic concepts of the public management transformations in the tourism sector of Ukraine in the institutional, organizational and informational areas. Main indicators of the tourism development in Ukraine are shown in their dynamics and links to the influence of managerial factors at the macro- and meso-level.

### **2. The concepts of Public Management Transformation in tourism field of Ukraine**

Public management in the form of state, regional and municipal governance, as well as the work of self-regulating NGOs have undergone significant changes in Ukraine in the last decade. The general state policy of Ukraine with its aim of merging into the world economic space and the European integration, implementation of the principles, functions and forms of the socially-oriented economy into the national economy of Ukraine have conditioned its systemic and stepwise modernization.

Restructuring of the national economy in favor of the service sector, in particular, resulted in focusing the state policy on the tourism system, which with its complex inter-sectoral and multifunctional nature, largely determines the development of the national economy at large and particular regional economies.

Further improvement of the public management in the tourism sector is needed for many reasons:

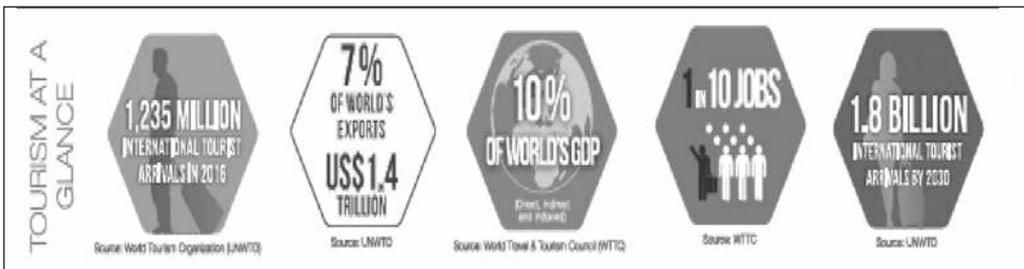
1. Inconsistency of the tourism development trends at the national level towards the global level.
2. Inefficient use of the tourism and recreational resources at the national and regional levels.
3. Tourism contribution to the gross macro- and meso- economic indicators is not comparable with the scope of tourism potentials.
4. Slow institutional changes in the tourism sector resulted from the legislative initiative of the authorities.

5. Overall growth of business activities in the country and restriction of such activities in tourism, lack of effective state policy in the tourism area.

### 3. Socio-economic indicators of tourism development in Ukraine

The world tourism continues to demonstrate further progressive development. The World Tourism Barometer issued by the World Tourism Organization UNWTO (2017), shows that tourism today (2016) accounts for 10.0% of the world GDP, creates every 10<sup>th</sup> job for able-bodied population, contributes 7.0% (\$ 1.4 trillion) to the world export of goods and services and provides 1.235 million tourist arrivals, which is by 3.9% more than in 2015 (World Tourism Barometer, 2017).

Figure 1. Socio-economic indicators of the work tourism development in 2016

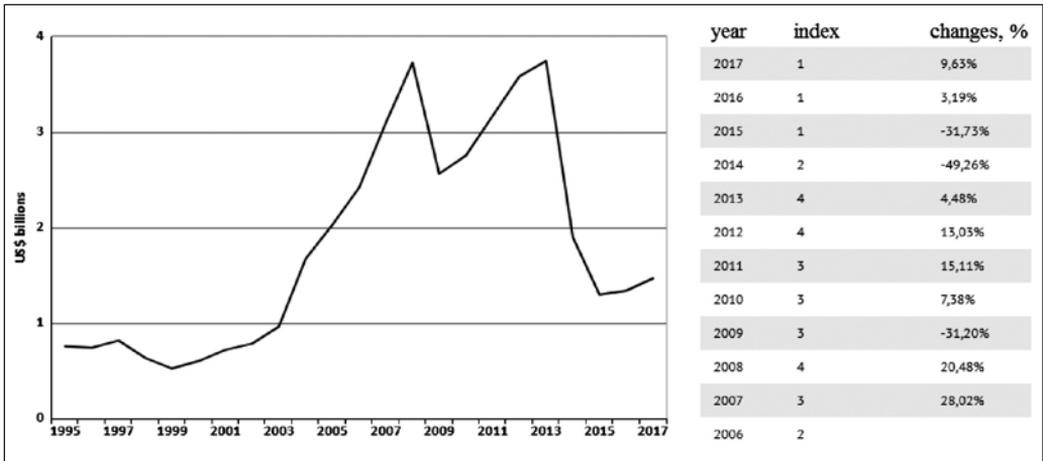


Source: (World Tourism Barometer, 2017).

According to the Law of Ukraine “On Tourism” (1995), which Ukraine adopted first among countries in the post-Soviet domain, tourism was declared one of the priority areas in development of the national economy and culture (*Pro turyzm...*, 1995; *Pro vnesennya...*, 2003). At the same time since gaining independence until now tourism development in Ukraine is characterized by instable trends of the main indicators: the share of tourism in GDP and in the total employment, the net position of the tourist balance and the balance of payments in ‘travel-related services’ item, the share in the structure of international trade in services and volumes of capital investments.

Studies show that the share of tourism in the national GDP (total contribution) over the last ten years (2005-2017) reduced from 8.7% to 5.7%, i.e. by 3.0 percentage points. In this case the rates of changes in this indicator, both in total values and in the direction have been permanently fluctuating within the ranges of 0.72-27.48%. Extremes are observed: negative in 2010 as a consequence of the financial crisis (-9.09%) and in 2014 (-27.48%) as a result of the socio-political crisis and military intervention, positive in 2012 (4.96%) during preparation and holding of the European Football Championship ‘Euro-2012’ and in 2017 (5.85%) due to Eurovision and economic growth stabilization (Fig. 2).

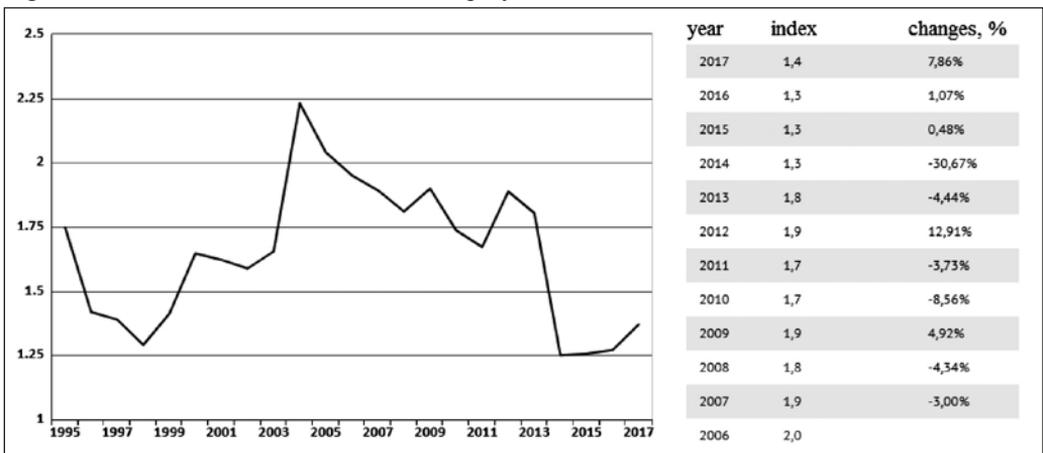
Figure 2. Share of tourism in GDP of Ukraine for 1995-2017



Source: (Myrovoy Atlas..., 2017).

Contribution of tourism in the total employment of Ukraine is presented in Figure 3. The data show general reduction of the share of able-bodied population employed in tourism from 2.0% in 2006 to 1.4% in 2017 with constant fluctuations of the chain rates of change from the average annual value (Fig. 3).

Figure 3. A share of tourism in the total employments in Ukraine in 1995-2017



Source: (Myrovoy Atlas..., 2017).

Research of tourist arrivals and departures in 2016 as compared to 2007 demonstrates the following trends: the number of foreign tourists decreased by 90.6%, the number of outbound tourists increased 6 times indicating that Ukrainians prefer recreation abroad. The factors limiting progress in the inbound tourism included political crisis, economic instability and a long anti-terrorist

operation in the eastern part of the country. Better results were observed only in 2016 and 2017. Volume of outbound tourist flows increased by 26.2% and domestic tourist flows – by 27.0%. Balance of tourism is characterized by a negative value.

Table 1 demonstrates dynamics of export and import of tourist services in Ukraine for 2008-2017 as well as the balance of payments for this period. Apparently, the balance of international trade in tourism services in Ukraine was characterized by a positive value only until 2010. Since 2011 until now the balance is negative and its volume is increasing from 93.7 million USD to 552.3 million USD in 2017, which is 6 times. Thus, for the last 7 years, the balance of export-import operations in tourism is characterized by a negative value, which has an adverse impact on the stability of the national economy.

Table 1. Balance of international trade in tourist services in Ukraine for 2008-2016 million USD

| Indices                 | Years |       |       |       |        |        |        |        |        |        |
|-------------------------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|
|                         | 2008  | 2009  | 2010  | 2011  | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   |
| Tourism services export | 492,9 | 299,2 | 381,1 | 253,0 | 302,0  | 392,5  | 358,1  | 228,0  | 200,1  | 242,7  |
| Tourism services import | 426,0 | 283,0 | 347,2 | 346,7 | 460,5  | 569,3  | 679,0  | 681,0  | 597,6  | 795,0  |
| Balance                 | 66,9  | 16,2  | 33,9  | -93,7 | -158,5 | -176,8 | -320,9 | -453,0 | -397,5 | -552,3 |

Source: (*Zovnishnya...*, 2017).

Analysis of the reasons for low effectiveness of public management in the sphere of tourism of Ukraine up to now allows distinguishing the main factors of negative influence including imperfection of the legislative framework, institutional environment and insufficient level of professional training of the managerial staff.

#### 4. Institutional environment of tourism in Ukraine

At the beginning of the Ukrainian independence tourism at the state level was represented only by the Ukrainian Republican Association for Foreign Tourism (Ukrintur), which was reorganized into a commercial entity “Ukrainian Joint Stock Company Ukrintur”. Beginning from 1993 the functions of formation and implementation of a distinct state policy in the tourism industry and responsibility for its further development towards strengthening competitiveness of the domestic tourism product on the world market, providing national socioeconomic interests and environmental safety were consecutively vested to the State Committee of Ukraine for Tourism in 1993, to the Department of Tourism and Resorts as part of the State Committee for Youth Policy, Sport and Tourism in 1999, to the State Tourist Administration of Ukraine in 2002, to the State Service for Tourism and Resorts at the Ministry of Culture and Tourism of Ukraine in 2005, to the State Agency of Tourism and Resorts of Ukraine as part of the Ministry of Infrastructure of Ukraine in 2011 and to the Department of Tourism and Resorts of the Ministry of Economic Development and Trade of Ukraine in 2016.

Therefore, the status of the central executive authorities in the tourism industry changed significantly every 2-3 years, and only in the last decade – every 5 years. Alongside, its powers, rights, staffing, etc. were also changed. As a result of unsystematic and frequent reorganization of the cen-

tral executive authorities regulating tourism, implementation of long-term state programs, strategic changes and tactical tasks faced difficulties; some of the main tasks are implemented only partially.

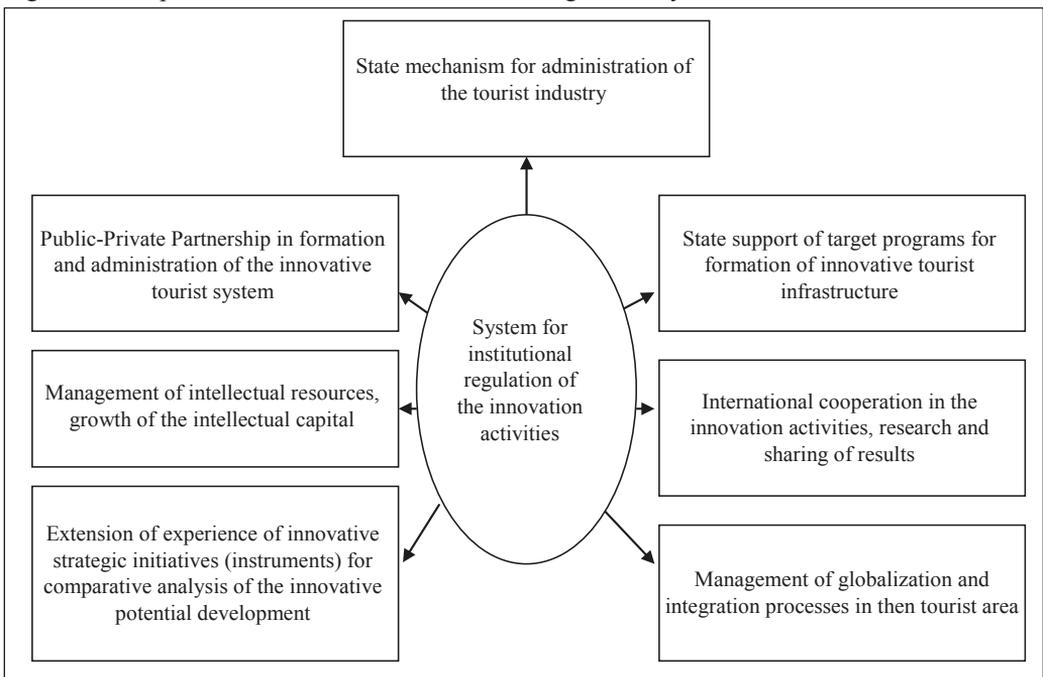
Irregular organizational forms of tourism business, systems regulating relations between tour operators, travel agents and producer enterprises; the lack of a program-targeted approach to the development of tourism and recreational destinations and to modernization of their infrastructure, formation of a financial-investment rather than a subsidizing mechanism for the development of socially significant objects and types of tourism require constructive changes in the structure of state regulation.

One of the main tasks of the state is to form the tourist brand of Ukraine, its positive image and reputation capital, which will allow a correct position of the national tourist product on the market and growth of its competitive status (Fig. 4).

The National Tourist Organization of Ukraine (NTOU) as an advisory body should perform this important function. The NTOU carries out the following tasks:

- Inform about the tourist resources of Ukraine of international and national significance,
- Develop and promote national, regional and local tourist products in the international tourist market,
- Advertise Ukraine as an attractive country for development of tourism,
- Provide functioning and development of the tourist information system in the country and in the world,
- Initiate and support the tourism development programs, tourist infrastructure modernization,
- Encourage creation and promotion of the functioning of regional and local tourist organizations.

Figure 4. Components of the tourism institutional regulation system



Source: own work.

The NTOU was founded in December 2016 and focused its efforts to bringing the tourism sector to the most balanced and sustainable model of development. The purpose of the NTOU is to create a permanent network-platform for the association of regional, city and sectoral tourism organizations in order to improve quality of the national tourism product, to develop the pool of professional knowledge and training of specialists, as well as to upgrade the whole complex of marketing of the tourism brand of Ukraine in the domestic and global market.

Now the following instruments of the state regulation of tourism were modernized in the market infrastructure formation:

- growth of public-private partnership, especially in the implementation of large tourist projects that require consolidation of the efforts of numerous investors,
- identification of zones of tourist-recreational complexes with a special regime (taxation of investment capital, preferential land and nature use),
- formation and promotion of the mass social order (mainly through various social funds, professional organizations) in tourism, transformation of the social tourism into a powerful tool for encouraging tourism activities and development of both regions and the country as a whole, as well as loading of available (quite exploited) tourism infrastructure,
- the process of state regulation of the tourist sector through the municipal authorities of the local administrations,
- actualization of state marketing projects in promoting information about tourism opportunities of the country; formation of competitive advantages of a national tourist product,
- restriction of the state regulation of tourism sphere to the problems of infrastructure, quality, financing and concentration of regulatory competences within its powers,
- growth of political factor significance as a determinant for intensification of the inbound tourism flow.

The state policy in tourism as a system of methods and measures of economic, political, social, legal and cultural nature implemented both by state authorities and NGOs responsible for tourism activities forms the prerequisites for an effective system of regulation and coordination of the tourist sector.

The tourist industry of Ukraine as a component of the national economy is now at the stage of further modernization with its key aspect in decentralization of management, transfer of power to the local level: the regional governing bodies. At the initiative of the Department of Tourism and Resorts of the Ministry of Economic Development of Ukraine this management mechanism in the tourism area is implemented through creation of self-regulatory regional tourism organizations and involvement of sectoral NGOs in the joint work (Fig. 5).

Feasibility of these transformations will be further determined by the efficiency of implementing the main tasks assigned to the local executive bodies, namely the development of regional integrated and target tourism development programs, creation of favorable organizational, legal and economic environment for the development of tourism business entities, ensuring rational use and conservation of tourist resources in the region, interregional cooperation for formation and development of destinations based on public private partnerships and cluster approach.

Versions of the Ukrainian economy development vector, namely, main clusters that can ensure successful integration of the country into the international cooperation of labor over the time horizons are designed from the results of the research of the Ukrainian economy development in the medium-term (2015-2020) and long-term (2020-2030) time horizons (Tab. 2) (Tkachenko, 2009).

Figure 5. Model of the NTOU institutional structure



Source: (NTOU official website, 2018).

The organizational management structure is aimed at providing sustainable development of the socio-economic system through formation, preservation and improvement of the methods of interconnection and interaction of the system with the external environment and internal interaction of the system's elements.

Forecasting and justification of quantitative parameters of a certain strategy (realistic, pessimistic and optimistic) for development of Ukrainian tourism requires unconditional observance of the requirements for safe travel in the first place. Under these conditions, the fundamental factors of the development vector will be the available tourist and recreational potential, study and consideration of behavioral motives for travel built on behaviorist theories ('biological gene'), individualization of satisfaction of diversified needs and professional services in the convergent market (Mazaraki et al., 2018).

Innovative technologies and infrastructure solutions should become the direction of further stabilization and socio-economic growth of the country, particular territorial and administrative units.

Table 2. Clusters of the Economy of Ukraine by priority of their contribution into total growth

| <b>Clusters of the Economy</b>  | <b>The contribution to overall economic growth, (%) 2015-2020</b> | <b>The contribution to overall economic growth, (%) 2020-2030</b> | <b>Estimation of contribution to overall economic growth, (1-10) 2015-2020</b> | <b>Estimation of contribution to overall economic growth, (1-10) 2020-2030</b> | <b>Time interval of economic clusters growth (years)</b> |
|---|---|---|--|--|--|
| Agro cluster  | 14  | 17  | 6.0  | 7.0  | 2015-2020  |
| Military-industrial complex   | 13  | 15  | 5.0  | 6.0  | 2015-2030  |
| IT technologies   | 8   | 12  | 4.0  | 5.5  | 2015-2020  |
| Creation of new substances and materials, nanotechnology              | 7   | 12  | 4.25   | 5.5  | 2020-2025  |
| Energetics  | 7   | 11  | 4.0  | 4.5  | 2017-2025  |
| Hi-tech machine building  | 6   | 8   | 3.5  | 4.0  | 2020-2025  |
| Development of transit infrastructure                                 | 2   | 5   | 2.0  | 3.0  | 2030-2030  |
| “Life Sciences” (biomedical engineering, cellular medicine, pharmacy) | 1   | 5   | 1.5  | 3.0  | 2020-2025  |
| Tourism   | 2   | 5   | 2.0  | 3.0  | 2017-2025  |
| Other clusters (mostly low-tech and raw materials provided)           | 40  | 10  | 9.5  | 4.25   | 2017-2020  |

Source: (*Forsayt...*, 2015).

Transport, security, energy and water quality, e-governance and open governance (open-source data) are the domain priorities for the next few years.

Social and mobile technologies allow people to communicate on an unprecedented scale, from any device, anywhere and anytime. The Internet has become part of the lifestyle of modern people. Three main trends of modern e-tourism are distinguished in eTourism Lab, Buornemoth University: social media and consumer centricism; mobile communication and augmented reality (AR); Big Data.

In November 2016, the Cashless Ukraine Summit, organized by Visa, focused on the need to promote cashless payments as an instrument of economic growth and business and consumers time-saving. In the course of the event the National Bank of Ukraine presented the National

Cashless Economy Program, which provides for a reduction of cash in circulation from 14.3% in 2015 to 9.5% of GDP in 2020.

Active implementation of e-tourism is a digital economy megatrend that embraces fast-growing technologies ranging from hospitality and management innovations to marketing, strategic planning of businesses and destinations. Electronic systems play an important role in the management of e-commerce in tourism and have positive trends in growth. Integral components of e-tourism include front-office systems (for example, Fidelio and SITEL); e-booking systems (Amadeus, Galileo, Saber, Worldspan, etc.); semantic and social systems.

The development strategy for sustainable growth of Europe until 2020 developed by the EU member states emphasizes the need to support 'smart, sustainable and comprehensive growth'. The Europe 2020 Strategy calls for tourism innovation in order to improve the quality of food in all its aspects, upgrade professional skills in the industry, overcome the seasonal nature of tourist demand, diversify the tourist product, which will provide improved statistics and analysis in the tourism sector, address social problems (*Evropeyskaya...*, 2017). Improving public management will contribute to implementation of the tourism development strategy.

## 5. Conclusion

Understanding of the need to train highly skilled specialists in public administration and management supported by introduction of these specialties into the curricula is a step forward in this direction in Ukraine. Education in this sphere was initiated in 2018 at the Kiev National University of Trade and Economics (KNTEU). Formation of competencies of the state and regional administration in the sector of tourism is implemented through the KNTEU curriculum 'International Tourist Business' and 'Tourism, Resort and Recreational Management'. Graduates of these master's programs will be in demand as professionals in tourism, management in corporate analysts' organizations, consultants and administrative staff in the regional government bodies of various scale and in non-profit self-regulatory organizations.

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# Chapter 5

## Competitiveness of a University in a Knowledge-based Economy<sup>1</sup>

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*Tomasz Kusio*

### 1. Introduction

Competitiveness can be defined as the ability to achieve specific objectives under the conditions of competition specific for the global economy and the market economy. Each organization functions in specific, constantly changing external conditions, including competing environment, as well as internal, created by staff, methods and information. The changes at the university is generally the reflection of the changes in the external environment. There are different types of external and internal conditions which require the organization to respond to changes and in special the university. The success appears when the organization is able to adapt to new conditions faster and more effectively. The goal of the chapter is systemizing information about the university competitiveness in terms of its surrounding, including regional, national, and global perspectives as well as the trial to indicate the reaction directions towards the necessary changes.

### 2. Competitiveness and competitive environment

Competitiveness can be defined as the ability to achieve specific objectives under the conditions of competition, specific for the global economy and the market economy (Baruk, 1994, p. 16). The competitive environment is characterized by the following factors (Baruk, 1994, pp. 5-16):

- dynamic development of technologies,
- increasing globalization of competitors,
- formation of blocks of common trade,
- structural changes,
- deregulation,
- mergers, acquisitions, alliances,
- surplus of productive capabilities,

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- increased interest in protecting the natural environment,
  - declining protectionism,
  - dynamic changes in customer preferences,
- On the other hand, the following factors influence the educational market:
- increasing demand for education at higher levels in regions,
  - internationalization of education and research,
  - development of cooperation between universities and the economy,
  - increasing the offer of creating and transferring knowledge,
  - knowledge restructuring,
  - escalation of new expectations (concerning, inter alia, achieving universal competences, knowledge applicability, opportunities for continuing education throughout life, etc.) (Makiela, 2008, p. 16).
- The organization's competitiveness is based on (Makiela, 2008, p. 17):
- resource advantage over other organizations operating on the market,
  - market advantage, achieved thanks to such instruments as innovation, quality, promotion, but also flexibility and speed of the ability to gain a competitive advantage.
- Each organization functions in specific, constantly changing external conditions, including competing environment, as well as internal, created by staff, methods and information. Similar types of external and internal conditions require the organization to respond to changes (Wójcik-Mazur, Łukomska-Szarek & Wielgórka, 2007, p. 163). One can talk about success with those organizations that will be able to adapt to new conditions faster and more effectively.

### **3. Competitiveness of the entity and competitiveness of the economy**

Competitiveness, in addition to the reference to the subject, which within the notion of organization is both an enterprise as well as a university, can also refer to the economy

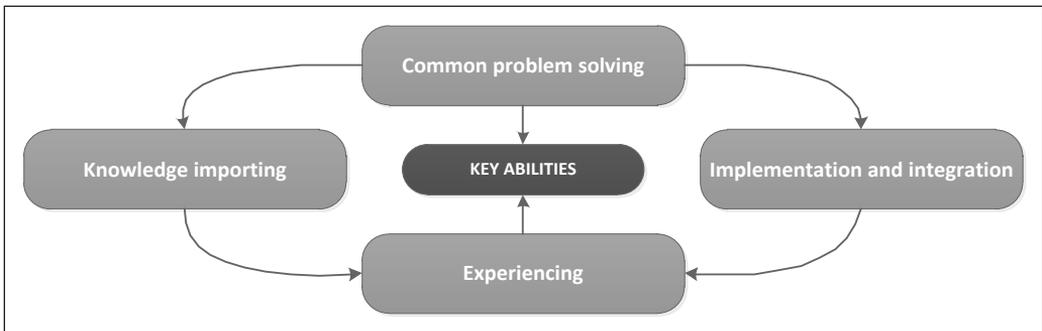
This approach is found in particular in territorial terms. It is said about the competitiveness of the EU, Japanese and American economies. Competitiveness is the ability of the economy to attract and retain companies with stable or growing market shares in the field of economic activity, while maintaining stability or increasing the standard of living of residents. There are many different factors affecting innovation, however research conducted by the R & D sphere and the tendency to cooperate with innovative companies are considered the main factors of competitiveness (Zadura-Lichota, 2013, p. 61). The condition for the success of the university's functioning is entrepreneurship, while the condition for efficient and effective activity in the competitive environment is a stronger connection of the objectives of the university's activities with the expectations of this environment (Drapieńska, 2008, pp. 86-87). The importance of building university-surroundings links, of a dynamic nature, is even a foreground task when it comes to efficient management of a university (Leja, 2006, p. 110).

The role of the university in the process of creating new products or services is very important, but not fully used. Teams of researchers employed in universities, who develop technological assumptions for a new product, process or organization, are a key link in the functioning of the knowledge economy. The impact of university research teams in competing between enterprises results from the knowledge they possess and at the same time develops. The participation of universities

in the process of competing should also be considered from the perspective of competitive struggle on the education market. The introduction of new products by higher schools themselves, anticipating competitors, gives an advantage to the more efficient ones, i.e. operating faster. New products that universities can offer on the educational market include a range of service products. Higher education institutions can offer novelties in the field of education or research. Thus, it can be perceived to increase the competitiveness of universities in the context of better serving the environment.

An interesting approach to competitiveness is presented by Prahalad and Krishnan, who believe that the competitive environment is shaped by creating the experience of a single consumer in a given period of time. This approach to the environment characteristics, in the context of consumer experience, is a very interesting look from the recipient, the consumer. In the context of an organization such as university, current and future students are considered clients (from the perspective of didactics), but also all those, both individual and institutional clients who may or may not be recipients of ordered research or other work which a university can offer by using its resources. The competitiveness, according to the mentioned Authors, favors those who perceive new trends and quickly, and effectively, adapt their activities to them. Emerging signals from the environment about new events should be strengthened by managers (Wójcik-Mazur, Łukomska-Szarek & Wielgórska, 2007, p. 66). In turn, signals emerging from in-depth understanding and interpretation of information, in this context, once again may be referred to the knowledge environment (Fig. 1).

Figure 1. Sources of knowledge according to Leonard-Barton

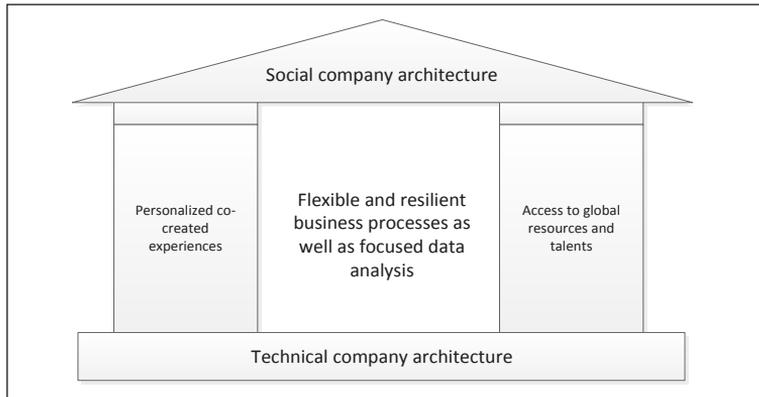


Source: (Łucki, Kozarkiewicz-Chlebowska & Brenks, 2005, p. 123).

There is also the view that building competitive advantage on a resource basis is no longer sufficient (Poznańska, 2011, p. 11). Maintaining market position is achieved by building various forms of cooperation with other players on the market. Despite the reference of the above statement to the enterprise sector, the situation can also be referred to universities. The higher education sector is also characterized, especially in the case of non-public schools, by private ownership structure. The new innovation era will be determined by the ability to introduce and improve flexible, transparent, granular business processes, allowing for continuous changes in the selection of resources (Prahalad & Krishnan, 2010, p. 38). The ability of the organization to selectively articulate the relationship between ideas, information, knowledge, capital and products, is the essence of the ability to respond to the demands of the world in real time and in a cost-effective manner (Prahalad & Krishnan, 2010, p. 40). A similar understanding of the essence of competitive advantage is given in relation to a supranational organization. The comprehension of competitive-

ness is in this case a global dimension. The competition will embrace the provision of exceptional quality experience in the manufacture of products and the provision of services to every consumer. The ability to dynamically change the deployment of global resources will be required (Fig. 2).

Figure 2. The new edifice of innovation



Source: (Prahalad & Krishnan, 2010, p. 182).

#### 4. Competitiveness of a university in a global environment

In the current situation of the new economy, where national borders in terms of education can actually be considered open, and scientific research is carried out in international cooperation under framework programs, the surroundings of higher education institutions should be viewed globally. Thus, competitiveness goes beyond just the local or regional market. This is probably the most visible in didactics, where students' mobility increases, which according to some researchers means even the necessity to create curricula based on the needs of the foreign market (Leask, 2014, p. 6). The results of the economic study of universities in Europe, which was conducted by the University of Economics in Poznan (*Przyszłość kształcenia...*, 2011, p. 45), show that the number of business universities in Europe will decrease. At the same time, experts representing European universities with economic and business profiles stated that the competitive position of universities in their countries will not deteriorate, but will increase, and according to 10% of respondents – will definitely increase. The method of increasing competitiveness is, of course, the increasingly effective use of resources, while in the case of a situation when higher education is mentioned, intangible assets and human resources acquire a special meaning. As Suszyński (2012, p. 18) observes in the future, competitiveness and the process of creating value will depend to a large extent on and will rely on the use of intangible resources, in particular available knowledge and intellectual capital. Some time ago Durlík (1998, p. 16) wrote that the present decade is considered as a period of innovation, quality and meeting the constantly changing needs of clients. Current competition refers to the quality of customers' needs fulfillment and its dynamics (Durlík, 1998, p. 15). It seems, however, that the validity of this statement continues. Budget organizations, as Durlík (1998, p. 1), continues, must accept such concepts and values as creating value and customer satisfaction, raising the motivation and professionalism of staff, autonomy and responsibility in maintaining

the economic and financial balance, increasing productivity to develop funds for development and restructuring in line with expectations society.

Entering the era of the new economy means the beginning of the formation of a new order based on knowledge, creativity, intellectual capital, telecommunications progress and the introduction of IT as a new structure and organization of tasks resulting from the understanding of economic processes, unlike hitherto (Borowiecki & Jaki, 2011, p. 285).

The formation of a new order is of particular importance in the conditions of creating guidelines for the development of the European Union economy, where special attention is paid to the creation of institutional solutions that ensure an appropriate level of innovation and entrepreneurship development, leading to economic growth characterized by high dynamics in world scale.

Globalization can be characterized by (Borowiecki & Jaki, 2007, p. 42):

- reorientation of corporate strategies,
- changes in regions of competition in the global market,
- blurring industry boundaries – emergence of hybrid industries,
- fast pace of creating and absorbing technological innovations,
- ubiquitous information revolution,
- creating global capital links,
- the ability of enterprises to quickly relocate resources,
- transnational perspective of perception of social, economic and political processes.

Globalization is also generally regarded as a concept and a practical approach in management, which is distinguished by the perception of the world as a single market (Borowiecki & Jaki, 2007, p. 42).

In recent times, difficult conditions of competition seem to be particularly visible. The very high quality of the product and the efficiency of operational activities of organizations may only ensure the survival on the market. Competitive advantage may be achieved by introducing new products to the market, which are characterized by better properties than those available to date, better suited to the customer's needs, compared to those available on the market. In addition, the introduction of new products or services should be made before competitors (Laskowska, 2002, p. 125).

## **5. University resource-based competitiveness**

Competitiveness is perceived as the ability to constantly improve, introduce new ideas, products and services, modern technologies and organizational solutions. In summary, it is the result of transforming knowledge and ideas into innovative solutions (Łucki, Kozarkiewicz-Chlebowska & Brenks, 2005, p. 118). Employee knowledge is a very valuable asset for the organization and thus increases its competitiveness. Confirmation of a similar approach is reflected in the resource theory of strategic management, indicating the competences and skills of the organization as the main sources of competitive advantage (Łucki, Kozarkiewicz-Chlebowska & Brenks, 2005, p. 123). An interesting study was also conducted by Szarucki and Bugaj (2014, pp. 281-296). The study analyzed the missions of national universities in the context of appeals in them, referring to the key competences of universities, which they recognized: education, research and shaping social attitudes. The authors found that in formulations describing the leading dimension of the functioning of universities, which may not always be defined as “missions”, there are references to key competences, directing the recipient of the message to the main areas of activity of the university.

At the same time, the university mission should find its place in the university strategy. The authors found that some of the so-called “missions” should be shortened, and at the same time they should refer to the key competences of higher education institutions to the amended provisions of the Higher Education Act.

The current environment in which organizations operate is characterized by the following descriptors (Rummler & Brache, 2000, p. 13):

- growing competition on global markets,
- changes in technology occurring very fast,
- expecting still newer products and services,
- more and more assertive clients who require the highest quality even for traditional products and services,
- progressive changes in the range of existing rules in the field of economy and management as well as organization of society that have been in force for decades,
- operationalization of changes implementation.

The changing environment of universities can be positive and negative for universities. A negative assessment of development opportunities on the existing market may have a regional, national and even international dimension. The unfavorable factors in the current situation are:

- demographic trends,
- growing internal competition,
- growing requirements regarding the involvement of scientific and didactic staff.

## **6. Responding to changes in the environment**

Conducting the profit and loss account, which as a result of dangers, may cause threats to the functioning of the university, is a necessary element to make strategic decisions for the university. However, changes in a higher education institution can also be determined by the attitude of the universities main stakeholders to such activities. Therefore, there may be either complete, partial or full negation of the proposed solutions. Concerns that accompany changes in the functioning of a higher school may result from the lack of acceptance of means, methods and behaviors. The widespread acceptance by the academic community of the changes proposed for implementation greatly facilitates the transformation of the traditional university into an entrepreneurial university. Conducting a university change also requires managerial skills of university decision-makers. This is particularly important in the context of the needs of personnel changes, which are the most difficult topic. Making the change requires social consultations, in the understanding of the academic community, because it is sensitive to this environment. However, the introduction of changes, which is somehow generated by the need to maintain competitiveness, results precisely from the functioning and creation of the European Research Area. The requirements of functioning in such a competitive environment include the need to ensure appropriate standards of research quality and didactics. In addition, changes that take place in social and economic life results in higher expectations directed towards higher education. These expectations are of multidimensional nature. The changes that are necessary for introduction will concern not only functioning in the information era – but in the conceptual era in which the most important role will be played by creative and empathic persons. The key skills that will influence the building of values in the upcoming reality will be creativity, charisma, the ability to empathize and “empa-

thize” with the partner, the ability to create (design) a new model of actions, and at the same time to read the incoming phenomena and their impact on society. It is a kind of ability to “capture” essential knowledge from the information stream (Gołębiowski, Dąbrowski & Mierzejewska, 2005, p. 103). The organization, in order to achieve success and excellence in knowledge management, to which it has access, should effectively implement three basic processes: knowledge creation, codification and transfer. Universities – facing new challenges – should not only ask themselves what do we teach (?), But also how do we do it? It is worth considering whether the university – as an organization – can use the knowledge of others (not only its employees, but also partners, graduates, clients, etc.)? Does the university effectively connect those who have knowledge with those who need this knowledge, regardless of whether it is a traditionally perceived student (often treated as a petitioner) or whether it is another client who needs specific knowledge. The attention should be paid to internal clients, who may be other lecturers or managers at the university, reporting demand for knowledge. The university should function as a certain bundle of contracts shaped ad hoc, and less as an ossified structure, too rigid and “motionless” to be able to effectively use knowledge and build its position on the market. These comments concern the didactic sphere of the university as well as the scientific sphere. Here, similarly, one should abandon the supply approach in the creation of knowledge, and focus on the needs of customers and so direct the research activity to effectively combine the needs of clients (business, institutions, administration, eventually students) with the knowledge of experts of high reputation (Gołębiowski, Dąbrowski & Mierzejewska, 2005, p. 106).

## **7. Conclusion**

The organizations function in the competitive environment, which in the current economic situation becomes more and more global. Higher education institutions challenging the need to become more innovative units from one part and more and more entrepreneurial at the same time start to become the part of the competition. This refers both to the education and the research. The new economic paradigm applying management methods universally for almost all institutions nevertheless if they are for profit or not for profit units influences the role and place of universities on the markets. Universities are not only expected to be value creation deliverers through their provisions to the open innovativeness but they are also obliged to be as entrepreneurial as possible being the part of education and research markets and almost globally.

Academic specificity relates to the resources, which are tangible and intangible, but with strong emphasis into intangible as the university is the knowledge producer most of all. The university role is from this perspective of a great importance. As the market player with strong intangible assets the university is the key knowledge deliverer for other players searching for the knowledge. The more and more common and at the same time the most recent open innovation, this is of the great value. This important role of the higher education institutions reflects in the market position of a university itself. The growing role as the knowledge deliverer and deepening the engagement into local, regional, but also to more and more extent global markets and societies it requires from the university to get more and more competitive position itself. The excellency in research as well as in the education is a must now. Therefore the university level of entrepreneurship and innovativeness is strongly required which seems to be the difficult goal to be achieved. The response to the global needs requires however the university itself consciousness for changes. To sum up,

the local, regional and to still more extent global context of functioning of a university requires from it the changes that those knowledge deliverers should be more competitive themselves but also should produce knowledge for more competitive position of its partners. The extent to which the environments needs drive the changes the university is the matter of future research. From one hand the university should maintain the academic excellence and lead fundamental research and from another hand they need to respond to the expectations of the stakeholders.

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# Chapter 6

## **Management of Stakeholders' Relationship in EU Projects of the City of Krakow<sup>1</sup>**

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*Beata Paliś, Donata Adler*

### **1. Introduction**

The chapter deals with the subject of relationship with stakeholders in the implementation of EU projects by local government units. The theory of stakeholders is gaining more and more importance nowadays, especially in the context of satisfying social needs. It occupies a special place in the city's management policy. Local government units, implementing projects, especially those co-financed from external funds of EU programs, undertake cooperation with stakeholders such as local government organizations, residents or entrepreneurs.

The aim of the chapter is to identify the tools and methods used in the process of managing relations with stakeholders during the implementation of EU projects. The formulated thesis is that local government units use various tools as part of cooperation with stakeholders during the implementation of EU projects. The analysis will be carried out on the examples of the city of Krakow. Research tools such as document analysis, case studies, website analysis and participant observation will be used.

### **2. The process of managing relations with stakeholders in the theoretical approach**

The stakeholder theory understood as “the concept of building transparent, long-term and lasting relationships” with entities that operate in the environment of the organization, interested in how and with what effect it works, is of particular importance for building a strategy for urban development (Waśkowski, 2015, p. 158). The concept of stakeholders is the translation of stakeholders, which was first defined in an internal memorandum at the Stanford Research Institute and meant groups of people without whom the organization may cease to exist (Freeman & Reed, 1983, p. 89). The concept was also used by R.E. Freeman, who was the founder of the stakeholder theory

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(Freeman, 1979, p. 91). Due to economic crises in 2001 and 2008, there was a renewed interest in this theory. It has since become a key theory in the management of recent years (Bonnafous-Boucher & Porcher, 2010, pp. 205-216).

There is wide spectrum of knowledge in the theory of management connected with discussed topic. The first aspect relay to the concept of new public management theory, smart city concept, theory of project management, the theory of partnership and cross-sector cooperation (Geddes, Benington Rymysza, Hryniewiecka, Derwich, Gasik, Pinto, Slevin and Prescott, Morris and Hough, Belassi and Tukul, the Messiah, Niemczyk). More details could be referred in second aspect, including theory of stakeholders, theory and models of stakeholder relationship management, tools for stakeholder relationship management, managing relations with stakeholders in project management standards (Waśkowski, Freeman, Oblój, Bonnafous-Boucher, Porcher, Banks, Vera). What is more, relations with stakeholders are conducted to create additional value, according to the concept of sustainable development, the concept of corporate social responsibility (CSR), the concept of sustainable marketing, Open Eyes Economy concept, Common Value Concept (CSV). It is shown in the third aspect of this research, mentioned by the authors like Porter and Kramer, Blanchard, Adamczyk, Hausner, Piontek, Year, Filek, Rosa, Lard, Mazur, Paliwoda-Matiolańska, Brdulak, Gołębiowski.

The own research plan have relevance to some applications mentioned in the literature. Firstly Freeman believes that managing stakeholder relations requires three skills: (1) analyze who the stakeholders are and what they expect, (2) build organizational policies, procedures and processes that will allow to take into account expectations stakeholders, (3) building relationships with stakeholders that will enable the mission to be achieved organization (Freeman & McVea, 2001). Secondly Oblój (2007, p. 2017) defines stakeholders as institutions and organizations that meet two conditions: they have their rate in action (i.e. in decisions and effects) of the organization / enterprise and they are able to put effective pressure on the organization / undertaking. It allows to generate the map of stakeholders, what would be done in the next steps of this research. However studies carried out by Szymaniec-Mlicka (2016, pp. 309-320) show that the management staff intuitively applies a strategy allowing to minimize the risk from stakeholder sites in a turbulent environment. In general the method of the map of stakeholders allows to minimize the risk of management of relationship with partners in businesses, projects and entrepreneurship.

The third interesting point is the Friedman and Miles's (2006) 12-tier ladder to manage stakeholder relations: 12. Control, 11. Power of attorney granted, 10. Partnership, 9. Cooperation, 8. Stakeholder involvement, 7. Negotiation, 6. Consultations, 5. Propitiation, 4. Explaining, 3. Information, 2. One-sided communication, 1. Manipulation. Knowing it the aim of this paper is to study the ladder of stakeholders relationship in UE project in Krakow. Moreover the additional value created in the projects is a subject matter. In the model of relations with stakeholders, proposed by Banks and Vera (2007), the organization is treated as a set of contracts between stakeholders. The contract with the stakeholder can take the form of an economic transaction, exchange of values and knowledge, formal documents, expectations regarding fair treatment, etc.

Finally the aim of this research is to make a point of creating value according to relations of stakeholders. However, we may need to recall Porter's (2011) remarkable insight that business increasingly is seen as a major cause of social, environmental, and economic problems. Business cooperation with other sectors and local society conducted by the city municipality allows to create additional, common, social value. UE projects constitute the area to realize this theory thanks to managing of the stakeholders relationship.

### **3. Tools in managing relations with stakeholders in EU projects in the city of Krakow – case study**

In the period from February to May 2018 authors carried out own research by analyzing the tools and methods used in the management of relations with stakeholders in selected EU projects of the City of Krakow.

The subject of the research was the identification of tools and methods used by local government units in city management based on the theory of stakeholders. Research tools such as literature analysis, document analysis, secondary data analysis, case study and participant observation were used. Yin (1984, p. 23) defines the case study research method “as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”. Four projects were analyzed:

1. *CENTRAL MARKETS—Revitalizing and promoting traditional markets in Central Europe* implemented in 2012-2014 as part of the Central Europe Program by the City of Krakow as a project partner. The project leader was the City of Venice. Other partners were: Conservatory of Mediterranean Food from Piedmont, Municipality of Turin, City of Bratislava, Usti Region, Chamber of Commerce and Industry of Vesprém, Pécs Urban Development Company, Maribor Development Agency. The aim of the project was to promote local shopping malls by restoring them to their cultural, economic and tourist role. Stakeholders in the project were: the Krakow Guild of Merchants, owners and managers of marketplaces, the Krakow tourist industry, owners of stands at marketplaces and tourist guides. The total value of the project, including all partners, was EUR 1 176 714<sup>2</sup>.
2. *Museum product in selected cities around the world – promotion of museum routes in Europe* implemented in 2010, co-financed by the European Union under the Małopolska Regional Operational Program for the years 2007-2013. The aim of the project was to promote routes of the museums, and thus to create an attractive and recognizable tourist product – the museum route in the Krakow metropolitan area. The project involved attracting tourists from European countries interested in cultural tourism and business tourists participating in congresses, conferences and incentive travel looking for original interiors and spaces as well as attractive leisure offers. Stakeholders in the project were: Krakow's museums and the tourist industry. The value of the project was PLN 1 642 235.00, while co-financing was PLN 1 040 250 (Paliś, 2017, p. 917)<sup>3</sup>.
3. *The project Urban Green Belts entitled: “Smart integrated models for sustainable management of urban green spaces for creating more healthy and liveable urban environments”* financed under the Interreg Central Europe program, implemented in the years 2014-2020. In this project, the partnership consists of ten cities or European regions from 7 countries, i.e. Hungary, Austria, the Czech Republic, Slovenia, Croatia, Italy and Poland, and the coordinator is Budapest (XII district). The beneficiary of the Project Partner is the Municipality of Krakow, while in Krakow the project is implemented by the Management of the City Greenery in Krakow and the Marshal's Office of the Małopolska Voivodship. The Municipal Greenery Authority in Krakow is implementing the pilot project WITKOWICE GLL in the area of the Witkowicki

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<sup>2</sup> More information available at: <https://www.bip.krakow.pl>.

<sup>3</sup> More information available at: <http://convention.krakow.pl>.

Forest. It consists of m.in. on the revitalization of the existing tourism and recreation infrastructure and the implementation of innovative natural education courses. The measurable effect of Krakow's participation in the project will be a revitalized and complemented tourist, recreational and educational infrastructure in the forest park of Witkowiec. It will be created on the basis of cooperation in this field with local stakeholders (i.e. NGOs, residents, entrepreneurs, representatives of self-government, universities) and the Marshal Office of the Małopolska Voivodship. The total value of the project for all partners is approximately PLN 10,44,703<sup>4</sup>.

4. *Steering the meetings industry in Krakow – Appraisal and monitoring of the economic influence of the meetings industry on Krakow's economy, using good practice from Switzerland* – project co-financed by the Swiss-Polish Cooperation Program implemented in 2012-2014. The main objective of the project was to assess and monitor the economic impact of the meetings industry on the economy of Krakow using good practices from Switzerland. The project was implemented in a partnership: Municipality of Krakow – project leader and institutions: the Foundation of the University of Economics in Krakow and the Krakow Festival Office – project partners and Swiss entities: University of Applied Sciences of Western Switzerland Valais – project partner. The aim and measurable effect of the project was to examine the trends in the booking and selection of conference facilities and to estimate the size and value of the meetings industry sector in Krakow. The stakeholders in the project were entities of the Krakow tourism industry. The value of the project was approx. PLN 791,804<sup>5</sup>.

Those projects were chosen to show a wide range of tools in management of relationship with stakeholders, what is compare in the Table 1. Looking for the Friedman and Miles's (2006) 12-tier ladder to manage stakeholder relations in this research the most effective were partnership, cooperation, consultations and stakeholder involvement. This kind of strategy argues creating additional common value, exchange of values and knowledge. As it was said before taking into account expectations stakeholders allows to realize the missions of their organizations. This way of management of relationship with stakeholders is a key to create common value in UE projects in the City (Tab. 1).

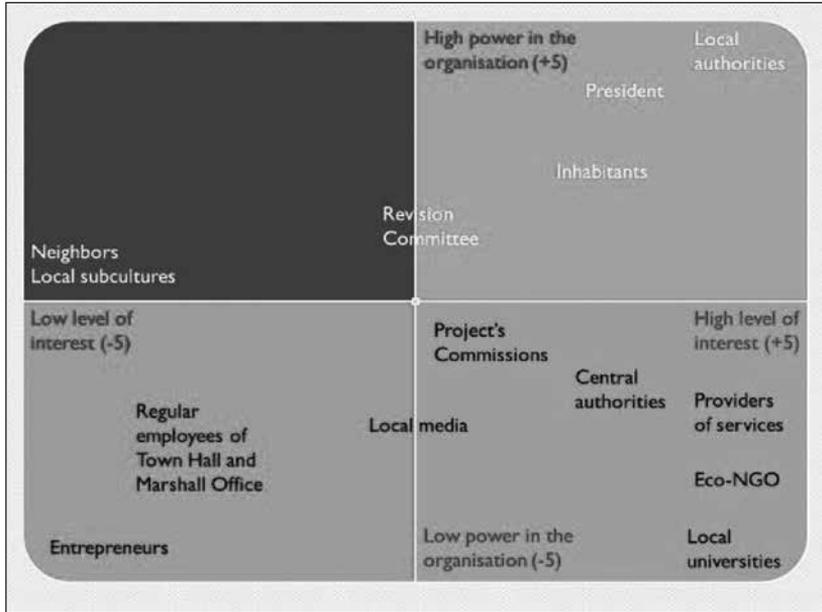
According to Obłój's theory it is possible to generate the map of stakeholders to underline the importance of each group of them. It allows to project the appropriate tools of building the effective relationship. Figure 1 shows the map of stakeholders in the Urban Green Belts project prepared in this research. The instruments of communication are suitable to the role of importance in achieving the aim of the project.

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<sup>4</sup> More information available at: [https://www.bip.krakow.pl/?dok\\_id=79233](https://www.bip.krakow.pl/?dok_id=79233).

<sup>5</sup> More information available at: [https://convention.krakow.pl/ccb/10826,artykul,projekt\\_grantowy\\_szwajcarsko-polskiego\\_programu\\_wspolpracy.html](https://convention.krakow.pl/ccb/10826,artykul,projekt_grantowy_szwajcarsko-polskiego_programu_wspolpracy.html).

Figure 1. Map of stakeholders, example for the Urban Green Belts project



Source: based on the own research.

The analysis of project implementation shows that stakeholders were invited to cooperate in the implementation of projects by the Municipality of Krakow at the stage of appointing project teams, and in some cases at the stage of the preparing of the application form. The relevant project groups involved in the project teams were relevant to the subject of the project. Tools and methods of cooperation with stakeholders were diversified and resulted from the needs and specifics of the planned activities. The following methods of cooperation with stakeholders can be indicated: meetings, consultations within opinion-forming bodies, establishment of a local stakeholder group, formalized cooperation by appointing stakeholders for the project team, organizing a round table with local politicians, organizing study visits, surveys in schools, cooperation in conducting research scientific, picnic organization. Groups of stakeholders cooperating with the city included entities such as: representatives of local governments, residents, children, NGOs, thematic opinion leaders, entrepreneurs.

Table 1. Tools in the process of communication with stakeholders in EU projects of the city of Krakow

| <b>Project</b>  | <b>Selected tools in the communication process with stakeholders</b>  | <b>Common value earned as part of the project or planned to be developed</b>  |
|---|---|---|
| <i>CENTRAL MARKETS – Revitalising and promoting traditional markets in Central Europe</i> | Meetings and consultations with stakeholders, who were: marketplaces managers, sellers and tourist guides   | Development of the concept of management of the city marketplaces.<br>Expanding the offer of marketplaces and improving their functioning and better labeling.<br>Final report including: good practices of events promoting marketplaces, new financing opportunities for the promotion of squares, possibilities of financial support for the squares with EU funds |
| Museum product in selected cities around the world – promotion of museum routes in Europe | Participation and consultations as part of the Permanent Conference of Directors of Krakow Museums, Decree of the Mayor of the City of Krakow No. 65/2010 of January 13, 2010 Program Committee for the implementation of the project with the participation of all stakeholders, including representatives of the City of Krakow, museums and the tourism industry. Engaging stakeholders at every stage of the project implementation, i.e. for the preparation of the conference program, as well as to attend the conference as speakers. Cooperation in the development of museum routes in Krakow.<br>The task of the Committee was to prepare the conference program, consult and help substantive for the task team in the implementation of project activities | Development of the routes of museums in Krakow and their promotion, organization of an international conference, creation of the museum offer in the field of meetings industry   |

|   |  |  |
|---|--|--|
| <p>Urban Green Belts – “Smart integrated models for sustainable management of urban green spaces for creating more healthy and liveable urban environments”</p>                         | <p>Establishment of a group of stakeholders, regular meetings with stakeholders, organization by the Marshal's Office and other partners of the round table with local politicians, parents' survey conducted by children – students of the school that is located to the revitalized area, picnic in the Forest in Witkowice with stakeholders and consultations in the field of revitalization forest during the picnic, meeting with residents as part of the Local Initiative, presentation of the project at city committees, presentation of the project during other conferences, organization of a study visit for foreign partners with the participation of stakeholders. The following have been invited to work within the local stakeholder group: representatives of other local governments, NGOs, universities as well as entrepreneurs. The partners focus on innovative forms of cooperation with stakeholders</p> | <p>Revitalization in Witkowice Forest (project under construction), development of a greenery management model with the participation of stakeholders, as well as an action plan for the next years</p>  |
| <p>Steering the meetings industry in Krakow – Appraisal and monitoring of the economic influence of the meetings industry on Krakow's economy, using good practice from Switzerland</p> | <p>Meetings with stakeholders, appointment as a consultative group of representatives of the meetings industry in accordance with the Decree of the Mayor of the City of Krakow No. 1270/2012 of 16.05.2012, participation of industry representatives in a study visit to Switzerland, consultations at the stage of research preparation, including development of questionnaires</p>  | <p>Conducting research on the economic impact of the meetings industry on the economy of Krakow, examining the trends in the booking and selection of conference facilities, and estimating the size and value of the meetings industry sector in Krakow</p> |

Source: own study based on information available at <https://www.bip.krakow.pl>, <http://convention.krakow.pl>, 2018/; <https://www.bip.krakow.pl/?dokid=79233>, <https://zsm.krakow.pl/ugb.html>, [https://www.bip.krakow.pl/?news\\_id=85045](https://www.bip.krakow.pl/?news_id=85045), [http://krakow.pl/aktualnosci/209317,29,komunikat\\_o\\_przewiezaniu\\_miasta\\_na\\_konferencji.html](http://krakow.pl/aktualnosci/209317,29,komunikat_o_przewiezaniu_miasta_na_konferencji.html), [https://convention.krakow.pl/ccb/10826.artykul.projekt\\_grantowy\\_szwajcarsko-polskiego\\_programu\\_wspolpracy.html](https://convention.krakow.pl/ccb/10826.artykul.projekt_grantowy_szwajcarsko-polskiego_programu_wspolpracy.html), <https://zsm.krakow.pl/ugb.html>, (Paliś, 2017, s. 917).

## 4. Conclusion

Conducted research on the methods and tools used by local government units as part of managing relations based on the theory of event stakeholders allows for several conclusions. Cities cooperate with stakeholders in the implementation of EU projects. In this respect, cross-sectoral cooperation is important because various groups of stakeholders are invited to implement projects, both NGOs, residents and private entrepreneurs.

For effective management of relations with stakeholders, a correct diagnosis of stakeholder groups is important, including the determination of their role and importance in achieving the project's objective.

The implementation of the stakeholder theory is important for creating a common value as the final effect of undertaken undertakings. Some of the cooperation tools used are similar, but methods relevant to the topic of a particular project are also important. The analysis of the methods of implementing international partnerships shows that individual partners apply similar methods, which is often imposed by the project leader as a part of the coordination, which also results from the specifics and provisions of project funding applications. Moreover, two important conclusions arise from the study: 1) without the participation of stakeholders, it would not be possible to create the final effects of the project, which would benefit all interested parties, 2) the implementation of one collaborative model in practice would be rather difficult and not recommended because the methods and tools should be adapted to both the theme of the project and its specificity. Some methods, however, can be successfully used in various thematic projects. The cooperation of different groups of stakeholders conducted by the city municipality allows to create additional, common, social value, such important in international scene of those entrepreneurship.

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## **PART II**

# **NEW CONCEPTIONS AND BUSINESS MODELS OF ORGANIZATION FUNCTIONING**





# Chapter 7

## **Introduction to Intangible Anti-resources of the Enterprise: An Attempt at Systematization of the Problem<sup>1</sup>**

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### **1. Introduction**

Management is a process that involves making decisions, planning, organizing, motivating people and controlling. It is focused on the resources of the organization (an enterprise). These resources can also be classified; in classic economy, work, capital and land correspond to such resources as people, money and everything that is material (land, buildings and other facilities, machines, devices, etc.). In the 1980's, information was added to these resources; it was the first intangible asset that acquired a special meaning (equivalent to financial and human resources) and was commended to managing. The development of the resource approach forced further analyzes of intangible resources, and currently, the spectrum of their distinguishable elements is very wide. Methods of quantification, development and use of intangible resources are considered in the framework of information management, knowledge management, competence management, customer relationship management, intellectual capital management, human capital management, talent management, intellectual property management, customer knowledge management, communication and cultural diversity management etc. The common feature of the above disciplines is the concentration on intangible resources, the value of which is obvious to the organization, and which are most useful from the point of view of creating value. Meanwhile, among intangible resources are also those that are the source of various problems for the organization, decreasing its book and market value, and causing financial losses. It is such resources that will be further discussed.

The following chapter is the result of theoretical, deductive research of the essence of intangible resources that negatively affect the competitiveness of the company, its efficiency and economic results – in short, of the process of creating value. Discussed first is the essence of the company's anti-resources, and the following sections present examples of anti-resources as seen from

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the cross-section perspective of the most common types of the company's intellectual capital, i.e. resources related to human capital, to structural capital, to client capital, and to intellectual property.

## 2. The essence of resources and anti-resources of the organization

Based on the concept of Caves (1980), Wernerfelt (1984) identifies the company's resources as its strengths and weaknesses. Examples of such resources are: brand names, in-house technological know-how, employment of qualified personnel, trade contacts, machines, efficient procedures, capital, etc. (Wernerfelt, 1984, p. 172). It can be concluded that "the resource is everything that is a strength or weakness of an enterprise" (Materska, 2005, p. 2). Following this line of reasoning, one can distinguish resources that are a strength of an enterprise and contribute to the creation of positive values i.e. economic benefits (they are a source of goodwill<sup>2</sup>), as well as resources being a weakness of the company due to the fact that they do not contribute to creating value, but are a cost. They are neutral to value or decrease its potential level by not leveraging the existing opportunities (they can be a source of badwill<sup>3</sup>). The latter can be called anti-resources. Therefore, anti-resources are something that is undesirable and negatively affects the level and/or time of achieving goals. From this perspective, their positive economic value is questionable; it can be strongly decreased, zero or even negative.

Similarly to the resources of an enterprise, anti-resources can also have both a material and immaterial form. For example, a material anti-resource of a company is a machine that requires constant repairs and generates a cost that exceeds the created value, or an outdated computer system that on occasion loses irreversibly precious and useful sets of data. Typically, these irregularities are relatively easy to remove, e.g. by replacing such devices with new ones. The situation is different with intangible resources, i.e. those that have no physical and monetary form. Practically speaking, each one of these resources can become an anti-resource of the organization (depending e.g. on the configuration of strategy, organizational structure and situation in the environment). Intangible resources may therefore have a dual character, and the duality of their importance is based on the fact that an intangible resource can be perceived by some as valuable for the enterprise, and as a source of problems by others. The status of a given resource may also be determined as neutral from the point of view of its value for the company. However, if the resource could be a source of creating value, it becomes an anti-resource when the opportunity to gain benefits is lost. An example is given by Nasierowski (2018, p. 51): when the company has refined the practice of hiring based on contracts of mandate instead of permanent job contracts (which is dominant in its industry), without being unfair to employees, this is a strength of the company. However, when employees feel victimized by such practice, this method of employment becomes the anti-resource of the organization, e.g. by creating a negative image of the employer.

One may get the impression that the organization's anti-resource is a dysfunction or pathology. Indeed, these can be classified as anti-resources, but anti-resources go beyond this. Whether

<sup>2</sup> In the property approach, *goodwill* is a surplus of the value of the enterprise as a whole over the sum of individual tangible and intangible assets. In the revenue approach, *goodwill* is the company's ability to generate profits greater than the industry's average, and is expressed in money (Maćkowiak, 2005, p. 172).

<sup>3</sup> *Badwill* is a negative value of the company, i.e. when the buyer is willing to pay much less for a given enterprise or its organized part than the estimation of acquired assets (Maćkowiak, 2005, p. 172).

a resource becomes an anti-resource is determined by its position (strength or weakness of the enterprise). This is influenced by a whole range of factors, or actually their configuration (including opportunities and threats coming from the environment).

Currently, the problem of comprehensive management of intangible resources and their quantification is considered primarily within the framework of the concept of intellectual capital. It should be remembered, however, that the indicated anti-resources do not create intellectual capital; they are anti-capital, which limits the process of creating value and, in consequence, reduces the value of the company. It is assumed that only “that part of intangible resources, which is used to create value is the intellectual capital of the organization” (Mikuła & Pietruszka-Ortyl, 2006, p. 15).

### 3. The area of anti-resources of the human capital

In general, human capital can be defined as that part of the intangible resources which are at the disposal of an enterprise, the carrier of which is people, and which is used to create value. In the area of human capital, the anti-resources are the opposite of resources, and they do not contribute to creating economic benefits, but they generate losses, e.g. anti-knowledge in a personalized form, anti-skills, anti-talent, anti-leadership, anti-entrepreneurship, anti-attitudes, anti-beliefs, anti-views and anti-human capital of the team and/or the organization. Their characteristics is presented below, and the synthesis of their essence and effects of its occurrence are presented in Table 1.

Table 1. Examples of anti-resources of enterprises in the area of human capital

| Anti-resource  | The essence of anti-resource   | Some of the negative effects  |
|--|--|---|
| <b>The area of resources of the human capital</b>  |  |   |
| Anti-knowledge – elements of personalized knowledge that are made up of useless information, displaying significant gaps, which renders it incomplete, and/or obsolete, inadequate to the state of affairs | Information that builds knowledge is inaccurate, out-of-date, incomplete, unsuitable or ambiguous, etc.          | <ul style="list-style-type: none"> <li>• making wrong decisions,</li> <li>• lack of decision making,</li> <li>• errors in the implementation of tasks,</li> <li>• lack of innovation, stagnation,</li> <li>• adopting conservative attitudes</li> </ul>   |
| Anti-skills – lack, limitation or loss of timeliness in relation to the desired level of professional qualification to perform an operation or a task at a sufficient level                                | The ability to apply technical elements of knowledge is at an insufficient level to achieve satisfactory results | <ul style="list-style-type: none"> <li>• an unreasonable decision-making process,</li> <li>• failure to implement the decision, or partial implementation only,</li> <li>• limiting the process of change implementation,</li> <li>• errors in the implementation of tasks and operations,</li> <li>• conservative attitudes</li> </ul> |

|   |   |  |
|---|---|--|
| Anti-talent – a form of specific abilities that make it difficult to achieve the company’s goals  | Above-average ability to complicate a situation, to create interpersonal conflicts, credible rumors, etc.   | <ul style="list-style-type: none"> <li>• disorders in the social aspect of the work environment,</li> <li>• excess of conflicts,</li> <li>• reduced motivation to work</li> </ul>  |
| Anti-leadership – using misinformation and/or strength  | Skills based on a lie, manipulation, and often unethical behavior that consolidate employees around goals that deviate from the objectives of the enterprise  | <ul style="list-style-type: none"> <li>• creation of undesirable interest groups (cliques),</li> <li>• corruption,</li> <li>• fraud,</li> <li>• chicanery,</li> <li>• discouragement from working</li> </ul>   |
| Anti-entrepreneurship – lack, or limitation of activity through a behavior that hampers change and limits creativity  | Lack of cognitive curiosity, of tolerance for diversity as well as ambiguity, and lack of creativity, i.e. the ability to create new ideas and solutions  | <ul style="list-style-type: none"> <li>• adopting conservative attitudes,</li> <li>• employee demotivation,</li> <li>• lack of innovation,</li> <li>• lack of change</li> </ul>  |
| Anti-values and anti-norms – domination of the hierarchy of human values and/or organization by unethical preferences, which allows to base behavior on unethical norms | Unethical values and norms that favor and recognize deceitfulness, deception, misinformation, chicanery, mystification, manipulation, dishonesty, deception, fraud, illegality and unlawfulness, injustice, deception, betrayal, etc. | <ul style="list-style-type: none"> <li>• undesirable organizational atmosphere,</li> <li>• unethical organizational culture,</li> <li>• loss of key employees and clients,</li> <li>• damage to the image of the management and the enterprise,</li> <li>• groupthink</li> </ul> |
| Anti-attitudes – a badly shaped relationship of a person or a group of people to something or someone, which expresses itself in a particular behavior, or lack thereof | Lack of ability to accurately assess a phenomenon or resource resulting from cognitive problems, inadequate substantive knowledge of a given topic, or lack thereof, or acceptance of unethical values and norms                      | <ul style="list-style-type: none"> <li>• inappropriate behavior towards partners, clients, employees, management, etc.,</li> <li>• bad organizational atmosphere,</li> <li>• anti-effective organizational culture,</li> <li>• social idleness,</li> <li>• groupthink</li> </ul> |
| Anti-conviction – a belief towards someone or something leading to an incorrect assessment of reality   | Thought models that are improper, obsolete or inadequate to reality, formed on the basis of useless (e.g. wrong) information, or ignorance  | <ul style="list-style-type: none"> <li>• creating an undesired organizational atmosphere,</li> <li>• anti-effective organizational culture,</li> <li>• accepting and supporting inappropriate views and adopting behaviors inappropriate to the situation</li> </ul>             |

|   |  |   |
|---|--|---|
| Anti-views – a fixed ideology relating to the one and only proper behavior (course of action) of employees and/or the organization in a given situation   | A course of conduct or belief that is considered right in relation to the source of the problem, which deviates from the confirmed reality/truth (modern theory and practice)  | <ul style="list-style-type: none"> <li>• false views dominating over knowledge and behaviors,</li> <li>• incorrect assessment of the problem and its sources,</li> <li>• wrong decisions</li> </ul> |
| Anti-human capital of the team and/or the organization – lack of adjustment to the company’s goals, of complementarity, of appropriate differentiation and of adaptation and redundancy of some components of the human capital of the team and/or organization | Lack of proper selection and configuration of the team’s human resources and/or the entire organization in terms of matching and diversification, adaptation, complementarity of individual intellectual capital, and thus their mutual supplementation and common areas | <ul style="list-style-type: none"> <li>• gaps in knowledge, skills, relationships, etc.</li> <li>• groupthink,</li> <li>• group polarization,</li> <li>• social idleness</li> </ul>                 |

Source: own study.

Knowledge has been recognized as one of the most important factors of economic growth (Gao, Li & Nakamori, 2003, p. 3) and is currently regarded as a key resource of every organization. The importance of knowledge for organizational performance, and its effective management, seems to be widely accepted in most of the temporary management literature (Andreeva & Kianto, 2012, p. 4). This resource is the basis for the operation of any enterprise. It is used to create visions and concepts of operation, for creating and producing technologies, products and services, for problem solving and implementation of current tasks. “There are no new ideas without knowledge” (Łukasik, 2011, p. 97).

Knowledge should be logical, and therefore based on reason, achieved through a conscious assessment and justified by means of logic and reasoning, with an appropriate degree of detail, so as not to promote excessive generalization (cf. Poskropko, 2017, p. 38). Knowledge is a dynamic process of human justification of personal faith in the truth (Nonaka & Von Krogh, 2009, p. 639). In practice, there is often an irregularity between the confirmation of knowledge and a conviction about its truthfulness.

Anti-knowledge may be characterized, among others, by inaccuracy, obsolescence, incompleteness, inadequacy of the situation or ambiguity. The consequence is the decision-maker’s uncertainty, adopting conservative attitudes or making a wrong decision.

Skills is one of the basic elements of human competence that determines the ability to perform a task or activity (an operation). For example, there’s the skill of reading, writing, using tools (e.g. a computer keyboard, software, a camera, or a power tool), the skill of collecting and interpreting information, or creating ideas. Skills are an element of knowledge, although they are often separated. For example, there’s “the ability to use knowledge”, which makes sense in relation to codified knowledge – e.g. the ability to read a diagram of an electrical system. Skills as an ele-

ment of knowledge is adopted, e.g. by Probst, Raub and Romhardt (2002, p. 35), who wrote that knowledge is all information and skills used by individuals to solve problems. Nonaka and Takeuchi (2000, pp. 83-84) include skills among the technical elements of hidden knowledge. In contrast, as part of the division of knowledge into declarative and procedural, skills are included in procedural knowledge (knowing the “how”). Knowledge of one’s own rights is one thing, and the ability to defend it is the other. Webber expressed the relationship between knowledge and skills as follows: “Knowledge (science) without skills (art) is useless or dangerous. Skill (art) without knowledge (science) means stagnation and inability to convey the message” (Webber, 1990, p. 14). Lack of proper skills leads to a failure to use knowledge, or to completing an action in an improper way, becoming a weakness of the organization. Therefore, lack of skills that correspond to the situation, or skill inadequacy, can be considered as an anti-resource, which may lead to economic, and other losses.

Anti-talent is related to a situation when the outstanding talents of a person are not directed at achieving the assumed goals, when they prevent their achievement, or lead to negative effects. Analytical skills in the attempt to solve the problem, and the stubbornness of the manager, which in some circumstances may be the basis for success, can otherwise slow down the decision-making processes, hamper taking effective actions, demotivate people, etc.

Leadership is considered as a process as well as a quality, and hence a set of attributes assigned to people. Leaders are defined as persons influencing the behavior of others without using force, or persons who are accepted by other people in this role (Griffin, 2017, p. 554). Anti-leadership associated with human capital will therefore be a set of human traits that first and foremost:

- 1) make one a leader, but one doesn’t lead people to achieve the goals set, positive for the enterprise; on the contrary, it has negative consequences for the company,
- 2) causes submission to a person who enforces behavior through the use of force,
- 3) causes the lack of managerial certainty and thus lack of leadership.

In general, entrepreneurship “is an activity leading to the development and creation of new values” (Moczyłowska, 2017, p. 55). More broadly, “the entrepreneurial mechanism lies in self-creation through discovering and freeing primarily one’s creative and innovative abilities that will bring new, original and valuable effects (products, services, new properties, ideas, changes, methods, etc.)” (Makowiec & Pietruszka-Ortyl, 2017, p. 15). Anti-entrepreneurship is the opposite of entrepreneurship. Taking into account the characteristics of entrepreneurs juxtaposed by Moczyłowska (2017, p. 55), an anti-entrepreneur will be a person who doesn’t provide certainty of working conditions, who doesn’t coordinate, is inconclusive, non-innovative and non-creative. It should be added that such a person can limit the creativity and involvement of their subordinates, and will see ambitious employees as a threat to the stability of the organization and their own position.

Anti-values and anti-norms, but also anti-leadership, may be the result of a non-reflective practice of “making money” and often individualistic, pathological ethics. If the system of values and norms of the enterprise has been dominated by anti-values and anti-norms, then such a situation may be particularly dangerous when a fundamentalist decision-making system (i.e. based on a system of values and norms) is used (Wojczak, 2002, p. 322). As a consequence, recognition of unethical values and norms can lead to a significant reduction of the company’s competitiveness and loss of market share and revenues. An example of this are American companies, which in the 1980s used heavily persuasive advertising to force customers into thinking in line with given patterns and recognizing their products as superior, necessary in everyday life and essential to purchase. Customers, however, would not have been manipulated, recognizing the quality, optimum price

and credibility of the Japanese electronics and automotive industry. Later research has shown that this attempt to manipulate resulted in a loss of ca. 20% of profits (Gabryšová, 2002, pp. 36-37).

Together with anti-knowledge, anti-values and anti-norms create special conditions for the realization of anti-beliefs, anti-views and anti-attitudes. An anti-conviction can be, e.g. the conviction that the product's market success depends mainly on its quality and advertising. Meanwhile, "even a perfectly crafted device is unlikely to meet the customer's needs if the knowledge obtained from the seller, or included in the user's manual turns out to be insufficient to use the purchased product" (Jasik, 2002, p. 60). An example of an anti-conviction is also the opinion that it is possible to eliminate the face-to-face meetings with people using information technology. Such conviction results in an anti-view on how to organize people's work to make their performance as high as possible, i.e. to create spatial barriers and limitations, to control the flow of people in office buildings, to limit the possibility of direct conversations, to pay per amount of click on the keyboard, etc. Unfortunately, this pathological view can still be found among managers and employers. Another conviction, characteristic for the Polish organizational culture (Mikuła, 2010, p. 72), is the belief that there's lots of time to take action in order to achieve future goals. This factor is undesirable as it slows down the promptness of human actions and creates time management problems.

Human capital of a team or organization is a configuration of resources that create individual intellectual capital of each of the employees working for this organization. After directing (by setting goals) and linking it with other organizational resources, this capital activates the organization's activities for creating value. To a large extent, the scale of the obtained value depends on the mutual matching and structure of connections between all resources participating in the operation. In order to achieve the effect of synergy coming from human capital, it is necessary to properly select its elements and the desired shape of relations between them. Individual intellectual capital that creates the human capital must be complementary to one another (e.g. to avoid gaps in knowledge or skills) and supplement, or even exceed the capacity to achieve the assumed goals. This also means the occurrence of common (overlapping) resources of knowledge, skills and abilities. At the same time, human capital must be diversified and adjusted to the requirements of the objectives and tasks, and also adapted, which means mutual tolerance of people. Anti-human capital is mainly a situation when:

- human capital components have gaps that cause lack of mutual complementation thereof (imagine a situation when a high-class surgeon-oncologist team is at the surgical table, with a patient ready for surgery, but there is no anesthesiologist in the team, nor anesthetic, circulating and auxiliary nurses),
- there are no required relations between the components of human capital, which undermines the possibility of comprehensive or proper use thereof (e.g. the team of physicians participating in an operation has no leader responsible for the team's work and the course of surgery).

Anti-human capital may be the result of employees quitting, or a poor selection or shortage of staff (e.g. as a result of the adopted policy of cutting labor costs). An unfavorable condition of the human resource may result in gaps in knowledge, skills or abilities, gaps in relationships, or similar unfavorable results of the lack of intangible resources. A special situation may be selecting staff who have uniform skills, or deficiencies, in relation to work requirements. This may result in a lack of adequate diversity of individual intellectual capital. However, a shortage of staff may cause excessive workload and lack of time to perform assigned tasks. As a result, the human capital does not fulfill its functions, and thus becomes an anti-resource.

A special occurrence of anti-human capital is e.g. groupthink, which is striving for the unanimity of a group. This is the effect of knowledge gaps and/or anti-attitudes and anti-norms (when the norm of conformity of views dominates over the realistic assessment of alternative directions and over open presentation of differences in opinions or unpopular points of view (Robbins, 1998, p. 181)). The consequence may be wrong decisions.

#### **4. The area of anti-resources of the structural capital**

The company's strategy is one of the basic components of its structural capital. However, it may turn out to be an anti-resource if it causes waste in company resources, loss of market position, takeover, bankruptcy, or development opportunities. Among the strategies that should be avoided Nasierowski (2018, pp. 87-88) mentions:

- the “me too” strategy – i.e. copying the strategy, which has proven successful for another enterprise, but in different conditions. In this situation, the strengths of the enterprise are unlikely to be used,
- the “thieving magpie” strategy – which involves taking over clients of other companies through frontal attacks, e.g. by lowering prices, increasing expenditures on advertising. This strategy can lead to a long-lasting, weakening war between competitors,
- the strategy of “entrusting” – when the analysis of the effects of applying a strategy has been replaced by the conviction that “we will make it somehow” and that “some” solutions will be found regardless of the development of the situation,
- the blind man's strategy – which is based on a belief that the idea of a product or technology is brilliant, although it is not. The consequence is the reduction of profits,
- the strategy of bouncing – which is based on constant testing of opportunities to develop new opportunities at all costs, which requires a thorough change of strategy. As a rule, due to high capital requirements, these strategies are only partially implemented, which results in distraction and wasting resources,
- the strategy of “great successes” – which is based on striving to achieve great market success with no consistent actions towards it. Such a situation arises when the company has arrived at a great market success and instead of leveraging it, wants to immediately achieve another. Unfortunately, the attempt to replicate the first success is not always effective due to a situation change,
- the strategy of “excessive competitiveness” – arises when two companies with comparable market power compete with each other excessively increasing their spending on research and development, service and advertising, which increases costs and decreases profits.

The strategies of the functional level of the company, e.g. in the area of marketing, human resources management or knowledge management, may also become anti-resources. Taking marketing behavior of enterprises in Poland as an example area of considerations, one can observe a tendency to continuously acquire new customers in the absence of actions and concerns with respect to current clients (e.g. by neglecting and not compensating customers' complaints). In the 1980's, however, the necessity to adopt appropriate proportions between the use of offensive and defensive marketing was pointed out. For example, Fornell and Wernerfelt (1987, p. 337) emphasized that in the face of growing competition, the maturing of industries or shrinking markets, it is increasingly difficult to achieve offensive goals. The cost of generating a new customer can significantly exceed the cost

of maintaining an existing one. Because a low level of growth and highly competitive markets are becoming more and more common characteristics of many industries, the strategy of defense marketing is becoming more and more important. Instead of trying to gain new clients or encourage brand changes, defensive marketing focuses on reducing the number of customer churn and brand switching. This means that the goal of a defensive marketing strategy is to minimize customer turnover (maximize customer retention) by protecting products and markets from competition. In this situation, savings in a marketing offensive are often high enough to compensate for the additional costs associated with compensating for customers' complaints, even if the compensation exceeds the product's margin. This promotes building relationships with existing clients.

The internal dimension of structural capital resources is primarily reflected in the organization of the course of various types of processes. Erroneous organization of internal processes related to both material and non-material resources may lead to an increase in operating costs, a decrease in product quality, waste of resources, gaps in information and knowledge (and consequentially, in wrong decisions), etc. An erroneously implemented process of leadership may result from the undesirable qualities of people who are supposed to be leaders in the company. Dysfunction can also consist of errors in the organization of knowledge transfer processes in an enterprise, e.g. when the knowledge obtained from customers is not made available to employees of the enterprise. The anti-resource in this area is the ill-conceived application of the knowledge protection strategy and limiting the access of employees of different departments to the codified knowledge contained in databases. This situation is illustrated by the results of pilot studies conducted by Komańda and Sowa (2014, p. 88), who identified that as many as 27% of their respondents (employees) did not have access to such information stored in the IT system, and 8% were unable to take positions on this issue.

The external dimension of structural capital resources is reflected in network relations based on interpersonal business relations. In the internationalization process, they bring benefits in the form of: knowledge about new markets, identification and using new market opportunities, developing resources and skills needed for internationalization, reducing transaction costs, risk and uncertainty, guarantees for transactions (by which obsolete companies can gain credibility), and access to the network in other countries (Ratajczak-Mrozek, 2015, p. 117). Enterprises concentrating their activities in the international area often ignore the importance of relations with domestic entities. Meanwhile, as Ratajczak-Mrozek points it, "interpersonal relations rooted in the domestic market allow to recognize international opportunities..." (2015, p. 123), and "strong rooting in domestic relations is a way to reduce the risk for small and medium-sized enterprises that are related to foreign partners by providing a degree of protection in the event of sudden termination of relations with a foreign customer, or enabling flexibility in terms of delivery" (2015, pp. 123-124).

In terms of external relations, the company's specific anti-resources are relationships between people with tendencies to use lies, chicanery, frauds, collusions, etc. The foundation of these anti-relations is contact established by people who have unethical values and norms, and therefore these anti-relationships are secondary in relation to the anti-resources inherent in human capital. The consequence may be illegal transactions, speculations, corruption, secret cooperation with competitors or business intelligence. Unethical activities and their effects are summarized in Table 2.

Nowadays, local business stakeholders (e.g. local communities, local governments, local administration officials) and virtual stakeholders (various types of communities) are particularly sensitive spheres of the company's impact. The emergence of anti-resource relations in this area can effectively block the enterprise's initiative, or even its operation.

Table 2. Unethical activities and their possible consequences

| No. | Actions  | Consequences   |
|-----|--|--|
| 1.  | Inadequate and unreliable fulfillment of contracts.  | Violation of material and intangible benefits of partners and clients, and exposing them to losses, introducing an atmosphere of distrust  |
| 2.  | Lies or inappropriate passing of data to external bodies: shareholders, financial institutions, exchanges or offices | Transaction losses (in investments, loans, commercial contracts) and cooperation losses (in deliveries, urgent orders), creation of an atmosphere of caution and increased control |
| 3.  | Speculation or acting for third parties  | Diminishing the company's resources, losses in the products or equipment, creating an atmosphere of concern  |
| 4.  | Collusion  | Hampering the activity and profit making by other enterprises, damages to own projects, creating atmosphere of great caution and lack of cooperation                               |
| 5.  | Fraud, chicanery   | Capture of property or financial resources, creating an atmosphere of anxiety and lack of commitment   |
| 6.  | Corruption   | Obtaining preferential treatment at the expense of others, diminishing the company's own resources, and unfair elimination of competition  |
| 7.  | Providing confidential or secret information about a company or people   | Increased profits of other enterprises, loss of position in the industry, decrease of internal trust and cooperativeness   |
| 8.  | Illegal transactions   | Losses incurred by the parent company or cooperating companies, creating an atmosphere of distrust.  |
| 9.  | Hidden cooperation with competitors  | Decrease in market share, loss of position, decline of internal morale   |

Source: (Kłos, 2002, p. 18).

Examples of anti-resources of an enterprise in the area of structural capital are presented in Table 3.

## 5. The area of anti-resources of the client capital

The client is anyone who pays for the purchase of goods and services produced by the company. These are both individuals and institutional clients (schools, hospitals, wholesalers, retailers, etc.) (Griffin, 2017, p. 83). The company's clients create its client capital, the value of which depends not so much on the number, as on the sum of benefits they are willing to provide to the company in exchange for using its products or services (Mikula, 2006, p. 96). Adamska (2014, p. 133) points out that the company's future benefits resulting from the cooperation with the client depend on the trust and loyalty to the brand and on the quality of service, which translates to the image of the producer/service provider. Of course, benefits of acquiring and retaining the customer also determine the costs of customer acquisition and maintenance.

Table 3. Examples of anti-resources of an enterprise in the area of structural capital

| Anti-resource   | The essence of the anti-resource   | Some negative effects   |
|---|--|---|
| <b>The area of structural capital</b>   |  |   |
| Anti-strategy of an enterprise – a strategy containing unfavorable goals, poorly defined business directions and/or resource allocation     | The strategy effectively counteracts the possibility of using the company's strengths  | <ul style="list-style-type: none"> <li>• losses in resources,</li> <li>• loss of market position,</li> <li>• acquisition by another company,</li> <li>• liquidation</li> </ul>  |
| Functional anti-strategies – erroneous selection of functional strategies in relation to the company's environment and financial situation  | Lack of balance between offensive and defensive strategies, erroneous selection of functional strategies in relation to the general strategy of the enterprise | <ul style="list-style-type: none"> <li>• losses in resources,</li> <li>• loss of market position,</li> <li>• loss of reputation</li> </ul>  |
| Anti-processes – internal processes with dysfunctions   | Lack of observance of the principle of the shortest path, duplicating processes and activities, restriction of access to knowledge resources, etc.             | <ul style="list-style-type: none"> <li>• increase of costs,</li> <li>• prolonging the task execution time,</li> <li>• errors in the implementation of tasks,</li> <li>• poor quality of work results</li> </ul>                                       |
| Anti-relationships – disturbed interpersonal relationships with the external environment  | Relationships with limited mutual interaction and one-sided interest, dishonest intentions, lack of trust  | <ul style="list-style-type: none"> <li>• lack of opportunities to develop business on the domestic market,</li> <li>• limiting the possibilities to internationalize operations,</li> <li>• limiting the benefits of leveraging strategies</li> </ul> |
| Anti-systems – systems that are not adapted to the enterprise's needs, or installed accidentally, or on the basis of unreasonable decisions | Lack of mutual reconciliation of the elements of the enterprise management subsystems, lack of the desired level of integration of internal computer systems   | <ul style="list-style-type: none"> <li>• waste of financial resources,</li> <li>• difficulties in the implementation of processes, low efficiency,</li> <li>• wrong decisions</li> </ul>  |

Source: own study.

Similar to other intangible resources of an organization, client capital can also be transformed into an anti-resource; for example, a customer who brings value to the company can start impairing it by creating only costs. The reasons for the anti-client resource to originate may vary. Most often, the culprit is company itself, which, e.g. sells products or provides low quality services, neglects after-sales service, does not accept complaints, nor responds to customer comments and

requests<sup>4</sup>. As a result, the client resigns from further contacts with the company, which is often left unaware of the situation and proceeds with the costly activities towards the client in order to retain him. Of course, the consequences may be more acute, e.g. loss of customer loyalty and him taking action against the company. The client then starts complaining to consumer rights' protection institutions, posting unfavorable comments on websites, informing his friends about irregularities that have occurred and discouraging them from using the company's products or services. Certainly, the consequences can be even more far-reaching and severe. An example of this is actions of a client of one of the German tour operators offering trips and foreign holidays in Poland. Since the company rejected his complaint, the client set up a website describing his situation and enabled visitors to post their negative experiences with this company. With a large number of posts, the website was positioned very high; the page rose to rank first on the Google search list (above the official website of the company). Each existing or potential customer could read the comments of unhappy customers describing malpractice of the company before entering its official website. As a result, the company had lost a significant number of customers, permanently disappeared from the list of major players in the tourism industry in Poland and has not recovered from this failure so far. The main reason for this situation was the policy of the managerial staff towards the clients, and their arrogance, i.e. first and foremost, the anti-human resource. On the other hand, it caused the anti-client resource to arise.

Examples of anti-resources of an enterprise in the area of client capital are presented in Table 4. Depending on the size of the anti-resource, the consequences of all of the indicated examples may be: reduction of company revenues and increase of costs related to marketing and public relations, brand building, legal proceedings, penalties and lawsuits, launching new products to the market and building the company's image. The result may be a loss of a competitive position. Other possible consequences are disciplinary sanctions for employees, their dissatisfaction, mutual blaming and internal conflicts, deterioration of the atmosphere at work, departure of key employees to other companies, including competition.

## 6. The area of intellectual property anti-resources

"Intellectual property is the knowledge accumulated by the enterprise and possessed by its employees, which is public and protected by law" (Gierańczyk, 2010, p. 76). Like other intangible resources, anti-resources may also appear in the area of intellectual property. The below examples relate to contracts, industrial property and copyright.

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<sup>4</sup> The research conducted among the clients of service enterprises regarding their level of satisfaction (Jackiewicz, Czech & Barcik, 2010, p. 57) shows that:

- the cost of acquiring a new client is five times higher than the cost of winning the loyalty of an existing customer,
- an increase in customer loyalty by 5% leads to an increase in company turnover by 15%,
- one dissatisfied customer discourages nine more people from the company,
- one satisfied customer recommends the company to three more people,
- the cost of winning back a customer lost due to dissatisfaction with the provided services is 12 times higher than the cost of acquiring a new customer.

Table 4. Examples of an enterprise's anti-resource in the area of client capital

| Anti-resource                                      | The essence of anti-resource  | Some negative effects  |
|--|---|--|
| <b>The area of resources of the client capital</b> |   |  |
| An anti-client with conflicting standards          | The standards recognized by the customer are contradictory to the declared or actual values of the company. This may result from ethnocentricity of the management staff who come from a cultural circle that is different from the culture prevailing in the target market. This may be due to the client's cultural sphere, in which acculturation is hampered, or only preliminary                                     | <ul style="list-style-type: none"> <li>• does not use the company's products and services,</li> <li>• speaks against the company, both informally and formally,</li> <li>• demands the company's withdrawal from the market,</li> <li>• discourages current customers from purchasing,</li> <li>• discourages potential customers from purchasing</li> </ul>                                     |
| A dissatisfied anti-customer                       | Feels dissatisfied due to irregularities in the product, price or customer service  | <ul style="list-style-type: none"> <li>• the customer stops purchasing,</li> <li>• creates and spreads a negative image of the enterprise (creates negative market rumors),</li> <li>• discourages current customers from purchasing,</li> <li>• discourages potential customers from purchasing,</li> <li>• damage to the company's image,</li> <li>• weakening of brand(s) strength</li> </ul> |
| A disloyal anti-customer                           | Due to failed expectations the customer ceases to be loyal to the company and starts purchasing other brands  | <ul style="list-style-type: none"> <li>• the customer stops purchasing,</li> <li>• the customer switches to another company and uses its products or services,</li> <li>• the customer can start building loyalty to another brand or company</li> </ul>   |
| A community of anti-clients                        | A dissatisfied and disloyal client or group of clients acts to build a local or internet community in order to be detrimental to the company (submit a class action, inform potential and current clients about business malpractices, report to the consumer rights protection office, etc.). The goal may be to obtain redress or satisfaction, discredit the company and its management, change the company's behavior | <ul style="list-style-type: none"> <li>• publishing information about malpractices of the enterprise,</li> <li>• the need for making rectifications and activating public relations actions,</li> <li>• loss of current and potential customers,</li> <li>• damage to the company's image,</li> <li>• weakening of brand(s) strength</li> </ul>  |

Source: own study.

Agreements concluded between business partners relate to the type of an exchange; nowadays, they are usually in writing. Contracts include two elements (Macaulay, 1963, p. 56):

- rational planning of transactions with prudent securing of many future unforeseen expenses,
- the existence or use of actual or potential penalties related to the size of the exchange or the need to compensate for a lack of action.

Errors in the contract, in one or both of the aspects, may consequently result in significant financial sanctions for the company, or other negative consequences.

In business, an important area of intangible resources is the so-called industrial property. It includes invention patents, utility models, industrial designs, trademarks, trade names, geographical indications and layout designs of integrated circuits. Legal protection of these resources is based on an administrative decision of a competent office, and the proof of ownership is a patent document, a registration certificate or a protection certificate. Obtaining industrial property rights ensures that the eligible entities have exclusive economic exploitation property and prohibition rights that allow effective prosecution of any infringements (Dereń, 2007, pp. 50-52). In general, industrial property should naturally bring economic benefits to its owner. However, in a situation where the created solution is useless or, e.g. a license agreement has been constructed so that these benefits are null, or translate into losses, this resource should be counted as one of anti-resources. In extreme cases, the solutions created and protected by law may be harmful to the environment and cause litigation and result in compensation.

Copyright is another important area of intellectual property. It can also become an anti-resource, e.g. when the knowledge presented in a study is useless, or after verification, it turned out to be dangerous. The consequence may be not only financial damages, but also loss of reputation. This happened, e.g. to economists who created works favoring the socialist system; in Poland, these studies were deemed useless after 1989.

Examples of anti-resources of an enterprise in the area of intellectual capital are presented in Table 5.

Table 5. Examples of an enterprise's anti-resource in the area of intellectual property

| Anti-resource  | The essence of anti-resource  | Some negative effects   |
|--|---|---|
| <b>The area of intellectual property anti-resources</b>                |   |   |
| Anti-contracts – poorly structured contracts between business partners | Determination of unfavorable exchange arrangements and characteristics of the exchange: unrealistic quantity, size, quality, time, etc., determining sanctions inadequate to losses.ó | <ul style="list-style-type: none"> <li>• financial loss,</li> <li>• loss of reputation,</li> <li>• loss of clients, business partners,</li> <li>• exclusion from the network</li> </ul>   |
| Anti-patents   | Patents for useless, unnecessary, harmful and dangerous solutions.ó   | <ul style="list-style-type: none"> <li>• financial losses resulting from the implementation of research and development works,</li> <li>• financial losses incurred by patent proceedings,</li> <li>• image and financial losses as a result of court proceedings and awarding damages,</li> <li>• discouragement of employees</li> </ul> |

|                 |  |  |
|-----------------|--|--|
| Anti-copyrights | Copyrights to obsolete works, depicting unnecessary or untrue knowledge (verified as ineffective or incorrect), or harmful.ó | <ul style="list-style-type: none"> <li>• loss of the company's image,</li> <li>• the possibility of financial losses resulting e.g. from the need to pay compensation</li> </ul> |
|-----------------|--|--|

Source: own study.

## 7. Conclusion

The notion that “intellectual capital becomes more and more important for a modern enterprise as it can significantly affect the competitive advantage, constituting its basis, or support for other sources of competitive advantage” (Walczak, 2010, p. 8) remains relevant. On undertaking the management of intangible resources, however, one must not forget about their forms that are counterproductive to creating value. In extreme cases, these resources may lead to the collapse of the enterprise, therefore, it is necessary to increase their knowledge. One ought to build theoretical knowledge of intangible anti-resources of the organization, and to classify them. Empirical studies should be carried out, the purpose of which will be to determine the scope and impact of the anti-resources on the competitive and economic situation of enterprises.

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# Chapter 8

## **New Concepts of Self-organization<sup>1</sup>**

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*Bernard Ziębicki*

### **1. Introduction**

Recently, in business practice it is possible to observe repeated shift towards management based on the idea of self-organization. This phenomenon is mainly disclosed in industries related to IT technologies. The concept of self-organization is not a new idea. This type of solutions have been found practically from the beginning of the development of the practice of management. Self-organization is related to the increased degree of autonomy of the employees and their participation in management of the organization. This concept opposes the traditional, centralized approach to management, based on a developed, multi-level organizational structure and task specialization. Use of this approach in management has been characterized, over the years, by periodical variability. Currently, we are observing again a growing interest in this orientation. A symptom of this is emergence of various, new concepts of self-organization which are attempted to be applied in business practice. The main of them include: cyan organization, agile management, holacracy, podularity model, or slightly earlier known concepts of fractal and hypertext organizations.

The purpose of the chapter is to present the essence new concepts of self-organization and their comparative analysis. An attempt will also be made to evaluate them. The Chief research method was the analysis of secondary sources, related to the characteristics of the aforementioned concepts and their application in business practice.

### **2. Essence and development of the self-organization concept in the theory of management**

The genesis of the term self-organization originates from the exact sciences. It is related to the phenomena taking place in nature, in which elements of any complex system, under the effect of mutual interactions and environmental factors, are subject to spontaneous ordering in time and space. The pioneer in research in this respect is regarded Belgian physicist and physichemist, laureate

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of the Nobel prize in chemistry, I. Prigogine (Martyniak, 2002b, p. 126). He was the author of the term non-linear dynamics and the theory of dissipative structures, on the grounds of which the notion self-organization has developed. Non-linear dynamics refers to changes, where the effect is not proportional to the evoking cause. On the other hand, dissipative structures are a fundamental conceptual category under thermodynamics. They refer to stable states (structures), created in the conditions of imbalanced systems, as a result of irreversible energy exchange with the environment. The process of forming dissipative structures is defined as self-organization (Coveney & Highfield, 1997, p. 200).

In many studies dedicated to self-organization in management, an attempt is undertaken to indicate the relationships between the essence of this phenomenon on the grounds of thermodynamics and organization (Crozier & Sérieyx, 1995). One can even have an impression that the genesis of self-organization in management originates from the exact sciences. In the author's opinion, these relations are quite loose and, in spite of certain similarities, these phenomena are different in nature. On the grounds of management, self-organization should be primarily treated as a definition referring to a system that, as a result of autonomy, resignation from the external managerial impact, under specific conditions, obtains higher effectiveness of operation. According to Everaere (2001, p. 15), a French researcher dealing with this problem area, the main elements of self-organization are autonomy and co-management.

Practices related to self-organization appeared as early as in the beginnings of management. As one of the first two examples such solutions, one can mention, implemented in Bata plants in the 1920s, the concept of semi-autonomic working teams (workshops). These teams operated on the principle of separate plants which were selling the results of their processes to further "plants" along the technological line. The teams organized work themselves and could buy material outside the enterprise, when the internal offer was less favorable. This solution was the main determinant for the high effectiveness of the whole enterprise (Martyniak, 2002a, p. 193).

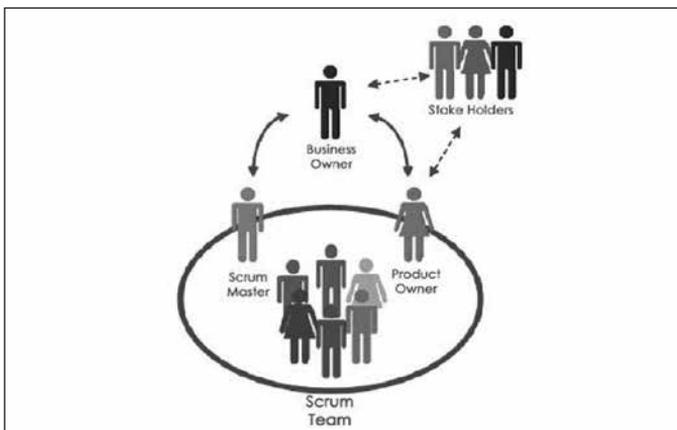
However, the principal development of self-organization in business practice came in the 1970s. At that time the so-called *jidoka* system emerged in Japan, namely autonomization on production lines, related to transfer of the accountability for processes and their quality to the direct contractors. The main assumption behind *jidoka* is to prevent a defect to be passed to the next process. The persons responsible to ensure it are the operators and other persons involved in the processes. Even today, this idea is one of the core solutions applied in Lean Production. On the other hand, in Europe at that time the idea of employee participation developed, being related to involving employees and teams in the processes of shared decision-making about the organization and decentralized management. On the other hand, in the United States, the development of self-organization was connected with the creation of project teams. These solutions have been consolidated in business practice and at present are commonly used practices, a general symptom of which is increase in team-based work, decentralization of management, participation of employees, process responsibility. The next wave of popularity of the idea of self-organization emerged at the turn of 20<sup>th</sup> and 21<sup>st</sup> centuries.

### **3. Review of new concepts of self-organization**

The contemporary development of self-organization in management is related to the growing importance of the agile approach to project management. This approach is most frequently applied in IT companies and startups, based on new technologies. Agile approach in organizational project implementation consists in departure from the traditional scheme of cascade op-

eration and its substitution by incremental performance, with current interaction with the client. The traditional cascade model assumes performance of consecutive stages, according to the plan adopted for the project. The subsequent stage can be performed only after the preceding one has been completed. In the agile approach there is no action plan. What is only known is the general goal the achievement of which is the aim of the team or teams involved in the implementation of the project. Decomposition of the goal into partial ones as well as task division and work organization are up to the decision of the team members. The main assumptions for action under these conditions are: people and interactions over processes and tools, operating software over comprehensive documentation, cooperation with the client over formal determinations, responding to changes over action according to the plan (*Manifesto ...*, 2014). This idea is the foundation for many methodical solutions, related to agile project management. The best known of them, which simultaneously has contributed most to agile management popularization in business practice, is Scrum methodology. Project implementation in Scrum methodology is based on autonomous teams, from 5 to 9 persons. This team is interfunctional and interdisciplinary. Its members originate from the same or similar level in the organization and represent a broad spectrum of competences and specializations. Leadership in the team is changing and depends on the project that is being performed. The team members independently set each other tasks to be performed as well as mutually settle their work. A very important element in team work, under the Scrum methodology, is direct, daily communication, in the form of a meeting summing up achievements and determining subsequent goals. Scrum Master supervises the course of scrum meetings and the general correctness of the project progress. He performs the role of a special coach whose major responsibility is to ensure that the assumptions of the method are reflected in the work of the team. Scrum Master is not, however, a team member and his role diminishes along with growth in the level of experience of the employees, associated with working in the Scrum environment. The Scrum methodology also assumes continuous interaction with the client. It is realized through the product owner, namely the person who usually represents the client. Its role consists in explaining the client's expectations and in communicating results of the team's work. This person also acts outside the team (Ćwiklicki, Jabłoński & Włodarek, 2010, pp. 30-33) (Fig. 1).

Figure 1. Roles of scrum members



Source: (Gupta, 2018).

The Scrum methodology is extremely popular in business practice. It has become the basis of many subsequent methodical solutions and contributed to popularizing project implementation in the formula of autonomous teams in contemporary enterprises.

An expression of the said tendency is the presently more and more popular turquoise organization concept. Its authorship is attributed to Belgian politician – Laloux (2014), the author of the book: *“Reinventing Organizations. A Guide to Creating Organizations Inspired by the Next Stage of Human Consciousness”*, in which he presented the assumptions of the discussed concept. Laloux presents the idea of turquoise organization as a contemporary phase in the development of organizational systems. He describes these phases using colors. The most primitive organization, based on strong authority, fear, reactive action and short-term goals, has been expressed by red. Laloux indicates mafia and street gangs as examples illustrating best this type of organizations. The second phase of development is amber organization. This is a highly hierarchical organization, top-down managed, focused first of all on stabilization. Typical examples of such organizations, according to Laloux, are: Catholic Church, the army, government agencies, state universities. The subsequent stage in development of organizations has been marked in orange. It applies to international corporations, commercial chains, social schools. These are organizations strongly focused on objectives, aiming to achieve competitive advantage, to grow. The main way of achieving these objectives is innovation. A higher form of organizational development, according to Laloux, are “green organizations”, building their potential based on high employee motivation and commitment. These organizations usually have traditional, hierarchical structure, but thanks to focusing attention on the corporate culture and decentralization of management they manage to release high motivation of the employees. Turquoise organization is the contemporary, most advanced organizational solution, based on self-organization, where, thanks to common values, trust, cooperation, partnership and creating self-realization opportunities, it is possible to achieve the effects which could not have been achieved with the traditional, hierarchical management model. According to Blikle (2017, p. 20), an exponent of turquoise organization, the most important assumptions of such organizations, are:

- pursuing important goals, contributing to change in the environment for better,
- focusing the organization on trust, responsibility and partnership,
- cooperation instead of competition,
- motivation by self-fulfillment, identification with the organization’s objectives and participation,
- self-management based on autonomous teams, instead of the traditional command-control management,
- network process structures, instead of hierarchical systems.

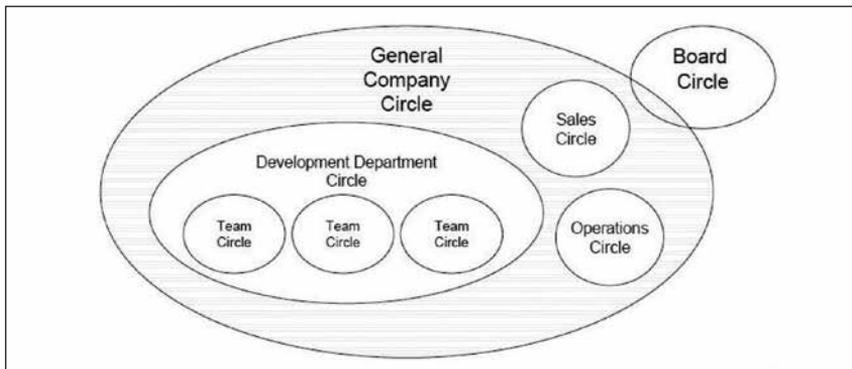
Turquoise organization constitutes a broad concept of self-organization. The implementation of its assumptions in business practice adopts different forms, related to different concepts of its operationalization. One of the main concepts of turquoise organization is to holacracy. It is a very young concept. The official date of its inception is assumed the year 2006, when it was applied in practice for the first time, in IT company Ternary Software in Pennsylvania. The authorship of the concept is attributed to Brian Robertson. Currently, he is the owner of the company HolacracyOne, which offers implementation of this concept in practice.

The idea of holacracy is based on the philosophical concept of organization of the world, presented in the 1960s., by Koestler (1967). According to this concept the surrounding world consists of autonomous entities (atoms, cells) which simultaneously constitute elements of larger wholes (e.g. organisms). Koestler generally called these entities holons (from Greek holon – whole). Being

elements of larger wholes, holons operate in a system of mutual dependences and relations with respect to each other and superior entities, creating special hierarchies, called holarchies.

In holacracy, the main element in the organization are autonomous rings (circles), being holon counterparts. Circles are formed by employees with different competences, who are assigned roles. At the same time circles are elements of larger wholes – superior circles (circles of departments, divisions, or the circle of the whole company). Circles are created as necessary. Some circles are permanent, on the other hand, some exist only until the goal has been achieved, which was assumed when they were created (Fig. 2).

Figure 2. Holacratic organization



Source: (Mansah-Owusu, 2018).

Circles in holacracy are autonomous with regard to the objectives and tasks assigned to them. All decisions within the circle are made collectively. There is no boss, or circle leader. The employees perform specific roles that are assigned to them by the team (circle participants), depending on their individual competences. An employee can at same time perform several roles. In order to ensure efficient cooperation with other circles, in particular superior ones, one of the employees plays the role of the so-called “lead link”. This role is usually connected with other ones. It may be shared with several persons. Link lead is often identified with the leader (“head”) of the team. This is, however, incorrect interpretation. Their role consists, above all, in mediating the communication with the other circles (Robertson, 2015, p. 28).

The basis for circle work management are collective agreements made during meetings. They have double nature, being managerial and tactical meetings. The former relate to setting the goals and action concepts. The latter relate to the current agreements. Circle meetings (particularly tactical) are held often (at least weekly). In order to ensure high effectiveness of these meetings, strictly defined principles of their course are applied. For each meeting the “moderator” person is appointed who is specially trained to perform this function. The objective of the moderator is to manage the course of the meeting according to specific principles. In particular, those principles refer to the problems of taking the floor, reporting any reservations as to the proposed solutions, formulating the final determinations. As a result, the meeting proceeds efficiently and always ends with constructive conclusions (Chrapko, 2016).

The concept of holacracy in its assumptions is very similar to the idea of agile management, including the Scrum method. It may be regarded that it is its subsequent form, where the basic assumptions remain unchanged. The main difference applies to formalization. In holacracy, not only

the meetings proceed according to strictly defined rules. The functioning of the entire organization is based on formalized regulations. It is most frequently created on the principle of “ratifying” the holacracy constitution, developed by B. Robertson. It is continuously developed by the author. Currently, already version 4.2 is available.

A concept similar to holacracy is the podularity model. In this model, the organization is formed by highly autonomous entities, defined as “pods”. These entities pursue comprehensive processes, related to direct value creation for the clients. The resources that perform supporting activities may not form separate entities, as in the case of the traditional organization. They are incorporated into pods, subject to the existing process linkages. The autonomy of pods refers, first of all, to identifying and satisfying clients’ needs. All decisions and responsibility in this respect remain at the level of particular pods. Also a significant delegation of authority takes place within the pods. Most decisions are made by employees responsible for the execution of specific sub-processes. The outcome of this solution is high flexibility and speed of reaction to changes in the clients’ expectations (Grey & Valder Wan, 2014, pp. 136-138).

The idea of podularity organizations refers to the concept of fractal organization from the 1990s, made popular by German researchers. This concept was most widely described by Wernecke (1999). In this concept the organization is based on the notion of “fractals”, namely self-organizing and self-optimizing regulatory systems. Fractals are equivalents of pods in the podularity model. However, the difference is that fractals are present at various organizational levels (operating, tactical, strategic). Operational fractals refer to business processes, while tactical and strategic ones relate to formulation of goals and shaping of the external and internal relations (Martyniak, 2002, p. 129).

#### **4. Reasons for the growing popularity of the self-organization concept in contemporary management**

The increased popularity of the self-organization concept in contemporary management is caused by many factors. Undoubtedly, one of them is the development of agile approach in project management. Earlier, cascade approach, turns out to be more and more often ineffective. The main restrictions of this approach are the assumptions that the client, already at the beginning, is able to fully define their expectations and that during the project implementation the conditions will not change. As a result, it is rarely possible to be successful without keeping sticking to the originally adopted plan. In practice it often needs to be revised in the course of implementation. In the case of agile approach, where we begin with a general vision, which is developed by iterations, in the consultations with the client, we avoid the above presented hazards. These benefits have contributed to the increased importance of agile management and development of detailed methods such as: Scrum, Extreme Programming, or Lean Startup, applicable in the creation of start-ups.

Undoubtedly, the factor that affected the development of self-organization is also the high pace of the contemporary business processes. In such conditions, decisions must be made very fast. This requires shortened decision-making paths and increased organizational flexibility. Thanks to the delegation of rights to teams, making them responsible for specific categories of the results, efficiency of operation of organizations is improved. This aspect is also related with the need for the client orientation in contemporary management. The main purpose of contemporary management is maximized value creation for the client. The autonomy of performance, creating internal markets, team responsibility for results are the main factors affecting value creation for the client.

Self-organization also contributes to the growing motivation and level of involvement among the employees. It was already noticed a long time ago that the approach towards employee motivation commonly applied in Japan, called Z theory, based on participation, team autonomy, collectivism, contributes to the increased level of identification with the company and employee commitment. This issue seems to be particularly important at present, when representatives of various generations are present on the labor market. An increasing share among those employed are representatives of the generation Y, namely baby boomers born in the 1980s and 1990s. These are mostly well educated employees, having broad competences, mobile professionally and privately. However, these persons often have very limited opportunities to use their professional competences. Their competences in many cases significantly exceed the expectations necessary for the offered job. Promotion and development opportunities are also often limited. The reason for this situation is that managerial positions are occupied by the previous generations and that the development of organizations is based on standardization and process automation. This situation is often defined as the “glass ceiling” effect. As a result, representatives of the generation Y, having no self-realization opportunities, get involved in various project outside the organization, treating work as a mean and not as a challenge. Thanks to self-organization, co-management, the possibility to play various roles, including managerial ones, utilization level of these employees’ competences is improved. It is also a way for true talents to be disclosed.

## 5. Attempt to assess the self-organization concept in the light of the past research findings and implementation in practice

Self-organization is a concept of management substantially different from hierarchical organization. It is characterized above all by horizontal organizational structure, where authority is broadly delegated to the employees. Leadership is variable, related to playing specific team roles. Decisions are made depending on the situation, in a team. Employees have broad access to information, in particular feedback information, related to results of their actions. Analytical thinking, typical of the traditional organization, is replaced by synthesis. Processes are iterative, incremental. The main motivation factor is satisfaction and self-realization (Tab. 1).

Table 1. Comparison of characteristics of the traditional hierarchical organization and self-organization

|                          | <b>Hierarchy</b>      | <b>Self-organization</b>               |
|--------------------------|-----------------------|--|
| Organizational structure | multi-level           | flat                                   |
| Management               | formalized, control   | self-management                        |
| Leadership               | permanent, managerial | variable, role playing                 |
| Decisions                | top-down              | depending on the situation, team-based |
| Thinking                 | analysis              | synthesis                              |
| Information              | limited               | available                              |
| Processes                | linear, cascade       | iterative                              |
| Employee motivation      | money, recognition    | satisfaction, self-realization         |

Source: prepared by the author.

At present self-organization evokes diverse emotions. On the one hand, there is an increasingly broader group of its passionate supporters, while on the other hand, it comes across critical views, presenting it as an utopian concept. However, truth is certainly somewhere in the middle.

Undoubtedly, one of the most important benefits of self-organization is increased flexibility of operation and significant transfer of accountability for the company and its development to the employees. Delegation of managerial rights to the employees (teams) translates into growth in motivation and commitment. It contributes to an increased level of accountability for the company on the executive level and triggers greater creativity. Also, competences of individual employees develop faster. Self-organization also ensures a significant level of reliability as a result of: greater decision-making efficiency, improved communication, process approach and focus on performance (Tab. 2).

Table 2. Benefits and hazards of self-management

| Benefits   | Restrictions and hazards  |
|--|---|
| <ul style="list-style-type: none"> <li>• flexibility,</li> <li>• reliability,</li> <li>• commitment and motivation,</li> <li>• sense of community,</li> <li>• creativity,</li> <li>• fast decisions,</li> <li>• development of individual competences,</li> <li>• efficient communication,</li> <li>• process approach,</li> <li>• focus on performance</li> </ul> | <ul style="list-style-type: none"> <li>• chaos,</li> <li>• bureaucracy,</li> <li>• fuzzy responsibility,</li> <li>• instability,</li> <li>• no consistent development vision,</li> <li>• multiplicity of roles and dispersed work,</li> <li>• inadequate remuneration as compared to the value of work</li> </ul> |

Source: (Ziębicki, 2017, p. 88).

The opponents of self-management indicate organizational chaos as the main threat, resulting from fuzzy responsibility, no consistent development vision, multiplicity of divided roles. In such conditions, coordination of activities and achieving specific, joint results is an extremely difficult objective. This often requires an increased degree of formalization of the organization, by introducing detailed regulations, specifying the principles of functioning of the organization. Such solution is requested e.g. in holacracy. A problem is also variability and diversity of employees' roles. This significantly limits the possibility to properly coordinate actions and provide remuneration that is adequate to the value of work.

## 6. Conclusion

Self-organization and the related concepts are more and more often used in business practice. This type of solutions are applied, above all, in modern companies, focused on dynamic growth that are looking for new ways to ensure more efficient management. The discussed approach should be regarded as a permanent trend in management. However, it is not universal in nature. It may not be applied under any operating conditions. In particular, this approach is not applicable in traditional industries, in which enterprises aim above all to achieve stabilization and reliability.

A limitation to the implementation of self-organization is also the need for the employees to have high competences, allowing them to adopt various roles, and effective operation in the conditions when there is no leader. Self-management should thus be treated as an alternative to the traditional management model that will still remain the dominant one for long.

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# Chapter 9

## **Business Model Attributes of a Mass Customization-oriented Company<sup>1</sup>**

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*Maciej Walczak, Angelika Wodecka-Hyjek*

### **1. Introduction**

A particular emphasis on dynamic changes in the environment and the volatility of products, towards which customer expectations change equally dynamically, imply the need to respond and adapt new approaches to management in contemporary enterprises. An expression of the company's adjustment to current market needs is conscious and effective creation of a business model ensuring financial benefits, improved flexibility of action and finding a way to obtain or maintain the competitive position. Interest in the concept of business models, among both management practitioners and theoreticians, is still relevant, which is proved by the systematically growing number of studies and publications in this regard. Researchers' activity is directed towards a search for optimum model components, attempted explanation of different areas of business operations using them as well as indicating linkages between business models and strategies adopted by companies. The perspective of analyzing the relations between strategy and the business model construct seems to be an important problem from the point of view of mass customization. The development in the technical possibilities of differentiating production, in combination with the need for separation of the increasingly smaller market segments, as a consequence of customers searching for products adjusted as far as possible to their current needs, results in the fact that product customization becomes not so much an opportunity as a necessity for an increasingly broader group of companies.

The purpose of this study is to identify business model elements that are significant from the point of view of mass customization strategy. In this respect, the essence and definition of business model in management is presented at the beginning, with a particular focus on differentiating the notion of strategy and business model, business models components in the Osterwalder's and Pigneur's concept and the proposal of Boston Consulting Group (BCG) are characterized. Then, the essence and conditions for the application of mass customization and approaches to the mass

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customization strategy are presented, according to the concept of Gilmore and Pine. Based on the said concepts, the author's own perspective of selecting business model components has been proposed, as necessary to meet the requirements of mass customization. The assessment of significance of particular model elements from the perspective of their importance for mass customization has been made under the conclusions.

## **2. Essence and definition of business model in management**

The problem area of business model concepts is examined in the subject literature in three perspectives (Gołebowski et al., 2008, pp. 19-20): description of a business model as a theoretical concept (with the highest degree of abstraction), where many authors also determine elements constituting a business model; business model taxonomy, at this level various abstract models are described with specific common characteristics for a particular type of models (e.g. dependent on the industry) as well as conceptualization and presentation of business models intended for specific kinds of enterprises. This division lets us note that the criterion of differentiation is the level of particularization in defining the notion of business model, depending on the elements being the construct for its examination. Defining business models, both on the theoretical and practical grounds, also exposes many threads, which is proved by the thorough analysis of this problem presented in practical projects and the subject literature. The most common are the problems of sources of revenue/profits, value for the customer, acquisition and disposal of resources, business architecture and relations with partners (suppliers and recipients), logic and method of action, importance of technical and organizational innovations as a source of value for buyers as well as matters concerning competition strategy building (Gołebowski et al., 2008, pp. 20-28).

In the general perspective, business model can be described as an "idea for earning money by the company" (Kozłowski, 2004, p. 123) or "description how a company traditionally operates" (Arend, 2013, p. 391). A more exhaustive definition of business model is proposed by Osterwalder and Pigneur, in the opinion of whom business model is a new conceptual tool, containing a set of elements and relationships between them which enables expression of the business logic of the given enterprise. It contains a description of the premises behind the way the organization creates value as well as provides and derives profits from the already created value (Osterwalder & Pigneur, 2012, p. 18). A similar opinion is also expressed by Johnson (2010, p. 22), who perceives business model as "representation of how business creates and delivers value both to clients, and the company". The degree of generalization and the multifaceted character of business model definitions lets us assume, following B. Nogalski, that business model may be treated as a developed, contemporary, as opposed to traditional, classic ones, form of the organizational model of business management and presented as a systematic idea about the desired directions of its development (strategy) and the determinants of this process. It should be pointed out that, as defined by the cited author, the contemporary organizational model of management applies to basic variables and parameters of the sphere of business organization and management, determined by actions and resources on the general level. This form illustrates strategy on the general level of the company, exposes such variables in the model as: strategies offering competitive advantage, key (core) competences and innovations. The classical organizational model is more detailed and most frequently addresses the details concerning the organizational structure, division of power etc. (Nogalski, 2009, pp. 7, 13).

Based on the conducted deliberations the thread of differentiating the notion of strategy and business model, as independent entities operationalizing the reality of the company, seems to be particularly important, although business model and strategy create a system of consistent assumptions and correlated actions contributing together to the attainment of the assumed goals. Business model indicates how its particular elements are adjusted to each other, but does not apply to the ways of competing, as these constitute an element of strategy (Magretta, 2002, p. 91). As a notion, business model reflects the static nature of the phenomenon, because it describes schemes, models of action (framework, system of relations etc.) in a more abstract way, while strategy, namely the manner of implementation, describes the dynamic character of the phenomenon, stressing flexibility of behaviors of the company in variable conditions in which it operates (Nogalski, 2009, pp. 7-8). This opinion is also shared by Teece (2010, p. 180), stating that business model is more general than strategy, while the choice of business strategy is a task implemented on a higher level of detail than business model design. Development of a business model and building a strategy are still closely related to each other, because market segmentation, in particular creating value proposals for each segment, preparation of the mechanism for its delivery as well as mechanisms for protecting it against competitors requires analysis of the business strategy and business model design to be linked together.

An overview of business model definitions lets us note that, despite largely intensified works in this regard, a number of similarities in defining, one, consistent perspective of this problem has not been adopted so far. It can be assumed for the needs of this study that business model determine the logic of linkages created between resources being at the disposal of the organization and actions creating value for broadly understood customers (Cyfert & Krzakiewicz, 2011, p. 100). Therefore it is justified to look at this problem through the prism of the components being the essence of the considered business model definitions.

### **3. Business model components**

Business model components are the ontological basis in the process of its definition, and an overview of the current studies lets one state that the particular authors identify different elements constituting a business model. Most frequently, from a few to a dozen or so such elements are distinguished, taking account of various criteria and logic (Falencikowski, 2011, p. 251).

The subject literature proposes diverse statements of business model components. The most famous are the model of Osterwalder and Pigneur (2012) and the proposal of Boston Consulting Group (Lingardt et al., 2009) (Tab. 1).

Osterwalder and Pigneur indicate nine fundamental elements of a company's business model: value propositions, customer segments, communication and distribution channels, relations with customers, revenue streams, key resources, key activities, key partnerships and cost structure, which elements are embedded in four basic areas of business operation, namely offers, customers, infrastructure and financial position (Osterwalder & Pigneur, 2012, pp. 18-21). Value propositions describes a set of products and services generating value for a particular customers segment. Customer segments indicate different groups of people and organizations, which the company tries to reach out to and which it wants to serve. Channels are this business model element that indicates how the company communicates with particular segments of their customers and how transfers their value proposal to them. In turn, relations with customers connect the company with

the representatives of a particular customer segment to acquire new or preserve existing customers as well as to increase sales. The key resources (physical, intellectual, human, financial) are this business model element which is necessary for proper operation. Key activities are taken to ensure efficient functioning of the most important areas within the company, e.g. production, different customers, functioning in the network. The area of key partnerships describes the network of suppliers and co-workers which the company's efficient functioning relies on. Revenue streams identify the revenue sources and acquisition mechanisms, thanks to which the company can earn money and generate profits. The structure of costs incorporates all expenses incurred in connection with applying a specific business model.

Table 1. Business model construct components in selected perspectives

| <b>Authors</b>                          | <b>Construct components</b>   |
|---|---|
| Osterwalder, Pigneur (2012)             | Offer: <ul style="list-style-type: none"> <li>• Value Propositions.</li> </ul> Customers: <ul style="list-style-type: none"> <li>• Customer Segments,</li> <li>• Communication and Distribution Channels,</li> <li>• Customer Relationships.</li> </ul> Infrastructure: <ul style="list-style-type: none"> <li>• Key Resources,</li> <li>• Key Activities,</li> <li>• Key Partnerships.</li> </ul> Financial position: <ul style="list-style-type: none"> <li>• Revenue Streams,</li> <li>• Cost Structure</li> </ul> |
| Lingardt, Reeves, Stalk, Deilmer (2009) | Value proposition: <ul style="list-style-type: none"> <li>• Target Segment(s),</li> <li>• Product or Service Offering,</li> <li>• Revenue Model.</li> </ul> Operating model: <ul style="list-style-type: none"> <li>• Value Chain,</li> <li>• Cost Model,</li> <li>• Organization</li> </ul>  |

Source: own work on the basis of (Osterwalder & Pigneur, 2012, pp. 18-21; Lingardt et al., 2009, pp. 1-2).

The concept described by Lingardt, Reeves, Stalk and Deilmer is based on experience of Boston Consulting Group. The proposed model elements are mutually connected and relate to two constituent components: value proposal and model operationalization. The fundamental element under value proposal is customer segmentation. It applies to activities leading to identifying the group of customers whom the company's offers will be addressed to. Distribution channels or relations with customers are also specified under this element. The offered product is the major part of the interpreted notion. For this reason, the product or service should be defined in detail, in order to differentiate the attributes offering an advantage over competitors' offers. Revenue generation models determine the method of obtaining revenue from particular market segments

which, as in the above model, may come from various sources. In the opinion of the authors, in one business model attempts are usually taken to differentiate revenue streams. The model of costs is associated with this component, determining the way of linking revenue with expenses, guaranteeing profitability of the applied business model. The value chain describes consequence of the actions necessary to execute the customer value creating processes in the adopted business model. The organizational system contains particularization of elements such as: resources (physical, intellectual, financial, human), necessary to run business operations, the final element of which is value, and requires defining partners and relations with the entities, being a specific link in the value chain.

The analysis of the referred business model concepts made through the prism of their components lets us note the considerable similarity in defining the factors necessary to take productive and effective actions. The basic assumptions of business model include identification of customers, defining value, determination of the configuration of the networks of relations with customers and the way of delivering value as well as suggest identification of stakeholders and determination of the degree of integration with the environment. A necessary element of any model is also definition of the broadly understood resources, necessary to run business operations.

#### **4. Essence of mass customization**

The sources of mass customization can be sought in the human susceptibility to consumptionism and the willingness to distinguish. Even in not so old times the possibility to satisfy this type of needs was reserved only for the wealthy groups in the society, who could afford craftsmen's services. Produced in craft workshops, the goods were far adjusted to individual tastes and needs of the ordering persons. Still, the labor consumption related to unit production type led to high prices for this type of products. The establishment of mass production led, on the one hand, to a radical reduction in production costs, and therefore in product prices, thus increasing their availability for unwealthy persons, but, on the other hand, caused a radical limitation in the diversity of the offer. A significant decrease in the attractiveness, in the eyes of customers, of the products manufactured on a large scale could be noticed in the second half of the 20<sup>th</sup> century. The developments in manufacturing organization and technologies and information systems made it possible to increasingly combine large-scale production with differentiation of particular product copies.

The authorship of the term "mass customization" is attributed to Davis, who, in 1987 in the book *Future Perfect* defined it as a situation in which "the same large number of customers can be reached as in mass markets of the industrial economy, and simultaneously they can be treated individually as in the customized markets of preindustrial economies" (Haug et al., 2009, p. 635). The second key definition of mass customization became the one proposed by Pine. This author, in the book *Mass Customisation: The New Frontier in Business Competition* issued in 1993 indicated that this is a solution which ensures high diversity and individual adaptation of products at prices not differing from mass production (Haug et al., 2009, p. 635). Therefore, achieving mass customization makes it possible to design, produce and provide customers with large quantities of diverse products, adapted to the specific needs of customers, at the time and price which are similar to those from mass manufacturers (Tu et al., 2004, p. 375). As assumed, mass customization links the advantages of unit production with the benefits that mass production yields. Therefore it makes it possible for companies to achieve competitive advantage. Therefore, using a customized offer, the customer most frequently agrees to: a slightly higher price, need to involve additional effort and time as well as increased uncertainty of the final effect. In turn, their benefits can be divided into primary (instrumental) – higher quality of products and services (resulting first of all from their better adjustment to their needs) and secondary (hedonistic) – greater pleasure of purchasing products.

## 5. Requirements for the application of mass customization

Mass customization operates effectively only under specific conditions. Caetano da Silveira, Fogliatto and Borenstein (2018, pp. 5-6) indicate that the use of mass customization is justified when it occurs:

1. Demand for diverse and individualized products.
2. Perception of the introduced mass customization as a way of building competitive advantage.
3. Readiness of the value chain for implementation of variable physical and information flows.
4. Availability of the appropriate technologies (in the field of flexible manufacturing and combining physical flows with information flows).
5. Susceptibility of the offered product/products to customization.
6. Presence of the conditions in the value chain for exchange not only of information between the cooperating entities, but also knowledge – in order to create new products.

A similar kind of analysis has also been conducted by Broekhuizen and Alsem, who divided these factors into two basic categories – external ones, characterizing the customer, product, market and industry as well as internal ones which refer to the manufacturer only (Tab. 2).

Table 2. Factors necessary for implementation of mass customization

| Category of factors | Desirable characteristics   |
|---------------------|---|
| External            | Customer: <ul style="list-style-type: none"> <li>• heterogeneity of customer needs,</li> <li>• customer commitment,</li> <li>• readiness to accept a higher price,</li> <li>• fear of privacy breach</li> </ul>   |
|                     | Product: <ul style="list-style-type: none"> <li>• frequency of purchases,</li> <li>• associated exclusive character,</li> <li>• product visibility,</li> <li>• degree of possible adjustment to the needs</li> </ul>  |
|                     | Market: <ul style="list-style-type: none"> <li>• diversity in market offers,</li> <li>• retailer's readiness and ability</li> </ul>   |
|                     | Industry: <ul style="list-style-type: none"> <li>• development of information technologies,</li> <li>• development of e-commerce,</li> <li>• development of production technologies</li> </ul>  |
| Internal            | Manufacturer: <ul style="list-style-type: none"> <li>• flexibility of manufacturing processes,</li> <li>• flexibility in distribution and logistics,</li> <li>• information system/"knowledge system" about: operations and customers</li> <li>• being a pioneer in implementing mass customization in the given market segment,</li> <li>• available resources,</li> <li>• readiness for change</li> </ul> |

Source: own work on the basis of (Broekhuizen & Alsem, 2002, p. 326).

This means that reaching for mass customization is not justified, or even possible, in all the situations. Mass customization has become widespread in such industries as: automotive, clothing, sports, electronics, cosmetics, construction etc.

## 6. Proposed mass customization strategies

A number of characteristics of mass customization strategies have been presented in the subject literature (Steiner et al., 2011). They include among other things the degree to which the product is subject to customization, the method of achieving product customization (e.g. application of modular design), or level of customer's commitment to the customization process. Among this type of proposals we should mention the perspective by: Rudberg and Wikner, Lampel and Mintzberg, Gilmore and Pine, Amaro, Duray, Kok (Steiner et al., 2011). At the same time, there is no explicit determination of the relation between the strategy adopted by the company and the business model applied. Some authors believe that these notions are identical, others point to the differences between these terms (Kardas, 2016, p. 303).

Analyzing the said characteristics of mass customization strategies, some can be indicated among them on the basis of which it is possible to identify business model elements corresponding to the mass customization strategy. For this purpose, in this paper the authors will use first of all the perspective of Gilmore and Pine. The listed authors indicate four approaches with regard to the mass customization strategy: adaptive, cosmetic, collaborative and transparent (Tab. 3).

Table 3. Division of approaches to mass customization according to Gilmore and Pine

| <b>Approach</b> | <b>Characteristics</b>  |
|-----------------|---|
| Adaptive        | The company offers a standard product to all its customers that can be easily adapted to the individual needs by the users themselves   |
| Cosmetic        | All customers receive the same standard product, differences relate to the advertising campaign, method of distribution, packaging, placement of trademarks, etc.   |
| Collaborative   | The basic action taken by the company is development of communication with customers. The dialogue between the manufacturer and the customer makes it possible to identify the needs of the latter, prepare an offer satisfying the recognized needs and develop a customized product |
| Transparent     | The product is adapted to the specific needs based on knowledge about the customer. The customer does not need to have information about the scope of changes, provided that the product performs the functions he or she desires   |

Source: own work on the basis of (Jabłońska, 2004, pp. 5-6).

According to the above characteristics, adaptive and cosmetic approaches require first of all changes in the field of product design, its distribution and marketing. On the other hand, collaborative and transparent approaches will also include the other links in the value chain, including the company's production system.

## 7. Mass customization as a determinant for selecting business model components in the company

In the proposed perspective it has been assumed that the business model meeting the requirements of mass customization should take account of the unique nature of a production company. As noticed by Kaplan and Haenlein (2006, p. 171) the notion of mass customization should be limited to providing customers with goods and not products composed only of services which by nature are adapted to the requirements of a specific customer. The basis for the proposal is specification of business model components, among which the following have been recognized as significant: customer segments, value proposal, communication and distribution channels, relations with customers, revenue generation model and value chain in relation to implementing the strategy of mass customization in the perspective of Gilmore and Pine (Tab. 4).

Table 4. Business model components corresponding to particular approaches under the implementation of mass customization strategy

| Business model components               | Approaches |          |               |             |
|---|------------|----------|---------------|-------------|
|   | Adaptive   | Cosmetic | Collaborative | Transparent |
| customer segments                       |            | X        | X*            | X*          |
| value propositions                      |            | X        | X             | X           |
| communication and distribution channels |            | X        | X             | X           |
| relations with customers                |            |          | X             |             |
| revenue generation model                | X          | X        | X             | X           |
| value chain                             | X          | X        | X             | X           |

\* with consideration given to the so-called "precise segmentation".

Source: own work.

Market segmentation is present in the cosmetic approach, in which the same product is directed to different customer groups and customization is limited e.g. to the application of a different trade mark or changes in packaging. In the case of the so-called precise segmentation, in which the smallest segments may consist of single units (Szulce et al., 2004, p. 274), it is possible to conduct customer segmentation also in the cases of cooperating and transparent approaches. Segmentation is closely related to defining the set of products and services offering value for particular market segments. No segmentation and shifting towards the customer all the actions aimed to adapt the product to their requirements means that the value proposal will not occur only in the case of the adaptive approach. For the other approaches, the value propositions will be targeted at specific segments or even single customers. The adaptation of products to individual requirements involves the need to develop an efficient system for gathering and transmission of information about customers' needs as well as delivery of the manufactured products to specific users. Hence in the case of cosmetics, collaborative and transparent approaches, possession of communication and distribution channels is an inseparable element of the mass customization strategy. On the other hand, the adaptive approach may function based on the generally accessible channels. Relations with the customer are not essential in the adaptive approach. They will also not be the basis for action in the cosmetic and transparent approaches. On the other hand, in the case of the collaborative approach, due to the need

to maintain dialogue with the customer in order to identify their needs and then the manufacture a customized product, they will be of key importance. The revenue generation model is present in all the approaches and is typical of companies producing physical goods. As its basis regarded should be sale of the right to have the product (Czekaj & Ziębicki, 2016, p. 77) present in each of the mentioned approaches. The last element is the value chain. Its possession of the case of mass customization will result from the need to implement a sequence of activities as a result of which physical goods will be manufactured and delivered to the customer. The main difference with regard to the functioning of value chains in the discussed approaches is the location of customer order decoupling point (CODP). The greater the scope of changes in the product, the earlier in the chain stages the customer's requirements will need to be considered.

## 8. Conclusion

Assuming as the starting point the proposal of the approaches under mass customization strategy by Gilmore and Pine, the analysis of the proposed business model components lets one state that:

- the components concerning the value chain and revenue generation should be regarded as the most important model components,
- the value propositions and communication and distribution channels are a significant element of the model, however, owing to presence of the adaptive approach, they do not have to be present in each mass customization case,
- proper market segmentation is a precondition for success in the cosmetic approach, in collaborative and transparent approaches the need to conduct segmentation is not so evident,
- relations with customers are most strongly emphasized by the collaborative approach.

Therefore, collaborative approach is one that requires all elements presented in the proposed perspective of composition of business model components to be properly composed from the point of view of the mass customization paradigm.

Assuming that identification of business model components that guarantees efficacy and effectiveness of operations is one of the most important matters in management of a modern company, the authors of the study do notice the need to continue further research in order to formulate guidelines helpful in moving from the adopted business models to action strategies.

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# Chapter 10

## **Development Conditions and the State of the Business Services Sector in Poland<sup>1</sup>**

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*Angelika Wodecka-Hyjek*

### **1. Introduction**

At present one of the most important trends in the worldwide economy is the globalization of markets, an expression of which is international exchange of services. The need to transfer business operations to countries with relatively lower manufacturing costs (offshoring) and the emergence of global organizations are the foundations for changing the previous management paradigm to one in which contemporary companies create a new business model and become transnational corporations. Global corporations make decisions on open services centers abroad not only due to cost savings. The main purpose of their actions is increased flexibility, allowing fast response to the changing market situation and technological novelties as well as optimization of relationships with suppliers (Deloitte, 2014). In connection with intensive systemic and economic changes, starting from the last decade of the 20<sup>th</sup> century, Poland has become an important beneficiary of transferring business services and is still one of the most significant countries worldwide where outsourcing centers are located. Among Poland's particular strengths in terms of attractiveness for prospective investors, such qualities are stressed as: favorable investment climate, high qualifications of Polish employees and development of a modern business infrastructure, while a significant risk to this trend is emphasis on the necessary growth in salaries. The purpose of the study is to make a diagnosis and assessment of the business services market in Poland. In the paper, the essence and the determinants for offshoring business services have been characterized, the state of the business services sector in Poland has been diagnosed and its development prospects have been presented. The basis for reasoning is review of the current subject literature and analysis of research studies and reports in the scope of the undertaken problem.

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## 2. Essence and determinants of offshoring business services

The process of moving the potential of business services is referred to in the subject literature alternatively as delocalization or offshoring (among others: Robinson & Kalakota, 2005; Rybiński, 2007; Kedia & Mukherjee, 2009; UNCTAD, 2009; Schmeisser, 2013; Szukalski, 2014; Malik, 2016).

In the general definition of delocalization of business operations by Robinson and Kalakota (2005, p. 2, after: Malik, 2016, p. 17), they stress the premises for this process indicating that it consists in transferring the whole or part of the value chain to low costs locations and involves cost management by arbitration of work and skills. As defined by Rybiński (2007, p. 14), delocalization refers to moving orders, production or services outside the country's boundaries. For the needs of this study, business service offshoring has been defined as a process of international activity transfer from organizational networks of the company's value chain, motivated by search for more competitive location qualities to establish the operations, in order to serve the international market (Malik, 2016, p. 19).

Services potential transfer may proceed in two ways. The first method is effected by building a proprietary business infrastructure, by creating the company's own foreign shared services centers for representative offices and branches, preserving ownership of the infrastructure, namely captive offshore. Creating a branch or a capital subsidiary abroad allows the company to keep full control over the transferred production or service processes. These actions can proceed under nearshore, namely the so-called near transfer (for Western European companies such area are countries of Central and Eastern Europe) and offshore, under which transfer is made to another continent (e.g. companies from the UK and the US locate services potential in India). The second method refers to contract outsourcing of business infrastructure and services (outsourcing offshoring), where service providers can be local, national or foreign suppliers. Captive offshoring requires substantial investment, it is used in situations when services are complicated, the process is subject to frequent changes, and service operations require guaranteed process safety. The main advantage of this type of offshoring is preserved control over the services center, in particular with regard to quality, protection of service provider's secrets and the services provided. This strategy is most frequently implemented by enterprises that know the realities and requirements of the given market. On other hand, outsourcing offshoring makes it possible to use business skills, knowledge and experience of a foreign partner, the service provider. This strategy is less costly than captive offshoring, but involves a number of hazards, including the hazard of losing service quality monitoring (Szukalski, 2014, p. 505 and next).

The subject matter of delocalization of transnational corporations' potential in the international scale are business services. As defined by Kox and Rubalcaba (2007, p. 4, after: Malik, 2016, p. 20) business services are defined as a set of service activities which, by use of intermediate outlays, often with an extensive knowledge resource, affect the quality and efficiency of production operations by supplementing or substituting internal functions of the company. As stressed in this perspective, a pre-condition for transferring business services to a foreign location is intermediation of information networks in their implementation. Thus, in order to emphasize the specific nature of business services, in some studies the term IT-enabled services is alternatively used (UNCADT, 2004). The general classification of business services allows one to distinguish (Malik, 2016, p. 21):

- IT services (information technology offshoring – ITO),
- business process related services (business process offshoring – BPO),

- knowledge-based process related services (knowledge process offshoring – KPO),
- research and development services (R&D).

A transnational corporation’s decision to select the location of a service center is affected by a number of motives, being the subject of analysis by many researchers and advisory institutions (Dunning, 2006; Dunning & Lundan, 2008; *Poland...*, 2009; Szukalski, 2014; Malik, 2016; *Sektor...*, 2017) (Tab. 1).

Table 1. Motives for selecting locations of business services centers

| Author   | Factor category                           | Selection criteria  |
|--|---|---|
| J.H. Dunning (2006);<br>J.H. Dunning, S.M. Lundan (2008) | Search for markets                        | <ul style="list-style-type: none"> <li>• size and absorption of the local market and its growth prospects,</li> <li>• domestic consumer preferences,</li> <li>• access to regional and global markets</li> </ul>  |
|  | Search for resources                      | <ul style="list-style-type: none"> <li>• costs and quality of raw materials,</li> <li>• cost of low qualified workforce,</li> <li>• quality and availability of qualified employees,</li> <li>• search for knowledge with big commercial potential</li> </ul>   |
|  | Raising effectiveness                     | <ul style="list-style-type: none"> <li>• costs adjusted by the efficiency of tangible assets and labor,</li> <li>• domestic companies’ technological capacities,</li> <li>• costs of transport and communication,</li> <li>• country’s share in international integration agreements,</li> <li>• quality of business environment institutions</li> </ul>                                  |
|  | Search for strategic assets or capacities | <ul style="list-style-type: none"> <li>• quality of technological, managerial and relational assets,</li> <li>• effectiveness of institutions supporting economic growth by among others quality of education, strengthening innovativeness and competitiveness,</li> <li>• escape investments to bypass highly restrictive legal systems or policies in the country of origin</li> </ul> |

|                       |   |   |
|-----------------------|---|---|
| KPMG Report<br>(2009) | Location  | <ul style="list-style-type: none"> <li>• place,</li> <li>• country size,</li> <li>• population.</li> </ul>  |
|                       | Stability   | <ul style="list-style-type: none"> <li>• political, legal, business system,</li> <li>• membership in international organizations e.g. NATO, the European Union</li> </ul>   |
|                       | Economy   | <ul style="list-style-type: none"> <li>• GDP value,</li> <li>• long-term development forecasts,</li> <li>• unemployment rate,</li> <li>• foreign exchange rates,</li> <li>• course and effects of economic reforms</li> </ul>   |
|                       | FDI (foreign direct Investment) and key investors | <ul style="list-style-type: none"> <li>• number of international investors in the potential location country,</li> <li>• previously located outsourcing centers,</li> <li>• origin of foreign investors and their position in the world,</li> <li>• system of incentives for investors (support of local and national authorities),</li> <li>• services sector development prospects</li> </ul>   |
|                       | Infrastructure                                    | <ul style="list-style-type: none"> <li>• air, road, railway, sea connections (e.g. number of airports, connections, railway stations),</li> <li>• availability of office space in large cities,</li> <li>• real estate selling prices and rental prices,</li> <li>• availability of the Internet, cellular telephony,</li> <li>• structure and level of development of the hotel and tourist industry,</li> <li>• life quality level</li> </ul> |
|                       | Human capital                                     | <ul style="list-style-type: none"> <li>• availability of young and highly-qualified employees,</li> <li>• position of academic centers in large cities,</li> <li>• quality of the educational system,</li> <li>• availability of talent,</li> <li>• knowledge of foreign languages</li> </ul>   |
|                       | Labor costs                                       | <ul style="list-style-type: none"> <li>• employment costs,</li> <li>• level of salaries,</li> <li>• types of non-wage motivation</li> </ul>   |
|                       | Legal aspects of employment                       | <ul style="list-style-type: none"> <li>• terms of employment,</li> <li>• valid labor code,</li> <li>• collective labor agreements,</li> <li>• terms of insurance</li> </ul>   |

|                    |  |   |
|--------------------|--|---|
| Szukalski (2014)   | Business environment   | <ul style="list-style-type: none"> <li>• state policy (economic, legal regulations),</li> <li>• living conditions (GDP per capita, crime, epidemiological hazards),</li> <li>• requirements for running a business (conformity with western standards, business ethics),</li> <li>• transport communication (travel time, time zone difference)</li> </ul>  |
|                    | Types of risks   | <ul style="list-style-type: none"> <li>• events (social and political turmoil, disasters),</li> <li>• safety (personal, property, data, information), crime level, terrorist hazard,</li> <li>• administrative-legal (stability of regulations, effectiveness of legal protection),</li> <li>• macroeconomic (inflation, unemployment, foreign exchange rates, free capital flow),</li> <li>• protection of intellectual property rights</li> </ul> |
|                    | Costs  | <ul style="list-style-type: none"> <li>• workforce (level of wages of employees and managers),</li> <li>• infrastructure (costs of access to the internet and telecommunication networks),</li> <li>• real estate (supply of top class office premises and costs of renting them),</li> <li>• tax system (amount of taxes, applied tax credits, investment incentives)</li> </ul>   |
|                    | Workforce supply   | <ul style="list-style-type: none"> <li>• availability of human resources (number of employees with required qualifications, education system),</li> <li>• local suppliers of services (number of firms, level and quality of services)</li> </ul>   |
|                    | Quality of infrastructure  | <ul style="list-style-type: none"> <li>• ICT network: throughput, breakdown removal time,</li> <li>• real estates (access and quality),</li> <li>• transport (network and quality of roads as well as railway and airport network,</li> <li>• electricity (continuity of electric energy supply)</li> </ul>   |
| ABSL Report (2017) | <ul style="list-style-type: none"> <li>• Availability of modern office space,</li> <li>• Transport availability (air, railway connections),</li> <li>• Quality of public transport,</li> <li>• Cooperation with local authorities,</li> <li>• Cooperating with local universities,</li> <li>• Availability of talent/highly qualified staff</li> </ul> |   |

Source: author’s own study on the basis of (Dunning, 2006; Dunning & Lundan, 2008; *Poland...*, 2009; Szukalski, 2014; Malik, 2016; *Sektor...*, 2017).

The analysis of the referred sources lets us note that the dominant factors among the determinants for transnational corporations’ location selection decisions are cost factors, among which important are both employment costs as well as generally the costs of business center arrangement, its functioning and necessary infrastructure. Critical are also factors associated with availability of both low qualified staff as well as qualified employees, or even pool of talents, who are

expected to demonstrate a high level of competence. Access to appropriate knowledge and skills is also increasingly stressed, as it guarantees performance of the increasingly complex processes at an appropriate quality level. In this respect, foreign investors pay particular attention to knowledge of foreign languages among potential staff as well as quality and availability of the education system. Equally important in offshoring attractiveness rankings of target countries are factors associated with infrastructure of the given country, particularly availability of telecommunication networks, Internet connections, quality and availability of transport (road, railway, air) as well as, more and more often considered in the rankings, structure and development level of the hotel and tourist industry. Significant are also factors concerning political, economic and legal stability of the given country as well as security and stable development prospects.

### **3. Business services sector in Poland – current condition diagnosis**

Presently Poland is one of the most significant countries worldwide where outsourcing centers are located. According to the Report of the Association of Business Services Leaders, (ABSL), the sector of business services operating in Poland includes service centers owned both by foreign companies as well as Polish ones. The adopted division covers the operations of (*Sektor...*, 2017, p. 8):

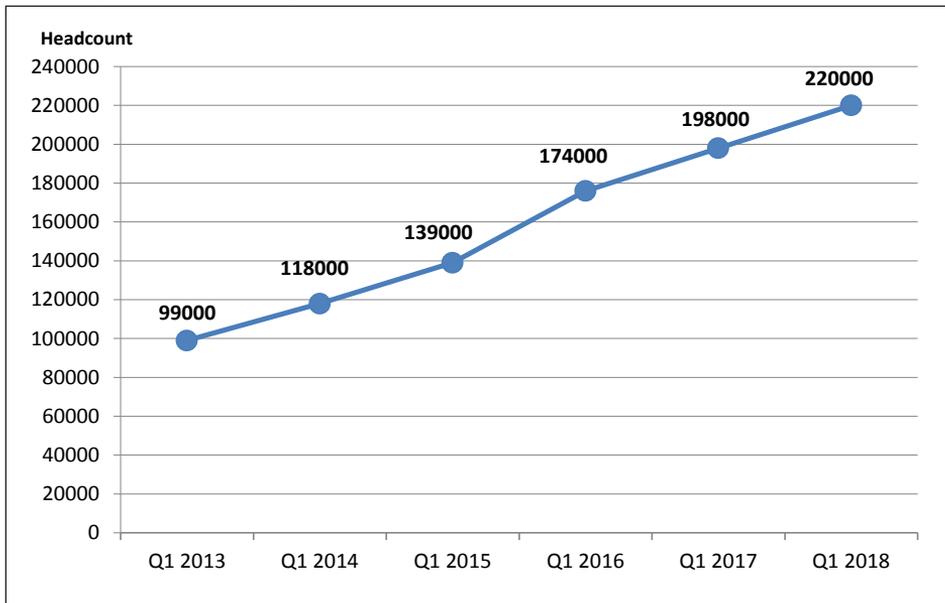
- business processes outsourcing centers (Business Process Outsourcing BPO),
- shared services centers (Shared Services Center SSC),
- IT centers (Information Technology Outsourcing),
- research and development centers (Research and Development Centers R&D).

Shared services centers operate most often as separate service units within the operations of the given enterprise or as stand-alone entities providing services for the capital-related mother company and its numerous branches. BPO centers operate, first of all, as specialized external companies or organizational units of corporations. Their client is an external company which transfers selected business processes to them in order to perform these processes. Functions from the BPO area are most often classified as with breakdown into the so-called back-office and front-office functions owing to the role they play in the company. The back-office group includes such functions as finance and accounting, supply chain management, consulting, purchases and purchasing. The front-office group includes all service functions related to the client service and therefore these will be services such as call-center, telemarketing, guarantee service. Research and development centers are modern, highly specialist business entities which provide services for the benefit of other entities. Knowledge centers operate under research and development centers, the so-called Knowledge Process Outsourcing (KPO), which apply to outsourced business processes that require qualifications and knowledge (Marcinkowska, 2015, pp. 134-135). Along with the development of the business services market and including increasingly complex processes into their scope as well as due to the present positive experience of the industry, more and more the so-called Knowledge Process Centers and Centers of Excellence are established in Poland. The following services are provided in the centers, among others financial, marketing studies, software testing and development, activity related to risk management and other processes requiring through know-how on the side of the service provider (Cebulska-Bajera, 2017, p. 26).

It is estimated that in the 1<sup>st</sup> quarter 2017 the total number of business services centers in Poland was 1078, including 748 foreign centers. The largest group of entities in the structure of the centers (330) are Polish centers. Among the 748 foreign centers, most are American ones (237). The third place among the centers holds the group of entities whose parent companies have their registered offices in the Nordic states (109). In Poland, there are also centers of companies from 36 states (and companies that cannot be assigned the place of the registered office of the parent company’s headquarters).

Service centers operate in more than 40 Polish cities, the vast majority of which is also the investment venue of foreign entities from this sector. In the seven primary business services centers in Poland (Kraków, Warsaw, Wrocław, Tri-City (Gdańsk Region), Katowice Metropolitan Area, Łódź, Poznań) employ 85% of all the employed in the business services sector in Poland (including 89% employed in foreign centers and 72% of the employees of Polish centers). The authors of the report stress that in 2017 the number of foreign service centers in Poland increased to more than a thousand, and employment to over 200 000 persons, and this trend will still be growing (Fig. 1) (*Sektor...* 2017, pp. 10, 21).

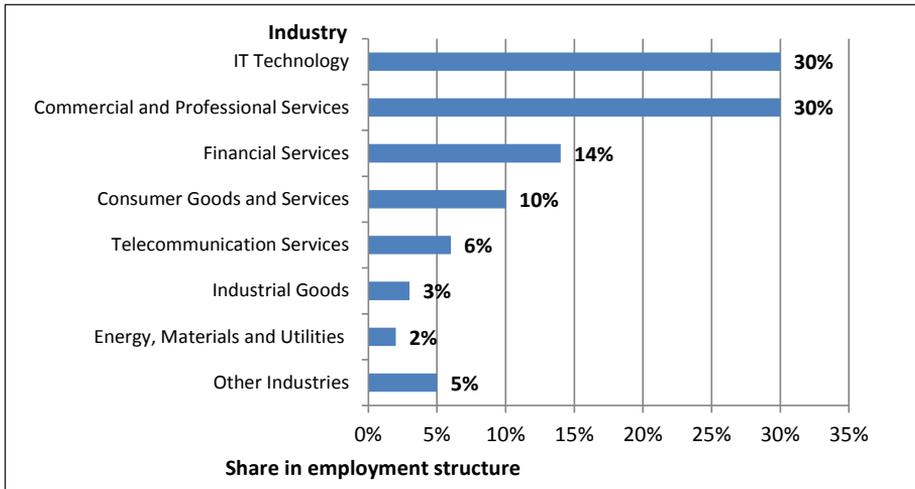
Figure 1. Employment in foreign service centers in Poland



Source: author’s own study on the basis of (*Sektor...*, 2017, p. 21).

The analysis of the business services sector employment structure in Poland in terms of breakdown into parent companies’ industries lets us note that, with regard to the offered jobs, IT Technology (30%) and the sector of Commercial and Professional Services (30%) are dominant. Financial Services occupy the third place (including Banking, Financial Services Insurance – 14%), subsequently Consumer Goods and Services (10%), Telecommunication Services (6%), Industrial Goods (3%) and Energy, Materials and Utilities (2%) (Fig. 2).

Figure 2. Employment structure of business services centers by parent company industry



Source: author's own study on the basis of (*Sektor...*, 2017, p. 21).

The clear leader in the terms of employment in the business services sector in Poland is Cracow, where services centers already employ more than 55,800 persons (*Sektor...*, 2017, p. 10). Therefore, this is the most important center of business services in Central and Eastern Europe. In the 2015 and 2016 Tholons Top 100 Outsourcing Destinations Report, Cracow was ranked on and maintained the 9<sup>th</sup> place in the world and the highest one among the European outsourcing locations (*Tholons*, 2016) (Tab. 2).

Table 2. Tholons Top 100 most important outsourcing destinations in 2016

| Position in ranking 2016 | Shift since 2015 (in the ranking) | Country       | City          |
|--------------------------|-----------------------------------|---------------|---------------|
| 1                        | -                                 | India         | Bangalore     |
| 2                        | -                                 | Philippines   | Manila        |
| 3                        | -                                 | India         | Mumbai        |
| 4                        | -                                 | India         | Delphi        |
| 5                        | -                                 | India         | Chennai       |
| 6                        | -                                 | India         | Hyderabad     |
| 7                        | +1                                | Philippines   | Cebu City     |
| 8                        | -1                                | India         | Pune          |
| <b>9</b>                 | -                                 | <b>Poland</b> | <b>Cracow</b> |
| 10                       | +2                                | Ireland       | Dublin        |

Source: (*Tholons*, 2016, p. 2).

Among the languages used in the business services centers in Poland, the leading language is English, then research indicates Polish and subsequently German, French, Spanish, Italian. Definitely the most frequently indicated country as the country of origin of foreigners working

in the services centers in Poland is invariably Ukraine. Data analysis shows that in 40% of the companies employing foreigners, Ukrainians are the most numerous group of foreigners. The number of Ukrainian employees in the business services sector in Poland can therefore be estimated at more than 10,000 persons. The second nationality in terms of the number of respondents' indications are Spanish, and the third one – Italians (*Sektor...*, 2017, pp. 32, 34).

The deliberations included in cited reports allow us to note that the Polish business services market is annually growing and at same time evolving. Together with the world leaders, also domestic companies operate on the Polish business services market, providing the same type of services, at a comparable level. Polish outsourcing companies pattern after the best practices of foreign companies, thereby building a business model that guarantees competitiveness, both for the domestic and foreign partners. In addition, their role is significant from the perspective of development of the domestic companies, to which they contribute knowledge, modern technologies and experience as well as the labor market, where, like foreign companies, they offer more and more attractive jobs.

#### **4. Development prospects of business services centers in Poland**

Poland being classified as one of the most important locations for business services centers in Europe and worldwide – this is a significant success in our country's development. Undoubtedly such a state of affairs has been affected by many factors, in particular the huge potential of qualified and still relatively poorly paid staff. As a result of the dynamically developing economy, wage growth seems to be inevitable and may result in the necessary search for new strengths, in order to maintain the advantage in terms of the analyzed competitiveness of potential offshoring beneficiaries.

In the opinion of Szukalski (2014, p. 505 and next) the scope and level of the services provided in business centers is constantly growing. Beside centers based mostly on low labor costs and high skills, the number of business management centers based on specialist knowledge is growing. Also regional centers are established, the functioning of which is based on high qualifications, high language skills of the employees, cultural or time proximity. A high importance is also attributed to the growing opportunities of using resources in smaller academic centers, as places of potential business services center locations. An obvious hazard to the development of this type of services in Poland is the high pace of growth in salaries and the improving conditions for the location of offshoring services in Russia and in Ukraine, countries with extensive labor resource, more cost attractive for potential investors.

The authors of the ABSL Report (*Sektor...*, 2017, p. 88), indicate the emergence of new phenomena, disturbing the present trends in international business, which may permanently change the development direction of the global services market. In this perspective, they notice a number of strengths for Poland. In the context of the identified interfering factors, such as: heading towards digitization of services and products, global increase in the deficit of qualified staff and competition, changes in the talent demand profile, purposeful strategy planning or higher concentration on risk differentiation in the global services provider's portfolio, as a location, Poland is still an attractive offer for potential investors (Tab. 3).

Table 3. Key factors disturbing the global services market

| <b>Factor</b>  | <b>Trends</b>  | <b>Proposed value for Poland</b>   |
|--|--|--|
| <b>Digitization of products and services</b>                             | <ul style="list-style-type: none"> <li>• modern technologies,</li> <li>• data processing in the cloud,</li> <li>• services and mobile devices,</li> <li>• social media management,</li> <li>• automation,</li> <li>• Internet of things,</li> <li>• cybersecurity</li> </ul>   | <ul style="list-style-type: none"> <li>• geographical location and very large cultural similarity to the client base from Western Europe,</li> <li>• a large number of qualified employees focused on complex solutions and innovation</li> </ul>  |
| <b>Global increase in the deficit of qualified staff and competition</b> | <ul style="list-style-type: none"> <li>• effect of lower recruitment for sciences majors at universities (science, technology, engineering and mathematics, STEM) on onshore locations (e.g. Western Europe and USA/ Canada),</li> <li>• growing competition and saturation with regard to the present offshore locations (e.g. big cities in India and in the Philippines)</li> </ul> | <ul style="list-style-type: none"> <li>• extensive, diversified and growing pool of qualified staff,</li> <li>• a large number of 2<sup>nd</sup> level cities (e.g. smaller academic centers)</li> </ul>   |
| <b>Changes in the talent demand profile</b>                              | <ul style="list-style-type: none"> <li>• automation, digitization and the expanding offer for delivery of advanced services affect the demand for qualified staff, which are able to operate niche processes, learn easily and willingly as well as show dispositions to innovative solutions</li> </ul>   | <ul style="list-style-type: none"> <li>• high degree of specialization and complexity of the Polish educational system, implying flexibility of the employees and resistance to change,</li> <li>• developed and mature domestic market, offering access to niche skills and qualifications</li> </ul> |

|   |   |   |
|---|---|---|
| <p><b>Purposeful portfolio strategy planning by companies and service providers</b></p>                 | <ul style="list-style-type: none"> <li>• optimization of the number and scale of locations in the given areas,</li> <li>• assignment of different roles to locations/centers, e.g. excellence centres or centers based on the star model (the so-called hub and spokes)</li> </ul>  | <ul style="list-style-type: none"> <li>• the pool of qualified employees ensures the potential with regard to multifunctional deliveries, makes it possible for the shared services centers to play a significant role for enterprises (e.g. pursuit of digitization and automation goals or serving as the excellence centers for particular processes)</li> </ul> |
| <p><b>Greater concentration on risk differentiation in the portfolio global services deliveries</b></p> | <ul style="list-style-type: none"> <li>• large enterprises and suppliers of services running scalable delivery centers in offshore locations, what involves a significant environmental operating risk,</li> <li>• companies are looking for a way to reduce risk in their global portfolios through diversity in access to qualified staff and ensuring business continuity</li> </ul> | <ul style="list-style-type: none"> <li>• An attractive alternative with regard to risk diversity due to the stable geopolitical, macroeconomic, legal and regulatory environment,</li> <li>• attractive infrastructure and security</li> </ul>  |

Source: author’s own translation on the basis of (*Sektor...*, 2017, p. 88).

In the recent years in Poland a dynamic growth has been recorded in the development of services centers functioning both as entities working for parent companies and as service providers. Currently, Poland is the venue for the greatest number of service providers in the region of Nearshore Europe i.e. the area including countries in the close geographic proximity and the same or similar time zone<sup>2</sup>. The source of Poland’s success is the best value proposal in terms of qualified staff as well as costs and risks in the region for the provision of services in various areas. Poland willingly offers a wide range of instruments of support for the business services sector. The most popular forms of support for investment projects which can frequently be combined, applying the specific accumulation principles, include: direct budget subsidies for a new investment and/or creating new workplaces, tax reliefs in Special Economic Zones (CIT tax exemption), financial support under support for companies’ investment in R+D infrastructure, tax credit for R+D operations, exemption from property tax (*Sektor...*, 2017).

<sup>2</sup> The Nearshore Europe region consists of Central and Eastern Europe, the Baltic countries and nearshore areas of the UK – Scotland, Northern Ireland and Ireland (*Sektor...*, 2017, p. 86).

## 5. Conclusion

The dynamic expansion of the business services sector has a priority importance for the development of Poland, which has become an important offshoring beneficiary over the last decade. In the global outsourcing report prepared by Deloitte, Poland is ranked on the fourth place after India, the United States and China in the ranking of locations for business services (Deloitte, 2014). Locating foreign investments in Poland makes it possible to extensively use resources in the form of capital, knowledge, modern technology as well as contributes to new workplaces being created, growing salaries, building a new culture of organization based on search for innovations or generally the growing attractiveness on the international market. Poland's primary strengths in attracting this type of projects include favorable investment climate, high qualifications of Polish employees and development of the modern business infrastructure. In Poland, not only employment does increase in this sector at present, but also the range of services offered by the business centers operating in our country is subject to change, as they perform processes requiring high qualifications, improvement in competences and innovation.

Forecasts for the development of the services centers, as formulated by the problem researchers, demonstrate the need to search for innovation, a pre-condition of which is building cooperation models between large international business and startups. In addition, Poland's increasing scientific and development potential is expressed, which, supported by respective actions of educational and governmental institutions, may lead to active participation of business in educational programs, contributing to the development of a highly innovative services segment. Symptoms of potentially adverse effects of the development of business services should also be mentioned. In this respect, Hausner (2016, pp. 6-8) expresses the opinion that the business services sector in Krakow pursues strategies taking advantage of the existing resources, particularly university graduates, who form a group of highly qualified employees, as well as the start-ups environment, contributing to a limited extent to the development of the desired competences in the long run. Taking account of the development dynamics, current tendencies as well as hazards, in the opinion of the author, the problem area of the business services sector requires further multi-aspect exploration, forming the context of further research in this regard.

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# Change Management in Information Systems Implementation in Healthcare

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*Kamil Franek*

## 1. Introduction

Changes are a phenomenon that occurs in every area of our lives. They concern both private and professional aspects. We deal with them to a greater or lesser extent every day. The stage of planning changes is of particular importance in the development of the organization – they are unavoidable is such an undertaking. The same situation occurs when implementing IT systems. The appropriate plan is the key to success in the implementation of the IT-related project. Today, there are many methods of dealing with change. This article presents a discussion of the change management process in the implementation of IT systems in healthcare. The most important elements of change management are discussed, including the universal Lewin's model and the communication plan in the project team.

## 2. Genesis of change management

The term management of change is quite difficult to precisely define, because it basically accompanies us from the beginning of human existence. We are dealing with changes every day to a greater or lesser extent. Often, we do not pay attention to how often they occur in our lives, and we do not take them into account in our everyday duties. In the simplest terms, change management consists mainly in undertaking all activities aimed at staying in the flow of change and using it to achieve benefits. The entire change management process is cyclical, i.e. it includes planned, operational activities, monitoring and control and applies to all entities operating on the market. Above all, it is a process that, when implementing available resources, techniques and tools, enables the organization to be carried out from the initial state to the assumed final state, taking into account its needs and aspirations, as well as the surrounding factors (Ledzian & Arczewski, 2016, p. 250).

An interesting model of change management applied by Kurt Lewin, which has a three-phase character. However, it is particularly applicable to planned changes. Therefore, the first stage is very important to defrost – the phase where the existing behavior patterns are destabilized. At this stage, you can primarily reduce resistance to change even through various types of educational activities –

informing about the implementation of the IT system, presenting the advantages, etc. The next step is the same change – here is the decision about the direction of change. This stage consists mainly in recognizing and adopting new attitudes, values and behavioral patterns. Certainly, it takes time to carry out the change, because here a habit should be created among the employees. The last stage is freezing – it consists in stabilizing the adopted standards – through various positive reinforcements – an appropriate motivation system (remuneration), providing feedback, etc. Over time, the change is becoming the norm in the organization (Kulawik-Dutkowska, 2016, pp. 198-199).

### **3. Determinants of implementing IT systems in the health care sector on selected examples**

The United States is the cradle of computerization in many areas, including health care. The purpose of implementing information systems is certainly to improve the quality of patient service. In the opinion of the Committee on Quality High Care in America, the quality of patient service is influenced by such factors as: safety, efficiency, patient concentration, universality and timeliness. On the other hand, Donabedian – one of the founders of the modern system of quality improvement in medicine believes that health care is a system that is based on three levels – structure, process and result. The structure includes, above all, various types of human resources – participants and material – financial and non-financial. When planning processes, it is important to consider the actions of all staff as well as relations with patients. The result expected by the interested is to be a change in the state of health in society, e.g. shorter patient service (Biernacki & Nowak, 2017, pp. 53-54).

One of the facilities in the United States that succeeded after the implementation of a modern IT system was the clinic in Cleveland. It used internal factors such as management's willingness to change, as well as the use of marketing strategies to maintain relationships with the patient. The success of the operation was also influenced by factors from the external environment. One of the most important was certainly the pressure of competition on the medical services market. Another motivator was the fact that the distribution of public funds from health insurance premiums depended also on the quality of patient service (Biernacki & Nowak, 2017, pp. 53-54).

To sum up the appropriate implementation, the changes consisting in the implementation of the IT system depended on many interrelated factors. In order to achieve success, the willingness to change is not enough – there must be determinants from the external environment. Currently, the Cleveland clinic attracts not only doctors from around the world, but also managers and leaders in health care (Biernacki & Nowak, 2017, p. 59).

The success in the United States meant that the subject of computerization of the health care was interested in many other countries, including European ones. An interesting example to discuss is a case that took place in one of the Greek hospitals. One of the main determinants of introducing an IT system there was the legal aspect. In accordance with the Syntagma Act already issued in 2001, everyone has the right to protection, as well as to collect and process personal data also via electronic means (Garefalakis et al., 2016, pp. 141-142). The main reason for the change aimed at introducing the IT system to the tested facility was the poor organization of the work of medical personnel. Owing to the changes, an appropriate division of responsibilities between units was to be distinguished, as well as the establishment of certain operational directions and personnel behavior in different situations. The institution's management process also refers to the system to help manage financial resources properly. The appropriate financial management process within

the framework of ERP service includes the division of costs according to the department – cardiology, psychiatry, etc., and also allows to determine the amount of extraordinary costs – e.g. failures (Garefalakis et al., 2016, pp. 141-142). According to the authors, effective implementation of a change in the implementation of the ERP system in the health service depends, similarly as in the case of the United States, from the involvement of the executive level. The Management Board should be presented with an appropriate plan, which is designed to convince you to make profound changes. The plan should set goals that can be implemented, where the time of completing a particular task should be determined first of all. Another important aspect to consider is proper communication. The steering committee should employ appropriate persons who will be able to establish cooperation with the management and the project group. The selection of consultants who present appropriate offers depending on the nature of the organization, i.e. size, type, etc., seems to be significant. According to experts, the success of the training of medical personnel would also influence the success of implementing the ERP system (Garefalakis et al., 2016, p. 143). The case in Greece is slightly different than the United States due to the purpose of ERP implementation. In the first case, the aim was to improve the quality of patient service, and in the second case, the main reason for introducing changes was poor management of medical facilities.

The trend of introducing information systems in the area of health care has also reached Polish institutions. According to a survey carried out in 2015 by the Center for Healthcare Information Systems (CSIOZ), the largest number of integrated IT systems were held by hospitals – 44%, and outpatient clinics and 34% outpatient clinics. A higher level of application of new technologies was observed in central and southern Poland, usually in large organizations, where the founding bodies were entities at the central or provincial level. Unfortunately, in the case of smaller branches, obsolete solutions were still used, similar to Greece, incompatible in the field of data integration, i.e. inefficient. The factor to increase the use of ERP in Polish facilities would also be legal conditions. The main assumption of the government would be the obligation to introduce electronic medical records of the patient. Unfortunately, despite the ongoing changes in the implementation environment in Polish medical facilities are partial (Mejssner, 2015).

Summing up one of the main determinants of computerization of health care is certainly improving the quality of management of medical facilities. Another legal requirement seems to be the legal aspect – the need to keep the patient’s electronic medical records, etc. The success of the change depends mainly on the attitude of the board. It is he who mainly sets the financial budget, makes decisions on the introduction of the system, and is responsible for the division of responsibilities and cooperation with the supplier. The experience of the above-described cases shows that the least resistance to lesions was noted at the Cleveland Clinic. The main goal here was to improve the quality of patient service. The situation was slightly different in Greece – poor management of the facility prompted the management to make changes. In Polish medical institutions, the implementation of an IT system in the healthcare sector is partial – it only improves some aspects of managing the institution. The legal requirements or the distribution of public funds for this purpose will certainly be a chance to improve the implementation of IT systems in healthcare.

#### 4. Conducting the change process in connection with the implementation of the ERP system in health care

As mentioned before, the success of a project depends on success factors that are properly connected to each other. In addition, it is important to properly assess the current status and prepare a plan to carry out this change. For the plan to be carried out, it is also necessary to take into account favorable external factors (e.g. legal provisions). If the environment is conducive to the change, first of all the principles of the project's operation should be elaborated. The directorate of the institution, whose involvement has a key impact, should be responsible for these principles. Certainly, the first stage will be the assessment of available material and non-material resources. Then, an appropriate project team should be appointed – the project manager (from the IT department or the Organization and Supervision Department), the steering committee (including the chairman), as well as appropriate powers and responsibilities. The task of the project manager is to select project members. Each team member should display such features as: ability to submit to management, good communication, ability to solve problems, have the skills to use computer devices, and have high self-esteem and orientation on the project's success. In principle, the construction of a project team is a continuous process and continues throughout the entire period duration of the project (Michalciewicz-Kaniowska et al., 2017, p. 159). The Steering Committee plays a particularly important role during the project management process. He is responsible for the successful implementation of the project and has the authority to strategically manage the project. The Steering Committee is also responsible for conducting effective communication between the project management team and non-team stakeholders, e.g. a supplier. In addition, this body also has a control function, i.e. it monitors the risk and approves the changes introduced (Semik-Żbikowska, 2009, p. 287). The right selection of people responsible for the change is a key step in the success of the project. Certainly, this step should be carefully considered and given the right amount of time. A well-planned change should result in less resistance from interested parties. Unfortunately, this is a fairly long-lasting step, requiring thought, an appropriate assessment of the situation.

When the stage of planning is right people are behind us, it remains to assign appropriate tasks to individual members of the institution. The individual task plan in connection with the implementation of the ERP system implementation to the medical facility is presented in Table 1.

Table 1. The division of tasks in the process of implementing the IT system in healthcare facilities

| Entity   | Tasks  |
|--|--|
| Director or facility management  | <ul style="list-style-type: none"> <li>• assessment of the quality of management,</li> <li>• assessment of available resources,</li> <li>• regulation regarding the implementation of the IT system,</li> <li>• selection of the project manager, Steering Committee,</li> <li>• control after the introduction of the system</li> </ul>                           |
| Project manager (being the head of the organization and supervision department or IT department) | <ul style="list-style-type: none"> <li>• a team of employees responsible for carrying out the change,</li> <li>• coordination of design works,</li> <li>• choosing the right system,</li> <li>• cooperation with an external supplier,</li> <li>• control after the system implementation,</li> <li>• communication with the management of the facility</li> </ul> |

|  |  |
|--|--|
| Steering Committee<br>(employees<br>of the Organization and<br>Supervision Department, IT<br>Department) | <ul style="list-style-type: none"> <li>• approval of implementation plans,</li> <li>• communication in the project team,</li> <li>• control of results</li> </ul>  |
| Members of the project team<br>(mainly the IT Department)  | <ul style="list-style-type: none"> <li>• cooperation with external suppliers in the field of software support,</li> <li>• actions informing other employees about the introduction of the system,</li> <li>• software installation in individual departments,</li> <li>• technical assistance in the use of software,</li> <li>• participation in training on software support,</li> <li>• communication with members of the project team</li> </ul> |
| External supplier  | <ul style="list-style-type: none"> <li>• cooperation with the director of the facility, project manager, members of the project team,</li> <li>• conducting training in the use of software for employees</li> </ul>   |
| Employees  | <ul style="list-style-type: none"> <li>• participation in training on software support,</li> <li>• communication with members of the project team</li> </ul>   |

Source: own work by (Michalcewicz-Kaniowska et al., 2017, p. 287).

Table 1 shows that all employees and external suppliers must be involved in the change process. Their role is not only about signing a contract, but they are also of particular importance in implementation. It should also be realized that the project implementation process is long-lasting, requires a significant amount of time and must be carried out in stages. It is also important to assign tasks to competent people with appropriate knowledge of management and IT. Good communication also influences successfully – without it, the best experts will not change – the members of the project team have to help other employees. An extremely important aspect is also the control of individual stages of implementation and comparison of the results assumed with the current ones. Only then can the project be considered successful.

The last stage after completing the tasks and controlling the results will be the so-called re-freezing the change, i.e. the functioning of the facility on new principles – the use of computer software, as well as carrying out updates.

Summing up the change process in connection with the implementation of IT systems to health care institutions, it requires the involvement of appropriate time, financial and material resources, and also involves some kind of resistance of employees – as is the case with the classic model of Kurt Lewin. It is important to carry out changes in a conscious, planned manner, because often the lack of plans can make them a surprise for both management and employees.

## 5. Risk related to the implementation of the IT system in the health service

While performing each activity there is a risk of non-performance. This is no different in the case of implementing IT systems in the health care sector. There also is an important factor that should be taken into account in managing change. Therefore, the risk is nothing but a “combination

of probability and the occurrence of its consequences” (Trocki, 2012, p. 296). It is assumed that the risk does not only refer to negative but also positive things. Thanks to the fact that we know the probability distribution, we can properly manage the risk. Appropriate risk management increases and protects the value of the organization, including through: streamlining the decision-making process, efficient allocation of resources (Trocki, 2012, p. 297).

As already mentioned before, appropriate risk management should be considered when implementing the IT system in healthcare. Both external and internal environment factors should be taken into account. Unfortunately, the organization has no influence on the external, while the management should minimize the share of internal risk, including through financial expenditures, appropriate selection of project members or making appropriate decisions. Analyzing the case of a Greek institution, the experts identified such risk factors as (Garefalakis et al., 2016, p. 142):

- national and environmental – among them, among others political (economic growth, legal regulations), infrastructure, regional environment,
- organizational and internal – company size, IT organization maturity – the ability to put the system into practice, management commitment.

In summary, there are many risk factors. Unfortunately, medical facilities cannot effectively eliminate them. In Poland, both the inhibitory and pro-development informatisation of health care will certainly be regulated by law, such as the procedures for keeping patient’s medical records, protection of personal data, etc. Nevertheless, we should minimize factors that we can influence. To achieve this, you need to analyze and create an appropriate risk management plan.

## 6. Conclusion

Change management is an extremely important part of management in general, as it applies to every organization, including healthcare facilities. An important aspect is therefore to plan the change, in order to reduce resistance to it. You need to convince members of the organization about its necessity and to present the benefits that the organization can relate to. Referring to projects that were successful, one of the important factors was the involvement in the process of changing all members of the organization. Certainly, the final result will also depend on legal aspects that may help or prevent the implementation of the IT system into health care. If the law is favorable, you can effectively plan a change project. The members responsible for the project must be appropriately selected, as well as the appropriate tasks, financial and time resources to be allocated. A very important point is also the control of results and comparison of the current state with the assumed one. In each project there are risk factors that can decide about the success or failure of performance. They should be properly identified and also taken into account.

The aspect regarding the implementation of IT systems will still be up-to-date around the world. Appropriate implementation can bring many benefits to the management or the management of the facility, such as improving the quality of patient service and better management of the facility.

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## **PART III**

# **QUALITY AND ORGANIZATIONAL CULTURE IN THE CONTEMPORARY ORGANIZATIONS**





# Chapter 12

## In Search of Quality Culture – Theoretical Analysis<sup>1</sup>

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### 1. Introduction

Organisational culture has become one of the main issues raised in the sphere of management, both in theoretical discourse and empirical analyses, already at the turn of the 1970s and 1980s. The model of an organisation as an atom, proposed by T. Peters and R. Waterman in the early 1980s, emphasised its key role in obtaining and maintaining competitive advantage all the more, presenting it as one of the four soft advantages of a company. The resource-based view that emerged in the 1990s and the focus on intangible resources, typical of the 21<sup>st</sup> century, result in the belief that the present organisational culture determines the success or failure and can be treated as a determinant of the organisation's future. Therefore, Barney's well-known view recognizes organizational culture as a key component to provide a competitive advantage to organizations that has a direct impact on the innovation strategy of organizations (Pietersen, 2017, p. 263).

Currently, the organisational culture is analysed in a multifaceted way, treating it as:

- one of the key intangible assets building the intellectual capital that determines the organisation's value (Al Saifi, 2015, pp. 164-189),
- the context for the development of other intangible assets and elements of intellectual capital – social, customer and human capital (Urbański, 2015, pp. 321-337),
- the catalyst of effectiveness of knowledge management in the organisation (Corfield & Paton, 2016, pp. 88-106) or the innovativeness of enterprises (Laforet, 2016, pp. 379-407),
- the element affecting the tendency to share knowledge and the job satisfaction (Tong, 2014, pp. 19-28) or the work quality (Wyrostek, 2012, pp. 43-49).

A contemporary definition of organizational culture is that it is shared set of values, norms, assumptions, and beliefs that exist among organizational members, which influence employee attitudes, thoughts, feelings, decisions, and behaviors. Therefore understanding organizational culture is about symbol, ideational systems, myth, and ritual or about the art of reading and understanding

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organizational life (Pietersen, 2017, pp. 263-264). It consists of a cluster of common norms and values, which are formed over a long time and affect the way an organisation works (Ingelsson, Bäckström & Snyder, 2018, p. 1751).

Furthermore, according to the functionalistic paradigm, it is perceived as the object of management (Sulkowski, 2013a, pp. 20-32). when developing the concept of management through culture, it is argued that business activity in the conditions of knowledge-based economy requires not only adaptative but also anticipatory changes. As a result, deliberations are conducted dedicated to diverse cultures recommended for organisations based on knowledge and the information era in management.

One of the cultures indicated as optimal for the conditions of the new economy is the quality culture, since focusing on quality is today the source of success of an organisation and, at the same time, one of the main tasks of managers (Ali & Musah, 2012, p. 289). Focus on quality is related to the different perspective towards competitiveness, relations with customers and suppliers, or relations between managers and employees (Troy & Schein, 1995, p. 45). Therefore, organizational culture is recognized by many as a critical factor when applying quality management initiatives. At the same time these initiatives fail to reach its potential because leaders lack an understanding about the key role of organizational culture in quality. They're ignoring the role of values, behaviors and attitudes in spite of the fact that there is a strong link between performance management and organizational culture that leaders need to understand to help them reach full quality development (Ingelsson, Bäckström & Snyder, 2018, pp. 1751-1752). Consequently, quality culture was introduced to provide a comprehensive approach to quality sustainability (Ali & Musah, 2012, p. 290; Wu, 2014, p. 800).

Companies that had successfully achieved a quality culture, had generally recorded immense benefits in all-round total quality improvement within their organisations. Commonly, they focus had changed from problem solving to building on their success (Adebanjo & Kehoe, 1999, p. 640). A company with highly developed culture of quality spends, on average, \$ 350 million less annually fixing mistakes than a company with poorly developed one (Srinivasan & Kurey, 2014, p. 59).

Because of the fact that in some sectors quality culture has not been properly developed (Lo, 2002, p. 272) and also general agreement that there is a gap to be filled in the development of appropriate culture for quality (Adebanjo & Kehoe, 1998, p. 275) or complaints that instruments are in place but there is a lack of quality culture – successful quality improvement practices seem to require both the formal side and a quality-conductive organisational culture in terms of attitudes and practices of participants (Markowitsch, 2018, p. 25), the main purpose of the study is to synthesise the literary achievements and present the quality culture as compared to organisational cultures of companies operating in the conditions of knowledge-based economy, taking into consideration its dimensions, development stages and recommendations with regard to its shaping.

## **2. Organisational cultures of enterprises operating in the conditions of knowledge-based economy**

The main feature of the new economy is treating knowledge as the most important resource of the contemporary organisation, as well as assigning the attribute of dominance thereto. On the other hand, the unique role of organisational culture in the knowledge-based economy results from the particular importance of social communication as a platform for creating interpersonal and interorganisational cooperation networks for the implementation of ad-hoc projects. A pragmatic organisational culture emerges, the basic values of which are: trust, openness, credibility, and re-

sponsibility. Its characteristic feature is the worship of entrepreneurship and the ease in changing cultural patterns, the deep sense of tolerance and understanding for various values and attitudes. In itself, it is a multifaceted and changing culture, free of hypocrisy and cultural stereotypes playing the role of intellectual prostheses. It is preferred to have the attitude of openness towards the environment, being the foundation of the process of sharing knowledge as the key to its effective management (Biełkowska & Sikorski, 2016, pp. 94-100).

The pragmatic organisational culture gave the foundation for proposals of cultures preferred by or typical of organisations based on knowledge. The most often identified are convergent and complementary cultures, such as the culture of knowledge, cooperation, trust, lean culture, and quality culture. They differ only in putting emphasis of diverse strength on different actions and attitudes, but their key elements are the same (Tab. 1).

The distinctive features of a culture promoting knowledge are the following assumptions and solutions (Latusek, 2008, p. 180): sharing knowledge is a value, joint responsibility and equal opportunities for everyone, focus on the customer, “open door” policy, learning from others, conduct mainly based on shared values, flat and flexible organisational structure, expert authority, continuous trainings and education of employees, cross-functional teams, open financial policy.

Table 1. The key elements of cultures of organisations based on knowledge

| <b>Knowledge culture</b>   | <b>Cooperative culture</b>  | <b>Trust culture</b>   |
|--|---|--|
| <ul style="list-style-type: none"> <li>• high level of mutual trust between employees and the environment of the organisation</li> <li>• the attitude of openness to contacts with the environment (its careful observation and vigilant response to occurring changes, as well as friendly relation towards external entities)</li> <li>• low need for power (lack of focus on pursuing power and competition)</li> </ul> | <ul style="list-style-type: none"> <li>• based on cultural interactions contributing new values</li> <li>• considering cultural similarities and differences fosters the development of tolerance, openness to new ideas, and creative thinking skills</li> <li>• cultural diversity is a resource that can be used in the development of the organisation, rather than a barrier hindering establishment of cooperation</li> </ul> | <ul style="list-style-type: none"> <li>• typical of creative and innovative organisations capable of becoming involved in productive risk-taking</li> <li>• large scope of autonomy and self-control of employees (they can talk freely and are more willing to undertake solving of comprehensive problems)</li> <li>• employees are open to changes, gladly cooperate and demonstrate civic behaviours for the organisation</li> <li>• everyone is treated with respect, criticism is constructive, and gossip and slander are absent</li> </ul> |

Source: prepared by the author on the basis of (Glińska-Noweś, 2007, pp. 231-234; Kamińska, 2013, p. 13; Sankowska, 2011, p. 93).

The company’s focus on creating organisational culture based on trust is a synthetic category, consisting of sub-categories concerning elements related e.g. to: normative certainty in the company, transparency of the organisation, stability of social order, responsibility of the authority, enforcement of rights and obligations, respect of dignity, integrity and autonomy of the organisation members.

Therefore, the symptoms of a culture based on mutual trust are: atmosphere of sincere cooperation, clear and explicit expectations for results and goals, openness in sharing knowledge, admitting to and taking responsibility for committed mistakes, avoiding gossip and participation in unfair criticism of other persons, willing participation in trainings, having the custom of organising periodical consultations or meetings of the management with employees, stability of employment, existence of clearly specified criteria for promotion for each position, fair assessment of employees, good relations between employees, fair treatment of employees, the company looking after the interests of employees, preference for teamwork, relevant reasoning for decisions taken in the organisation (Paliszkievicz, 2013, pp. 127-128).

On the other hand, people working within a lean corporate culture continuously aim at creating maximum value for the customer, by constantly eliminating wastage resulting from undertaking activities related to changeability and instability of organisational systems of production. Therefore some expected behaviors in a lean culture are: long-term decisions, managers focused on daily activities at the frontline, operators focused on opportunities for improvement in the production system, managers working to solve system problems with open dialog with all levels of the organization (Pereira Paro & Gerolamo, 2017, p. 586).

Thus, lean organisational culture is directly, to the largest extent, related to quality orientation and is therefore the most similar to the quality organisational culture. In the perspective of Schein's organisational culture model, it covers specific levels of artefacts, standards and values, as well as basic assumptions (Tab. 2), constituting the foundations for the pro-quality focus of the organisation's operations.

Table 2. Signs of a lean organisational culture, taking into consideration its dimensions according to Schein's perspective

|  |   |
|--|---|
| <b>Visible artifacts and behaviors</b> | <ul style="list-style-type: none"> <li>small teams</li> <li>problem-solving methodology</li> <li>5-Why analysis, 5 S, job rotation</li> <li>daily meetings</li> <li>fast troubleshooting</li> <li>newsletters, kiosk, surveys</li> <li>motivated leaders</li> </ul>   |
| <b>Norms and values</b>                | <ul style="list-style-type: none"> <li>mutual support teams</li> <li>clearly defined standards</li> <li>opportunity of employees can make a difference</li> <li>concern about physical and psychological security of employees</li> <li>problem communication is not seen as a problem, but as an opportunity for improvement</li> <li>recreation and daily sport practice</li> <li>focus on troubleshooting and not on people</li> </ul> |
| <b>Basic assumptions</b>               | <ul style="list-style-type: none"> <li>the leaders are considered teachers and technicians</li> <li>thoughts involve the perspective of the organisation</li> <li>continued commitment to employees' security</li> <li>the leaders integrate production value maps with people</li> <li>the leaders provide support to people who add value</li> </ul>  |

Source: prepared by the author on the basis of (Pereira Paro & Gerolamo, 2017, p. 586).

### 3. Organisational culture of quality in the theory of management

Although according to Sułkowski (2013b, p. 25), it seems quite methodologically risky to combine the notions of organisational culture with quality into the concept of quality culture, many theoretical and practical studies discuss these issues. The most often argued thesis states that pro-quality actions are consistent with cultural conditions, since – in the pursuit of continuous improvement and development with regard to quality – technical systems must be suitable to social systems, which generates the need for creating the culture of quality (Molenda, 2012, pp. 210-219).

Still, there is no agreement among researchers as to the methods of interpreting and studying the organisational culture of quality, which is proven by the diversity of definitions of the analysed phenomenon (Tab. 3).

Table 3. Overview of definitions of the organisational culture of quality

|  |   |
|--|---|
| G. Berry<br>(1997, p. 54)                          | The total of collective or shared learning of the quality-related values as the organization develops its capacity to survive in its external environment and to manage its own internal affairs  |
| H.M. Ali, M.B. Musah<br>(2012, p. 290)             | Overall attitude of an institution, which focuses on the concept of quality and applies it to all aspects of its activities; an institution as a whole has embraced quality in every element of functionality that enhances continuous improvement; it's a learning culture in which all members of institution are involved in a self-critical assessment and improving culture in which all of the workforce of institution is fully engaged in all activities carried out by the institution |
| Ngyuen Duy Nong Ha, Bui Ngoc Quang<br>(2014, p. 1) | Refers to an organisational culture that intends to enhance quality permanently and it is characterised by two distinct elements: on the one hand, a cultural/psychological element of shared values, beliefs, expectations and commitment towards quality and, on the other hand, a structural/managerial element with defined processes that enhance quality and aim at coordinating individual efforts   |
| A. Srinivasan, B. Kurey<br>(2014, p. 58)           | An environment in which employees not only follow quality guidelines but also consistently see others taking quality-focused actions, hear others talking about quality, and feel quality all around them   |
| J. Markowitsch<br>(2018, p. 28)                    | Composition of the two quality management elements – technology and commitment culture. Commitment is described as the cultural aspects of an organisation's quality culture  |

Source: prepared by the author on the basis of literature indicated in the Table.

The greatest consternation is aroused by the interdependencies between the organisational culture and the quality culture. There are four positions taken on this matter (Ehlers, 2009, pp. 350-352; Markowitsch, 2018, pp. 29-30):

- quality culture can be identified as part of the organisational culture – it is sort of a thematic subculture,
- quality culture may share some elements or dimension of organizational culture but may also have some different key values not covered in common organizational culture concepts (differentiation perspective),
- quality culture is identical with organisational culture and just used as another term for it – therefore there is no such thing as quality culture (integrated perspective),
- quality culture is a genuine construct different from organizational culture and quality culture cannot be described on the basis of models of organisational culture (fragmentation perspective).

To sum up, the notion of quality culture directly refers to the notion of organisational culture and its definition, designating patterns, behaviours, standards, and beliefs related to quality (Bugdol, 2013, pp. 213-266). Such a culture is thus a collection of values, traditions, procedures, and beliefs approved by members of the organisation, creating the environment fostering shaping of and continuous improvement in quality (Gołębiowski, 2014, pp. 33-42). It contains three key elements – system wide philosophy (doing the right thing the first time), continuous improvement (striving for that), and customer focus (fulfilling customer needs) (Wu, Zhang & Schroeder, 2011, p. 266; Wu, 2014, p. 804).

The manifestations of quality culture include empowerment, understood as the organisation's condition related to the growth in decision-making autonomy and, above all, removal of fright, sense of threat, fear of managers, full commitment of employees to quality, as well as qualitative leadership. The products of quality culture are satisfaction of internal and external customers as well as business performance (Bugdol, 2013, pp. 213-266).

Therefore, when identifying the perspectives of quality culture, the researchers indicated focus on customer satisfaction, process-orientation, teamwork, open communication and exchange of knowledge, focus on making decisions based on facts (Adebanjo & Kehoe, 1998, pp. 276-277; Ali & Musah, 2012, p. 290; Ingelsson, Bäckström & Snyder, 2018, pp. 1755-1756).

In building quality culture, the greatest significance is thus attributed to interpersonal relationships, treating employees and customers with respect, promoting development, obtaining licenses, or co-participating in organisation management. Then, to the fore comes the critical importance of trust in relations at the level of an individual, but also in relations between the employee and the organisation or between the customer and the organisation (Ehlers, 2009, p. 351).

Thus, quality culture fulfils functions of generating the competence of effectively adapting to conditions of the macroenvironment and the sectorial environment, developing soft advantages of the organisation related to human capital, developing creative organisational skills enabling development of strategically valuable resources (Gołębiowski, 2014, pp. 33-42). It may be thus defined through a set of indicators attributed to 3 categories verifying its condition – the level of the employee, the superior and the whole organisation (Tab. 4).

Table 4. Determinants of quality culture at the level of the employee, the superior and the organisation

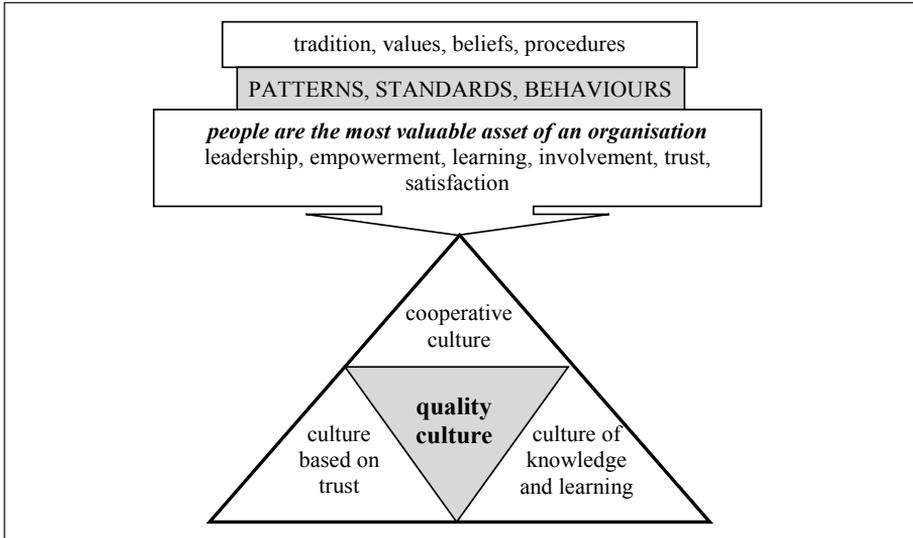
|  |
|--|
| <b>the employee</b>  |
| <ul style="list-style-type: none"> <li>• is fully involved in performance of his/her duties</li> <li>• has a precisely determined scope of responsibilities</li> <li>• is supported by managerial staff in the performance of his/her duties</li> <li>• has the opportunity to improve his/her competences</li> <li>• complies with the binding procedures, instructions</li> <li>• commits to improvement of his/her job</li> <li>• is thoroughly familiar with his/her duties</li> <li>• has sufficient competencies to perform the assigned duties</li> <li>• takes care of his/her workstation</li> <li>• is well-motivated to perform his/her duties</li> </ul> |
| <b>the superior</b>  |
| <ul style="list-style-type: none"> <li>• supports employees in performance of their tasks</li> <li>• is focused on fulfilment of customer’s requirements</li> <li>• enables employees to participate in trainings</li> <li>• encourages employees to increase their qualifications</li> </ul>  |
| <b>the organisation</b>  |
| <ul style="list-style-type: none"> <li>• priority treatment of meeting customer’s requirements</li> <li>• mandatory fulfilment of legal and technical requirements by the product/service</li> <li>• cooperation with the best suppliers</li> <li>• continuous investment in the most advanced machines and devices</li> <li>• very good cooperation between employees</li> <li>• elimination of products/services inconsistent with the requirements from the order execution process</li> <li>• use of techniques and methods of quality improvement</li> </ul>  |

Source: prepared by the author on the basis of (Molenda, 2012, pp. 210-219).

Presently, due to the performed functions and characteristics, the quality culture is often combined with other types of cultures, recognised as desirable in the conditions of knowledge-based economy – cooperative culture, culture based on trust, culture of learning, knowledge-sharing culture (Fig. 1). They all foster commitment of employees, trust-building and knowledge-sharing. They give freedom of action, promote teamwork, give a sense of community and ownership, enable efficient communication, prefer openness to changes and proactive attitude thus stimulating circulation of knowledge, and emphasise its character as a factor dominant for the organisation’s success (Juchnowicz, 2012, pp. 26-28).

Therefore, the most strongly connected with the quality culture is the term of the culture of learning, which is usually defined using its following elements: organisational learning, leadership, competencies, job satisfaction, organisational involvement, trust (Jamroz, 2013, pp. 77-88).

Figure 1. Dependencies between types of organisational cultures in the knowledge-based economy



Source: prepared by the author.

#### 4. Conclusion

Organizational culture is a complex phenomenon – changing it takes time and effort, especially from organizations’ leaders (Ingelsson, Bäckström & Snyder, 2018, p. 1760). Managers must decide that a culture of quality is worth pursuing. They need to be fully aware of and convinced as to the attributes of quality culture constituting the foundation of the organisation’s success (Tab. 5).

Table 5. Characteristics of quality culture determining the organisation’s success

|  |
|--|
| <p>Characteristics of quality culture determining the organisation’s success:</p> <ul style="list-style-type: none"> <li>• widely shared philosophy of comprehensive quality management,</li> <li>• importance of people in achieving success of the organisation,</li> <li>• celebrations marking events in the organisation’s life,</li> <li>• awarding successful people and publicising their awards in the field of quality,</li> <li>• popularising and consolidating the quality culture,</li> <li>• informal rules of conduct,</li> <li>• strong values,</li> <li>• high standards of operation,</li> <li>• corporate character</li> </ul> |
|--|

Source: prepared by the author on the basis of (Gołębiowski, 2014, pp. 33-42).

Then, bearing in mind that creation and maintenance of quality to a considerable extent involves human capital management, organisation managers are able to carry their companies through all Stages of evolution towards quality culture, identified by K. Cameron and W. Sine. From the phase

of lack of emphasis on quality, through stages of quality error detection and prevention, to the state of permanent creation of quality (Bugdol, 2013, p. 215).

Only then will the organisational culture emerge, which requires employees to apply skills and make decisions in highly ambiguous but critical areas while leading them toward deeper reflection about risks and payoffs of their actions. In an environment where customers' tolerance for quality problems is declining, a workforce that embraces quality as a core value is a significant competitive advantage (Srinivasan & Kurey, 2014, p. 65).

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## **Business Models and Quality of Life**

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*Slavko Arsovski, Zora Arsovski, Tijana Cvetić*

### **1. Introduction**

For designing a business model (BM) is necessary to analyze business and social environment, using different approaches and methods. In literature and praxis it is fulfilled in area of political, financial, information and communication technologies (ICT), human and other kinds of environment. Unfortunately, in previous research from quality of life missed inputs to business modeling.

A Quality of Life (QoL) has complex structure with segments of Happiness, Well-being, Life Satisfaction, and so on. Each segment has own structure and elements of these structures potentiality has relation to elements of business models. A base for it is model of business processes in enterprises and performances, especially quality as level of satisfaction of customers. Using quality/satisfaction is possible to establish relationships with happiness and more, with well-being, life satisfaction and QoL is whole. On other side, level of desired QoL has inputs on business model in phase of design and monitoring of business performances. This coupled integrative model is purpose of the research.

The goal of the research is to identify relationship between elements of business models and QoL. For quantifying and verifying the integrative model is selected 255 small and medium enterprises (SME) in Serbia, and using statistical software SPSS are applied statistical analysis.

The first results of our research pointed out that there are correlations among some elements (variables) of integrative model and is possible to improve in both directions: (1) to improve business models and (2) to improve level of QoL.

The chapter is organized on following kind. After introduction, in second part is presented literature review. Authors emphasized that there were not relations among QoL in broad science and business models. In the third part is presented base model of integration QoL and BM into QoL/BM. In fourth part is presented results of verification of the proposed model based on empirical case study for sample of 255 SME in Serbia. In fifth part conclusions are presented.

## 2. Literature review

A broad science of QoL includes different aspects as happiness, well-being, life satisfaction and so on. For purpose of the research problem are analyzed selected literature related to QoL happiness, wellbeing and life satisfaction. On other side, these aspects are very close to business models.

Susniene and Jurkanskas (2009) proposed model of QoL with three parts: (1) existential QoL, (2) subjective QoL, and (3) objective QoL. This model of QoL has four spheres, and for each sphere are defined three dimensions. A link to business model is possible to define from each dimension, based on human needs in one local community. Also, they concluded that for happiness key factor are safety (6%), money (20%), spiritual harmony (18%) and other things (56%).

Shah et al. (2017) analyzed correlations between spirituality and happiness among youth. This study was based on Daily Spiritual Experience Scale (DSES) and Subjective Happiness Scale (SHS) and performed by 200 people. They found negative and small correlations between DSES and SHS, with small slope (- 0.1291).

Alorani and Alradaydeh (2017) analyzed spiritual well-being, perceived social support, and life satisfaction among university students. In one case study on sample of 919 students they find relative high correlations among life satisfaction and meaning/peace (0.535) and faith (0.356). Also, perceived social support is positive correlated with meaning/peace, faith, and life satisfaction (0.213-0.473).

Ferrara and Nistico (2015) used Regional Well-Being Index (RWBI) and Institutional Quality Index (IQI). A RWBI consists from: (1) culture and free time, (2) education, (3) employment, (4) environment, (5) essential public services, (6) health, (7) material living conditions, (8) personal security, (9) research and innovation, and (10) social relations. An IQI consist from: (1) voice and accountability, (2) government effectiveness, (3) regulatory quality, (4) rule of law, and (5) corruption. They find impact of institutional quality on regional well-being inequalities for different sub national areas in Italy.

Lee et al. (2015) analyzed factors influencing life satisfaction. They selected in first line: (1) character strengths (Kindness Spirituality Prudence) influenced in second line Happiness orientation/Life of meaning influenced in third line Life Purpose. The second factor was also character strengths (creativity, self-regulation and modesty) influenced in second line on happiness orientation (Life of Engagement) influenced in third line on life purpose. On life purpose has also impact character strengths (curiosity, perseverance). In next step is impact of Life Purpose, Character Strengths (Capacity to Love) and Character Strengths (Gratitude) on Life Satisfaction. Authors proved stated predictors of Life Satisfaction.

Sabatini (2010) investigated perceived health in function of happiness, social capital and other variables that are supposed to influence self-perceived health. Using Structured Equation Modeling (SEM). He find that happiness is correlated with age (- 0.13), institutional trust (0.06), social trust (0.13). On other hand, health is correlated with happiness (0.30), age (- 0.26), and so on.

Mguni et al. (2012) developed Well-being and Resilience Measure (WARM) on community level. For measuring well-being they used questions about: (1) subjective financial situation-current, (2) losing confidence, (3) employed, and (4) feeling downhearted and depressed. A resilience is expressed by: (1) having friends/family around for drink and meal, (2) being capable of making decisions, (3) regularly stopping and talking with people in my neighborhood, (4) being able to make up my own mind about things two weeks been, and (5) feeling like you could not overcome difficulties. They find high correlation between resilience and well-being in four quadrants: (1) low well-being and low resilience in 24% of population, (2) low well-being and high resilience in 17.8%

of population, (3) high well-being and low resilience in 16.6% of population, and (4) high well-being and high resilience in 41.6% of population.

In this questionnaire with 29 questions on scale 1-6 are defined questions. Some of them are related to hope, feelings, hopes, healthy, satisfaction and happiness (The Oxford Happiness Questionnaire).

Burkhart et al. (2011) emphasized friends in BM literature and identified patterns through the analysis of classification, i.e.: (1) Business Intelligence (BI) are a high-level aggregation of a company's business logic, (2) the concept is applicable to all kind of business, (3) it considers static as well as dynamic aspects, etc. Also, they find major research gaps, i.e.: (1) insufficient knowledge on business model components in particular regarding interdependencies within and between them, (2) absence of formalized means of representations as well as procedure model to allow a structured and comparable visualization of business models, (3) limited insights on criteria and metrics for an appropriate evaluation of business models, which is mainly caused by the small quantity of (large-scale) empirical studies.

Osterwalder, Pigneur and Tucci (2005) analyzed evolution of the business model (BM) concept through five phases: (1) defines and classifies (BM), (2) list BM components, (3) describe BM elements, (4) model BM elements, and (5) apply BM concept. In their research BM is in triangle of: (1) business strategy, (2) business organization, and (3) ICT. They also analyzed process of planning, changing and implementing BM.

Wrigley et al. (2016) emphasized five BM derived from analysis, i.e.: (1) customer led, (2) cost driven, (3) resource led, (4) partnership led, and (5) price led.

Looy et al. (2013) defined model for BPM (Business Process Maturity Model) selection using following criterions: (1) presence of capabilities, (2) number of business processes, (3) type of business processes, (4) functional role of respondents, (5) purpose, (6) validation methodology, (7) architecture type, (8) architecture details, (9) data collection techniques, (10) rating scale, (11) assessment availability, (12) direct costs, (13) number of assessment items, and (14) assessment duration.

Aspects of vulnerability and resilience of organization/enterprises and people in them are analyzed in author works (Aleksic et al., 2013; Tadic et al., 2014; Aleksic et al., 2014; Stefanovic et al., 2015; Arsovski et al., 2012; Rankovic et al., 2012; Arsovski et al., 2012).

The second group of literature comes from quality area because quality in organizations/enterprises is link between business performances and business models. In (Hüther, 2016; Lindgren & Taran, 2011; Makridakis, 2017; Helu et al., 2017; Osterwalder et al., 2005; Wrigley et al., 2016) are analyzed some topics related to quality based on concept of satisfaction of users/consumers/clients and employees. The last concept of Quality of Working Life (QWL) is described in (Robeyns & Van der Veen, 2007; Malkina-Pykh & Pykh, 2003).

### **3. Model description**

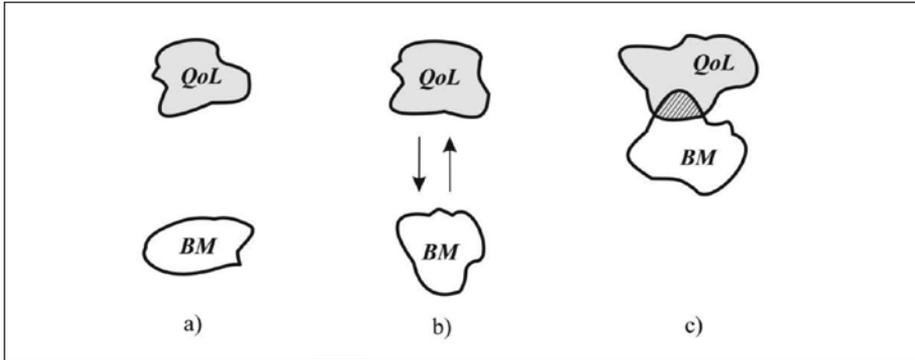
A Business Model (BM) and Quality of Life (QoL) approaches were analyzed separately in past period (Fig. 1a). If we try to find some connections between them it was very difficult because we use different scientific disciplines with different models and methods. Using multidisciplinary approach is possible to select common dimensions, entities or variables.

In second case (Fig. 1b) between BM and QoL are defined relations. For it is developed interdisciplinary approach and achieved one type of integration.

In third case (Fig. 1c) BM and QoL are fully integrated in one BM/QoL model with own methodology, paradigm and praxis.

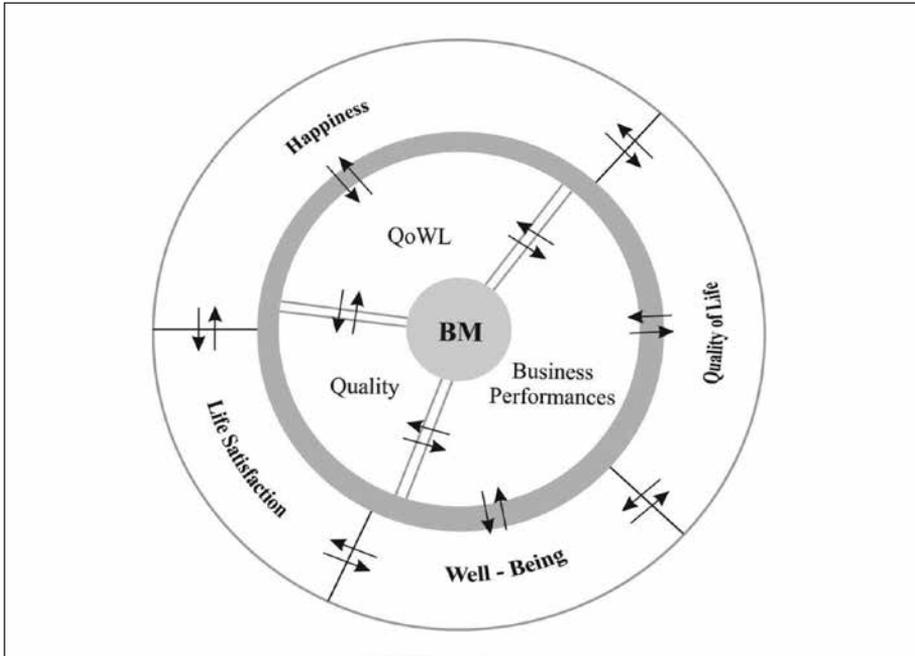
Based on previous approach is developed integrated model (Fig. 2) with BM in kernel and QoL, Quality and Business Performances in inner ring. On periphery are positioned Happiness, Quality of Life, Life Satisfaction and Well-Being. Among all entities are identified weak or strong relationships. This model is based on BM as source for QoL.

Figure 1. Relations between BM and QoL



Source: own study.

Figure 2. Base model of BM and QoL



Source: own study.

A second approach is based on QoL as source for BM (Fig. 3). In this case we started for individual level and some relations of individuals with environment (Happiness, Life Satisfaction, Well-Being, Quality of Life). On periphery are approaches related to role of individuals in organizations/enterprises (Quality, Business Performances, Quality of Working Life). These approaches are very closely related to BM (Business Models). This approach is based on concept of satisfaction of human needs (Arsovski, 2016) measured by related approaches, which are related to business approaches connected to BM.

According to ISO 15704:2000 for construction of integrative model QoL/BM are used GERA methodology with life-cycle phases:

1. Entity identification,
2. Entity concept,
3. Requirements,
4. Preliminary design,
5. Detailed design,
6. Implementation,
7. Operation, and
8. Decommission.

In proposed model entities there are three types of: (1) individual, (2) enterprise, and (3) social environment (region, state, etc.).

An entity concept covers the set of activities that are need for developing the concepts of the underlying entity. It includes the definition of the entity's mission, vision, values, policies, business plans and Business Models (adding by authors).

An entity requirement covers relevant processes and the collection of their functional, behavioral, informational and capability needs. For purpose of the our research is emphasized needs for satisfying individuals as well as upper (organizational/social) entities.

An entity design covers the activities which support the specification of the entity's components that satisfy the entity requirements. In our research on preliminary design is defined integrative model of QoL/BM and prepared case study for purpose of detailed design.

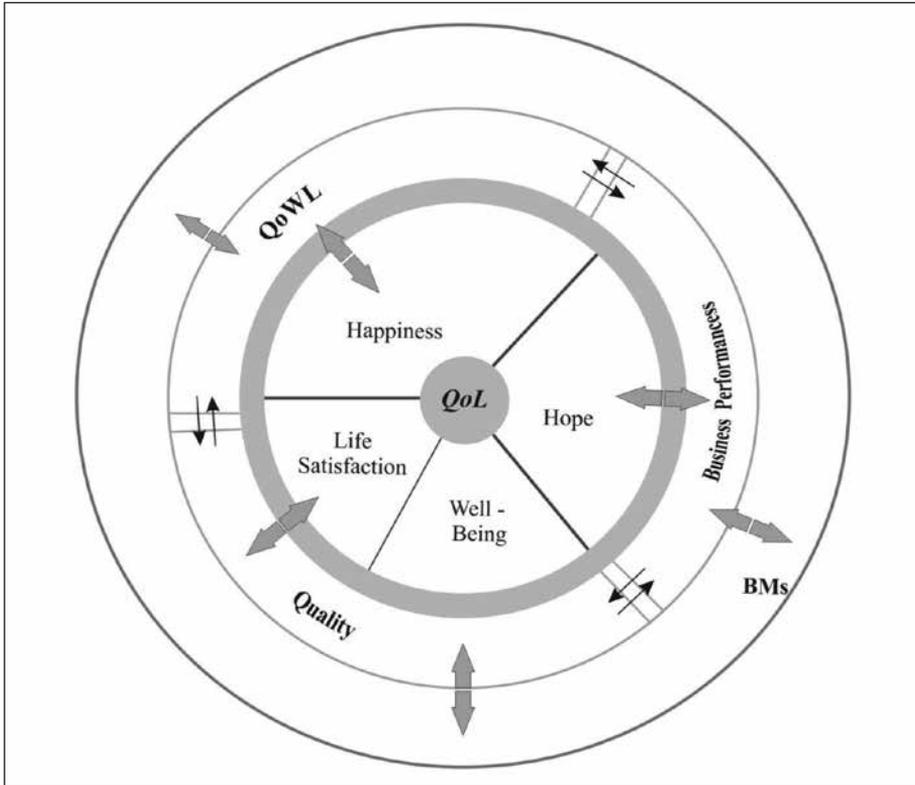
Next phases are not implemented in our research.

Besides basic GERA methodology based on Life-Cycle Dimension, there are:

- Generosity Dimension with differentiation of generic, partial and particular processes, and
- View Dimension, providing for the controlled visualization of specific views of each selected entity. In last case are identified following views:
  - Entity model Content Views: function information, resource, organization (level),
  - Entity Purpose Views: customer service and product, government, management and control,
  - Entity Implementation View: (1) human implemented tasks, (2) governance, management and control technology and (3) mission support technology,
  - Entity Physical manifestation views: physical assets, knowledge, hardware, software for individuals, organizations and social environment,
  - Additional views may he defined according to QoL or other specific user needs.

On the level of enterprise (organization) in ISO 15704:2000 is developed EEMs (Enterprise Engineering Methodologies) and GEMCs (Generic Enterprise Modeling Concepts) as well as PEM (Partial Enterprise Models). In all previous models are emphasized role of humans (decision making, capabilities and skills, motivation, incentives, etc.). On this way is possible to integrate individual and social level through enterprise level.

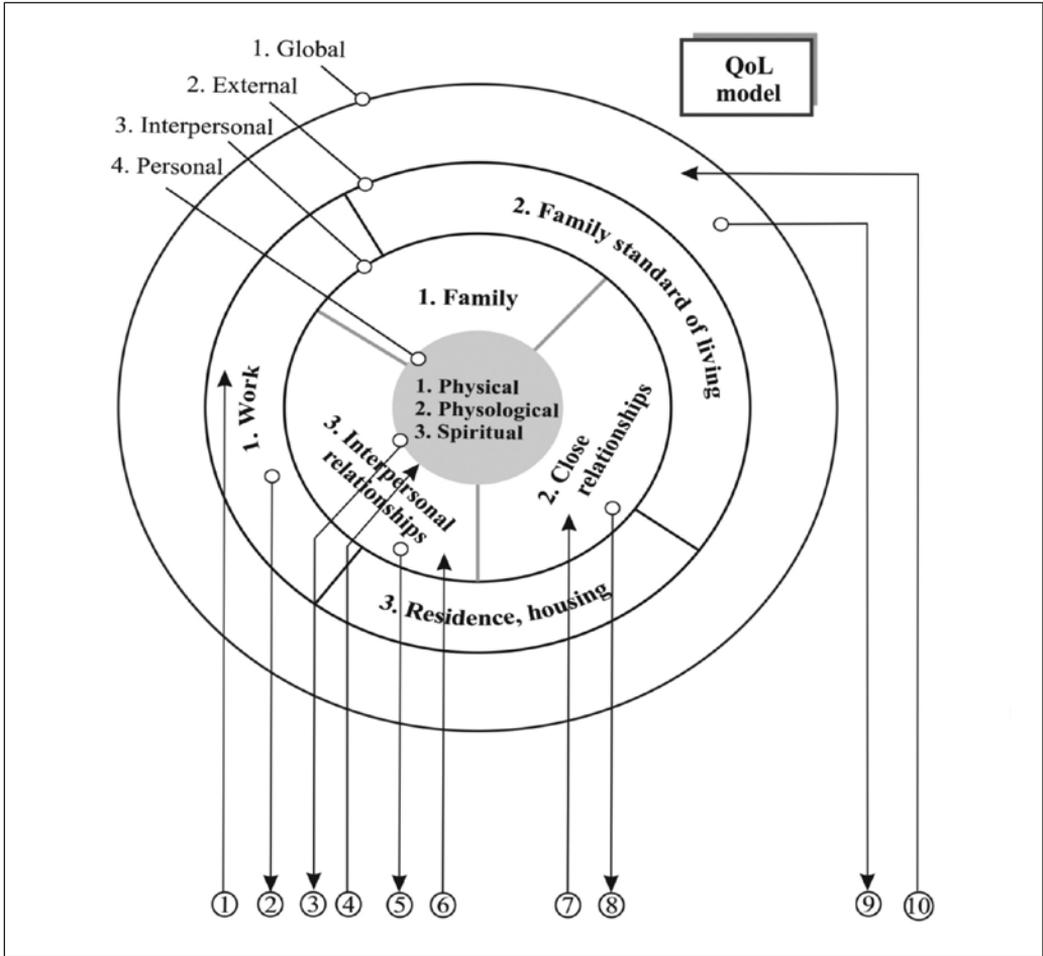
Figure 3. QoL as source to BMs



Source: own study.

Based on this approach is structured our research presented in the chapter.

Figure 4a. The quality of life model



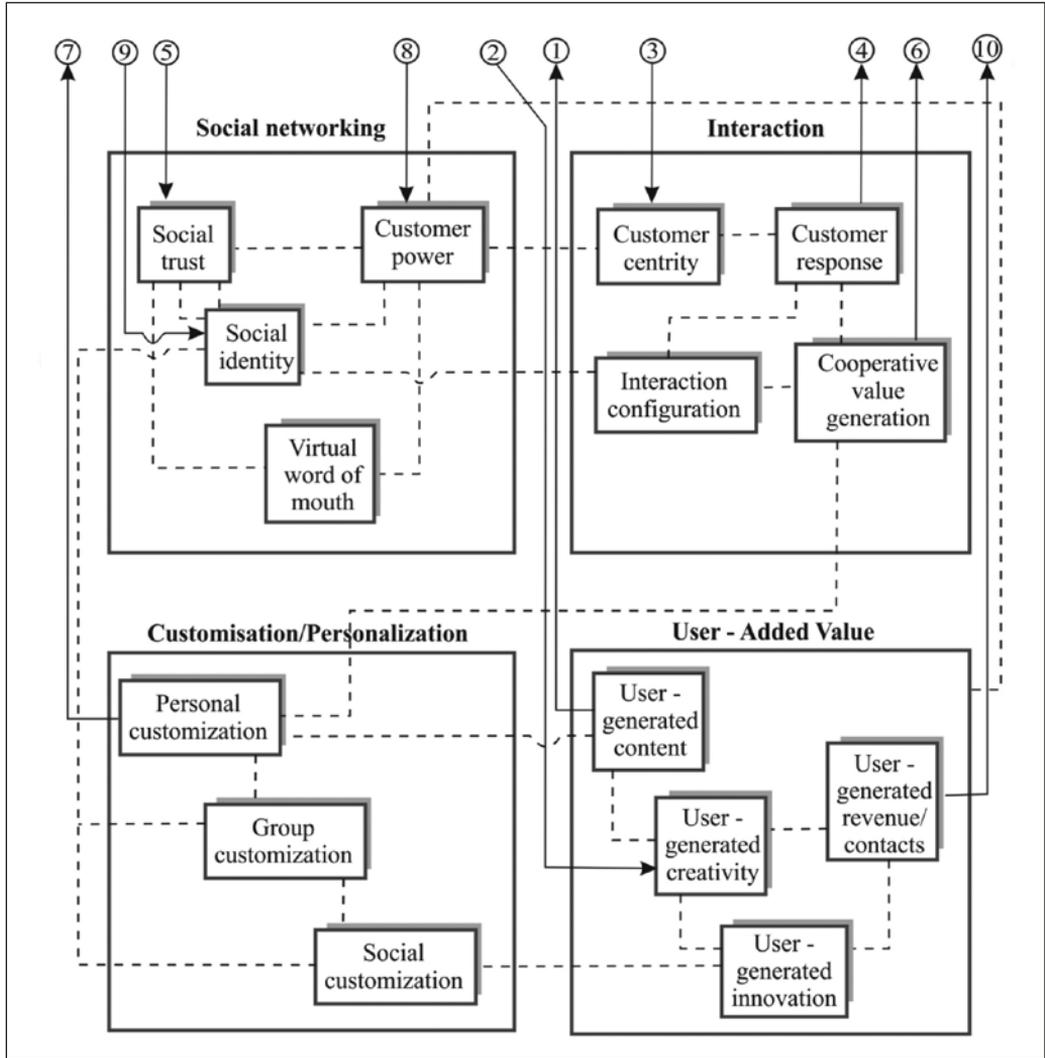
Source: own study.

The proposed model of QoL with relationships is presented in Figure 4b.

This model is based on research of Susniene and Jurkanskas (2009). Entities of the model are part of well-known elements of QoL, as hope, life satisfaction, happiness Quality of Working Life (QoWL), Well-being etc.

In interaction of BM and Quality is crucial relationship No3, because the link is customer focus and customer response and after that, customization and user generated revenue/contacts. Previous investigation on sample of 255 SMEs in Serbia (Fig. 5) emphasized BMs based on Quality.

Figure 4b. Model of QoL including relationship with BM



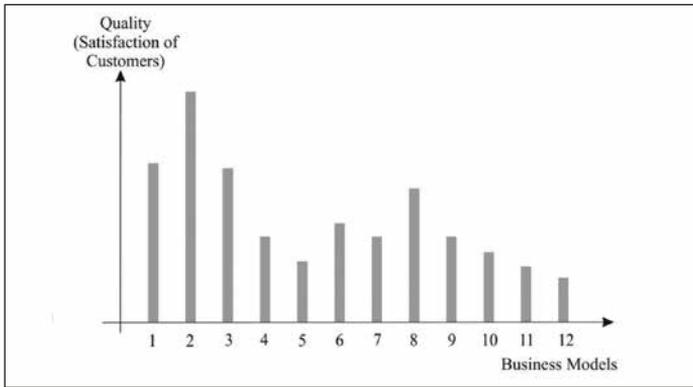
Source: own study.

Relationship between QoL and Quality is based on previous described literature results and generally has form as presented in Figure 6.

Slope of the live depends on how much quality strategy is dependable from motivation and fulfilling worker’s needs.

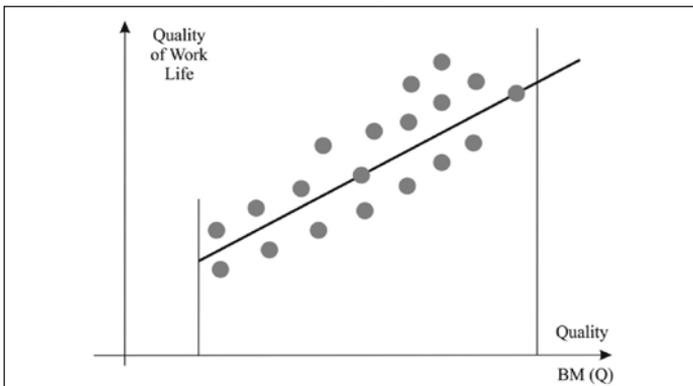
The relationships between quality and added-value is well-know (Fig. 7) from literature in Quality science (Arsovski, 2016; Tadic et al., 2013; Nestic et al., 2015; Arsovski et al., 2012; Stefanovic et al., 2010; Tadic et al., 2015).

Figure 5. Relationship between Based Business Models and Quality



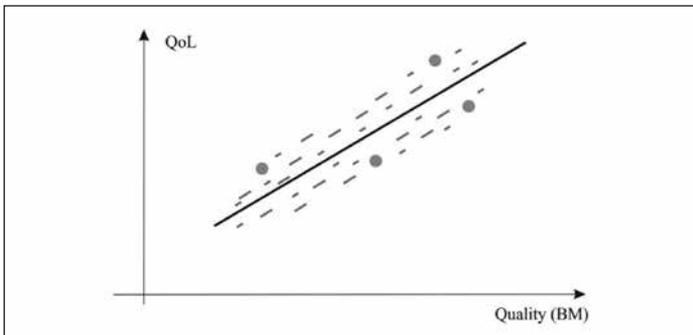
Source: own study.

Figure 6. Relationship between Quality and Quality of Work Life



Source: own study.

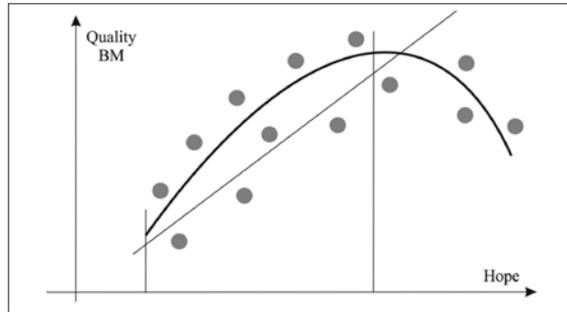
Figure 7. Impact of Quality on Quality of Life



Source: own study.

A critical link between BM and QoL are relationship between Hope and Quality (Fig. 8).

Figure 8. Impact of Hope on Quality



Source: own study.

A slopes and coefficients of correlations varies in different research and generally are small because on added value impact have a lot of internal and external variables.

With increasing of Hope increases Quality until maximum value. After that, in organization workers can't satisfy higher level of Hope, and Quality decreased.

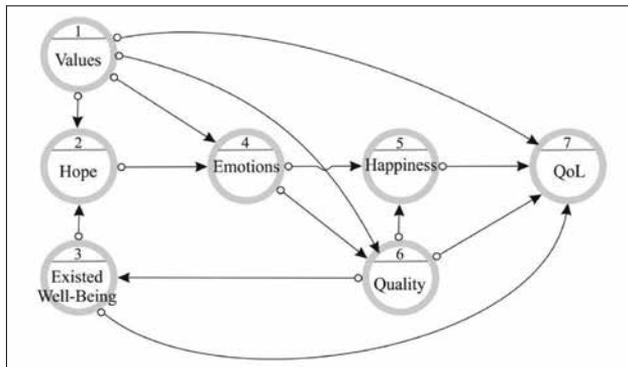
A relationship between Hope and Quality is based on The Adult Trait Hope Scale (Snyder et al., 1991), especially on items:

- 2. I energetically pursue my goals
- 6. I can think of many ways to get the things in life that are most important to me
- 9. My past experience have prepared me for my future
- 10. I've been pretty successful in life
- 12. I met the goals that I set for myself.

For each item score is on scale 1-8 and for five items maximum score is 40 and minimum 5.

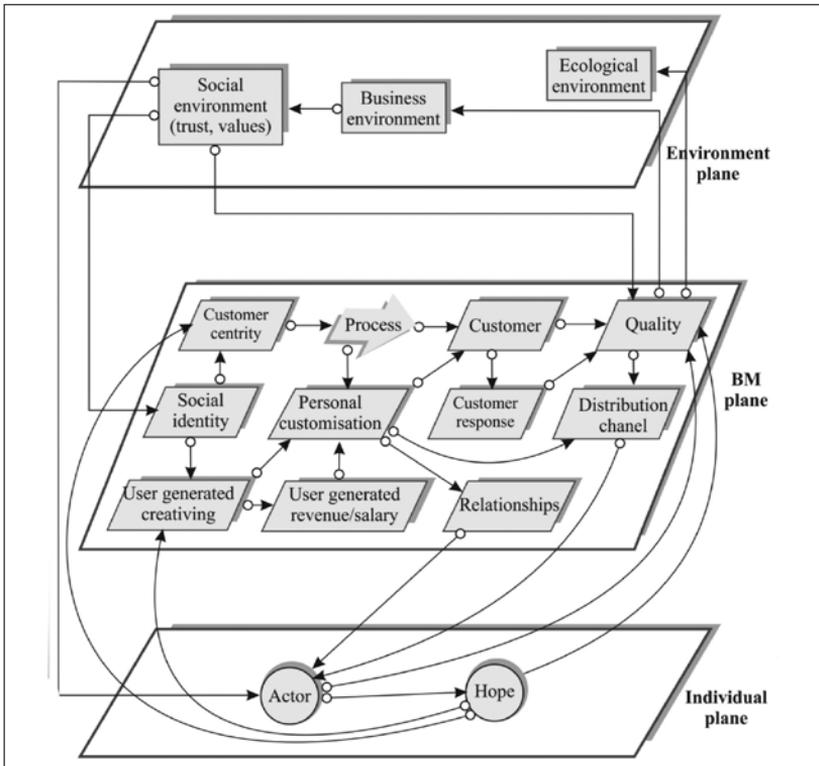
A relationship between Hope and Quality is not simple. According to previous research in figure 9 is presented broader model of integration of Hope, Values, Existed Well-being, Emotions, Happiness, and Quality on QoL.

Figure 9. Broader model of impact Hope on Happiness, Quality, Quality of Life



Source: own study.

Figure 10. Integrated model of Quality based BM and Hope



Source: own study.

In this model Values and Quality are external variables (from society and enterprises) and other is related to individuals. Variable Quality has two dimensions: (1) individual person as buyer/user and (2) individual person in organization. It has to be respected in constructing the methodology of research.

All previous defined models of integration BM and QoL is possible to construct in three planes, i.e.:

- individual,
- enterprise/organization, and
- social and business environment.

In Figure 10 is presented one model for research impact of Quality Based BM on Hope.

#### 4. Model verification

In Quality Based BM (QBBM) a quality is described by:

1. level of customer focus,
2. level of social identity,
3. level of quality of business processes,

4. level of customer needs,
5. perceived quality of product/service,
6. level of user generated creativity,
7. level of customer response,
8. level of distribution channel,
9. level of relationships, and
10. level of user generated revenue/salary.

A business environment is described by:

1. level of business risks (a),
2. level of competitiveness (b),
3. level of business responsibility including product safety,
4. level of sectoral growth,
5. level of business continuity (c),
6. level of financial support,
7. level of government support,
8. level of resource support,
9. level of knowledge and skill support (d), and
10. level of innovativeness (e).

A social environment is described by:

1. social values (f),
2. trust (g),
3. meaning of life (h) and group values of:
4. happiness (i),
5. quality of work life (j),
6. quality of life (k),
7. life satisfaction (l),
8. subjective well-being (m),
9. objective well-being (n), and
10. purpose of life (o).

An ecological environment is described by:

1. level of water resources (p),
2. wood resources (q),
3. level of metal and other resources (r),
4. level of energy resources (s),
5. level of flora resources,
6. level of water pollutions (t),
7. level of soil pollutions (u),
8. level of air pollutions,
9. level of noise pollutions, and
10. level of recycling (w).

An actor is described by:

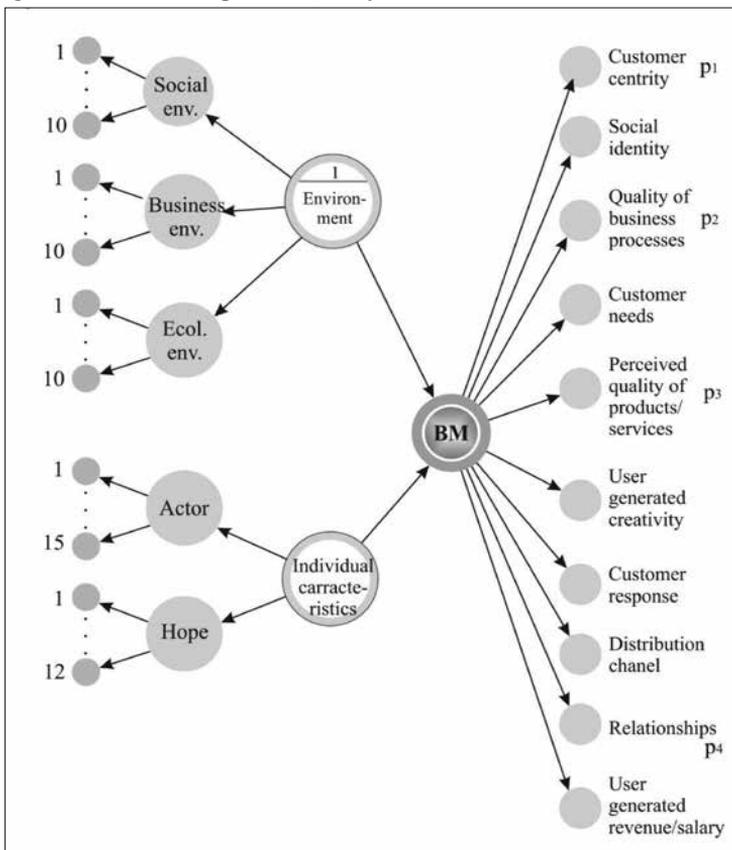
1. Age,
2. Gender,
3. Marital status,
4. Education level (i<sub>1</sub>),

- 5. Competences level,
- 6. Skills level,
- 7. Household level ( $i_2$ ),
- 8. Financial standard level,
- 9. Health level ( $i_3$ ),
- 10. Sport usage level,
- 11. Personal safety level,
- 12. Religion level,
- 13. Tradition level,
- 14. Culture level, and
- 15. Perspective feeling level.

Based on previous described sub-models in Figure 11 is presented extended model with including a Hope.

The proposed model is very complex because in it is included individual, organizational and environmental variables.

Figure 11. Integrated model of Hope and Quality Based Business model



Source: own study.

Methodology is based on different techniques:

- questionnaire,
- nominal group,
- Delphi study, and
- statistical techniques.

On sample of 255 SMEs in Serbia are calculated sub-variables of BM. Sub-variables of environment are calculated by using Delphi techniques Hope and actors are calculated by technique of nominal group. Statistical technique is based on software SPSS V.21.

In first step calculation of descriptive statistics on macro variable level was performed. Independent variables were: V1 (Business Environment – BE), V2 (Social Environment – SE) and V3 (Actor). In all cases coefficient of variation are sufficient (less than 25% of mean values for all variables, including dependent variable BM (Quality based Business Model) (Tab. 1).

Table 1. Descriptive statistics

|       | <b>Mean</b> | <b>Std. Deviation</b> | <b>N</b> |
|-------|-------------|-----------------------|----------|
| BM    | 6.1176      | 1.19179               | 255      |
| BE    | 2.1169      | .59127                | 255      |
| SE    | 8.2412      | .29788                | 255      |
| EE    | 7.1925      | 1.65538               | 255      |
| Actor | 6.1086      | .96718                | 255      |
| Hope  | 5.8471      | .97414                | 255      |

Source: own study.

Table 2. Correlations

|       | <b>BM</b> | <b>BE</b> | <b>SE</b> | <b>EE</b> | <b>Actor</b> | <b>Hope</b> |
|-------|-----------|-----------|-----------|-----------|--------------|-------------|
| BM    | 1.000     | -.730     | .650      | .168      | .197         | .507        |
| BE    | -.730     | 1.000     | -.790     | -.093     | -.090        | -.447       |
| SE    | .650      | -.790     | 1.000     | .164      | .216         | .470        |
| EE    | .168      | -.093     | .164      | 1.000     | .449         | .208        |
| Actor | .197      | -.090     | .216      | .449      | 1.000        | .715        |
| Hope  | .507      | -.447     | .470      | .208      | .715         | 1.000       |

Source: own study.

Table 3. ANOVA

| <b>Model</b> |            | <b>Sum of Squares</b> | <b>df</b> | <b>Mean Square</b> | <b>F</b> | <b>Sig.</b>       |
|--------------|------------|-----------------------|-----------|--------------------|----------|-------------------|
| 1            | Regression | 212.626               | 5         | 42.525             | 71.476   | .000 <sup>b</sup> |
|              | Residual   | 148.145               | 249       | .595               |          |                   |
|              | Total      | 360.771               | 254       |                    |          |                   |

Source: own study.

Table 4. Coefficients

| Model |            | Unstandardized Coefficients |            | Standardized Coefficients | t                       | Sig.  |
|-------|------------|-----------------------------|------------|---------------------------|-------------------------|-------|
|       |            | B                           | Std. Error | Beta                      |                         |       |
| 1     | (Constant) | 2.357                       | 2.432      |                           | .969                    | .333  |
|       | BE         | -1.003                      | .144       | -.498                     | -6.971                  | .000  |
|       | SE         | .515                        | .274       | .129                      | 1.880                   | .061  |
|       | EE         | .071                        | .034       | .099                      | 2.093                   | .037  |
|       | Actor      | -.166                       | .088       | -.135                     | -1.901                  | .059  |
|       | Hope       | .367                        | .088       | .300                      | 4.166                   | .000  |
| Model |            | Correlations                |            |                           | Collinearity Statistics |       |
|       |            | Zero-order                  | Partial    | Part                      | Tolerance               | VIF   |
| 1     | (Constant) |                             |            |                           |                         |       |
|       | BE         | -.730                       | -.404      | -.283                     | .324                    | 3.089 |
|       | SE         | .650                        | .118       | .076                      | .352                    | 2.839 |
|       | EE         | .168                        | .131       | .085                      | .741                    | 1.349 |
|       | Actor      | .197                        | -.120      | -.077                     | .327                    | 3.059 |
|       | Hope       | .507                        | .255       | .169                      | .317                    | 3.150 |

Source: own study.

Table 5. Residual statistics

|                      | Minimum  | Maximum | Mean   | Std. Deviation | N   |
|----------------------|----------|---------|--------|----------------|-----|
| Predicted Value      | 4.3535   | 7.5691  | 6.1176 | .91494         | 255 |
| Residual             | -2.40941 | 1.90860 | .00000 | .76371         | 255 |
| Std. Predicted Value | -1.928   | 1.586   | .000   | 1.000          | 255 |
| Std. Residual        | -3.124   | 2.474   | .000   | .990           | 255 |

Source: own study.

In next step are calculated correlations among them (Tab. 2). Using ANOVA technique (Tab. 3 and 4) is calculated residual which is more than 60% of total sum of squares (Tab. 5).

In next step is calculated co-linearity statistics using VIF (Variation Inflation Factor). In this case for all variables, VIF was less than 5 what mean that sub-variables in macro-variables BE, SE, EE and Actor are independent.

## 5. Conclusion

Impact of entities of QoL concepts on performances of business models are not researched enough. Because emotions, Hope, values and Happiness are related to Quality, in the article is analyzed generally and separately impact of QoL and Quality Oriented Business Model. Based on theoretic and empiric data from 255 Serbian SMEs is concluded:

- level of risk has negative impact on Quality,

- generally Social Environment has positive impact on Quality,
- Separately QoL, Happiness and Hope have positive impact on Quality,
- Actor and Ecological Environment have positive impact on Quality but level of correlation is poor (less than 2),
- VIF for all independent variables is less than 5 and all of them are independent.

Limitation of the research is related to SMEs and relatively small sample. In next period these limitation will be overwhelmed with other methods (DEA, GA), Grounded theory and Fuzzy approach.

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# Chapter 14

## **ISO 250xx: A New Approach to Software Quality<sup>1</sup>**

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*Dariusz Dymek*

### **1. Introduction**

Software can be treated as a part of computer system, or wider as a part of information system. It's role, usage and perception has been evolved together with the development of Information Technology (IT). At the beginning the software users was a small group of high educated specialists. During the process of IT development this group continuously grows up attaching the new kind of software users. Nowadays, almost every human is the software user, even if he don't realize this fact. Changes of software users group have the great impact on many aspects of IT. One of these aspects is the software quality.

Modern approach to quality (as general) defines the quality in the relation to users requirements (needs or expectations). In that way, changes of software users characteristics must influence the perception of software quality. This process is presented in section 2 based on the example of software quality model evolution.

At the turn of the 20<sup>th</sup> and 21<sup>st</sup> centuries the ISO 9126 software quality model started to be the most popular. Many specialists treated this model as a reference point of software quality and the way of its measurement, what has the great influence on the concept of software quality per se. But continuous and fast development of IT in the first decades of 21<sup>st</sup> century caused a necessity of modification of this model and whole approach to software quality presented by ISO. It resulted in appearance of the set of standards connected with the software quality concept. Section 3 presents the changes in software quality perception among the old ISO 9126 and new ISO 25010 models. Next two section discuss the impact of new standards set (called ISO 250xx or SQuaRE) and presented by it approach on the perception and understanding of the software quality in theory and practice. Conclusion points out the direction of further modifications and summarize whole considerations.

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## 2. Software: quality and quality models

The discussion of software quality and quality models must started from the general conception of quality and its evolution. The idea of quality for the first time appears in antiquity and links with such great philosophers as Platoon and Aristotle. In modern times the philosophical aspects of quality was considered inter alia by Descartes and Kant. In the philosophical context of quality appeared such concepts as perfection, the properties of real objects or the subjectivity of perception conditioned by experience. These concepts were (and still are) the base of development of quality definition in more practical way<sup>2</sup>, especially by standardization attempts which try to define the quality in more objective and measurable way.

The most of modern quality definitions use the concept of relation between the object characteristics and the users (or clients') needs and expectations (or requirements). This relation is expressed in different ways but the most common use the "*ability to satisfy*" or "*degree of fulfill*" formulas. The good illustration of the quality definitions evolution are the modifications of ISO standards quality definitions, presented at Table 1.

Table 1. Evolution of quality definition in ISO standards

| Standard (year of publication) | Quality definition   |
|--------------------------------|--|
| ISO 8402 (1986)                | the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs |
| ISO 8402 (1994)                | the totality of characteristics of an entity that bear on its ability to satisfy stated and implied needs                        |
| ISO 9000 (2000)                | the degree to which a set of inherent characteristics fulfils requirements   |
| ISO 9000 (2015)                | the degree to which a set of inherent characteristics of an object fulfils requirements  |

Source: (Hoyle, 2018, p. 99).

Presented modifications can be discussed in three aspects: characteristic of analyzed entity (object), expressing of relation and the reference point description. The first aspects changes from "product or service" to "object". The object is defined as anything perceivable or conceivable, what means that it includes in particular also software. This modification illustrates the changes in modern world where the quality can be referred to literally everything. In case of second aspect, expressing the relation, "*ability to satisfy*" has been replaced by "*degree of fulfill*". Such a changes emphasizes the possibility and necessity of quality measurement and is one of very important steps to usage quality definition in practice. Similarly in case of third aspect. The reference point (stated by users, client or other stakeholders) evolved from "*needs and expectations*" to "*requirements*" what can be seen as a kind of restriction (and step back to older more technical approaches) but the requirement is defined as "*a need or expectations that is stated, generally implied or obligatory*". Such an approach deals with a problem that some needs or expectations can be not stated or even not aware. Requirements as a reference points must be clearly expressed. Users can have a problem with this but this shouldn't influence on the possibility of quality

<sup>2</sup> At least a few different approaches to quality can be distinguished. In addition to the philosophical one can talk about an economic, technical or marketing approach. Bielawa (2011) using the six criteria of division indicates more than twenty ways (approaches to) defining quality.

definition usage. This problem in case of software is discussed in more detailed way in section 5 where the ISO 250xx approach to (quality of) requirements is presented.

Such an approach to quality definition imposes the way of its implementation both in theory and practice. First, the set of object characteristics must be identified. Next, every single characteristic must be connected with measure (one or more) which value can represent this characteristic<sup>3</sup>. In case of software, first attempts to define the software quality models had take place in the 70s of the twentieth century. The most important from the development of such models point of view were the McCall (1977) and Boehm (1978) models. These models were later replaced by new attempts: Evans & Marciniak model (1987), ISO 9126 model (1991), Dromey model (1992), FURPS (1992) or SEI (1995) models. The common feature of these models were the searching of software quality characteristics based on the software structure. It should be mentioned that software is the particular product. It is immaterial, complex, abstract and unique. Peculiarity of software results inter alia in problem with definition of such basic properties as size or complexity which are still under development. First software quality models started from decomposition of software into components (named structural units) and to identify and assign to these components the features that can be used in quality description. In the next step, they tried to discover the relationship between these features and to describe these relationships.

Good example of such attempts is the Dromey model (1995). In this model there are hierarchical software decomposition into two kinds of components: simple and complex unit. Simple units are distinguished based on software programming language structure (e.g. instruction, expression, etc.). The complex units which consist of simple units are distinguished based on their role in running software (e.g. hardware or user interface, data base management module, etc.). The properties of structural units are described by characteristics divided into two categories: low level characteristics (named also primary ones) which are assigned to simply and complex units and have rather technical character, and the high level characteristics (named also the quality described ones) which are assigned only to complex units. The primary characteristics can be directly observable and modifiable on the level of software source code. The quality described characteristics are visible only on the level of complex units and can be altered only by changes of primary characteristics (on the source code level of simple units). The key element of this concept was identification of the structural units characteristics and description of the their relationships.

The main and unsolved problem of this model is that identified relationships has only descriptive character (influence on) without the possibility of expressed this influence in quantified way in most cases. On the base of this attempt in the same year the new approach has been published. It tried to incorporate the elements of software development process into the quality model distinguishing three quality models: requirements, design and implementation ones using the classical approach to software development model. Presented Dromey model has not been very useful in practice and has been considered by the practitioners as too theoretical. Although the obtained results did not lead to the development of commonly accepted formal software quality model based on structural decomposition, which could be applied on a wider scale in practice, they contributed to a broad discussion on the properties of software and the way of their to measurement.

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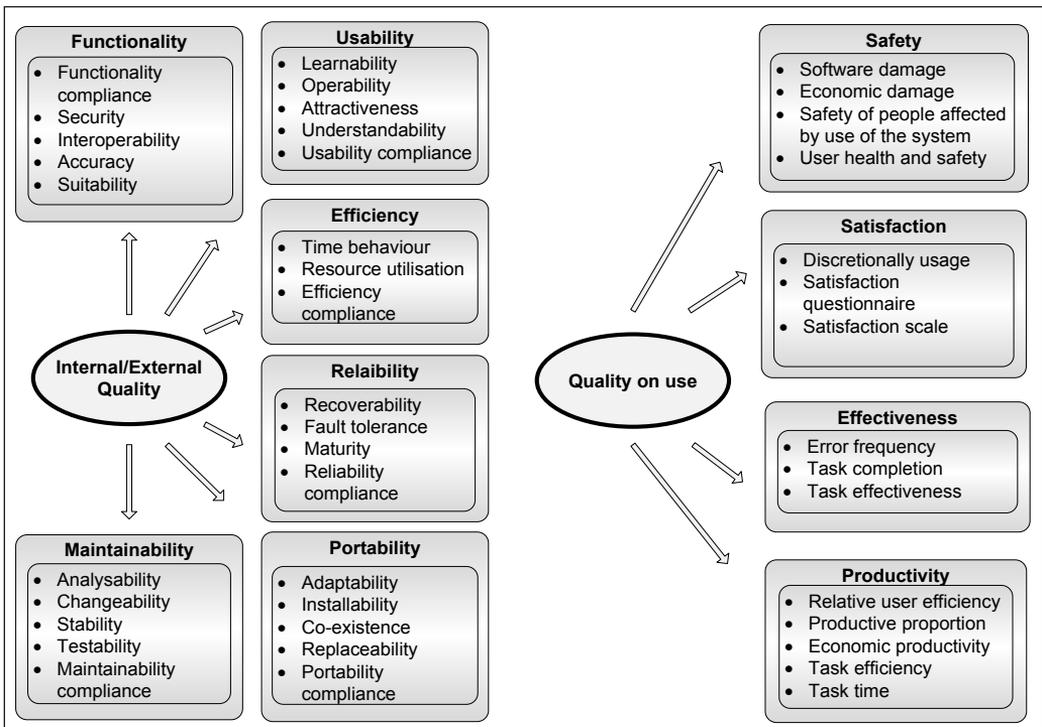
<sup>3</sup> It should be noted that establishing a set of inherent characteristics for a given object and using it in practice also influences the way of formulating requirements. People try to use the well known and widely used characteristic for setting their requirements what make easier the establishment of relationships between object properties and users requirements.

### 3. From ISO 9126 to set of standards ISO 250xx (SQuaRE)

Some of mentioned attempts presented different concept. Instead of structural decomposition and connected with this hierarchical approach to characteristics (bottom-up approach) they concentrated on identification of the characteristics, their categorization and measurement treating the software as a whole. An example of such approach is standard ISO 9126:1991 and its software quality models. The emphasis on the measurement aspects of software quality models resulted in excluding the it from the software quality model and partition the ISO 9126:1991 "Quality model and process for evaluating quality" standard into two separate standards: ISO 9126:2001 "Software Engineering – Product quality: Quality model and suggested metrics" and ISO 14598:1999 "Information technology – Software product evaluation. Process for evaluating quality". First on them was concentrated only on software quality models and suggested measures while the second one deals only with the process of measurement.

ISO 9126:2001 model in three sub-models: internal, external and quality in-use ones distinguished 9 characteristics divided into 27 sub-characteristics which reflected the quality of software. The schema of ISO 9126:2001 software quality model is presented on Figure 1.

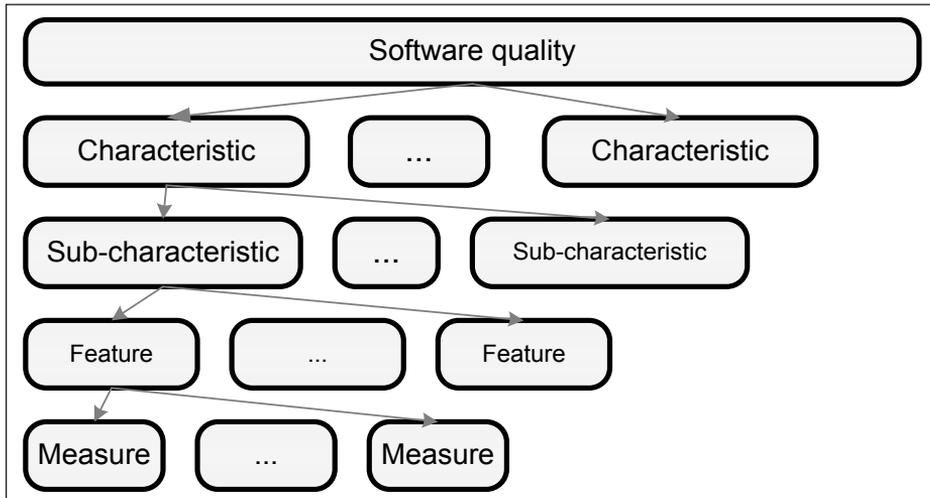
Figure 1. Schema of ISO 9126:2001 software quality characteristics



Source: (ISO 9126:2001).

The important element of ISO 9126:2001 standard are the (suggested) measures linked with each characteristics and sub-characteristic. The structure of relationship between measures and characteristics is presented o Figure 2.

Figure 2. Relation between characteristics and measures in ISO 9126:2001 model



Source: (ISO 9126:2001).

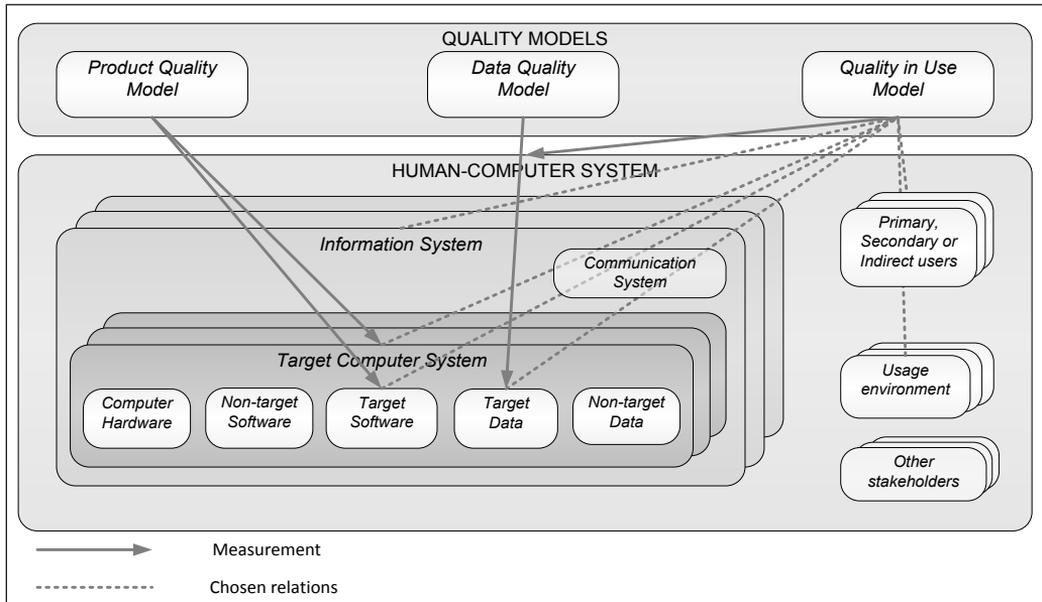
In this model each quality sub-characteristic in each characteristic is the resultant of software features which can be measured by some measures. It is important that the relation between measures of features, sub-characteristics and characteristics are not defined in quantitative way. So the problem of defining such relations is avoided but not solved (and this problem is still open).

The division of ISO 9126:1991 standard into two separated ones, of which one standard is concentrated only on process of quality evaluation (ISO 14598:1999) and the second standard (ISO 9126:2001) define the quality model and suggest the measures of quality sub-characteristic, has also some disadvantages. These norms partially cover the same or similar aspects, what impede their use in practice. Moreover, the fast development of IT and changes of its role in modern society, caused that the ISO 1926 software quality model has become to be insufficient. All these facts resulted in decision of undertaking the complex attempt to problem of software quality. This attempt, is known as a SQuaRE (Software product Quality Requirements and Evaluation) or ISO 250xx set of standards.

#### 4. ISO25010 software quality model

The key element of new approach to quality model is based on concept of treatment the software as a part of the larger integrity which is the computer system or information system or much wider the human-computer system. The general schema of this approach is presented at Figure 3.

Figure 3. General schema of ISO 25010 software quality model

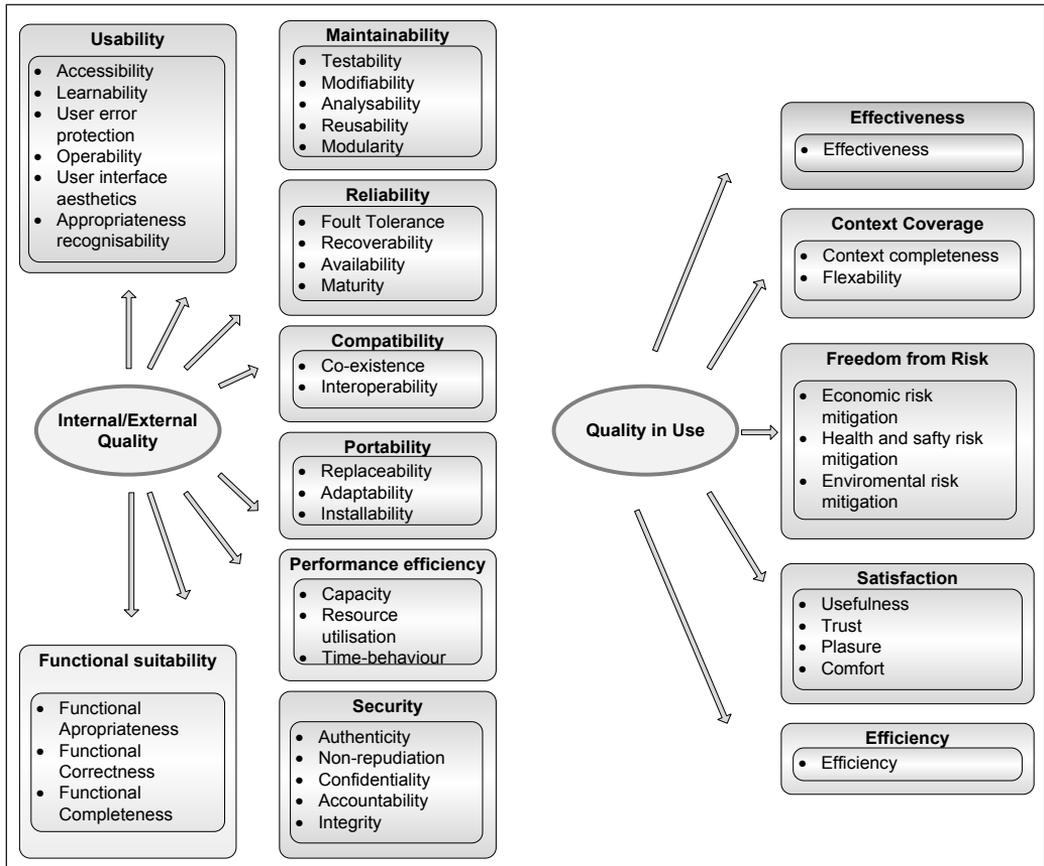


Source: (ISO 25010:2011).

Computer software as a part of (much bigger and complex) systems cannot be treated as a separate object which is under evaluation. Its evaluation must take into account all linked elements. The special attention should be paid to concept of *user*. According to mentioned earlier quality definition, the subject (stated or implied) of quality is user (human), who defined the reference point for any concepts. In practice, the term *user* is not precise enough and can be a source of problems. User can be a person who directly operates the software or a person who uses the results of software execution or a person who is responsible for selection and buying the given software or a person who maintains the software and many others (including developers). Each of mentioned persons plays the role in software usage and can be treated as a user and consequently as a source of requirements (needs, expectations) that should be fulfilled according to quality definition. But from the second side, their requirements, needs or expectations can be not common or coherent and in some cases they can be even contradictory<sup>4</sup>. This problem of user identification is reflected in presented model by introducing the users' category: direct (primary and secondary) and indirect users and additionally by pointing out the other stakeholders. It allows to see the problem of software quality from different perspectives.

<sup>4</sup> This problem is wider discussed in Requirements Engineering which is a sub-discipline of Software Engineering (see e.g.: Aurum & Wohlim, 2005; Keyes, 2003).

Figure 4. Quality models, categories and sub-categories at ISO 25010 standard



Source: (ISO 25010:2011).

New approach found its reflection in distinguished categories and sub-categories. In comparison to model ISO 9126 the number of internal and external quality characteristics and sub-characteristics (in Product Quality Model) increases from 6 to 8 and from 27 to 31 respectively. The number of characteristics in Quality in Use Model increases from 4 to 5 but the number of sub-characteristics is reduced (from 15 to 11). The number of distinguished characteristics and sub-characteristics is a result of compromise among theoretical approach in which more characteristics means better descriptions and practical approach in which less characteristics means evaluation efficiency.

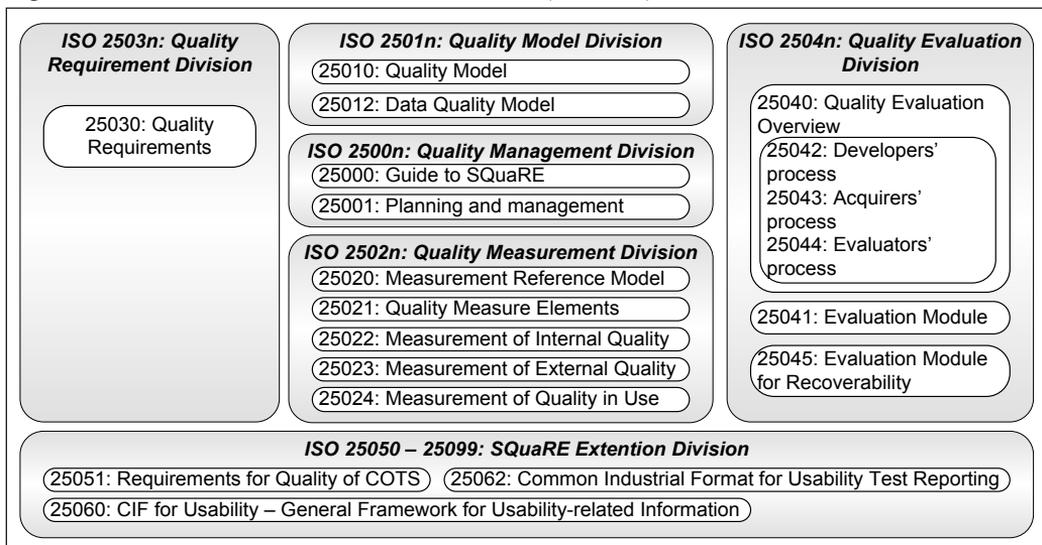
Some of sub-characteristics like Co-existence or Interoperability (from Compatibility characteristic) directly deal with the problem of interaction between target software and other different elements of larger integrity such as computer or information system. The Resource Utilization characteristic can be evaluated only with taking into account the hardware specification. Other sub-characteristics e.g. these from Maintainability characteristics can be evaluated mainly from the developer points of view and generally deals only the target software.

Changes between ISO 9126 and ISO 25010 quality models are the result of IT development and changes in role of this technology in modern society. New model is trying to reflect the complex problem of software quality and its evaluation in the way that can be used in practice.

## 5. ISO 250xx set of standards (SQuaRE)

New software quality model (ISO 25010) is only a one part of much wider works which general idea is to cover as much as possible aspects of the software quality, its measurement and other closely linked issues. The structure of ISO 250xx set of standards is presented at Figure 5.

Figure 5. Structure of ISO 250xx set of standards (SQuaRE)

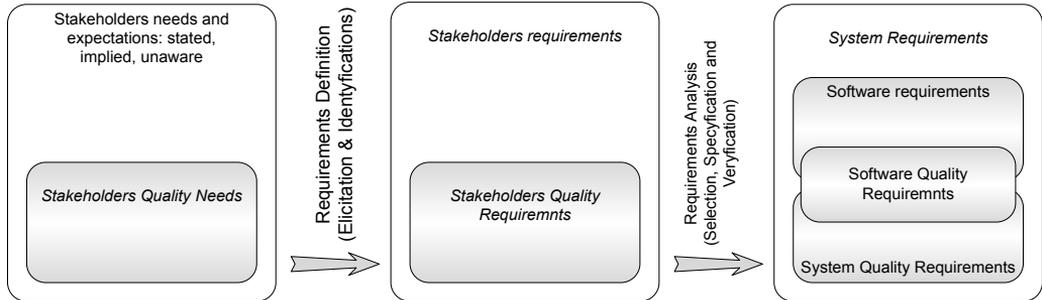


Source: (ISO 25000, 2014).

SQuaRE is divided into six main sections called divisions. First section Quality Management Division (ISO 2500n) is an introduction to whole sets of standards with the explanation of basic concepts and terminology. Second section (ISO 2501n) is dedicated to quality models in reference to software as a product and data. Third section (ISO 2502n) describes the elements connected with quality measurement e.g. suggested measures. The fourth section (2503n) deals with the problem of quality requirements. The fifth section (ISO 2504n) is dedicated to quality evaluation aspects (worth to notice that there are introduced three partially different points of view: developers', acquirers' and evaluators' ones). The last section (ISO 25050-25099) is reserved for standards connected with software quality problems but going beyond the area of software quality model and its measurement. From the beginning of decade the standards from ISO 250xx set are replacing previously existed standards connected with software quality such as mentioned earlier ISO 9126 (quality model), ISO 14598 (quality evaluation) or ISO 12119 (software testing). The main idea of SQuaRE is to cover the all aspects of software quality in one consisted set of standards and keep it up to date according to current knowledge and needs.

Important element of this new approach is paying a special attention to the problem of quality requirements. The general schema of this approach is presented on Figure 6.

Figure 6. Requirements definition and analysis



Source: (ISO 25010:2011).

The starting point of requirements processing are the stakeholders (including all kinds of users) needs and expectation. It is worth to notice that these needs and expectations can be even unaware what can be interpreted that specialists responsible for this process should use all their knowledge or experience and shouldn't expect that stakeholders directly stated their requirements. It reflects the role of IT and its usage in modern society it cannot be demanded from stakeholders to have enough knowledge and experience to directly state the requirements in terms and form requested by software engineering. The transformation of stakeholders needs and expectations into the form of system requirements is a domain of well educated specialists which knowledge cover the elements IT and the fields of its usage. This is inter alia an effect of complex structure of system requirements and their internal interdependences, presented at Figure 7.

Figure 7. Structure of system requirements

|                                  |  |   |                                       |                                      |                                    |
|----------------------------------|--|---|---------------------------------------|--------------------------------------|------------------------------------|
| <b>System requirements</b>       | <b>Software requirements</b>   | <b>Software product requirements</b>  | <b>Inherent property requirements</b> | <b>Functional requirements</b>       |                                    |
|                                  |  |   |                                       | <b>Software quality requirements</b> | <b>Quality in use requirements</b> |
|                                  |  |   | <b>External quality requirements</b>  |                                      |                                    |
|                                  |  | <b>Internal quality requirements</b>  |                                       |                                      |                                    |
|                                  | <b>Assigned property requirements</b>  | <b>Managerial requirements:</b><br>e.g. price, delivery date, product supplier, etc |                                       |                                      |                                    |
|                                  | <b>Software development requirements</b>   | Development process requirements  |                                       |                                      |                                    |
|                                  |  | Development organisation requirements   |                                       |                                      |                                    |
| <b>Other system requirements</b> | e.g.: requirements for computer hardware, data, mechanical parts, business processes, etc. |   |                                       |                                      |                                    |

Source: (ISO 25010:2011).

Software quality requirements are only one category of system requirements. Moreover, enlarging the subject of quality from users to stakeholders enlarge also the requirements set add-

ing requirements linked with development or managerial process. It is a good illustration how the changes in quality definition (and understanding) affect the thinking about usage of IT.

## 6. Conclusion

One of the most characteristic element of modern society development in the last few decades is continues growth of the role of widely understand Information Technology (including software) in everyday life of human population. Each of us, regardless of education, knowledge, experience, job, place of life, etc. can be treated as software user (one of kinds). It means that everyone is the subject of software quality even if it is unaware. Probably, it is one of last phases of evolution the role of IT in modern society: from tools used by narrow group of high educated specialist to element of everyday life of every human.

Similar evolution took place in case of software quality and its models. Starting from models which concentrated on technological aspects, now it comes to models which emphasis the usage aspects. Presented ISO 25010 software quality models tries to incorporate both technical (internal and external quality) and usage (quality in use) aspects. Placing the software as a part of computer-human system this model allow to identify and reflect the relations among the computer system and human it terms of quality.

However, the ISO 25010 quality model should not be treated as a target solution. This model is a reflection of the state of knowledge from the time of its development. The compromise among the technical and usage aspects resulted in limitation in sub-characteristics number is often criticized from one side as not sufficient to reflect the complex interdependences and from the second side as to complex for practical use. It seems that further development of software quality model will be going to more complex and hierarchical structure where low levels will be able to reflect the complexity of software and the upper levels will give the practitioners an efficient tool.

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## **Organisational Culture of Polish Higher Education Institution in Scientific Research**

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*Joanna Marcisz*

### **1. Introduction**

Why do businesses operating in the same sector, on the same market, carrying out often the same tasks and having comparable financial resources achieve various results? Why does the manager, who achieved high performance managing his/her previous team, fail working for a new company? Answers to the above questions may be found by researching the concept of organisational culture. The source literature more and more often refers to the organisational culture of institutions other than commercial entities. Higher education institutions are particular places where organisational culture is present.

The present chapter aims at presenting the concept of organisational culture of higher education institutions not only from the theoretical, but also the empirical standpoint. The chapter is divided in three parts. The first one constitutes an attempt to identify the concept and benefits resulting from an appropriately shaped organisational culture. The second part touches upon the specificity of functioning of higher education institutions in Poland while the third one is an overview of selected studies, which were conducted in Poland in the years 2014-2016 in connection with the organisational culture of higher education institutions.

### **2. The phenomenon of organisational culture – the essence and meaning**

As confirmed by the research, the concept of organisational culture appeared for the first time in 1951 (Aniszewska, 2007, p. 13) thanks to Jacques, who was the first one to use the term 'culture' with reference to an organisation. He defined the culture of a company as "a habitual and traditional way of thinking and acting, which is shared, more or less by all the members of an organisation, and which new members need to learn and accept, at least partially, in order for them to be accepted within the company" (Aniszewska, 2007, p. 13).

Since the beginning of the 1980s, we have continuously been witnessing a huge interest of researchers in the subject of organisational culture in management. Both theoreticians and practitioners often refer to the phenomenon of culture while discussing the successes and failures of an organisation – they tend to assess them mainly through the prism of its organisational culture. There has been a lot of studies on organisational culture itself since that time. It has become the topic of discussions among not only researchers in the field of economic sciences or disciplines related to humanities, but also other disciplines such as: sociology, cultural anthropology, cultural studies, linguistics as well as exact sciences i.e. information technologies (Sułkowski, 2008, p. 9).

Despite the fact that the concept had previously been under research, it was not until the 1950s when it became the subject of remarkable interest among researchers dealing with organisations. In 1952 Koeber and Kluckhohn carried out an extensive research on culture and defined 168 terms in connection with that phenomenon. They divided those expressions into the following groups (Koeber & Kluckhohn, 1952, p. 24):

- descriptive and listing (numerical, listing cultural processes, presenting classical ethnological definitions),
- historical (addressing tradition factor as a mechanism for transferring cultural heritage),
- normative (accepting the fact that life and people's behaviours are subordinated to norms, values, patterns and models),
- psychological (with the focus on psychical mechanisms shaping and developing culture),
- structure-oriented (with the focus on elements and interrelationships of a particular culture, its structure and systematic nature) and
- genetic (identifying the origin of culture, with the focus on its genesis).

Eventually the authors of topology defined culture as concept that consists of acquired patterns of behaviour – explicit and hidden; and being transferred through symbols, which constitute characteristic achievements of human groups, including their contributions to artefacts; the fundamental core of the culture consists of traditional (the so called historically sectioned and selected) ideas, and the related values in particular; cultural systems may on the one hand, be considered as action products, on the other as key elements for further actions.

In the 1970s there were numerous research papers of fundamental importance to today's research area from the organisational and managerial point of view. In the 1980s there was a significant growth in the research papers devoted to organisational culture together with the so-called "*new wave in management*" (see.: Kostera, 2009, p. 17). In the Table 1 the author wants to present selected research studies on the issues connected with organisational culture.

Table 1. The subject of organisational culture discussed in research studies published in Poland and abroad – selected studies

| Lp. | Author's name   | The issue under research   |
|-----|-----------------|--|
| 1.  | Edgar H. Schein | <ul style="list-style-type: none"> <li>• Coming to a new awareness of organizational culture (1984, p. 3)</li> <li>• Organizational Culture: What is it and how to change it? (1990)</li> <li>• Three Cultures of Management: The Key to Organizational Learning (1996, p. 9)</li> <li>• The missing concept in organization studies (1996, p. 229)</li> <li>• The corporate culture survival guide (2009)</li> <li>• Organizational culture and leadership, forth edition (2010)</li> </ul> |

|    |                                    |  |
|----|------------------------------------|--|
| 2. | Geert H. Hofstede                  | <ul style="list-style-type: none"> <li>• The Cultural Relativity of the Quality of Organizational Practice and Theory. JIBS (1983, pp. 75-89)</li> <li>• Culture and management development (1984, pp. 81-99)</li> <li>• Measuring individualism and collectivism at occupational and organizational levels (1987)</li> <li>• Cultures and organizations, software of the mind (2010)</li> </ul>   |
| 3. | Cameron Kim S.,<br>Quinn Robert E. | <ul style="list-style-type: none"> <li>• Paradox and transformation: Toward a theory of change In organization and management (1988)</li> <li>• Diagnosing and changing organizational culture: Based on the competing values framework (2011)</li> <li>• Competing values leadership. Second edition. (DeGraff &amp; Thacor, 2014)</li> </ul>   |
| 4. | Czesław Sikorski                   | <ul style="list-style-type: none"> <li>• The art of managing: sketches on organisational culture (1986)</li> <li>• Organisational culture in an institution (1990)</li> <li>• People of a new organisation: patterns of organisational culture of high uncertainty tolerance (1998)</li> <li>• People's behaviours in an organisation (1999)</li> <li>• The impact of organisational culture on motivation. (2001, pp. 27-39)</li> <li>• Organisational culture (2002)</li> <li>• Shaping of organisational culture: philosophy, strategies, methods (2009)</li> </ul> |
| 6. | Katarzyna<br>Gadomska-Lila         | <ul style="list-style-type: none"> <li>• The characteristics and conditions of pro-innovation culture – research results (2010, pp. 12-15)</li> <li>• Cultural patterns in an organisation (2011, pp. 54-62)</li> <li>• Building innovation-led culture in the light of empirical studies (2011)</li> <li>• Methodology of research on organisational culture badań (2011, pp. 11-25)</li> </ul>   |
| 7. | Łukasz Sułkowski                   | <ul style="list-style-type: none"> <li>• Is it possible to shape organisational culture? (2001, pp. 99-110)</li> <li>• Critical vision of organisational culture (2011, pp. 7-25)</li> <li>• Academic culture: the end of utopia? (2016, pp. 195-220)</li> </ul>   |

Source: own elaboration based on the subject literature.

When we analyse research papers on organisational culture, we may notice that special attention is paid to a long-running dispute, debate between critics and defenders of the organisational culture concept. It is the issue related to the fact that cultural research is in general ambiguous (Kroeber & Kluckhohn, 1952).

One of the most important cognitive problems associated with the organisational culture include (Sułkowski, 2008, p. 10):

- contradictions of understanding organisational culture,
- unclear and very distinct definitions of organisational culture,
- unclear and often differently described relationships between the organisational culture and the structure, strategy and environment of an organisation,

- no consensus among researchers concerning the model and typology of organisational culture, and therefore also, its dimensions, elements or layers,
- development in the management of concepts similar to organisational culture such as: identity and organisational climate.

However, researchers agree that there are numerous benefits of an appropriately shaped organisational culture. They have listed the following positive outcomes closely connected with the well-shaped organisational culture:

- it builds the company's own identity, which makes the company stand out from the others, even the ones operating in the same industry,
- it informs the external environment about the quality of its products, which often translates into a greater demand for products,
- it has a positive impact on company's perception by candidates applying for a job,
- it makes the workers employed within the organisation want to pursue their professional career with the "company's life" (Bańka, 2011, pp. 133-134), but it also has a positive influence on the company itself and its workers,
- it is supposed to serve: team integration, meeting the needs for cohesion and affiliation of workers,
- it strengthens the style of company's management into the minds of employees,
- it maintains and strengthens the language of communication,
- it influences ethical behaviors of the staff,
- it makes it easier to understand company's vision, strategy and mission.

The subject literature confirms that a properly shaped organisational culture is the primary condition for good functioning of an organisation and its successful operation, regardless of its size and status (Aniszewska, 2007, p. 41).

### **3. Higher school as an organisation**

Higher schools in Poland operate on the basis of the basic legal act, that is the Act of 27 July 2005 – Law on Higher Education. The law regulates among others:

- the rules for organisation and operation of higher schools, including organisation of studies, autonomy of higher schools,
- procedure for the establishment and closure of higher schools,
- competences and duties of academic teachers and other members of academic staff,
- rights and obligations of students and doctoral students,
- powers of the State Accreditation Committee and the Central Council of Higher Education (Journal of Laws of 2005 No. 164 item 1365 with later amendments).

This legal document refers to the operation of both public and private higher education institutions. Therefore, according to the most recent data of the Pol-on system, it applies to 396 higher education institutions, of which 254 are private ones. Among all the academic institutions, the following types can be distinguished:

- universities,
- higher schools of technology,
- higher schools of agriculture,
- higher schools of economics,

- higher teacher education schools,
- medical universities,
- maritime universities,
- academies of physical education,
- higher schools of art,
- colleges of theology,
- other high education institutions (including State Higher Vocational Schools),
- schools of the Ministry of Defence and the Ministry of Internal Affairs.

In the global view, the Polish higher education system comprised of a total of 1 348,82 thousand students as well as 91,6 thousand university teachers in the academic year 2016/17<sup>5</sup>.

Each higher school creates a particular academic community of unique characteristics and identity. The objectives and activities of higher education institutions are basically similar, all that distinguish them are activity profile, location, relations between their workers, social capital they are able to form and organisational culture. Just like it has been happening throughout centuries, the organisational culture of higher schools has undergone continuous transformation, also today this process is unavoidable. The variable which has a fundamental impact on higher education institutions is demographic pressure as well as increasing competitiveness in the education sector. The primary areas of change include: processes for learning, self-improvement and acquiring knowledge and conducting research. The main challenge regarding this transformation is to work out efficient solutions in the field of management of a higher school (...). The critical questions that needs to be answered here is what directions for change and new model of higher school will be introduced in Poland and worldwide (Sułkowski, 2014, pp. 21-32).

By observing the functioning of higher schools in Poland in recent years, one may notice a number of practices for developing outlines of activities improving the operation of higher education institutions in the modernisation process of society. One of the first and probably the most widely known example is the initiative of the Plenary Meeting during the Conference of Rectors of Polish Academic Schools (KRASP). In 2007 KRASP passed a resolution on applying the *Code of Good Practices for HEIs*<sup>6</sup>, the document, which represents a kind of paradigm for the organisational culture of a higher education institution (Kowalewski, 2010, p. 299).

Referring to provisions of the report for UNESCO – Commission on Education for the Twenty-first Century chaired by Jacques’a Delorsa “*Learning: the Treasure Within*”, it has to be pointed out that education should be based on four pillars<sup>7</sup>:

- learning to know, that is to acquire tools for understanding the world,
- learning to do – to be able to influence people in our environment,
- learning to live together – to participate/integrate and cooperate with others in all fields of human activity,
- learning to be.

Up to now the academic training has usually been focused on the pillar *learning to know*, other pillars have been ignored or underemphasised. In the context of changes resulting from the reform of the higher education system, it is worth noting that the three remaining pillars, on which education should be based, may contribute directly to the shaping of students’ social com-

<sup>5</sup> Information retrieved from [www.stat.gov.pl](http://www.stat.gov.pl) (access: 24.05.2018).

<sup>6</sup> Information retrieved from [www.krasp.org.pl](http://www.krasp.org.pl) (access: 24.05.2018).

<sup>7</sup> Information retrieved from [www.unesco.pl](http://www.unesco.pl) (access: 11.03.2018).

petences. In order for this to become reality, it has been essential to introduce significant changes in the institution's organisational culture and through them influence the values, opinions, habits of the academic staff working with young people.

#### **4. Directions for research on organisational culture in higher schools**

The term organisational culture is ambiguous and it affects various fields of the organisation's operation, what results in the occurrence of new research areas that need to be explored (Kostera, 2007, pp. 9-10). The author reviewed the available literature, on the base of which recent directions for research on organisational culture of a higher education institution were pointed out. What is more, major research findings were presented. The gathered information represents a good starting point for the author's further reflections on the shape of organisational culture of the Polish higher education institution.

The overview of the literature, research papers, scientific monographs and other studies suggested that organisational culture of an academic institution represents the subject, which is frequently taken up by researchers, both in the country and abroad. In order to access studies of an empirical character, the author analysed the publicly accessible databases of open-access articles and studies such as CEEOL (Central and Eastern European Online Library), Internet Public Library, BazHum. The number of publications connected with the topic of organisational culture in higher education in Poland may be described as significant. Below selected approaches of the connected research together with the most important conclusions have been presented.

In one of his studies Sułkowski addresses the issue of organisations culture of the appointed project teams in higher schools. The author was trying to answer the question about characteristic features of project team's culture when compared with hierarchical team's culture. To answer the questions, the author makes use of the case study of two organisational structures found in a large independent higher school in Poland. The first hierarchical structure constitutes the organisational structure of the Office of the Faculty Dean while the second – the structure of the project team responsible for the implementation of the National Qualifications Framework. Based on the above mentioned comparison, the author concludes that organisational culture has a significant impact on the possibility of implementation of project management within the organisation. The desired dimensions of project team's culture are characterised by:

- high level of collectivism given the need for teamwork,
- low power distance as a result of the necessity to reduce inequalities among workers,
- low level of uncertainty avoidance connected with the impossibility of eliminating the risk,
- high degree of flexibility resulting from the incapability to foresee changes in the environment,
- high concentration on the task
- low degree of formalisation and bureaucracy

According to Sułkowski, despite the fact that project teams produce their own organisational culture, it is still partially influenced by the culture of a given institution (Sułkowski, 2013, pp. 247-254).

In her study Niemiec makes an attempt to identify factors that shape organisational culture of an academic institution on the example of two academic institutions: National Defence Academy and Academy of Special Education. She applies the classification developed by Zbiegień-

Maciąg expressed in the following: symbolism, means of communication, rituals, values, myths, taboos. Firstly, in her study, the author acknowledges that in each of the schools under research typical factors that shape organisational culture were identified. Secondly, she showed a number of similarities in the organisational culture of the surveyed institutions i.e. in respect of rituals: ways of greeting, defence of doctoral and post-doctoral theses, taking on staff, celebrating public holidays and other events connected with the life of the university, course of foreign visits, etc. Thirdly, the author confirms the existence, within each of the schools under research, of several elements emphasising their individual and different natures. They are among others: architecture of the buildings, military uniforms, passes and service cards characteristic for military academy. To sum up, the author states that the transfer of (at least some) good practices from one academic institution to another is possible (Niemiec, 2014, pp. 324-361).

In turn, Porzak and Sagan carried out quantitative research. The study covered students of the Faculty of Economics at nine universities situated in the territory of three different post-annexation areas, 574 people in total. The researchers' interest in the study was focused on the assessment of the Polish university's organisational culture by students of economic studies. The research was conducted based on a questionnaire survey – a publicly accessible tool of the international project GLOBE, specially designed for socio-geographical data. The research results were discussed in two dimensions: assessment of norms, values, university routines (the way it is) as well as views on what should the norms, values and university routines look like (the way it should be). A 7-point Likert scale was applied. Next, the analysis was divided into apprenticeships (current situation) and values (desired situation).

Following the study, contrary to the authors' expectations large differences between the evaluations and students' behaviours in relation to the apprenticeship and organisational values of various academic institutions in Poland situated in the post-annexation territories were not observed. Humanistic Orientation (the index that refers to the degree to which societies and organisations encourage and reward their members for altruistic behaviours and providing care of other group members) is the only aspect of organisational practice, for which there are substantial differences between students of various post-annexation territories. In case of organisational values, the study showed three statistically significant differences that refer to academic centres located in the former Russian partition. As for the discrepancies between expectations and apprenticeship, they are mainly experienced also by the students of universities situated in the former Russian partition. In general, researchers found that the differences observed in the area of students' perception of professional practice were practically invisible in Poland, while in the field of values – they were characterised by some cultural differences in the area of organisational culture among academic centres located in the former Russian partition (Porzak & Sagan, 2015, pp. 129-145).

In their research Lisowska and Florczak focused on specifying the existing model of organisational culture in the Institute of Political Studies of the University of Wrocław. For that purpose, the OCAI questionnaire was used to determine the type of organisational culture according to Cameron and Quinn's assessment classification. The questionnaire consisted of two types of questions: mandatory and desirable. The research covered 37 research and teaching workers, that is 79% of the studied population. Two complementary elements as independent variables: sex and position/job were introduced. Respondents evaluated the following issues in the scope of six research areas: characteristics of the organisation, leadership style, staff management, cohesion in the workplace, the elements, on which most emphasis is being put in the workplace, criteria for success. As a result of the conducted research, the authors stated that the dominant type of to-

day's organisational culture in all industries is hierarchical culture while the desired style is the clan or adhocracy culture. Thus, the functioning of an organisation today is based on hierarchy, high degree of formalisation, sustainability and predictability. The desired changes tackle issues such as: possibility of human resources development, team work, commitment of workers and concern for people, responding to changes in the external environment. Answers to questions varied dependent on the respondents' gender, especially in relation to the assessment of leadership style present in the organisation (Lisowska & Florczak, 2016, pp. 96-118).

The National Centre for Research and Development carried out the survey among 987 beneficiaries, which aimed at establishing the role of organisational culture from the point of view of innovativeness. The study covered businesses of different sizes, higher education institutions, research organisations as well as research and development units. The present paper outlines research results in relation to education institutions. The most frequently used symbols by higher education institutions are:

- founders, mentors or experts and authorities connected with the organisation's activity – 34% of the respondents,
- collectively developed rules of behaviours, including for example the ways of celebrating institutional anniversaries, special events – 34% of the respondents,
- uniform style of communication, language, often including professional jargon, even anecdotes, etc. – 20% of the respondents,
- uniforms, dress code, badges – 12% of the respondents.

As for the assessment of the management styles applied by the education institutions, the following were observed according to Reddin's classification:

- executive style – which is evenly focused on people, tasks and efficiency. The manager sets ambitious tasks to workers and requires them to work very effectively, but at the same time gets on well with them – 49.6%,
- altruistic style – when a manager focuses only on the contact with people (he/she take a good care of having friendly relationships with workers, does not make their work more difficult by taking the view that a pleased worker works more effectively; he cares more about good atmosphere in the team than tasks being completed; problems are solved through discussions; the drawback of this style is low effectiveness of teams – 14.5%,
- passive style – manager takes minimum care of the people, tasks or effectiveness often resigning from his/her role as a leader – 14.5%.

As for the cultural norms that higher education institutions are characterised by, the following ones the most frequently pointed: sharing knowledge (15.5%), atmosphere that encourages creation and experiments (13.2%) but also teamwork orientation and teamwork skills in an organisation (11.1%) to a slightly lesser degree norms such as: accepting failures, democratic rules for decision making and respect towards non-conformist attitudes – in total 9% of all the universities. Open organisational culture with flat organisational structure facilitates innovation – it consists of dynamically formed *ad hoc* task teams with members, who trust each other and there is a real possibility of flexible exchange of workers-specialists. On the whole, the organisation which implements innovative changes should be characterised by diversity, expansive market strategy, rapid system of change introduction and high degree of uncertainty tolerance. It is considered that the key factors responsible for success of a modern, innovative company include: social capital, effective partnership, managerial profile of leadership, and also: active policy towards intellectual property, culture of open innovation (Żolnierski, 2017).

The authors of the next research are Koszembar-Wiklik and Krannich. It was conducted among 327 respondents (241 students and 86 lecturers) from two academic institutions – a state and private one. The study was undertaken to analyse the relationships between the perceived and preferred organisational culture and the adopted forms of communication in various functional contexts. The research was carried out based on the OCAI questionnaire developed by Cameron-Quinn's team. In the present paper only the results of the study in relation to organisational culture were discussed. The author deliberately omitted the part devoted to respondents' communication patterns.

The research results indicate that the lecturers of state schools state the dominance of hierarchical style in their university's organisational culture (44%) similar to lecturers of independent higher schools (41%). The tributes of such approach are: rules established in an authoritarian manner and based on formal authority, specialisation, hierarchy, impersonality, responsibility in a formal structure. In turn, students of a state higher institution perceive much stronger the hierarchical cultural correlations of their educational institution – 58%, while students of an independent institution perceive its hierarchical style less intensively – 49% of indications.

In respect of the preferences of public school's lecturers, hierarchical orientation is strongly represented (35%) as a result of the efforts made to maintain a social "master-student" relationship, adhocratic (22%), market (19%) and clan (24%) styles are almost equally represented. Lecturers of a non-public higher education institution opt for hierarchical (38%) and adhocratic (34%) styles most often. Their preferences provide a basis for formulating the opinion about being better prepared to adaptation actions, and having greater flexibility and creativity in uncertain situations. Students strongly indicate the market style as desired (61%) – it refers to the focus on performing the lecturer-student transaction. As for the preferences of students of non-public higher education institution, the market style is also dominant (68%) They perceive other orientations of the organisational culture as occurring ones but serving as a background for market-transaction choices.

## **5. Research findings and conclusions**

After getting acquainted with the scope and recent directions of the research on organisational culture of Polish academic institutions the following conclusions can be drawn:

- 1). The subject literature suggest large and diverse research available in relation to the organisational culture of a higher education institution.
- 2). The most frequently undertaken research type is qualitative focusing on manifestations, factors of organisational culture of a given entity/unit, which make it possible to diagnose and describe this phenomenon based on the chosen example. Research studies on the wider group of entities enabling us to extrapolate the results obtained onto the whole area of higher education are not frequently undertaken.
- 3). A researcher on organisational culture is eager to use previously developed and tested methods of its diagnosis, such as OCAI and GLOBE questionnaires. The changes or adjustments made to the well-known research tools in order to meet diagnostic needs are applied on a smaller scale.
- 4). Frequently used techniques for gathering information in the process of research on organisational culture are: surveys, individual and group interviews, accompanying observation, and documents analysis.

In conclusion, it must be emphasised that, organisational culture influences significantly the functioning of an organisation in its various dimensions including the area of changes implementation. The nature of each culture dictates different chances and threats, and having the knowledge about our organisational culture often decides about the success of the organisation. Therefore, it is well-worth taking a closer look at the organisational culture of education institutions on the eve of planned legal changes in the field of higher schools' operation in Poland as well as permanent change within the exterior environment of the school and necessity for appropriate response to such changes.

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# Chapter 16

## **The Management of Human Resources to the Management of Diversity in Organizations**

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*Marian Bursztyn*

### **1. Introduction**

At present, there are several elements that clearly indicate strategic human resources management and they are: consideration of human resources as a decisive factor in the competitiveness of the organization, or a system integration approach to human resources management, as well as the need for coherence or adaptation of people to the organizational strategy. This is why it is essential to analyze how the thought of man and management practices have evolved in recent years with regards to the importance of the management of the human resource. That is why it is important to look at its dynamics to be aligned to the demands of the environment and management of the homo economic to homo-social and then to the man complex.

Human resources management goes beyond the simple formal processes of incorporation, development and retention, today's society requires practices which lead to a management more relevant and effective, where you consider the differences and specific needs, in order to create better spaces for social interaction. In this situation, the present chapter has as its purpose, to analyze the genesis that has had the management of human resource and their demands in the present.

### **2. Review of the literature**

Management of human talent throughout history has been linked to the history of the work and therefore has attracted the attention of different forms and it has been interpreted in many ways, from the demeaning concepts of managed work in the Greek polis and embodied in its most illustrious philosophers, work and the first expressions of the human resources management came to have its maximum expression of social importance and economic with the advent of the industrial economy, just at the moments in which more was required and worse interpreted, is why the *humano* resource management traditionally known as it has been required since people were the need to organize into groups and work to achieve common goals. However, as all administration-related discipline, it has undergone substantial changes in order to be able to adapt to the continuous demands of the environment.

### **3. The human relations movement**

This thinking and management process was created as a new change compared to approaches that were previously focused on managing people working or participating in an organization. From the 30's, the excessive rationality of classical theory, forms an opinion for the heyday of the school of interpersonal relations, where human activity is effectively more natural of the several components, emotional and informal, that characterize it and give it a characteristic stamp, so as to strengthen all that most influences production, and is rooted in the organization of work. This approach leads to new research on the functions of the organization of work in such a way that the focus was on the management of human resources, contributing to the development of personality and organization, and in the future to serve the integration of people of their psychological orientation and participation in the coherence of interpersonal relationships, causing a significant contribution to the theory of organization

### **4. The management of human resources**

The existence of business organizations as we know them today is a fairly recent phenomenon (Sloan & Gavin, 2010). Many business organizations, from the industrial revolution until the middle of the 20<sup>th</sup> century, had for the sole purpose only to obtain benefits, it is in the middle of the 1950s called industrial relations departments only be played as an intermediary between the organization and employees for filing disputes. All this started exactly in the era of classical industrialization (1900-1950), associated with the paradigm of production line proposed by Henry Ford, time where the structures of the organizations were functional, bureaucratic, centralized, e inflexible and with an organizational culture oriented towards the past and management enjoyed a very static, predictable, competitive environment with few changes and people were considered only as factors of production; everything was in the service of technology, man was considered almost as an extension of the machine. From the decade of 1950, the society began to encourage organizations to go beyond the confines of the generation of benefits simple and asked to be involved in the issues and concerns of the society in general (Henderson, 1968).

With the arrival of the era of industrialization, neo-classical (1960-1990), in which it is deployed changes and intense rapids in the world, increased competition between companies, bringing to changes in the organizational structures that help to innovate and adapt to the new conditions. In the decade of the 90 for example, you knew the area responsible for managing the human resources and personnel administration, the concept evolved to become the human resources administration, today we speak of the management of the human resource. This vision tends to personalize and see the workers as human beings endowed with skills and intellectual capacities. That is to say, it became a focus of personnel management operating characterized by solving the problems of day-to-day as a provider of services (administration, payroll, recruitment and selection and training of the worker) toward a more strategic role and starring in the happening business of each organization.

With the so-called era of information and knowledge management of human talent has become, is now conceived as a contribution to achieve the objectives of the organization and its processes have gone from worrying about the tasks that the worker must play in decoding and establishing its contribution to the achievement of the objectives of the Organization, which has led to compa-

nies to apply different strategies, starting for the modernization of its structures and where human resource management processes cannot be seen as simply manage resources, but managing people, since abilities, their intelligence, their creativity, their talent and their skills development are that set the standard for success.

The above confirms that people are the engine or managers of competitive advantage (Barney & Wright, 1998); they are individuals with characteristics and own views and, above all, heterogeneous, but this diversity by itself is not a guarantee of immediate improvements and tangible in the organization or group, since the results and benefits can only be achieved management of the project workforce. Therefore, the growing importance of human resources is due to the new role that is assigned within the organization to respond to the changes experienced in the society in general and the world of work in particular.

## **5. Cultural diversity in companies**

The concept of cultural diversity is very present in current public discourse, for example international organizations, such as the UN, UNESCO and the European Union, have put the issue of diversity in the Centre of the institutional agenda. Cultural diversity, bio-diversity, diversity in education, diversity in the company are part of the discourse of institutions and opinion leaders in different environments, and are associated with a positive evaluation of the difference in the framework of respect, harmony and coexistence. This concept of diversity and knowledge has been emerging since the early 70's and taken as a basis for the representation of women and minorities in the workforce. There is a recent literature against the concept of diversity and can be defined, from a broad perspective, as all that which makes people different, both for visible attributes such as hidden. These attributes include: gender, race, age, culture, disability, social status, skills, personality, function within the organization, etc.

The diversity and its relationship with the work groups have been investigated from many viewpoints, such as from the genus, race, and sex, the group of the organization such as hierarchical position or organizational function by Bantel and Jackson (1989) and individual characteristics, such as idiosyncratic attitudes, values, and preferences by Meglino, Ravlin and Adkins (1989). All these references lead us to think that in organizations, the management of human resources, diversity happens to be one of the most valuable assets of companies, because a diverse workforce can improve the quality of their products, since they can better capture the characteristics and interests of their customers are also diverse.

## **6. The management of diversity in the company**

The management of diversity is a concept that arises between the decades of the 70's and 80's as a global approach to the problem that is faced by large organizations, especially in the united States, given the need to implement policies relating to diversity, especially because of the historical legacy and social, which meant slavery. Although most of the studies on diversity have focused on one or two demographic attributes, such as age or gender, usually easy to detect, the complexity and the relevance of the concept have led to take into account a greater number of features, including those that are more difficult to observe (Harrison & Klein, 2007).

From the academic research has developed a great interest in the role of human resources in organizations, and in particular to the composition of their workforce (Cook & Glass, 2009). Proposing in this way the management of diversity as an opportunity for the organizations where they will integrate people with their individuality, with the conviction that the work teams more diverse are more dynamic, creative, and efficient than the traditional.

Today the company, as a natural space of social and cultural relations, is one of the first places that can be given the encounter, the communication and integration between people of different national origins/ethnic, and this encounter can go from the isolation, stereotyping, misunderstanding or discrimination to the coexistence of positive, enriching and creative.

The interest of organizations for implementing human resources management practices to link diversity, can be said to have me give 2 sources: First as a component of their social responsibility to the extent of offering to employees, regardless of their origin, the necessary equality of opportunities and in this way avoid the discrimination against a job, and second the impact that this diversity may have on the activity and results of the company, reason why the company should develop a greater sensitivity to the needs of employees, detecting such needs through increased communication, the study of the attitudes and personal advice.

## **7. Discussion**

In the analysis of the existing literature on diversity and business, there is a certain consensus in distinguishing two groups among the characteristics of people that impact on their performance as: (a) The external level or demographic diversity, which includes aspects such as ethnicity, age, gender. Are recognizable externally and are understood as immutable and (b) The internal level or diversity of human capital, which includes invisible aspects, such as training, skills, career, beliefs and values, preferences (sexual orientation, political beliefs, hobbies), attitudes and values that can be modified by individuals.

The findings derived from the literature of diversity in the companies of the past twenty years, most of them are field studies and other empirical studies of research oriented to identify the causes and understanding of diversity, the main conclusions that coming researchers in this regard are different, and we may cite among these to Rynes and Rosen (1995) where they perform an exploratory investigation with special emphasis in training programs on diversity and concludes that the adoption of this practice was positive. Jehn, Northcraft and Neil (1999) carried out a field investigation where it is found that social diversity or demographic and within the working groups gave positive results including an increase in the efficiency and morality, Richard and Kirby (1999) conducted a laboratory study where they found that the use of diversity practices improved the outcomes of recruitment, but did not improve the actual performance of other programs, Gonzales and Denisi (2009) conducted a statistical analysis to the level of an organization to determine effects of demographics on the effectiveness of diversity and found that diversity is key in building a positive identification of the organization, Ostergaard, Timmermans and Kristinsson (2011) performed an econometric analysis of the relationship between diversity and innovation according to the demographic composition of the company and found that education and gender were positively associated with the innovation.

Despite the findings of these investigations, there is no agreement about the type of diversity and its impact on the results of the organization, for example, some results of the research from

industrial psychology, and organizational and other disciplines cast doubt on the simple assertion that a diverse workforce inevitably improves business performance, but there are other research cited where they expose the study of Jehn, Northcraft and Neale (1999), "Why differences make a difference: A field study of diversity, conflict and performance in workgroups", which show results are ambivalent, since they prove that diversity brings more creativity and innovation, at the same time that more conflict and higher turnover of workers and, in return, Wright, Ferris, Hiller and Kroll, in his work, "Competitiveness through Management of Diversity: Effects on Stock Price Valuation" (1995), comparing companies with a successful management of diversity with others who have had to pay substantial compensation to its employees for discriminatory practices, in line with this idea, posit that experiences with cultural diversity in the companies are conducive to the development of creativity.

The theme of diversity can be considered as complementary to globalization: the greater integration of the global society has as a counterweight to the recognition of local singularities. Facing the development of diversity in organizations, such is its importance that in Europe the diversity Charters have been created to promote inclusion and anti-discrimination as a mechanism that improves the quality of life and work, as well as to contribute to the creation of innovation and effectiveness to improve the sustainability of companies. According to Clutterbuck and Ragins (2002) organizations with a diverse workforce will have an advantage in the new world economy.

The diversity of the workforce also influences the individual well-being of employees. First, employees may find pleasant work in companies that are composed of heterogeneous work (young and old, men and women, employees with different experiences of work, etc. (Jackson, 2002)) shows that where there is a workforce with high diversity levels of configuration of human resources practices play an important role.

Through all these studies it is possible to establish the relative importance of these aspects and the credibility generated among those responsible for the management of companies and human talent. In Europe for example according to the European Business Test Panel (2008), from a sample of 371 European companies from 26 of the 27 countries that make up the Union, 59% of which have implemented policies of diversity Management claim to have perceived a positive effect resulting from these initiatives. According to the investigations carried out with respect to the diversity, we can conclude that there are different results. For example (Filkelstein & Hambrick, 1996), they found a positive relationship between diversity and performance, in turn Kochan (2003), argues that the relationship between diversity and the results will depend on organizational factors in the it takes place, specifically: (a) organizational culture; (b) business strategy and (c) the policies and practices of human resources that the company develops. Manage the human talent is and will be an increasingly challenging task, since organizations are living with multiple generations have different aspirations and needs.

## **8. Conclusion**

Today it is essential to recognize that people have with profiles, and diverse needs not only demographics such as race age or gender, but also in the nationality of origin, culture, sexual orientation, disability, level of professional competence and personal skills, all this in addition to the arguments reviewed suggest that the impact of the diversity and also the organization should inspire the building of the human resource practices. The development of actions for inclusion

and not segmentation or the marginalization of people due to their differences in the organization, will be responsible for generate creativity, innovation and effectiveness. The horizon of the next few years will have its axis in the person, then it requires a new social contract and a profound reflection on the commitment towards the humanity, rights, fairness, and responsibility.

The management of diversity is then a response relevant to the growing diversity of the current company: proposing initiatives that facilitate the integration of people and the operation of the equipment is capitalizing on the differences between its members to produce innovation. Cultural diversity offers a competitive advantage to the company. For this advantage materializes it is necessary (organizational policies, job, standards) structures and strategies (plans, programmes, objectives and goals) are implemented to shorten the communication gaps and attitude among the people. It is not enough to offer a course or sporadic cultural diversity training to employees. Responsible for the human resource must ensure that the work to manage the diversity part of the organizational strategy, since the model of monolithic organization with a strong culture and a continued search for uniformity and unity of approach among the employees, is less suitable to adapt to changing environments and global a type of company open, for the commitment rather than consensus. To achieve satisfaction in the workplace will be to manage a workforce increasingly diverse and it is there where new forms of work and human resources policies, must respond to the needs and preferences of the new priorities of employees today and in the future.

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## **PART IV**

# **ANALYSIS AND CONTROL OF STATUS, STRATEGY AND EFFICIENCY OF ORGANIZATION**





## **Quick Response Quality Control – Concept of Instant Analysis of the Company’s Current Problems**

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*Michał Teczke, Hubert Obora*

### **1. Introduction**

Nowadays, contemporary management is focused on instantly solving any problems which may occur both inside and outside the organization. The speed of diagnosis and effectiveness of the response are the basic factors determining the chances of maintaining a favorable competitive position on the market. Certainly, complexity of the environment limits possible reactions to problems that appear outside the organization. In spite of the efforts that contemporary businesses put into reducing the complexity of the environment, supporting actions designed to reduce the information noise and simultaneously strengthening the key signals from the environment, the near and further environment are perceived as complex and defying management activities. As indicated by Czekaj (2013, p. 7): “one of significant factors in the functioning and development of a contemporary organization is continuous improvement of the management system”. Following the indicated line of thinking, it can be assumed that only with modern and effective management methods managers will be able to diagnose potential problems in the functioning of the organization with proper advance, solve them effectively, and hence prevent loss of the company’s market position. In a turbulent, complex and unpredictable environment today there are no companies which could assume that in the near or more distant future they will not come across complex problems which may threaten their existence. Being involved in a discussion concerning contemporary organizations, the authors focus on what determines the effectiveness of their operations. Predominant is quite a common belief that organizations must not only effectively adjust to the approaching changes, but more and more often anticipate and initiate these changes (Łasiński, 2007). Certainly, the possibility to predict all the upcoming problems is an ideal state, but unfortunately very difficult, if possible at all. A significant part of the problems faced by organizations may have random causes, some of them may be connected with the geopolitical situation, sudden changes in consumer preferences or result from smart moves of their market competitors. As noticed by Jagoda-Sobalok (2015) the company which must bear in mind the present and future market requirements, is in a way forced to take proper steps towards improvement and modernization of its products, services as well as methods of solving problems. However, among many organizational problems resulting from changes taking place in the near and further environment, problems which may occur inside the organization itself cannot be ignored.

## 2. Typology of problems – theoretical perspective

The notion “problem” is very often used in casual speech, resulting in its inaccurate intuitive understanding. A significant part of the situations, which are customarily called a problem are nothing else but a task which should be performed. In the field of social sciences there are many definitions of “problem”, selected of them are presented below:

Kozielecki (1969) defines problem as a type of task (situation) which cannot be solved with the held knowledge resource. Problem solution is possible as a result of productive thinking activities which lead to enrichment of knowledge about the subject matter.

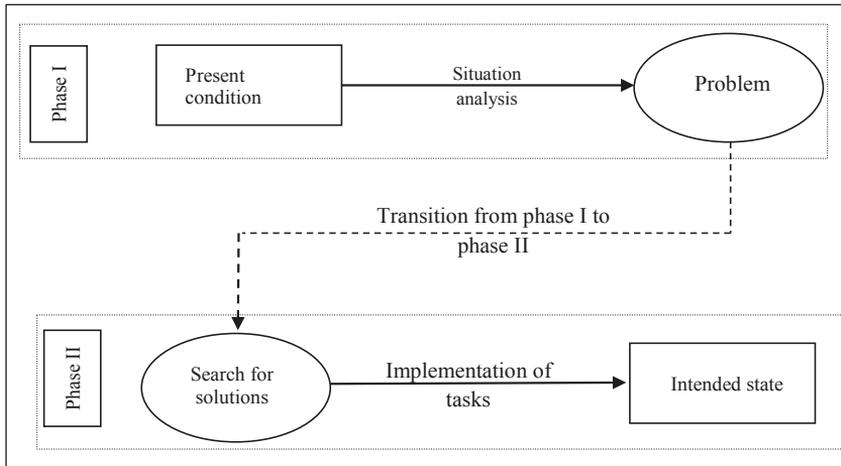
Szymanek (2001) determine problem as an issue expressed by a question. Its solution, namely correct answer to the question asked, is not known at a given moment; but requires taking proper research efforts: observations, analysis, discussion, thoughts, etc.

Nęcki (1994) believes that problem (problem situation) is created when the man aims at some goal, better or worse formulated, but does not know how to transform the starting state into the desired final state. In other words, in a problem situation the man must create means – intellectual, but often also material ones, allowing transition from the existing state of affairs to the intended goal.

Management problems have different forms and relate to single or many areas of the organization. It should be also noted that management problems may be divided into diagnostic and development ones. Diagnostic problems are the majority of management problems observed in managerial practice. They consist in eliminating the present differences between what is and what should be. On the other hand, development problems are such the accurate effects of which are unknown (e.g. new product design) (Szarucki & Bugaj, 2016). Management problems occur at various levels in the hierarchy of the organization, relate to diverse areas, are less or more complex, capital intensive, time-consuming. This multi-faceted nature and complexity of management problems requires a specific typology to be adopted, which would allow their identification and analysis in the context of selecting the appropriate methods to solve them (Szarucki, 2010). Łasiński (2007) also postulates division of problems into theoretical (cognitive) and practical (empirical) problems. To find solution to a problem, empirical methods of data acquisition and analysis are used. The basis for practical (praxeological) problems is an attempt to change the situation. On the grounds of praxeology a practical problem is a situation which can be described using questions concerning the essence of actions, goals or conditions.

Practical problem solution consists of the cognitive and the facilitating (creative) phase. In the first of them the researcher looks for an answer to questions allowing as good diagnosis of the situation as possible. In the second one the ways of transition from the state “is” to the state “is to be” are prepared. The diagram showing practical problem solving phases is presented in Figure 1.

Figure 1. Practical problem solving phases



Source: authors' own study on the basis of (Łasiński, 2007).

A slightly different typology of problems has been proposed by Penc (2007). He indicated that, when analyzing problems according to their nature, they can be divided into:

- Deviation problems (dysfunctions) – are created in a situation when a unique “defect” appears in the organization, and its causes are unknown. In order to eliminate the deviation (deviation), it is necessary to carry out, collect exact data and specify the way of action preventing its presence.
- Optimization problems – are created as a result of the need to introduce changes being adaptive (adaptive/modifying) in nature resulting from changes taking place in the organization’s environment. The actions undertaken are to mostly result in the company’s improved efficacy and operational efficiency.
- Creative (innovative) problems – are a consequence of innovative changes inside and outside the company.

Antoszkiewicz (1999) pays also attention to differences in the classification of problems resulting from the degree of structuring.

- Well structured problems – with a well defined structure which can be formulated quantitatively (in numbers or symbols) and measured.
- Poorly structured problems – mixed problems, containing both quantitative and qualitative elements (with the dominance of qualitative elements).
- Non-structured problems – with undefined structure. These are problems which can be presented only qualitatively, as a verbal description.

The matter of problems in enterprises, in particular attempts to define and classify the problem, is a basic factor contributing to the company’s improved competitive position on the market. Each emerging problem should be treated with attention and solved in a manner ensuring as high effectiveness as possible. The presented attempted typology of problems shows the vast complexity of the analyzed matter. The authors want to emphasize that the presented considerations are only a fragment of a greater whole, and not a full classification.

### 3. Theoretical foundations of QRQC

The theoretical foundations of QRQC are: zero defects principle, Jidoka system and Sangenshugi concept.

Prepared and developed by Crosby (1979, p. 36), the zero defects principle is one of the basic canons in the today's management by quality (Total Quality Management). Focused on motivation of the personnel, it is a premise to avoid human errors in the course of work. The main assumption behind this principle is not search and indication of who is to blame, but determination and removal of the reasons for the existing non-conformities and problems. The basis for the zero defects principle is the assumption that all errors can be eliminated, when every employee cooperates with others in detecting and eliminating their causes. Employees working according to this principle should: stop working badly and perform their work well for the first and each next time, analyze on the current basis the work processes in which they take part, solve problems in a team, strive to "embed quality into the process". The implementation of this principle is possible only when the causes of the arising non-conformities rather than only their effects are eliminated.

Jidoka is a system being, next to Just-in-Time, one of the pillars of the Toyota Production System (TPS). Japanese word *jidoka* is difficult to translate directly into Polish. It consists of three parts (Ćwiklicki & Walczak, 2009, p. 54):

- Ji – independently, autonomously,
- Do – change, movement,
- Ka – "ation" ending.

The first translation of the term *jidoka* from Japanese was made into English, in which it appeared as "autonomation". The term has been translated from English into Polish as "autonomatyzacja", namely the combination of the words: autonomy and automation. The basis of the *Jidoka* concept is to equip machines and employees operating them with possibilities to immediately detect errors and respond to them by halting the work process, which eventually is to contribute to reduced costs and operating time. The basic *Jidoka* components are: immediate solution of any emerging problems (including stopping of the production line) and separation of work of machines and people (Kornicki, 2006, p. 62). The essence of *Jidoka* is thus (like in the case of the zero defects principle) embedding quality into the process by providing relevant resources and the conditions of its implementation.

The third of the theories being the basis for QRQC is the Japanese concept of three realities – Sangenshugi. The name of the said concept consists of three parts (Aoudia & Testa, 2011, p. 81):

1. San – is number three.
2. Gen – means real and up-to-date, and refers to the principle of objective approach to the problem.
3. Sugi – refers to ideology or concept.

The Sangenshugi concept assumes that each problem can be solved by analyzing real data, collected at a suitable place, leading to finding its actual, root causes. The Sangenshugi concept is therefore an idea of making decisions on the basis of true data (*Genjitsu*), collected on the basis of observation of specific, real objects and phenomena (*Gembutsu*) having their place or taking place in the specific area (*Gemba*) (Wolniak, 2003, p. 23).

## **4. Genesis and essence of QRQC**

QRQC is the methodology of fast response to the arising problems. Its purpose is instant elimination of errors existing in any processes performed by the company. As presented earlier, the methodology has developed as a result of combining three Japanese management concepts: the zero defects principle, Jidoka system and Sangenshugi concept. The zero defects principle is visible under the implementation of QRQC as a result of pressure on the team analysis and elimination of the causes for the arising problems. QRQC derives from the assumptions of Jidoka system the principle of rapid action aiming at identification and elimination of the causes of the arising problems and the principle of running problem analysis until the solution is found. An important element of QRQC is also the principle of supporting analyses on facts – being the main assumption behind the Sangenshugi concept. QRQC was applied for the first time in French company Valeo in 2002, that is almost 10 years after publishing the assumptions of its Japanese prototype developed in Nissan company – Sangenshugi. At the present moment, this tool is used not only in the automotive industry (apart from Valeo and Faurecia this solution is also used by some of their suppliers) but also in other industries, e.g. electronic (e.g. Phillips).

The combination of the earlier indicated 3 Japanese approaches to management is reflected in the basic assumptions of QRQC presented by the creators as six principles (Aoudia & Testa, 2011, p. 23):

1. Fast response,
2. Specific people,
3. Specific area,
4. Specific object,
5. Specific data,
6. Logical thinking.

Fast response is, on the one hand, to contribute to reduced costs related to the created errors (problems), on the other hand, however, to protect the company from “sweeping problems under the rug”. If a problem arising on the given day is not identified and instantly analyzed, it may be forgotten in two or three days as a result new problems coming up at that time. Immediate, properly documented analysis is to prevent it. Any problems in the company should be resolved by appropriate people. This is about the employees having knowledge, experience and skills raising the likelihood of solving the problem. This principle is implemented under QRQC by indicating 3 basic organizational levels at which problems which are analyzed. Three subsequent rules are the effect of the application of the Sangenshugi philosophy. In order to properly analyze and solve the problem, factual data that describe it have to be collected. These data should be collected in the area in which the problem has been created and should firmly describe a fragment of the reality connected with its emergence. The data collected applying all the five previous principles should be then used in the process of generating solutions to the problem. The last principle applies to the need to apply certain algorithms in the problem solving process allowing systematic, logical analysis of the facts and drawing the right conclusions from them. From the data collected, describing the problem, one needs to skillfully proceed to the problem cause analysis ended by their verification and finally to preparing as good solutions as possible.

In practice the QRQC methodology is applied on three levels of the organization. referred to as (*Introduction...*, 2005, p. 22):

- APZ (Autonomous Production Zone),

- APU (Autonomous Production Unit),
- Plant.

The first from the assumed levels is the level of small production units, under which employees report and try to solve their own, everyday problems. The purpose of analyzing the problems at this level is to immediately remove on the current basis any emerging problems related to the operation of the production line. Under APZ, the problems are solved by a team composed of its employees within a time not exceeding 24 hours. The leader of such team is most frequently the unit's manager. Actions on the APU level come down to solving problems emerging at the contact of various autonomous production zones comprising an autonomous production entity. The APU team is predominantly an interdisciplinary team, consisting of employees from the production department, logistics, quality, operation maintenance, etc. The problems solved are broader than on APZ level and may relate to e.g. customer claims and complaints, ineffective solutions on APZ level, the unit not achieving the assumed goals. The last of the problem analysis levels based on the QRQC methodology is the Plant level. At this level, solved are problems that are important from the point of view of the company as a whole, namely problems encompassing different areas of its functioning. Under daily meetings, the operating managers, representing different areas of the company's operations, cooperate with each other. In particularly significant matters the members of the board are invited to such meetings. The presented QRQC analysis levels are related with one another. When a certain problem remains unsolved on the APZ level, it reaches the APU level. By analogy – any problems unsolved on the APU level are forwarded to the plant level for analysis. The main principle behind this flow is that each problem should find its solution.

QRQC is performed on daily meetings. It is proposed on the APZ level that QRQC teams meet everyday at the beginning of the shift. The meetings last on average 15-30 minutes and current problems are being considered on them. When some problems cannot be solved on the line level they are forwarded to the APU level. QRQC team meetings on this level are held predominantly in the lunch time and are devoted to solving problems emerging between various lines and problems of particular lines which could not have been solved by the teams of the lower order. QRQC team meetings on the Plant level are held predominantly in the evening and apart from resolving matters typical of this management level, they address problems which could not have been solved on the lower level (APU).

Problem analysis with QRQC assumes four basic action stages (Aoudia & Testa, 2011, p. 17):

1. Detection,
2. Communication,
3. Analysis,
4. Verification.

The above stages of the procedure correspond to four phases in the Deming cycle and the way of performing them depends on the analysis level.

The procedure typical of QRQC begins with problem detection. Regardless of the analysis level, the meeting participants are to identify any problems emerging on the current basis in their work.

Regardless of the level where the QRQC analysis is implemented, another important stage in the procedure is communication. It includes presentation of the essence of the discussed problem based on the collected data being quantitative and qualitative in nature. The purpose of this stage is presentation of the data needed for the analysis to the QRQC performing team. Events that have occurred and their place and time of occurrence are reported. In the case of the APZ analysis level, there is no need to prepare accurate data. A different case is analysis on the APU level and

the Plant level, where the information describing the problem should be exhaustive and detailed. In order to ensure it, one of the methods can be applied at this point, concerning characteristics of the so-called problem background, e.g. 5W&2H analysis.

The principles and methods of data analysis in the QRQC process mostly depend on the organizational level where it is performed. In the case of analysis on the APZ level a quarter-long team meeting at a flipchart is sufficient, when the problem causes are discussed, and the suggested solutions are prepared on their basis. The analysis conducted on this level is not as complex and deep as on the other levels, due to the nature of the majority of the problems considered. Gathered around the flipchart, the employees are to indicate any problems that have appeared on the line since the last team meeting. Further, the causes of the indicated problems are determined. At this level, the problem cause analysis tools such as: Ishikawa chart, FTA or 5x why analysis, are rather not used due to the time regime and the nature of the problems being solved. Problem causes are found by observation of the process, documentation analysis and interviews conducted with operators. For particular problems, corrective actions are planned and adopted, their results are checked and verified. While the whole conceptual work is realized within 15-30 minutes on the team meeting, the team has 24 hours to implement repair actions, assess their results and verify them. Most frequently the practice is that the verification of the conducted repair actions takes place on the team meeting on the next working day. When the verification of the undertaken actions renders negative results, the problem is automatically sent to the workshop level for analysis (APU). Usually approximately 90% of the identified problems are solved on this level. The analysis on the APU level and the Plant level is more demanding, and suitable methods and auxiliary techniques are applied as part of it. The main work tool on these 2 levels is the G8D concept prepared by Ford engineers. Under the stage of analysis, the teams on the APU level and the Plant level perform G8D stages marked from D2 (problem description) to D5 (preparation of solutions and their implementation methods<sup>1</sup>).

The output from this stage in the procedure is planning actions designed to eliminate the causes for the analyzed problem. Problem analysis most often finishes the meeting. After its completion, the team participants try to implement the conclusions obtained the course of the meeting (for solving the problem).

The last QRQC stage takes place most often on the next team meeting. Its essence is to verify the effects of the earlier proposed and already introduced solutions to the problems. In the case of the APZ teams it comes down to answering the question whether the goal assumed by team to solve the problem has been achieved. In the case of the teams operating on APU and Plant levels, this action is performed based on steps D7 and D8 in G8D concept. They come down to discussion of the actions necessary to protect against the problem being repeated in the future and a summary of the whole procedure by indicating what the team participants have learned in the course of it.

## **5. Conclusion**

The Quick Response Quality Control concept, though not popularized sufficiently until now in the subject literature, is becoming increasingly popular in practice. This is due to the effects that can be obtained in the company as a result of its implementation. Among the most often indicated ones, we can mention (*QRQC...*, 2003, p. 9):

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<sup>1</sup> Owing to the range of this problem and a high degree of G8D popularization in the subject literature, this topic has not been addressed by the authors of this study.

- quick and effective solving of current problems,
- quick and effective transfer of information about any problems and the ways to eliminate them,
- preventing already solved problems from being repeated in the future,
- significant reduction in quality problems,
- improvement in designs of both the processes and the products based on the data pertaining to the errors committed by the company in the past,
- continuous development of the personnel so as to ensure that they are able to solve the emerging problems,
- development of autonomy and accountability among the employees of the production teams,
- assessment and continuous review of the standards (production, quality, efficiency, etc.) as adopted by the company.

Defects of this concept that are most frequently indicated by employees in companies using QRQC include long time of analysis on APU and Plant levels and the need to get teams (also interdisciplinary ones) involved in the process of problem solving. The assessment of effects obtained as a result of QRQC indicates, however, that the time and efforts devoted to this type of analysis result in a smaller quantity of problems in the future and shorter time needed for the employees to “extinguish fires” namely take corrective actions only after the problem has occurred. The introduction of QRQC is therefore a path to organizational learning, and in the field of problems – a mechanism for gaining knowledge and experience needed to eliminate the majority of them once and for all, thanks to the introduction of actions counteracting their causes.

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# Chapter 18

## The Comparative Analysis of Blue and Red Ocean Strategies

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*Olga Zavydivska, Iryna Ratych*

### 1. Introduction

Search and creation of “new markets” for optimization, development, expansion of business activity or creation of new business are becoming urgent needs of the modern economy. The speed with which people’s needs change, ways of organizing their lives, work, leisure, encourages specialists from different fields (economists, programmers, marketers, psychologists, etc.) to work on the topic of forming and exploring the emergence and functioning of new markets.

The formation of new markets for the optimization of entrepreneurial activity is carried out by numerous specialized companies, offering their services in approbation and development of new markets.

According to most scholars, the current state and content of the market environment is directly shaped by a number of factors, among which we can distinguish: globalization processes, technological transformations, liberalization of regulatory means, emergence of new risks and increased competition. They emphasize that the main lever of influence on the enterprise, which makes them move onward, is a competition that is constantly in the middle of a certain branch of the economy, forcing them to constantly look back one for one in order to copy something, steal something, so that in the final the end is not to be left behind. In fact, they are struggling for the demand in a particular industry – every entrepreneur wants to tear the majority of buyers to stay afloat.

A completely different view was expressed by the authors of the Blue Ocean Strategy, Renee Moborn and W. Chan Kim. They believe that the entire market can be viewed as a large ocean, which has not yet been fully explored. The second part is blue – unexplored ocean expanses (the economy), where there is no competition, because the same rules of the game that must be observed are not formed. This new opportunity is a cloudless market space that is free from any rivalry, since you are the pioneer. The explored part of the ocean is red – these are the branches of our economy known to us, where there is constant competition, where the blood of opponents is shed, where the big fish (the company) eats the other, so it is red.

This chapter aims to contribute to a better knowledge of administrative techniques that can help firms – and their executives – improve strategic decision making by choosing the strategy that best fits the competitive environment in which their business operates.

The purpose of this chapter is to study the strategies of the red and blue oceans, to carry out a comparative analysis, to identify the main factors of market creation and to analyze the use of these theories in practice in Ukraine and in the world.

## 2. Differences between red & blue ocean strategy

The cornerstone of the blue ocean strategy is the innovation of value. When other companies who are stuck in the red ocean follow the traditional approach of eliminating competitors, companies that seek to escape from it must discard any competition and make a significant leap in value for themselves as well as for buyers. That is, you must take care of buyers, their thoughts, interests, and not what happens in other companies, which technologies they use, what advertising.

Blue Ocean Strategy is where a company creates a completely new market space (or market category). This new market space is created by launching new offerings, with the aim being to make the competition irrelevant so that an organization can grow, uncontested, at least in the beginning.

Table 1. Differences between the Blue and Red Oceans

| <b>Red Ocean Strategy</b><br><b>Focus on current customers</b>                                     | <b>Blue Ocean Strategy</b><br><b>Focus on noncustomers</b>                               |
|--|--|
| Compete on existing markets  | Create uncontested markets to serve  |
| Beat the competition   | Make the competition irrelevant  |
| Exploit existing demand  | Create and capture new demand  |
| Make the value-cost trade-off  | Break the value-cost trade-off   |
| Align the whole system of a firm's activities with strategic choice of differentiation OR low cost | Align the whole system of a firm's activities in pursuit of differentiation AND low cost |

Source: (Layton, 2009).

*Focus on current customers vs. focus on noncustomers.* In most industries there is little effort to attract new buyers to the industry, thus the focus on the customers currently purchasing in that industry. In the Blue Ocean, there is a focus on trying to increase the size of the industry by attracting people who have never purchased in that industry.

*Compete in existing markets vs. Create uncontested markets to serve.* Sounds good, right? But how do you do that? Existing markets are all the customers doing business in the industry right now, whether they are doing business with you or your competitors. If someone wins a customer, then it is assumed, someone will lose a customer. For someone to win, someone must lose.

In uncontested markets, there is only a winner, you. No one else is fighting for the business because either they don't know about it, or they don't know how. They will try, of course, but if you have done things the Blue Ocean Strategy way, they will not be successful for a very long time.

*Beat the competition vs. Make the competition irrelevant.* The competition becomes irrelevant because they cannot duplicate the ideas in a way that is a commercial success. Remember, the whole

idea of Blue Ocean Strategy is to have high value at low cost. If you are doing that, how can anyone compete with you? All the would-be competitors fall by the wayside.

*Exploit existing demand vs. create and capture new demand.* You will be creating value so high that you will be attracting customers that never before would have considered entering the market.

*Make the value-cost tradeoff vs. break the value cost tradeoff.* If you cut your strategy teeth on Michael Porter's Competitive Strategy concepts, you understand that there were only two strategies to choose from, value or low cost. It was understood that you could not have both value and low cost. Kim and Mauborgne have broken that concept and said that you can have high value and low cost and developed the tools to do it. In fact, if you don't break the value cost tradeoff, competitors will easily duplicate what you are doing and the ocean will once again be very red.

*Align the organization with differentiation OR low cost vs. aligning the organization with differentiation AND low cost.* You can't just say you are going to have differentiation and low cost. You must search every nook and cranny of your processes and organization to strip away unnecessary cost. The entire organization must be aligned this way... anything that doesn't create or contribute to value, gets eliminated or reduced. It is just the most efficient way to run an organization whether in a blue or red ocean (Layton, 2009).

### **3. Advantages and disadvantages to both red & blue ocean strategy**

Red Ocean Strategy Advantages:

- ✓ The market is already established.
- ✓ It is clear what products and services customers want.

Red Ocean Strategy Disadvantages:

- ✓ There is usually an established market leader who will be very hard to beat.
- ✓ There are usually numerous niche who are trying to carve out market share in a subset of the total market.
- ✓ Competition is tough.

Blue Ocean Strategy Advantages

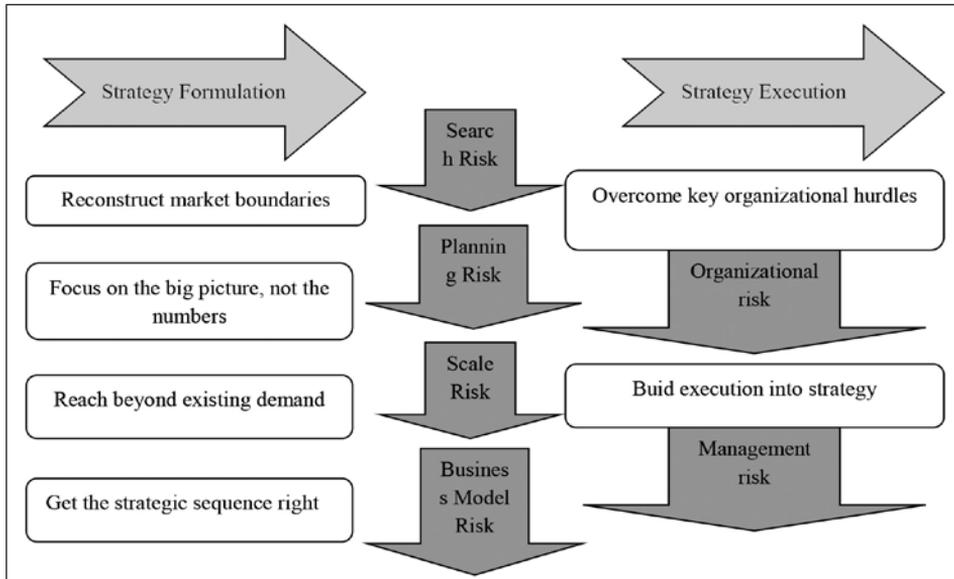
- ✓ There can be very high profit margin in new markets.
- ✓ The successful creation of a blue ocean can create brand equity which could last for years, or even decades.

Blue Ocean Strategy Disadvantages

- ✓ These markets are new and as such there is the risk of completely misjudging the market and getting it wrong.
- ✓ This can be painful because creating a blue ocean typically requires large investment (Expert Program Management, 2015).

There are few steps to achieving success through using Blue Ocean Strategy (Fig. 1).

Figure 1. Six principles of Blue Ocean Strategy



Source: own interpretation based on (UCSI Consulting, 2014).

*8 KEY POINTS OF BLUE OCEAN STRATEGY* (Kim & Mauborgne, 2005):

- 1) It's grounded in data
- 2) It pursues differentiation and low cost
- 3) It creates uncontested market space
- 4) It empowers you through tools and frameworks
- 5) It provides a step-by-step process
- 6) It maximizes opportunity while minimizing risk
- 7) It builds execution into strategy
- 8) It shows you how to create a win-win outcome

*KEY SUCCESS FACTORS* (Kim & Mauborgne, 2005):

- 1) Break out of the traditional boundaries to unlock value
- 2) Take an interest in the non-customers
- 3) Think about the 4 key questions:
  - a) Eliminate
    - Which of the factors that the industry takes for granted should be eliminated?
  - b) Reduce
    - Which factors should be reduced well below industry standards?
  - c) Raise
    - Which factors should be raised well below industry standard?
  - d) Create
    - Which factors should be created that the industry has never offered?
- 4) 3 characteristics of a strong strategy:

- a) Focus
- b) Divergence
- c) Tagline

#### 4. Blue Ocean Strategy: Analytical tools

At the center of blue ocean strategy formulation is a structured four-step process created by Kim and Mauborgne that involves visual exploration to unlock people’s creativity for pushing a company’s strategy towards a blue ocean. The four major steps for visualizing strategy presented on Table 2.

Visualizing strategy can also greatly inform the dialogue among individual business units and the corporate center in transforming a company from a red ocean to a blue ocean player. When business units present their strategy canvases to one another, they deepen their understanding of the other businesses in the corporate portfolio. Moreover, the process also fosters the transfer of strategic best practices across units (Kim & Mauborgne, 2005).

Table 2. Four steps for visualizing strategy

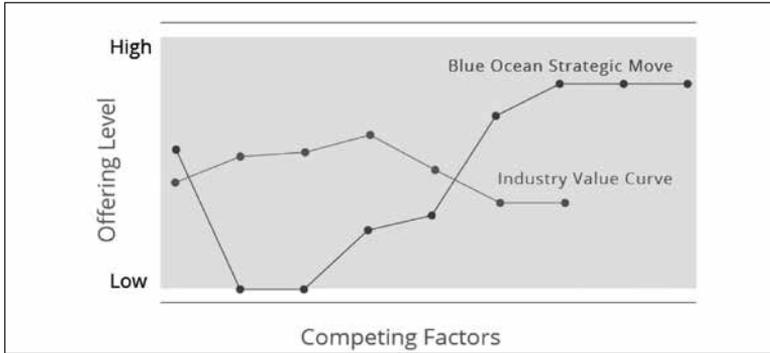
| Visual Awakening   | Visual Exploration   | Visual Strategy Fair  | Visual Communication   |
|--|--|---|--|
| Compare your business with your competitors’ by drawing your “as is” strategy canvas. See where your strategy canvas needs to change | Go into the field to explore the six paths to creating blue oceans. Observe the distinctive advantages of alternative products and services. See which factors you should eliminate, reduce raise, create, or change | Draw your “to be” strategy canvas based on insights from field observations. Get feedback on alternative strategy canvases from customers, competitors’ customers, and noncustomers. Use feedback to build the best “to be” future strategy | Distribute your before-and-after strategic profiles on one page for easy comparison. Support only those projects and operational moves that allow your company to close the gaps to actualize the new strategy |

Source: own interpretation based on (Kim & Mauborgne, 2005).

##### 4.1. Strategy canvas

the strategy canvas is a central diagnostic tool and an action framework developed by W. Chan Kim and Renée Mauborgne for getting clear on the current state of play and making your blue ocean move. It graphically captures, in one simple picture, the current strategic landscape and the future prospects for an organization.

Figure 2. Strategy Canvas



Source: (Kim & Mauborgne, 2005).

The strategy canvas serves two purposes (King, 2017):

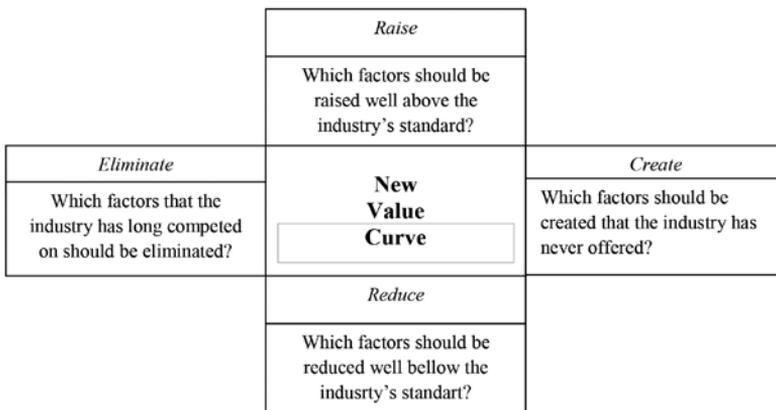
- To capture the current state of play in the known market space, which allows users to clearly see the factors that the industry competes on and where the competition currently invests.
- To propel users to action by reorienting their focus from competitors to alternatives and from customers to noncustomers of the industry.

The horizontal axis on the strategy canvas captures the range of factors that an industry competes on and invests in, while the vertical axis captures the offering level that buyers receive across all of these key competing factors.

The value curve or strategic profile is the basic component of the strategy canvas. It is a graphic depiction of a company’s relative performance across its industry’s factors of competition. A strong value curve has focus, divergence as well as a compelling tagline.

### 4.2. Four actions framework

Figure 3. Four actions framework



Source: (Kim & Mauborgne, 2005).

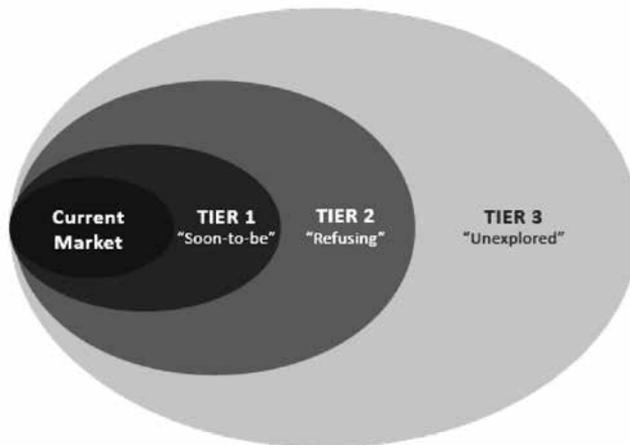
The Four Actions Framework developed by W. Chan Kim and Renée Mauborgne is used to reconstruct buyer value elements in crafting a new value curve or strategic profile. To break the trade-off between differentiation and low cost in creating a new value curve, the framework poses four key questions, shown in the diagram, to challenge an industry’s strategic logic.

**4.3. Three tiers of noncustomers**

w. Chan Kim and Renée Mauborgne created the three tiers of noncustomers. Typically, to grow their share of a market, companies strive to retain and expand their existing customer base.

Figure 4. Three tiers of noncustomers

|  |  |
|--|--|
|  | Customers of your industry   |
|  | “Soon-to-be” noncustomers who are on the hedge of your market waiting to jump ship |
|  | “Refusing” noncustomers who consciously choose against your market                 |
|  | “Unexplored” noncustomers who are in markets distant from yours                    |



Source: (Kim & Mauborgne, 2005).

Although the universe of noncustomers typically offers blue ocean opportunities, few companies have keen insight into who noncustomers are and how to unlock them. To convert this huge latent demand into real demand in the form of new customers, companies need to deepen their understanding of the universe of noncustomers.

The first tier of noncustomers is closest to the current market, sitting just on the edge. They are buyers who minimally purchase an industry’s offering out of necessity but are mentally noncustomers of the industry.

The second tier of noncustomers is people who refuse to use an industry’s offering. These are buyers who have seen the current offering as an option to fulfill their needs but have decided against participating.

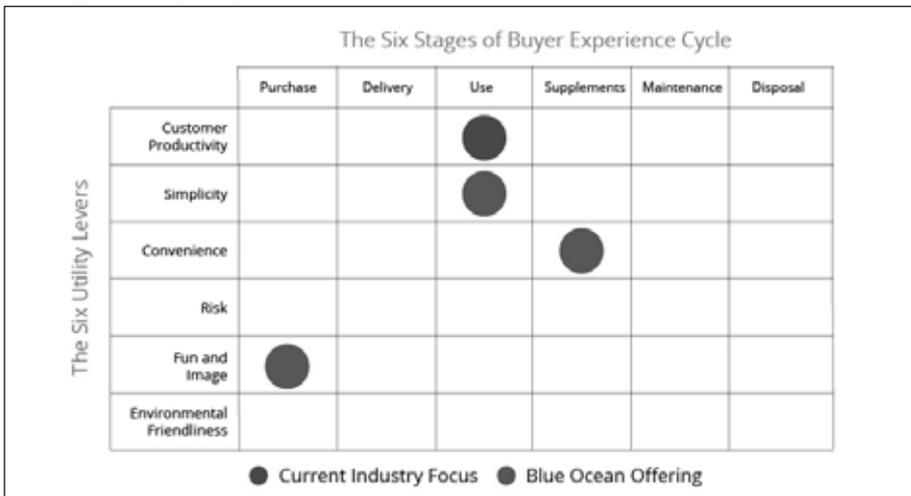
The third tier of noncustomers is farthest from the market. They are noncustomers who have never considered the market’s offering as an option.

By focusing on key commonalities across these noncustomers and existing customers, companies can understand how to pull them into their new market.

### 4.4. Buyer utility map

The Buyer Utility Map, developed by W. Chan Kim and Renée Mauborgne, helps to get managers thinking from a demand-side perspective. It outlines all the levers companies can pull to deliver exceptional utility to buyers as well as the various experiences buyers can have with a product or service. This mindset helps managers identify the full range of utility spaces that a product or service can potentially fill. It has two dimensions: The Buyer Experience Cycle (BEC) and the Utility levers.

Figure 5. Buyer Utility Map



Source: (Kim & Mauborgne, 2005).

The Buyer Experience Cycle (BEC): A buyer’s experience can usually be broken into a cycle of six stages, running more or less sequentially from purchase to disposal.

Utility levers: Cutting across the stages of the buyer’s experience are what we call *utility levers* – the ways in which companies unlock utility for their customers.

By locating a new offering on one of the spaces of the buyer utility map, managers can clearly see how, and whether, the new idea creates a different utility proposition from existing offerings but also removes the biggest blocks to utility that stand in the way of converting noncustomers into customers. In our experience, managers all too often focus on delivering more of the same stage of the buyer’s experience. This approach may be reasonable in emerging industries, where there is plenty of room for improving a company’s utility proposition. But in many existing industries, this approach is unlikely to produce a market-shaping blue ocean strategy.

#### **4.5. Four hurdles to strategy execution**

once a company has developed a blue ocean strategy with a profitable business model, the next challenge is strategy execution. The challenge of execution exists, of course, for any strategy. Companies, like individuals, often have a tough time translating thought into action whether in red or blue oceans. But, compared with red ocean strategy, this can be especially difficult for blue ocean strategy as it represents a significant departure from the status quo.

To varying degrees, companies may face four types of hurdles to strategy execution. Knowing how to triumph over these organizational hurdles is key to successful strategy execution. W. Chan Kim and Renée Mauborgne (2005).

**The Cognitive Hurdle:** Waking employees up to the need for a strategic shift. Red oceans may not be the paths to future profitable growth, but they may have served the organization well historically, so why rock the boat?

**The Resource Hurdle:** It is assumed that the greater the shift in strategy, the greater the resources it requires for execution.

**The Motivational Hurdle:** How do you motivate key players to move fast and tenaciously to carry out a break from the status quo?

**The Political Hurdle:** As one manager put it, “In our organization you get shot down before you stand up.”

#### **4.6. Fair process**

fair process is a concept developed by W. Chan Kim and Renée Mauborgne that builds execution into strategy by creating people’s buy-in up front. When fair process is exercised in the strategy formulation phase, people trust that a level playing field exists, inspiring voluntary cooperation during the execution phase.

There are three mutually reinforcing elements that define fair process: *engagement*, *explanation*, and *clarity of expectation*. Whether people are senior executives or shop employees, they all look to these elements. Kim and Mauborgne call them the *three E principles of fair process* (Tab. 3).

It should be noted that any subset of the three is insufficient. The three criteria *collectively* lead to judgments of fair process.

Table 3. Fair Process

| <b>Engagement</b>   | <b>Explanation</b>   | <b>Expectation Clarity</b>   |
|---|--|--|
| Engagement means involving individuals in the strategic decisions that affect them by soliciting their input and allowing them to refute the merits of one another's ideas and assumptions. Engagement communicates management's respect for individuals and their point of view. The result is better strategic decisions by management and genuine commitment from everyone involved in execution | Explanation means that everyone involved and affected should understand why final strategic decisions are made. An explanation of rationale engenders confidence among employees that managers have considered their opinions and have made decisions impartially in the overall interest of the company, even if their own ideas have been rejected. It also serves as a powerful feedback loop to enhance learning | Expectation clarity requires that after a strategy is set, managers clearly state the new rules of the game. Although the expectations may be demanding, employees know up front the standards by which their work will be judged and the consequences of failure. When people clearly understand expectations, political jockeying and favoritism are minimized, and people can focus on executing the strategy rapidly |

Source: (Kim & Mauborgne, 2005).

## 5. Examples of the use of the ocean strategies

Blue Ocean Strategy is where a company creates a completely new market space (or market category). This new market space is created by launching new offerings, with the aim being to make the competition irrelevant so that an organization can grow, uncontested, at least in the beginning.

A Red Ocean Strategy ultimately leads to an organization choosing to follow one of two strategies – differentiation or low cost. Whichever is chosen the organization must align all activities with one of these strategic directions.

A good example of Red Ocean Strategy is the European airline operator *Ryanair*. They are competing very successfully in the already saturated red ocean of the short-haul airline business. Their strategy is focused on providing a low-cost no frills airline. It is able to achieve low costs through many methods including using secondary airports further away from a city than the main airport, allowing only online booking and check-in, and requiring customers to pay for all extras, amongst other methods. With Ryanair, the service isn't great or differentiated in some way from other carriers, but it is cheap (Expert Program Management, 2015).

*Starbucks* is a company that implemented the Blue Ocean Strategy successfully. There were many coffee shops that were more established when Starbucks came on the scene. Instead of focusing on their coffee, they worked to brand Starbucks as something different, reaching an untapped level of consumers.

They offered coffee, but they also offered teas, smoothies, and Frappuccino. They also sold CDs and newspapers, encouraging coffee lovers to stay around and chat. This allowed Starbucks to become a social venue as well.

Blue Ocean Strategy is basically reinventing a traditional industry, thus creating something new, making competition irrelevant. Perfect examples are *Cirque du Soleil* and *Multiplex Cinemas*. Both the circus industry and the cinema industry (videos in every house) were fading in late 80s.

Moving from single film cinemas to multiplexes and from traditional and boring shows to innovative stands both industries managed to redefine themselves and create new space (blue ocean strategy).

*Tesla Motors* – World’s first electric car that can out-perform some of the world’s fastest cars. There is no competition for Tesla in the market and this company is reaping the benefits.

*Nova Poshta* as an Implementation of the Blue Ocean Strategy. The history of the company “Nova Poshta” began in February 2001, when university friends Vyacheslav Klimov and Volodymyr Pereshnyuk decided to establish a joint business. Both were 25 years old. With the choice of a market niche helped to define a small confectionery business of Vladimir. He was just looking for ways to transport goods from Poltava to Ukraine. So the young entrepreneurs came up with an idea to offer Ukrainians a new service – fast and convenient delivery.

*Selfie coffe*. In Lviv, a coffee shop was opened, where selfie is printed on coffee. The new unusual art cafe, which combines coffee and selfie, opened in Lviv on February and has already become popular among coffee makers and fans of the so-called “Selfimaniya”.

Here visitors are surprised by the portraits in the cups and offer to have a good time with their self. His coffee machine picks up on a milkshake using an edible food dye.

## **6. Conclusion**

Blue ocean strategy seeks to turn strategic management on its head by replacing ‘competitive advantage’ with ‘value innovation’ as the primary goal, where firms must create consumer demand and exploit untapped markets. So far empirical analysis has focused on case studies of successful firms and thus has been limited in its ability to generalize. This is a significant shortcoming because the debate straddles skepticism (competitive strategy) and faith (blue ocean) in the belief that a sufficient number of untapped market opportunities exist for most firms to adopt blue ocean as a generic managerial approach, thus making ‘competition irrelevant’. By contrast, red ocean strategy proposes that a limited number of short-term opportunities exist for firms to find untapped market which in the long term will be eroded by imitation and competition; in these cases red ocean strategy strategy is the focus for managers.

Having analyzed the strategies that reveal the theoretical and practical significance of the problems of innovative approaches in the economic sphere, we offer a few tips for managers and entrepreneurs who, in our opinion, will help to create or improve their own innovative business model, which will result in improved business performance. So, in order to create an innovative business model: 1) introduce more innovations on the market; 2) analyze competitive strategies; 3) implement new ideas and projects in your business; 4) Create a structural innovation process in your company. We are convinced that innovative business models are new opportunities for effective business conduct, and, therefore, a way to modernize the Ukrainian economy. The scientific novelty of this article is that on the basis of a detailed analysis of the market research conducted, we can confidently state that Ukrainian companies should choose an innovative strategy for the “blue ocean” for themselves. We need to think about the global market and go with it with our innovations. It should also be noted that the blue ocean strategy is an example of a strategy designed to

prevent the possibility of developing crises in the activities of Ukrainian enterprises due to the loss of competition or the disappearance of their niches in the market. That is, in essence, this strategy is anti-crisis, its main purpose coincides with the purpose of crisis management.

An important advantage of the analyzed strategy is that it involves such a restructuring of the enterprise, which aims to achieve simultaneous differentiation and lower costs, and in the conditions of origin and development of crisis phenomena, this can be a decisive factor in improving the company and achieving the success of Ukrainian companies in the world market. Prospects for further scientific research in this direction are that the processes of developing and implementing innovative strategies in Ukrainian state-owned enterprises are associated with significant socio-economic consequences. The double effect of the innovation strategy is that it can, on the one hand, increase the profit of state enterprises and give new revenues to the state budget, and, on the other hand, become a real field of mutual cooperation between the state and enterprises.

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## **Strategies and Techniques of Real Estate Negotiation**

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*Joanna Sobula*

### **1. Introduction**

The purpose of this chapter will be to identify the most important negotiation strategies and techniques used in the real estate trading process. Currently, in some publications the role and significance of negotiations on the real estate market is specified. Real estate negotiations are common in many activities: in the construction sector, in management, and in real estate brokerage – where they are an integral part of the real estate trade. There are many key strategies and techniques used by real estate agencies at present, at every stage of the transaction. The mediation process, which is carried out by real estate agents, also plays an important role in the negotiations. These techniques can be focused on both cooperation (cooperative) and competition (confrontational). The above work consists of several parts. In the first of these, the most important concepts of negotiations were presented. The second part of the work contains the characteristics of negotiations on the real estate market. The third part of the work is devoted to the identification of negotiation situations and negotiation techniques in the real estate trading process. The last part of the work contains a summary and final conclusions.

### **2. Definition of the concept of the importance of negotiations**

Currently, negotiation plays a significant role in the property management process. There are many definitions of negotiations in the literature. The concept of negotiation comes from the Latin word *negatio*, which means dealing with trade, joint explanation, presentation of views, as well as conducting arrangements of two or more parties involved in the negotiations. The concept of negotiations is different, according to K. Bargiel-Matuszkiewicz, according to which the word “negotiations” means: an interest in a commitment, or a difficult matter (Bargiel-Matuszkiewicz, 2007). Another word for the meaning of negotiations is found in the work of A. Słaboń, according to which the concept of “negotiation” means the process of communication, which allows to find a solution to their differences in the preferences of negotiators (Pruitt & Lewis, 1997). In some research works, the concept of negotiation is treated in the same way as the term “tender”. Ac-

cording to R. Rządca “negotiations are a tender: something for something”. Another point of view on the concept of “negotiation” and “tender” are J.G. March and H.A. Simon, who see the difference between these concepts in the way of solving the problem under consideration. Negotiations and tenders are identical, with only one difference that in the case of negotiations, the solution to a given problem is based on a certain stage of conducting conversations to find common goals enabling finding a solution that mutually satisfies both sides (March & Simon, 1964). In the case of a tender, finding a solution takes place in case of confrontation, mutual reasons of both parties (“abrading” the ration), consisting in breaking the opponent’s position. The concept of a tender is often referred to as a kind of simplified negotiation in which one party usually accepts or rejects the other party’s proposal (Pańków, 1993).

According to Walton and McKersie – the authors of one of the most known and key works related to negotiations, they are define them as relations between among the most common social units that seek to define or redefine mutually dependent conditions (Walton & McKersie, 1993).

According to the author of one of the most popular definitions of negotiation – Fisher, they are the main way to get what you want from others. They are a feedbackable communication process that serves to get an agreement when both parties agree with their results (Fisher & Brown, 1989).

Similarly, the phenomenon of negotiations is defined by Lewicki, according to which they constitute a process that allows influencing the decision of other people in order to satisfy their needs while taking into account their needs. Another, more precisely defined definition of negotiations defined in Lewicki’s and Litterer’s cooperation defines negotiations as a process that involves passing two people from the point that is their problem or conflict (dividing them) to finding a solution and reaching a mutual compromise. They are both the process of submitting bids, but also counteroffer and the process that allows solving a given problem and reaching mutual agreement. This process is defined by the authors as the “heart of negotiations”. In their opinion, in order for this process to be properly understood and conducted, it is necessary to have adequate knowledge about other factors that may affect this process (Lewicki & Litterer, 1995).

Another key definition of negotiations by Pruitt and Carneval (1993) describes them as a discussion of negotiators (two or more) who declare themselves for the dissolution of interests so that they can escape from a conflict situation.

According to the definition of Zartman and Bertman, negotiations are a process that enables opposing positions to be joined by making a joint decision (Zartman, 1994).

Negotiations are a multilateral process of communication in a situation of conflict of interest or divergence of views involved in the parties’ negotiations. It is a difficult, complex and complicated process of making a joint decision, in which each party tries to make it possible to realize its own interests, but whose overriding goal is to reach agreement (Kamiński, 2006).

Negotiations are also defined as the appropriate communication process necessary to reach an agreement. They are also defined as working out a compromise, talking, explaining positions, convincing someone to something. They constitute a decision-making and communication process enabling parties taking part in it to resolve conflicts so that they can accept and accept the results obtained (Brudlak & Brudlak, 2000).

Mediation is a special type of negotiation. Mediation is a voluntary and confidential process of reaching a resolution of a dispute, which is carried out with the participation of a neutral person, the so-called mediator. The main objective of the mediator’s activities in the field of real estate trading is to encourage both parties to actively act in the field of searching for optimal solutions. The mediator tries to present each side of her point of view, and also undertakes to sort out the topics

of talks conducted, which results in better and faster agreement. In practice, the real estate agent performs the role of a mediator (Bargiel-Matuszkiewicz, 2007).

## 2. Negotiations in the field of real estate

Negotiations are common in many activities: in the construction sector, in real estate brokerage – where are an integral part of the process of buying and selling real estate. Currently, negotiations are a very important instrument for the implementation of real estate transactions. The aim of the negotiations is to implement the interests underlying the positions presented by the parties to the future transaction. Transactions regarding the purchase, sale, rental or letting of immovable property often involve high prices and transaction costs, which is why effective negotiations are of great importance here.

Table 1. Characteristics of negotiations on the real estate market

| <b>Aspects of interpretation</b> | <b>Specific features of negotiations on the real estate market</b>  |
|----------------------------------|---|
| Process                          | Negotiations is a process aimed at achieving a mutual compromise and establishing contractual conditions regarding: transaction price, the date of issuance of real estate, determining the conditions for verification of legal and physical status at the time of issue, date and manner of finalizing the transaction, determining the payment method, the date of conclusion of the contract, determining the amount advance payment method, the date of conclusion of the contract, determining the amount advance payment or advance, the date of preparation of the documentation necessary to conclude the transaction, determine the conditions that must be met before finalizing the transaction   |
| Method of conflict management    | Negotiations are a way to resolve conflicts resulting from differences in the interests of the parties. Their goal is to reach mutual agreement. The striving for an agreement can take place between the parties negotiating with each other and also through the mediator. Currently, real estate brokers help their clients solve many disputes, which helps owners and tenants achieve mutual agreement. The real estate brokerage agency takes a neutral position in solving a given dispute and acts as the party managing the course of the negotiations. The introduction of specific norms of conduct during negotiations guarantees their proper course. A real estate agent expresses acceptance or disapproval of the offer of tenants and owners. It protects against unforeseen developments, anticipates escalation of the conflict and alleviates contentious issues, and organizes conversations so that they are directed to the right track. The role of a real estate agent as a mediator is effective only if it has the ability to influence the behavior of the parties to the negotiations, through their own social or professional position, as well as through their knowledge and competences |

|                                  |   |
|----------------------------------|---|
| The method of reaching agreement | Negotiations are an attempt to reach agreement between the parties. They make it possible to bring their marginal positions closer. They are an art requiring the right skills and also associated with large emotions. Lowering the price of a property, rental rates or the costs of service provision, for one of the parties means profit and for the other the loss. Often in reaching an agreement between the parties helps a real estate agent acting in addition to the role of mediator, also the role of adviser   |
| Mutual dependence of pages       | In negotiations regarding the real estate market, decisions often depend on the opinion of an additional negotiator. In the case of transactions regarding the purchase, sale of a lease or rental, the real estate brokerage agency must often act as a negotiator on behalf of its client. The main reasons why clients want to outsource real estate agents to negotiate on their behalf are the resistance typical of people who have little experience in negotiating, that is insufficient competence awareness, fear of poor negotiation results, the desire to avoid feeling uncomfortable during negotiation confrontations  |
| Decision making process          | The aim of negotiations on the real estate market is joint decision making by two opposing sides. Negotiations between the parties should lead not only to finding an optimally satisfactory solution, but should lead to establishing lasting cooperation between the parties. Negotiations play an important role in transactions related to real estate trading. The proper preparation for conducting negotiations is of great importance for the decisions taken, because it can significantly accelerate the negotiations, and its lack – can contribute to the complete cancellation of the transaction. In this preparation, a given party should determine the scope of the negotiations and specify what they will concern. Skipping certain details during conversations can significantly affect their result                 |
| The communication process        | Negotiations are a two-way communication process, the purpose of which is to reach an agreement in a conflict of some of the interests of the parties involved. The communication process requires the transfer of many important and detailed information about a given property and the service provided, necessary for the client. The transmission of important information should be adapted to the requirements of specific customer groups. Other information will be important for customers deciding to buy real estate, and others for rental property, maintenance services directly connected with real estate services, among which you can distinguish services: necessary, (i.e. media delivery, technical service, maintenance of cleanliness, financial services) and supporting (including design, legal and insurance) |

|  |   |
|--|---|
| <p>The mutual exchange process</p>           | <p>The transactions on the real estate market requires mutual transfer and exchange of relevant information. If the parties conduct negotiations in order to conclude a designated contract, the contract is concluded when the parties reach an agreement on all its provisions that were subject to negotiations. If the parties agree on a certain scope of content covered by the negotiations, the contract will be concluded when there is agreement on this content.</p> <p>An important condition for the existence of the real estate market is the occurrence of exchange relations between the company and its contractor. In practice, this concerns disclosure by the parties of the intention to conclude a transaction, mutual confrontation of the disclosed intentions during the conduct of talks. The exchange process depends to a large extent on the competitors' activities of other companies. Proper negotiations have an impact on the prices of the service and on the functioning of the real estate market</p> |
| <p>The process of creating common values</p> | <p>As a process of creating common values, the purpose of the negotiations is to establish lasting and strong relations connecting the two sides of the transaction, based mainly on mutual trust, so that the relationship is strong and long-lasting. Negotiation is a process that involves passing two people from the point that is their problem or conflict (dividing them) to the point of finding a solution and reaching a mutual compromise. They are both the process of submitting bids, but also counteroffer and the process enabling the solution of a given problem and reaching mutual agreement. It is a difficult, complex and complicated process of making a joint decision, in which each party tries to make it possible to realize its own interests, but whose overriding goal is to reach agreement</p>  |

Source: own work.

On the basis of the table above, it can be concluded that negotiations on the real estate market can be included in several main aspects, including as a decision-making process, creation of common values, mutual exchange, as well as a method of reaching agreement and managing conflict. Communication plays an important role in it, enabling the resolution of many disputable issues regarding contractual terms. Negotiations with a complex (multi-stage) process. Each stage is crucial to achieving mutual understanding.

Table 2. Negotiating situations in the real estate market

| <b>Characteristics of the parties to the negotiations</b>   | <b>Characteristics of the negotiating situation</b>  |
|---|--|
| Seller/ Buyer – Real Estate Agent   | Negotiations concern the determination of contractual terms regarding the conclusion of a real estate brokerage contract with the seller or buyer                    |
| Tenant – Real Estate Agent  | Negotiations concern the determination of contractual terms regarding the conclusion of a real estate brokerage contract with tenant of the property                 |
| Real Estate Agent – Credit Institution (bank, credit house)   | Negotiations concern the terms of signing a cooperation agreement aimed at assisting in obtaining a bank loan for the client to finance the purchase of real estate. |
| Real Estate Agent – other companies: notary, law and geodetic companies, development offices, property appraisers, architects, etc. | Negotiations concern the conditions for signing a cooperation agreement  |

Source: own work.

The above table shows that in the case of a transaction related to real estate trading, negotiations are conducted that are important for a given client. In addition to negotiations with sellers, buyers, tenants or renters, the broker sometimes also negotiates with one or several other real estate entities, including with banks, lawyers, insurance companies, etc.

### 3. Negotiating techniques in the real estate market

Based on the review of the literature, it can be stated that the basic criteria of the typology of negotiation techniques are the stages of the negotiation process. They include:

- a) the initial phase – starting, opening negotiations,
- b) the middle phase – proper negotiations,
- c) the final phase – closing negotiations.

Table 3. Identification on negotiating techniques used in the real estate market

| The phase of the negotiations                                  | Collaborative techniques  | Confrontational techniques  |
|--|---|---|
| <p>Chosen techniques for starting negotiations</p>             | <ul style="list-style-type: none"> <li>● Creating a positive climate of negotiations,</li> <li>● The effect of the first impression,</li> <li>● Determining the order of the issues discussed,</li> <li>● Determining the high level of requirements (measure high, demand a lot, and get a lot),</li> <li>● A test balloon,</li> <li>● Disagreeing with the first offer,</li> <li>● Asking questions,</li> <li>● The technique “wait for the other side to present your proposal”,</li> <li>● “Pretend clumsy” technique,</li> <li>● The technique of “agreeing with everything with the interlocutor”,</li> <li>● Technique “Orphan” or “Romanian”</li> </ul> | <ul style="list-style-type: none"> <li>● Technique of Refusal to Negotiate,</li> <li>● Ultimatum technique (accept or reject, yes or no),</li> <li>● Shocking opening technique (shocking offer),</li> <li>● The technique of polarization of demands,</li> <li>● The technique of tightening the screw (vise),</li> <li>● The technique of pretending to be an undecided seller,</li> <li>● The technique “never accept the first proposal”,</li> <li>● Technique “pretend surprise”,</li> <li>● Technique “I’m in a hurry” or “Time pressure”,</li> <li>● The technique “Competitive company has a better offer for me”</li> </ul>                      |
| <p>Chosen techniques for conducting essential negotiations</p> | <ul style="list-style-type: none"> <li>● Avoiding, annoying your partner,</li> <li>● Integrative techniques (cost reduction, cost compensation, combining interests),</li> <li>● The rules of resignation,</li> <li>● The hypothetical situation (what would happen if?),</li> <li>● Addition (subtraction),</li> <li>● Optics from Brooklyn,</li> <li>● Sales with a switch,</li> <li>● Escalation of demands (and so what) salami and grain to the grain,</li> <li>● Indication of possible consequences,</li> <li>● Indications of the opposite example</li> </ul>   | <ul style="list-style-type: none"> <li>● Positional wars,</li> <li>● Ultimatum (either ... or ...) (accept or reject),</li> <li>● Russian (eastern) front,</li> <li>● Competition (Noah’s ark, buy in Chinese),</li> <li>● Apparent concessions (he exchanged his hatchet for a stick),</li> <li>● Promises without coverage (awards in paradise),</li> <li>● The “unclear mandate” technique,</li> <li>● The “Tom Sawyer” technique</li> <li>● Breaking into small (funny money, trifle),</li> <li>● Naive pretenses (facts made, unilateral assumption),</li> <li>● Limitations (broken leg, prosthesis), including financial (empty wallet)</li> </ul> |

|  |   |   |
|--|---|---|
| <p>Chosen techniques for conducting essential negotiations</p> | <ul style="list-style-type: none"> <li>● Unveiling a monument,</li> <li>● Showing surprise (successful shock),</li> <li>● Preventing difficult negotiating situations (pat, deadlock, stagnation),</li> <li>● Mediation,</li> <li>● Postpone the discussion (let's postpone it for later),</li> <li>● Postponement of negotiations (play against time),</li> <li>● Measure high (ask for much and you will receive a lot, demand more than you expect to get),</li> <li>● The art of giving way,</li> <li>● The technique "use reciprocity",</li> <li>● The "devaluation of concessions" technique,</li> <li>● The technique of "giving concessions"</li> </ul> | <ul style="list-style-type: none"> <li>● To burden the partner with his own problem (cuckoo eggs, hot potato),</li> <li>● Limited power of attorney (higher authority, bound hands),</li> <li>● Wolf in sheep's clothing (Colombo),</li> <li>● Good (sympathetic)/bad (hard) guy (policeman),</li> <li>● Technique of "hawk and pigeon",</li> <li>● Use a weaker partner position (Sell cheap – get a reputation),</li> <li>● Psychological pressure,</li> <li>● The technique of "unexpected behavior",</li> <li>● Indications of the opposite example,</li> <li>● The technique of "distracting the interlocutor's attention",</li> <li>● The technique of "influencing the subconscious of the interlocutor by distracting attention",</li> <li>● Technique "no, because ... no", Attack on a person or company</li> </ul> |
| <p>Chosen techniques of closing negotiations</p>               | <ul style="list-style-type: none"> <li>● Preventive actions – introduction above of objective, absorption of protest, persuasion for the acceptance of the findings made,</li> <li>● Reduction of dissatisfaction – persuasion to demonstrate the benefits of the findings, modeling dissatisfaction, encouraging the partner to articulate dissatisfaction, Breaks and silence,</li> <li>● The technique of "eating a small spoon",</li> <li>● "Turbocharging" technique,</li> <li>● The technique of "the superiority of the written form over spoken"</li> </ul>   | <ul style="list-style-type: none"> <li>● The technique of "Craow market",</li> <li>● Facts made,</li> <li>● Plucking (something else),</li> <li>● The technique of "withdrawing the offer",</li> <li>● "Jump on the band" technique,</li> <li>● Technique "planned misunderstanding",</li> <li>● Shaking hands,</li> <li>● Dead fish,</li> <li>● Withdrawing the offer,</li> <li>● Technique of "rejection of offers and examination of the price of the final interlocutor"</li> </ul>   |

Source: (Kozina, 2012).

The above table shows that the strategies and techniques used by real estate agencies are currently very numerous at every stage of the transaction. These techniques can be focused on both cooperation (cooperative) and competition (confrontational).

## 4. Conclusion

Negotiations are part of everyday communication, business transactions and national political and economic life. It is believed that almost 80% of commercial transactions take place through negotiations. In contrast to the prices of other products, real estate prices depend not only on the supply and demand index in the market, but also, to a large extent, on the negotiating skills of the parties involved in the transaction: buyers and sellers, property managers, real estate agents, developers and many other. Real estate is very expensive, which is why negotiations on the provisions of the contract (regarding the implementation of management, maintenance, sale or rental, etc.) of real estate must be effective.

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# Chapter 20

## **The Problem of Performance Measuring in the Context of Multidimensional Goals of Non-governmental Organizations<sup>1</sup>**

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*Tomasz Kafel*

### **1. Introduction**

The violent development in the third sector has caused a fast increase of government's expenses on social targets to such a level, on which the ineffectiveness could not be tolerated any more. In a short period of time – especially in Poland – the so far calm non-governmental organizations' environment has become highly turbulent. Because of the speed and the range of the changes the non-governmental organizations have more difficulties in adjusting to the new conditions than even the most conservative enterprises. Limiting only to the activities like the loss elimination (e.g. staff), the excesses liquidation or the abuse prevention is not sufficient any more. The result of these violent changes in the environment is the stronger and stronger pressure put on the non-governmental organizations to emulate the practices of the economic organizations management, especially by application of performance measurement methods. Performance measurement of the non-governmental organizations, which becomes an increasingly strict requirement, especially on the part of donors or of generally understood community (taxpayers), and also because of limited capital, requires determination of measures and indicators specific for non-governmental organizations, both qualitative and quantitative, used to monitor achieved results, implemented goals. It seems that application of these tools may significantly improve the quality of research aiming at evaluation of the actions of non-governmental organizations and that, above all, they might be very useful in determining actions to improve functioning of Polish non-governmental organizations. The purpose of the chapter is to present the assumptions, the specific nature and the conditions for application of performance measurement models and methods in non-governmental organizations.

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## **2. Development of non-governmental organizations in Poland from the perspective of performance measurement**

Commercial enterprises are usually focused on results (*result-driven*), have developed their own profitability models, forecast the scale and the area of demand, examine risks, use model solutions (*benchmarking*) and rarely begin operations without prior calculation of how many they can gain, and how much they can lose. On the other hand, non-governmental organizations focus on action (*action-driven*) and the action is, most often, the object of measurement. In the opinion of B. Juraszek-Kopacz, A. Sienicka and T. Zagrodzka (2008) results should take an equivalent place in relation to the actions themselves, as “qualitative, quantitative and financial results are very important, though not the only elements of the actions undertaken by organizations, proving its effectiveness. [...] only as a result of a complementary analysis of the conducted actions, their direct results and effect on long-term social transformations, decisions should be made regarding the development, modification or resignation from the actions”.

Accession to the European Union and, in particular, implementation of projects financed from the funds of the European Social Fund, has turned out to be an important impulse for the development of methods and techniques of monitoring and evaluating the actions of non-governmental organizations in Poland. Basing on the results of research of the Polish third sector carried out by J. Boczoń (2012), it was assumed that 60% of non-governmental organizations were still in the first phase (*spontaneous charity*) and 25% in the second phase (*building of legal grounds and establishing of cooperation*), and approximately 14% in the third phase, namely in the phase of building of what can be termed as *professional organizations*. On the other hand, the last phase – *full participation in social life* – covers only roughly 1% of non-governmental organizations (Tab. 1).

Table 1. Management of non-governmental organizations in subsequent phases of the development of the 3<sup>rd</sup> sector in Poland after 1989

| <b>Phases of development (and their time frames)</b>                       | <b>Characteristics of transformations in the non-governmental sector</b>  | <b>Selected organizational management characteristics</b>   |
|--|---|---|
| Spontaneous charity (1989–1994)  | <ul style="list-style-type: none"> <li>• dynamic (quantitative) of development of non-governmental organizations</li> <li>• fulfillment of the gap left by withdrawing, previously omnipotent state (large dispersion of actions)</li> <li>• lack of cooperation and precisely defined development directions, not only in contacts with the public sector, but also inside the non-governmental sector</li> <li>• enclave character of public activity</li> <li>• limited competition between non-governmental organizations</li> <li>• uncertainty and risk of operations resulting mostly from imperfections of legislative solutions</li> </ul> | <p>the awareness of the mission as an impulse to act, quick reaction to the needs of the environment, spontaneous gathering of resources and development of competences (lack of planning and coordination), entrepreneurial initiatives (such as: seeking ideas, specifying beneficiaries, forming own “niche”, legalizing activities – registering organization), simple and informal organizational structure (unclear division of tasks and responsibility – everybody does everything), personal supervision (power in hand of the founder and risk of their overloading), large commitment, informal communication, high sense of affiliation and identification with organization, lack of experience and skills of project management, poor cooperation with other non-governmental organizations, public institutions and business</p> |
| Building of legal foundations and establishment of cooperation (1995–1999) | <ul style="list-style-type: none"> <li>• the effective date of a new Constitution of the Republic of Poland, along with the subsidiarity principle (opening to activities of the 3<sup>rd</sup> sector organizations)</li> <li>• commencement of the works on the Act on public benefit activities and on voluntary service and adoption of the Act on public finance</li> <li>• undertaking of joint partner projects with local administration</li> <li>• adoption of the Card of Principles of Operations of Non-governmental Organizations at the 1<sup>st</sup> National Forum of Non-governmental Initiatives in September 1996</li> </ul>    | <p>forming of power system in organizations, formalization of roles, delegation of responsibility, team management, emphasis on innovation, quality and expansion, seeking any support in the environment in order to protect and stabilize growth, coordination of activities, partial centralization, development of functional organizational structure, development of budgeting systems, remuneration; increase in the circle of beneficiaries and seeking support in local government</p>   |

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| <p>Professionalization of non-governmental organizations (2000–2004)</p> | <ul style="list-style-type: none"> <li>• adoption on 24 April 2003 of the Act on public benefit activities and on voluntary service</li> <li>• creation of standards of provided services</li> <li>• application of procedures related especially with cooperation with western grant holders</li> <li>• development of information and communication institutions</li> <li>• establishment in 2001 of the Representation of Polish NGOs in Brussels,</li> <li>• acquisition of property by non-governmental organizations,</li> <li>• stronger and stronger competition between non-governmental organizations</li> </ul>   | <p>management professionalization by using the methods improving efficiency, effectiveness of the organization's activities and, first of all: use of strategic planning methods, results measurement methods, use of evaluation programs, project management, continuous use of benchmarking, improvement in relations with stakeholders, introduction of standards, procedures, ISO, analysis of training needs, introduction of training program, implementation of member programs (work with volunteers, potential members of organization, its beneficiaries, allies, opponents, etc.)</p>   |
| <p>Development towards full participation in social life (from 2005)</p> | <ul style="list-style-type: none"> <li>• adoption of the Act 22 January 2010 on amendment in the Act on public benefit activities and on voluntary service and other acts (where the sphere of public activities was increased from 24 to 33)</li> <li>• functioning of Poland in the structures of the European Union</li> <li>• pursuit of incorporation of non-governmental organizations into the system of functioning of the state, with access to decision-making at every stage and with full access to public funds on equal rights</li> <li>• adoption, during general meeting of the National Federation of Non-Governmental Organizations on 28 May 2010, of the revised Card of Principles of Operations of Non-governmental Organizations</li> </ul> | <p>the use of techniques improving organizational effectiveness on the forum and in public cases, dynamic shaping of the sectoral culture, its mission, spirit of the sectoral community, stimulation of local communities, development by cooperation (networking, consortiums, strategic alliances, licenses and <i>joint ventures</i> with other non-governmental organizations, public institutions as well as business), continuous update of mission and rationalization of goals, expansion of the domain of activities, search for new domains of growth and expansion (diversification), openness to technical cultural innovation, search for new organizational solutions, flexibility of organizational structures</p> |

Source: prepared on the base of (Kafel, 2014; Dawidowska & Boczoń, 2006).

It shows the necessity to put the stress for implementing in Polish non-governmental organizations varied performance measurement models and methods. Preparing these tools may enable next group of Polish non-governmental organizations to enter into the phase of professionalization.

### **3. The multi-dimensional model for measuring the results of non-governmental organizations**

It is difficult to create model tools of assessing results of activity of non-governmental organizations, due to, among others, the multiplicity of organizational forms, a different level of competences of people involved in their functioning, the amount of used financial assets (Bozzo, 2010, pp. 463-472). Many non-governmental organizations control their results using such measures as: number of serviced people, amount of received subsidies, number of members, general costs, and despite being substantial indicators, they do not allow to clearly assess whether an organization indeed pursues its goals, generally defined in the mission, whether it acts effectively and efficiently. In reply to expectations of financing institutions, non-governmental organizations have been specialized mainly in “following the progress of implementation of financial projects, controlling eligibility of expenses and transmitting between budget items, and people still fail to look “across” the organization, in the context of generally adopted strategy and budget of the whole organization, economy principles, internal policy of the organization (remuneration, purchasing of services and goods, etc.)” (Juraszek-Kopacz, Sienicka & Zagrodzka, 2008, p. 16). Using only financial measures (even supplemented by created ad hoc non-financial indicators) by managers of non-governmental organizations does not give the possibility of deepened reflection with all key persons of the organization or of analysis of different aspects of activity of the organization in long-time perspective. Recently, several researchers made efforts to devise methods used for evaluation of the actions of non-governmental organizations which resulted in the development of tools such as:

- “Non-Profit Index” method,
- method of self-assessment and non-governmental organization development,
- Prove and Improve methodology,
- Balanced Scorecard method<sup>2</sup>.

According to Arena, Azzone, Bengo and Calderini (2015) in the performance measurement of non-governmental organizations we can distinguish three approaches:

- synthetic approach, in which assessment is based on synthetic indicators, used to measure created social value (e.g.: SROI, Local Multiplier 3, Gamma Model),
- process approach, based on models that focus on the process of creating (“producing”) social services/products, presenting analysis of actions of a non-governmental organizations (in the context of inputs and outputs) and its impact,
- multi-dimensional approach which incorporates models designed to provide a picture of results of non-governmental organizations in different perspectives/dimensions of their operations, recognized as representative for the operations of the organization.

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<sup>2</sup> A broader description of this method has been presented, among others, by (Kaplan, 2001; Kafel & Ziębicki, 2009).

In order to meet the needs to prepare objective and quantitative methods of measurement of results of actions of the third sector entities, author's solution was proposed, in the form of a multi-dimensional model for measuring the results of non-governmental organizations. Decision on the need to prepare such a tool resulted, first of all, from the assumption that one of basic features of a professional non-governmental organization is the ability to measure their actions, and from the fact that in this respect Polish non-governmental organizations have still much to do. This is indicated by the results of research conducted by Przewłocka, Adamiak and Herbst (2013), pursuant to which, for one third of non-governmental organizations in Poland examined in 2012, measurement of results is still a problem. Confirmation of weaknesses of Polish non-governmental organizations in the sphere of measurement of results is contained also in the research carried out by Domański (2010). He shows that per 200 examined Polish non-governmental organizations as much as 112 could not give or did not give answer to the question concerning the degree of achievement of long-term goals.

Assuming that the introduction of utilitarian measures of assessments – not only moral, but also organizational and economic – will enable learning the mechanism of success and failures of non-governmental organizations, and, as a consequence, ordering and rationalizing the management of so important institutions influencing social life, it was proposed that the model of measuring the results of non-governmental organizations included three basic planes presented.

The first of the proposed planes – *the scope of reference* – is measured by the degree of fulfilling goals of a non-governmental organization with regard to its beneficiaries, target groups and tasks specified in the strategy. It refers to the concept of multi-dimensional goal of a non-governmental organization (Iwankiewicz-Rak, 1997) and requires the definition and examination of the degree of fulfilment of organizational goals with regard to each of stakeholder groups. The starting point here is understanding of the carriers of value – tangible and intangible – having to support building of competences of a non-governmental organization, necessary in ensuring value to all stakeholders.

The second plane is used to measure *the level of execution (implementation of an action)*, namely the progress achieved during the implementation of a non – governmental organization's actions in relation to the assumed goals. It takes account of three dimensions of this progress: effectiveness (measured with the degree of achieving goals or results), efficiency (measured with optimal transformation of resources into results) and execution time. Attention was paid to the need for examination of effectiveness in this type of organizations in broader terms, as the so-called organizational effectiveness, which consists of many dimensions. For each of the proposed dimensions of organizational effectiveness, i.e. dimensions: economic and technical, praxeological, institutional, behavioural and system, appropriate criteria of assessment of organizational effectiveness of the third sector entities were proposed.

The first two of the mentioned planes of the proposed model of measuring the results of a non-governmental organization, i.e. the scope of reference and implementation of organization's action seem to determine the third plane, namely *organizational effectiveness* (which can be identified with *success of a non-governmental organization*). In this case, it is necessary to focus on the level of impact of a non-governmental organization, which can be determined with the use of three criteria: impact (evaluation of changes in the environment that were brought about by the implementation of a non – governmental organization's actions in relation to the assumed development goals), durability of positive changes obtained as a result of implementation of non-governmental organization's actions and development of a non-governmental organization's potential. A key problem becomes the ability to value this impact, namely changes induced by a non-governmental

organization in its environment, therefore a problem of measurement of social added value and social profit must be developed in the further.

## **4. Conclusion**

Managers of non-governmental organizations, who face a problem of measuring their activity, can find, in described model, valuable tool ensuring meeting the expectations they face. Ability to measure activity is presently a feature distinguishing professional non-governmental organizations. Described model allow to look at an organization as a whole, with its full complexity. They also enable diagnosing strengths and weaknesses of the organization and help the organizations determine their own path of institutional development. Finally models and methods like described above enable marking out priorities of change and of the implementation of repair plan, and hence give an opportunity to correct long-term impact of the organization on the community (Jordan & Sekutowicz, 2004, p. 9). We should also remember, that the most important effects of non-governmental organizations' actions are partially immeasurable (Juraszek-Kopacz & Turowicz, 2008) and, as such, are non-obvious for many social groups (e.g. politicians). The essence of human life are non-measurable (uncountable) values such as: interpersonal solidarity, altruism, wisdom, generosity, love, etc. Those values more and more often become measures of the standard of living alternative to the GDP<sup>3</sup>. Unfortunately it happens sometimes that these values are eliminated in the name of the security policy, interests of some industries (nanotechnology, robotics). This does not mean, however, that non-governmental organizations should abandon works leading to finding optimum instruments used to measure the results of their operations. The author express hope that the proposed model may become an inspiration to begin such efforts. At this point, it should be remembered that "a model is always a result of compromise between striving for a faithful and exact projection of reality and the pursuit of simplification, and expresses only some satisfactory (to its author) approximation of reality (Austen et al., 2010). It was created to focus on what is – in the opinion of the author – the most important, and is particularly significant in the process of non-governmental organizations' performance measurement. Substantive assessment and diagnosis of this model's significance will thus require its verification in a given economic reality. Only then it may become a useful tool making it easy for decision makers in a non-governmental organizations to make rational decisions. The presented model may enrich both theory and practice of the process of management of non-governmental organizations, giving managers another instrument for measuring the results. In the opinion of the author, excessive standardization of the tools for measuring the results of non-governmental organizations is not recommended. It is important that this tool provide an opportunity for development of this type of organizations. Multiplicity and diversity in this respect makes it easy for non-governmental organizations to select and adjust methods of measurement to their needs and their specific nature, at the same time contributing to professionalization of non-governmental organizations' actions.

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<sup>3</sup> Defects of GDP as the measure of the standard of living are described in detail by e.g. (Stiglitz, Sen & Fitoussi, 2013). It is a simplified version of the final report of the Commission for Measurement of Economic Efficiency and Social Progress, chaired by J. Stiglitz, created in 2008 by the former President of France Nicolas Sarkozy to indicate PKB constraints and design better measures of the standard of living. Similar actions have been taken e.g. by the government of David Cameron in the UK.

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