



CRACOW  
UNIVERSITY  
OF ECONOMICS



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OF ECONOMICS

# KNOWLEDGE ECONOMY SOCIETY

STRATEGIES, CONCEPTS  
AND INSTRUMENTS OF MANAGEMENT



Edited by

Renata Oczkowska, Andrzej Jaki, Bogusz Mikuła

**KNOWLEGE – ECONOMY – SOCIETY**

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OF MANAGEMENT**



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## **Reviewer**

Marek Jabłoński

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# Introduction

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Changes undergoing in the world economy are posing major challenges for contemporary management. The growth of the significance of knowledge as a source of competitive advantage, the informatisation of business activity and decision-making processes, the dynamic development of network organisations, as well as learning of an organisation as the condition of its development – these are the key phenomena creating the knowledge-based economy. The contemporary economy requires from enterprises to react quickly to changes in the environment, create competitiveness and undertake actions in response to the challenges of the future.

Among challenges which contemporary enterprises are facing, the following are particularly important: the process of learning of an organization, the growing role of human capital as a source of competitive advantage, taking advantage of opportunities created by technologies, the strive for the growth of effectiveness, the necessity to operate in the conditions of constant changes. The new conditionings require the speed of action, flexibility, the ability to learn and high competences of employees. Nowadays, the long-term success of an organisation depends primarily on the innovativeness and creativity of workers, their openness to learning and sharing the acquired knowledge.

When seeking to maintain or improve the competitive position, enterprises should conduct an active policy of conquering new markets, developing products, improving their quality, raising the level of the services provided, and optimising manufacturing costs. Moreover, enterprises have to constantly generate new knowledge, disseminate it within the organisation and transform it into new competences. In the implementation of strategic goals, managers attach more and more weight to intangible resources, namely knowledge, organisational culture, the reputation of a business, product brand or relationship networks.

The key competences of enterprises should definitely include: the capability of the efficient use of the media, the capability of effective communication and cooperation, the ability to learn and share knowledge, the coherence of values and targets, the ability to win and retain talented workers, the skill to operate in a multicultural environment, the capability of shaping close contacts with customers, acquiring information and knowledge from them, and the ability to predict competences which will be needed in the future and supplement them.

Therefore, enterprises should conduct an active market policy, constantly generate new knowledge, disseminate it, and manage resources effectively. Thus, the deliberations included in the presented work are divided into the following, logically interrelated parts:

- I. Market Strategies and Sales Management.
- II. Human Capital and Knowledge Management.
- III. Instruments of Human Resources Management.
- IV. Managing Enterprise Resources – Practical Aspects Based on the Multisectoral Perspective.

**Part One**, entitled *Market Strategies and Sales Management*, comprises articles discussing problems related to the search for new sales markets, adjusting products to more and more varied and individualised customer needs, creating the reputation of an enterprise, product brands or the importance of modern methods of communication of an enterprise with the market.

The articles included in **Part Two** entitled *Human Capital and Knowledge Management* point out that organisations should skilfully shape their human resources, win adequate employees and effectively use their knowledge and skills in achieving the intended goals. These are workers who create organisations, conduct the processes of organisational learning and knowledge management. The tendency to treat employees as a strategic resource in which one should invest is a vital feature of contemporary organisations.

**Part Three**, *Instruments of Human Resources Management*, is made up of papers emphasising that the central problem in the human resources management process is the effectiveness of labour, understood as the effectiveness of achieving aims on various levels of an organisation. Individual activities, such as assessing, remunerating, training should be conducted and controlled from the point of view of the labour effectiveness criterion. Special attention is paid to the significance of employee development. Moreover, the importance of personal marketing, particularly internal PR in managing workers with disabilities, is indicated.

**Part Four** is entitled *Managing Enterprise Resources – Practical Aspects Based on the Multisectoral Perspective*. The articles pay attention to the weight of the effective resource management in building competitive advantage. The transformations taking place in the contemporary economy consist in the growth of the importance of intangible resources, knowledge and information in particular. The significance of human capital, innovation in e-commerce, effective communication or consumer behaviours are especially emphasised. The deliberations are conducted from the perspective of enterprises, public institutions, as well as organisations of the touristic services sector.

This publication is also a part of many years' cooperation conducted between the academic environment of the Faculty of Management at the Cracow University of Economics and the employees and doctoral students of other faculties of the University, with representatives of different Polish academic circles, as well as representatives of foreign academic circles from different countries. This work inscribes into the series of publications under the common title *Knowledge – Economy – Society*, which constitutes one of the effects of this many years' cooperation<sup>1</sup>.

*Renata Oczkowska, Andrzej Jaki, Bogusz Mikula*

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<sup>1</sup> See: *Knowledge – Economy – Society. Challenges of the Contemporary World*, Edited by R. Oczkowska, B. Mikula, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2011; *Knowledge – Economy – Society. Dilemmas of the Contemporary Management*, Edited by A. Malina, R. Oczkowska, T. Rojek, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2012; *Knowledge – Economy – Society. Transfer of Knowledge in the Contemporary Economy*, Edited by P. Lula, B. Mikula, A. Jaki, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2012; *Knowledge – Economy – Society. Global and Regional Challenges of the 21st Century Economy*, Edited by P. Lula, B. Mikula, A. Jaki, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2013; *Knowledge – Economy – Society. Challenges of the Contemporary Management*, Edited by A. Malina, R. Oczkowska, T. Rojek, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2013; *Knowledge – Economy – Society. Dilemmas of the Economic Resources Management*, Edited by R. Oczkowska, G. Śmigieliska, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2014; *Knowledge – Economy – Society. Contemporary tools of Organizational Resources Management*, Edited by P. Lula, T. Rojek, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2014; *Knowledge – Economy – Society. Contemporary Organizations in the Process of Institutional Transformations*, Edited by A. Malina, R. Oczkowska, J. Plichta, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2014; *Knowledge – Economy – Society. Managing Organizations: Concepts and Their Applications*, Edited by A. Jaki, B. Mikula, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2014; *Knowledge – Economy – Society. Problems of Management and Financing Economic Activity*, Edited by R. Oczkowska, G. Śmigieliska, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2014; *Knowledge – Economy – Society. Challenges and Development Trends of Modern Economy, Finance and Information Technology*, Edited by A. Malina, R. Oczkowska, J. Kaczmarek, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2015; *Knowledge – Economy – Society. Challenges of Contemporary Economies in the Face of Global Market Conditions*, Edited by R. Borowiecki, A. Jaki, P. Lula, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2015; *Knowledge – Economy – Society. Reorientation of Paradigms and Concepts of Management in the Contemporary Economy*, Edited by B. Mikula, T. Rojek, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2015 and *Knowledge – Economy – Society. Challenges for Enterprises in Knowledge-Based Economy*, Edited by R. Oczkowska, G. Śmigieliska, Faculty of Management of the Cracow University of Economics – Foundation of the Cracow University of Economics, Cracow 2015.



# **PART I**

## **MARKET STRATEGIES AND SALES MANAGEMENT**







# Chapter 1

## **A Paradigm Triangle in Enterprise Management: Quality, Leadership and ICT<sup>1</sup>**

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*Zora Arsovski, Slavko Arsovski, Igor Milanovic*

### **1. Introduction**

In the digital era, a business world is changing rapidly. A classical forms and approaches are not sufficient for fulfilling a new and very frequent change of needs and environment requests. An enterprise, specially small and medium enterprises (SME) has not enough strength to fight with a new circumstance without significant level of leadership and management oriented to quality and information and communication technologies (ICT). On this way in each SME is necessary to strength “*magic*” triangle leadership-quality-ICT.

Each node in triangle has own structure, relationships among elements of the structure and with environment elements, ontology, etc. According the impact of quality, leadership and ICT, they are as paradigms of enterprise management.

Using process approach is possible to integrate these three paradigms. It is purpose of this article. Enterprise management process consists from sub processes related to overall quality, leadership, management, risk, resources including ICT, change. Also, in each internal process are included process leadership and ICT process support. The goal of the research is to integrate quality, leadership and ICT on enterprise level. This goal has achieved using theoretical and empirical research. Result of theoretical research is to integration model based on contemporary enterprise and processes architecture, methods, techniques, and tools. Empirical research has performed in Serbian enterprises using statistical software. Empirical results of the research have related to: (1) identification relations among paradigms and performances of enterprise management, (2) calculation of correlation among them, and (3) simulation effects on enterprise management performances. Result of this research has proven the basic hypothesis about interrelations among paradigms and business performances.

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<sup>1</sup> The research presented in this paper was supported by the Ministry of Science and Technological Development of the Republic of Serbia, Grant III-44010, Title: Intelligent Systems for Software Product Development and Business Support based on Models.

The article has following structure. After introduction, in second chapter has presented the state-of-art of three analyzed paradigms: *quality*, *leadership*, and *ICT* and business process management approach for their integration in the model for enterprise management. In third chapter are presents modeling approach and hypotheses. The forth chapter deals with statistical analysis of impact of quality, leadership and ICT on business performances, based on sample of 60 SMEs in Serbia. In fifth chapter is presented conclusions related to methodology and conducted research.

## 2. Background

In this article has analyzed references about impact of quality, leadership, ICT leadership, and ICT support on business performance.

A *quality* paradigm has a lot of faces, grouped in four approaches. In the first approach has related to defining the quality. Authors distinguish five definition of quality: (1) the transcendent, (2) product-based, (3) user-based, (4) manufacturing based, and (5) value based.

The transcendent definition has based on distinction of high quality and poor quality, but difference is not clear and in many cases is transcendental, especially in service and knowledge processes (Aikens, 2011).

The product-based approach identifies attributes of product/services that can measure to indicate level of quality (Juran, 1989).

In user-based approach, users determine quality of product/services, based on Juran concept "*fitness for use*" (Juran, 1995). On this way, quality has measured by satisfaction of users/customers (Evans, 2011). Author P. Crosby (1979) described the manufacturing-based approach using term "*conformance to requirements*". This approach has dominantly related to manufacturing processes as value based processes. In next period this definition is upgraded with other business processes and becomes base for BPM (Business Process Management) approach (Becker, 2013; Jeston & Nelis, 2008).

The second approach related to quality is Total Quality (TQ) approach, dominantly expressed through Total Quality Control (TQC) from A. Feigenbaum (1983), Total Quality Management (Oukland, 2004), Business Excellence (BE) and ISO and national quality standards (Foster, 2004). In this approach, quality is more than attribute and level of satisfaction of users. It involves all stakeholders in creation and establishment of the all business process and satisfying their needs and expectations. In new version of ISO management standards, especially ISO 9004:2009 and draft version of ISO 9001:2015 are emphasized roles of leadership, management, knowledge, processes, and performance management. On this way, total quality becomes one of leading paradigm of the digital era.

A third approach has related to quality of life quality of working life, etc.

A fourth approach is related to quality evolution in same specific field and integration with other approaches, as World Class Manufacturing, Lean Design and Manufacturing (Schippe & Swets, 2010), Performance Management (Siviu, Penn & Stoddard, 2008), Strategy Alignment (Pietersen, 2002; Dror, 2008), etc. It is very broad and has possibility to integrate very different aspects and enablers of quality in research.

A *leadership* research did not begin until last century, dominantly attempted to leadership effectiveness. A lot of questions have not answers, especially in new role leadership in digital era. Classical approach and dilemmas related to leadership vs. management, leadership effectiveness, traits and

behaviors of leaders and followers, situation and power-influence approach, as well as integrative approach (Yukl, 2010) are not sufficient. In digital era are emphasized information and knowledge and leadership is viewed as intra-individual process (Fairholm & Fairholm, 2009), dyadic process (Northouse, 2013), group process and organizational process, which are connected using information and communication technologies. In the new circumstances role of leadership in close relation to ICT, as creator of opportunities for supporting a leader vision (Nevo & Wade, 2010).

A level of uncertainty in digital era is higher (Peppard & Ward, 2004) and real SMEs have characteristics of chaotic organizations (McCarter & White, 2013). In this condition, leaders have to provide strategic direction, manage overload and empower people, support networks, provide temporal leadership and be role model. The ICT in SMEs allows to establish virtual leadership for team leaders and individuals and promotion of leadership through intranet and extranet. For it, leaders have to know more than offers about ICT in purpose to support own business processes. A transparency of new leadership activities has impact on leaders and they now are more agreeable, emotionally stable, extraverted, open and conscientious, with expressed of trust feelings of followers and capacity for fostering the trust. An arising number of nodes and partners in chaotic organizations emphasize problems of conflicts and changes.

A leadership role in ICT environment has fulfilled into: (1) strategic leadership generally, (2) ICT leadership, (3) team leadership, and (4) self-leadership.

Strategic leadership has following characteristics:

- Leader is driver of social changes for satisfying authentic needs of followers,
- Leader has to integrate future changes on the basis of past,
- Leader has to balance between short time results and long time vision, and
- A test of leader's skills is successful transformation of organization.

Strategic leadership is sub-process of leadership, which has related to top management. It has to frequently perform roles for achieving transactional and transformational behavior (Vera & Crossan, 2014). Based on research of authors P.Hirtz, S.Murray, and C. Riordan (2007), there is high correlation between quality and leadership. Based on investigation of authors M. Crossan, D.Vera, and L. Nanjad (2008), strategic leaders could improve a firm performance through implementing a strategic change (Carter et al., 2013).

Level of strategic leadership could be measure on different kinds. According the model of author G. Kanji (2008), leadership excellence depend a vision, mission, strategy, and key issues.

ICT leadership has two meanings. For ICT companies this term expressed a position on market of ICT solutions. For other companies, this term means a leadership in using ICT for achieving the vision. The second group of companies is dominant. In this article has analyzed this group of companies.

According authors Laudon & Laudon (2011), ICT leadership dominantly covers following domains:

- ICT vision, mission and goals,
- ICT strategy,
- ICT for business continuity, and
- ICT for support of change.

ICT leadership has structured on three levels, i.e.:

#### *1. Governance level*

- Assessment of leadership role and ICT, and
- Creation of vision in sense how leaders should us information.

## 2. *Top management level*

- Assessment of informational architecture for leadership,
- Creation of ICT strategic plan approved by leaders.

## 3. *Executive level*

- Creation of ICT operational plans and budgets, and
- Measurement of leadership effectiveness.

A critical activity for success of ICT strategic leadership is creating the ICT strategic plan approved by ICT and business leaders.

A team leadership in ICT environment uses opportunity of ICT to establish a high performances teams and leading of the teams using collective group dynamics. A teams with high performances have following characteristics:

- Participative leadership,
- Purpose and vision,
- Task focused,
- Shared responsibilities,
- Innovativeness,
- Problem solving, and
- Communicativeness.

An ICT enables the new working environment for leaders and followers, which is including:

- Virtual exploratory, and interactive environment,
- Support for a mix of live, virtual and interactive environment,
- Learning interface to knowledge bases and management systems,
- Continuous lifelong learning,
- Integration of existing systems,
- High level of collaboration, etc.

According the new role of team leadership, D. Ancona and H. Bresman (2007), defined X-Teams “*with members working outside their boundaries as well as inside them*”. In the concept are included: (1) extensive tiers, (2) expandable tiers, and (3) exchangeable membership.

Authors Y. Yoo and M. Alavi (2004) defined leadership perspectives of emergent leadership in virtual teams. They identified differences in the number and type of e-mail messages between the emergent leaders and members of the groups. They sent task oriented relationship, and technology oriented messages. Number of leaders’ messages is significantly higher then among others while perceived e-mail skill of leaders is on same level. Leaders were in roles of initiator, scheduler, and integrator.

Authors K. Hauschildt and U. Kondradt (2012), investigated the effect of self-leadership on work role performance in teams. Using self-leadership theory, authors C.P. Neck and J.D. Haugthon (2006) are described three self-leadership strategies. The first as behavior focused strategies based on self-observation, self-goal setting, self-reward, self-punishment, and self-cueing. The second strategy of self-leadership described a management cognitive processes and influence thinking patterns through self-analysis, imaging positive outcomes and positive self-talk. The third category covers natural reward strategies with focusing on the existing pleasant aspects of the work or by introduction of more enjoyable features of the tasks. Through empirical research, they proved that:

- Individual self-leadership leads to higher level of individual task behavior,
- High task interdependence leads to a stronger relationship and team member performance,

- Individual self-leadership of team members leads to a greater occurrence of team member proficiency,
  - Individual self-leadership of team members leads to a greater occurrence of team member adaptively,
  - In relation to team member proficiency, adaptively and proactively, low collectivism orientation has expected to lead to a stronger relationship between self-leadership and performance.
- In ICT environment, self-leadership becomes more important because, members of SME or partner become self-leader with high potential to express their leadership strength.

*An ICT support* in digital era practically emerging every day in purpose of:

- Doing things faster,
- Doing things better,
- Doing things smarter, and
- Doing things cheaper.

An impact of ICT on competitive forces in digital era becomes higher because:

- Competition in price, product distribution and services,
- Increased capacity utilization in industry, reduced costs,
- Reduced lead time,
- Better customer relationship management,
- High quality and business excellence,
- High agility,
- High resilience, etc.

An ICT support in digital era has gone through many radical changes in area of hardware, software, and communications (Valacich & Schneider, 2012). For purpose of analyzing an ICT support as process, authors considered four aspects:

- Information quality,
- Quality of ICT systems,
- Quality of services, and
- ICT security.

An information quality refers on output quality of ICT in SME. Using appropriate ISO standards (ISO 20000-1:2010) on regular basis and according procedures a quality engineers assess: content, availability, accuracy, timelines, conciseness, convenience, accessibility, and other quality characteristics of information for internal and external communications (Arsovski et al., 2009; Arsovski et al., 2012).

A quality of ICT system is more technologically oriented aspect of ICT support. It consists from: reliability easy of use, accessibility, usefulness, flexibility, resilience, openness and level of support of ICT to leadership and management processes.

A quality of services based on ICT dominantly is oriented to external services. It is consists from availability of services, speed of delivery of services, etc.

An ICT security of ICT support has managerial and technological aspects. Managerial aspects are oriented with procedures for security enhancing, using appropriate standards as ISO 27001. Technological aspects have connected with new security technologies.

Authors J. Jeston and J. Nelis (2008), defined *process leadership* with following key elements:

- (1) Top level with executives offices, who are responsible for the delivery of the strategic objectives of organizations,

- (2) Middle level with whose responsibilities are to run the business operations (business as usual),
- (3) Team level with operational team leaders, who are responsible for running the business day-to-day and project activities, and
- (4) People in organizations, and vendors of client organizations.

Process leadership has two dominant faces: (1) transformational and (2) transactional. Process leaders have to express, support, and motivate for:

- trust in leadership,
- trust and communication,
- business process awareness,
- process innovation, and
- promoting the “*right*” managers.

Process leaders are responsible to process governance with their:

- roles and responsibilities,
- roles selection,
- process management controls, and
- business case.

A process performance in this concept of process leadership achieved in eight steps:

Step 1: increasing the awareness of business process management,

Step 2: reward determination and establishment,

Step 3: understanding process responsibility,

Step 4: process measuring,

Step 5: monitoring the performances,

Step 6: managing the processes,

Step 7: continuous improving the process, and

Step 8: communicating the processes and leaders.

*A business process management* as system supported by ICT has three components:

- Business process box,
- Business activity monitoring, and
- Business intelligence.

A business process box consists from:

- Process modeling and design,
- Process simulation,
- Process engine (workflow),
- Business rules engine,
- Document management, and
- Integration of processes with environment.

Architecture of process is interrelated to business architecture, service oriented architecture (SOA) and information architecture.

In BPM approach are integrated:

- business management,
- quality control, six sigma, lean, and
- ICT approaches.

Based on it are developed Capability maturity model (CMM) which is base for standard ISO 9004:2009, and business process reengineering using CASE and process modeling tools, expert

systems and business intelligence (Siviu, Penn & Stoddard, 2008). Impact of ICT has demonstrated through value nets across processes and activities with defining and obtaining leadership roles related to values.

Six core elements of BPM are: strategic alignment, governance, methods, ICT, people, and culture.

The impact of ICT on processes covers:

- process design and modeling,
- process implementation and execution,
- process monitoring and control,
- process improvement and innovation, and
- process, program and project management.

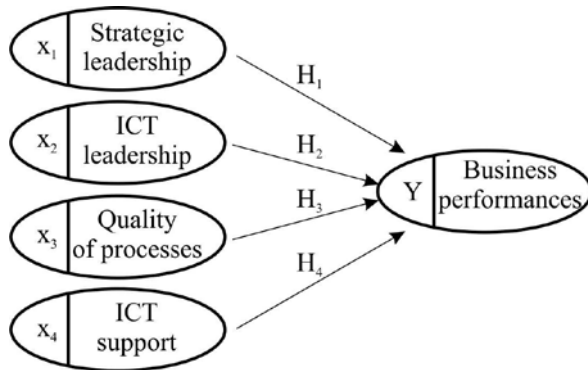
An ICT in SMEs is base for collaboration process modeling, process choices, or making decision about processes. Process leaders align process objectives and motivate process managers and individuals for its achievement using intranet.

### 3. Modeling approach

After analyzing referent literature presented in previous chapter, as well as other (Arsovski, 2013), is possible to state following hypotheses:

- $H_1$ : level of strategic (general) leadership has significant impact on business performances.
  - $H_2$ : level of ICT leadership has significant impact on business performances.
  - $H_3$ : level of quality of process has significant impact on business performances, and
  - $H_4$ : level of ICT support has significant impact on business performances.
- Based on stated hypotheses is formed base model (Fig. 1).

Figure 1. Base model



Source: own elaboration.

In the base model strategic leadership, ( $x_1$ ) assessed by metrics, on scale of 1-10, i.e.:  
 $x_{11}$ : level of transformational leadership,  
 $x_{12}$ : level of transactional leadership,



$x_{13}$ : level of communication leadership, and

$x_{14}$ : level of participation leadership.

Weights of  $x_{11}$ ,  $x_{12}$ ,  $x_{13}$ , and  $x_{14}$  are defined using expert assessment for the sample of SMEs.

The level of ICT leadership ( $x_2$ ) assessed by metrics, on scale 1-10 by:

$x_{21}$ : ICT vision, mission and goals,

$x_{22}$ : ICT strategy development and alignment,

$x_{23}$ : using ICT for business continuity, communication with stakeholders and ICT development, and

$x_{24}$ : using ICT for change support.

Weights of  $x_{21}$ ,  $x_{22}$ ,  $x_{23}$ , and  $x_{24}$  are defined using expert assessment for the sample of SMEs.

The level of quality of processes in process map assessed according Process Classification Framework (APQC's), i.e.:

*I) Operating processes*

1. Develop vision and strategy (leadership),
2. Develop and manage products and services,
3. Market and sell products and services,
4. Deliver products and services,
5. Manage Customer Service.

*II) Management and support services:*

6. Develop and manage human capital,
7. Manage ICT (ICT support),
8. Manage financial resources,
9. Acquire, Construct, and manage assets,
10. Manage enterprise risk, compliance, and resilience,
11. Manage external relationship, and
12. Develop and manage business capabilities.

For each process in organizations in sample requested persons with responsibility of process owners assess quality level of process. Top management in each organization defines weights of 12 components processes. On this way, for each organization is included weighted value of process quality, i.e.:

$$Q = w_1 * p_1 + w_2 * p_2 + \dots + w_{12} * p_{12} \quad (1)$$

where:

$w_i$  – weight for each component process  $P_i$ ,

$p_i$  – level of process quality ( $i = 1-12$ ) on scale 1-10.

Level of ICT support expresses by:

$x_{41}$ : information quality which consists from: (1) content, (2) availability, (3) accuracy, (4) timeliness, (5) conciseness, (6) convenience, (7) accessibility, and (8) continues and repeated changes.

$x_{42}$ : quality of ICT systems which consists from: (1) reliability, (2) ease of use, (3) accessibility, (4) usefulness, (5) flexibility, (6) resilience, (7) openness, and (8) support to leadership and management processes.

$x_{43}$ : quality of services based on ICT which consists from: (1) availability of service, (2) speed of delivery of services, (3) customized communication, (4) trust, (5) reliability of service

provision, (6) appropriateness of web contents, (7) ease of use of service, and (8) multifunctional websites.

$x_{44}$ : ICT security according ISO 27001.

Depend variable (Y) in the model is business performance, is expressed by:

$Y_1$ : customer satisfaction,

$Y_2$ : economic performances,

$Y_3$ : competitiveness, and

$Y_4$ : sustainability.

For each enterprise top management assess level of  $Y_i$  and weights and on this way is expressed mean value of Y on scale 1-10.

For purpose of proving the hypothesis is conducted research in 154 enterprises in Serbia. The return rate was 39, 5% with sample size was 60 SMEs (Tab. 1).

Table 1. Structure of sample

Business sectors	Number of employees in enterprises					Total
	<10	10-50	50-250	250-500	>500	
Industry	7	14	2	3	2	28
Service	14	5	3	0	1	23
Food	4	4	1	0	0	9
Total	25	23	6	3	3	60

Source: own elaboration.

For statistical analysis is used software SPSS v.21. The hypotheses tested using assessment of coefficient of linear correlations and beta factors related to impact of each independent variable ( $x_i$ ) on depended variable Y.

## 4. Results of research

Using proposed base model are realized calculations of correlations among variables. In Table 2 has presented mean values and standard deviation, with coefficient of variation, which is less than 15%. Also, Cronbach’s alpha is very high for all variables (more than 77%, what is very satisfactory). The coefficients of variation for all variables are less than 15%, what is very significant for further analysis.

Table 2. Statistics for sample

	Mean	Std. Deviation	Cronbach’s alpha
Strategic Leadership	6.8550	.71436	.792
ICT Leadership	6.4083	.74499	.792
Quality of Process	7.3133	.91568	.779
ICT support	5.3300	1.37475	.852
Business performances	7.1167	.55789	.855

Source: own elaboration.

In Table 3 are presented correlations among variables.

Table 3. Correlations among variables

	<b>Strategic Leadership</b>	<b>ICT Leadership</b>	<b>Quality of Process</b>	<b>ICT support</b>	<b>Business performances</b>
Strategic Leadership	1.000	.835	.616	.630	.476
ICT Leadership	.835	1.000	.666	.574	.500
Quality of Process	.616	.666	1.000	.698	.510
ICT support	.630	.574	.698	1.000	.318
Business performances	.476	.500	.510	.318	1.000

Source: own elaboration.

All correlations between Y and  $x_i$  are significant at the 0.01 level or 0.05 level (2-tailed). On this way, authors are proven hypotheses  $H_1$ ,  $H_2$ ,  $H_3$  and  $H_4$ .

In next step is checking the possible collinearity among independent variables (Tab. 4). Value of VIF (Variance Inflation Factor) for each variable is less than 5 what show that among variables  $x_1$ ,  $x_2$ ,  $x_3$  and  $x_4$  is small collinearity.

Table 4. Collinearity statistics

<b>Coefficients<sup>a</sup></b>		
<b>Model</b>	<b>Collinearity Statistics</b>	
	<b>Tolerance</b>	<b>VIF</b>
Strategic Leadership	.268	3.725
ICT Leadership	.264	3.788
Quality of Process	.408	2.454
ICT support	.446	2.244

a. Dependent Variable: Business performances

Source: own elaboration.

After this previous research in next step, authors analyzed impact of independent variables on business performances. Impact of strategic leadership on business performance has presented in Table 5.

Table 5. Strategic Leadership impact on business performances

<b>Coefficients<sup>a</sup></b>						
<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
1	(Constant)	4.570	.622		7.352	.000
	Strategic Leadership	.371	.090	.476	4.118	.000

a. Dependent Variable: Business performances

Source: own elaboration.

Value of unstandardized coefficient B is value 0.371, what is very high impact.

Impact of ICT leadership on business performances has presented in Table 6 has also measured by unstandardized coefficient B. It has high value, too (0.374).

Table 6. ICT Leadership impact on Business performances

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		V	Std. Error	Beta		
2	(Constant)	4.717	.549		8.587	.000
	ICT Leadership	.374	.085	.500	4.397	.000

a. Dependent Variable: Business performances  
 Source: own elaboration.

Impact of Quality of Process on Business performance is also high (Tab. 7).

Table 7. Quality of Process impact on Business performances

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	4.846	.507		9.553	.000
	Quality of Process	.310	.069	.510	4.510	.000

a. Dependent Variable: Business performances  
 Source: own elaboration.

In Table 8 has presented impact of ICT support on business performances which is less than in previous cases, but it is still high (0.129).

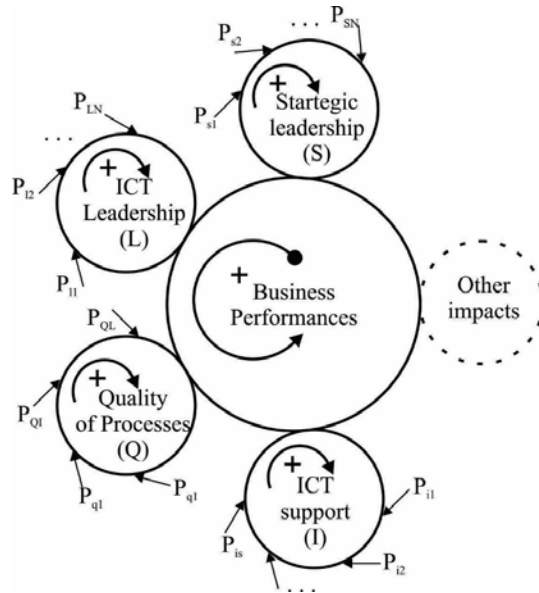
Table 8. ICT support impact on Business performances

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
4	(Constant)	6.430	.278		23.130	.000
	ICT support	.129	.051	.318	2.551	.013

a. Dependent Variable: Business performances  
 Source: own elaboration.

Based on this research is possible to make a model of impact of ICT, quality and leadership on business performances of SMEs. Using an appropriate modeling technique (Sterman, 2000), in Figure 2 is shown base simulation model of business performances QSLIP (Quality, Strategy, Leadership, ICT, Performances).

Figure 2. Structure of QSLIP model



Source: own elaboration.

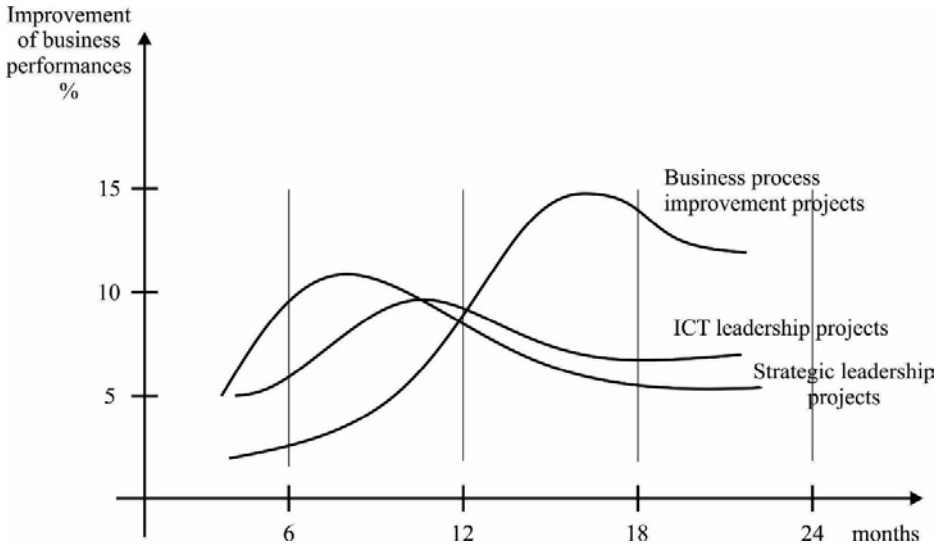
For each impact on business performance, (circle in the model) leadership and managers have to choose appropriate project  $P_i$ , according different techniques and tools, as cost/benefit analysis, genetic algorithm, etc.

Results of research lead to priority of project in leadership area.

The present mean value of strategic leadership is 6.8550 and ICT leadership is 6.4083 on scale 1-10. The gap in relation to competitors is evident and it has been average through short time and middle – time projects.

Based on cost/benefit approach (CBA) authors designed courses for improving a knowledge and skills for different topics and levels of strategic leadership and ICT leadership. Parallel (for medium enterprises) or in next step (for small enterprises) have been develop projects for improving a quality of process. On the same way can plan and realize a project for ICT supporting a processes starting from key processes for each SME. In Figure 3 is shown percentage improvement of business performances through running the QSLIP model in one SME.

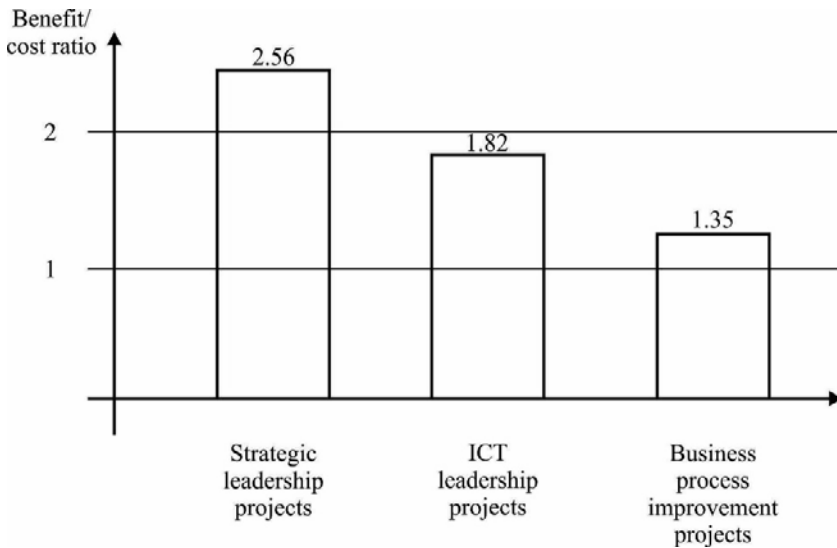
Figure 3. Expected improvements of business performances



Source: own elaboration.

All planned project need budget for realization. In Figure 4 is shown results of cost/benefit analysis for first project year.

Figure 4. Cost Benefit ratio of projects



Source: own elaboration.

In QSLIP model, all influencing factors are “*soft*” and related with people. Because that still in first project year can expect significantly higher benefit than costs for realization of appropriate projects.

Based on previous statistical analysis are proven base hypotheses and is possible to give directions for higher improvement business performances with small investment in selected projects for improving values of  $x_1$ ,  $x_2$ ,  $x_3$  and  $x_4$ .

## 5. Conclusion

A business competition in digital era is quite different. Technology development is very important, but with small investment in “*soft*” factors is possible to enhance significantly a level of business performance. Authors selected four factors: strategic leadership, ICT leadership in SME, quality of process, and ICT support and research on sample of 60 SMEs in Serbia their impact on business performances. The highest impact has ICT leadership ( $x_2$ ), and than strategic leadership ( $x_1$ ), quality of process ( $x_3$ ), and ICT support ( $x_4$ ). These indices priorities of projects for improving present state of variables. Present mean value of ICT leadership is relative small and impact is highest what implies to through appropriate projects to enhance value of ICT leadership. In next step it could realize projects for strategic leadership, quality of processes and ICT support.

An impact of independent variables on business performances is base for design of QSLIP model. Values of variables in the model are dependent variable for each of submodels Q, S, L and I. In submodel quality of processes independent variables can be structured on different kinds. Our approach based on ISO 9004:2009 with assessing the maturity of processes, assessing the gap with competition and using appropriate quality techniques and tools, as well as business intelligence techniques for choice an optimal projects.

Results of research are very indicative and have high potential for implementation on enterprise, cluster, supply chain, and regional level. Instead hard working on production technology, results indicate different approaches: orientation to human being and ICT to overcome quality problems. It emphasizes a need for more information, knowledge, and wisdom, using appropriate ICT solutions.

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# Chapter **2**

## **Determinants of the Choice of a Foreign Market Entry Strategy<sup>1</sup>**

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*Renata Oczkowska, Yulia Khachatryan*

### **1. Introduction**

Looking for and choosing proper foreign market entry strategies are among the most important elements of the decision-making process and strategic solutions of an enterprise internationalizing its activity. To a great extent, taking a proper decision conditions an ability of an enterprise to achieve success in the volatile and complex international environment.

International expansion can take a form of export, non-equity cooperation, and direct investment. Foreign market expansion modes are related to a various degree of the use of equity in the home country or abroad, as well as the implementation of the management process in the country and abroad.

The decisions concerning the choice of an internationalization form depend on a number of factors, primarily the objectives of an enterprise, the access to foreign markets and their attractiveness, and possible directions of improving the market and the competitive position. On the other hand, the possibility to use specific ways of entry is defined by the resources the enterprise has at its disposal, the level of risk and the probability of achieving success, income possible to obtain on a given market, and the level of its control.

The aim of the article is to present and discuss the premises and the criteria of choosing a foreign market entry strategy.

### **2. Forms of foreign market expansion**

In the literature we can come across different classifications of the modes of entering foreign markets by enterprises, based on various criteria. Some of them are particularly emphasized, such as: the scope of the firm equity transfer abroad, the costs of entry, the scale of risk, the identification of chances, etc. For example, H. G. Meissner, L. Berekoven, H. Meffert, J. Boltz, treating foreign market entry as a process, propose “the phase model of the development of internationalization”,

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starting from the simplest forms (foreign trade), through more complex forms (joint ventures), up to the forms characterized by establishing a new, own undertaking abroad (Meissner, 1981, p. 19; Berekoven, 1995, p. 8; Meffert & Boltz, 1994, pp. 118-120).

A different proposal for the classification of enterprise internationalization forms was presented by, for example, E. Kulhavy, C.A. Weiss, B. Titz, assuming the place of production as the leading criterion of the typology (Berndt et al., 1999, p. 128). On its base, they distinguished two groups of foreign market entry modes, defined by production in the country and production abroad.

J. J. Wild, K. L. Wild, J. C. Y. Han (2006, pp. 372-374). use the entry mode notion understood as an institutional form of introducing products, technologies or skills to the market by an enterprise. They distinguished three groups of entry: export, import and barter, contract forms (e.g. licence, franchising agreements, managerial contracts), and equity forms (joint venture and direct investment).

A lot of authors (Root, 1987, p. 5; Meffert & Bolz, 1994, p. 118; Rymarczyk, 1996, pp. 112-119; Gorynia, 2007, p. 35) indicate three basic forms of foreign market entry:

- export of products,
- non-equity and equity alliances,
- direct investment.

It is also possible to propose the classification of foreign market entry mode from the point of view of the character and the scope of the enterprise's cooperation with a foreign partner into:

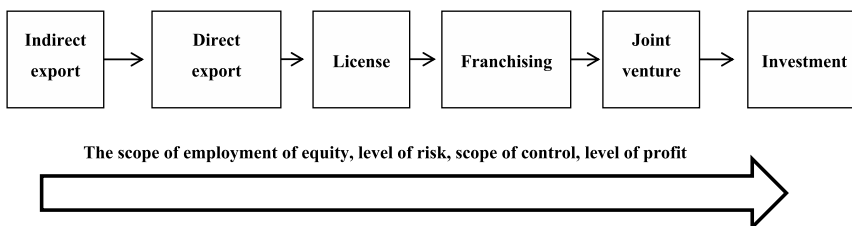
- individual modes (export, foreign branch, manufacturing plant, assembly plant),
- cooperation-based modes: non-equity alliances (the sale of licence, franchising, cooperation agreements), and capital alliances (joint venture).

Still another division of the forms of foreign market entry, by the object of expansion, is proposed in the Polish literature by (Gorczyńska, 2008, pp. 54-55), whereas in foreign literature by, for example, K. Gelbrich and S. Müller (2011, pp. 971-972) distinguishing:

- product expansion forms which comprise purchase/sale transactions referring to goods and services, mainly in the form of export,
- resource expansion forms which consist in the loan or sale of resources, the participating parties transfer resources without joining equities, using non-equity alliances, e.g. license, franchising agreements, managerial contracts,
- equity forms whose essence is the employment of capital in a joint venture, firm acquisition or greenfield investment.

Adopting various forms of foreign market entry is connected with a different level of risk and degree of enterprise control, and well as profit possible to be made (Fig. 1).

Figure 1. Forms of international expansion versus employment of equity, scope of risk, control and potential of profit



Source: (Fonfara et al., 2000, p. 78).

Export is a strategy which employs the capital of an enterprise to a relatively least degree and is related to the least risk. However, it gives a very limited possibility of the undertaking control and ensures relatively low profits.

Non-equity cooperation can take various forms: license, franchising agreements, contract production, managerial contracts or consortium-type investment. They are distinguished by a different level of organizational integration and employment of equity. The choice of the cooperation form depends on whether the firm undertakes cooperation in the supply chain or to implement a joint business goal. The decision also depends on the qualities of the sector and its inclination for external development, the dynamics and specificity of the market or the accessibility of resources. Depending on the form, cooperation is of diverse character as far as the employment of resources, risk or the scope of control are concerned.

A joint venture is related to the division of expenditure and risk between the partners of the venture. Most often, joint ventures are created in the country of one of the partners. In addition to the financial, in-kind or human contribution, the local partner usually offers the knowledge about the market, culture and customs. On the other hand, the foreign partner usually contributes complementary resources, which enables to achieve the synergy effect. This case involves the division of risk but also profit between the partners of joint venture. The capabilities of controlling a joint venture are relatively big, yet they depend on the share structure.

Conducting independent business activity with the use of direct investment is of a different character. It constitutes the most advanced form of international expansion which requires to incur large capital expenditure and is connected with big risk, but, on the other hand, which creates the biggest possibilities to control the undertaking, generate the above average profits and achieve international success.

The most frequent form of international expansion of enterprises is export and direct investment. However, the growing significance of non-equity internationalization modes is observed.

### **3. The choice of foreign market entry forms**

A synthetic approach to the choice of foreign market expansion forms is proposed by A. Zorska. In her opinion (Zorska, 2002, p. 50), the choice depends on three conditions:

- the assets possessed by the enterprise, which are competitive on a given foreign market,
- capabilities of beneficial combination of the assets with the location values of a given economy,
- capabilities of the most profitable use within one's own organization by making internal transactions and operations.

If the three mentioned conditions are fulfilled, a firm usually undertakes foreign direct investment, if the first two are met, the enterprise involves into cooperation links, and in case of fulfilling just the first condition, export is the form of expansion. The determinants of the choice of foreign market entry mode can be divided taking numerous criteria into consideration. Internal, external and mixed determinants are often presented in the literature of the subject (Tab. 1)<sup>2</sup>.

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<sup>2</sup> Internal and external conditionings, and their role in determining the choice of foreign market entry strategy is also exposed by, for example (Bruns, 2003, p. 125).

Table 1. Determinants of the choice of foreign market entry mode

<b>Internal determinants</b>	investor's international experience	bigger experience fosters more advanced forms of entry
	international diversification of the firm and its products	inclines to choose the forms of entry considering the dissimilarity of markets, e.g. joint venture and acquisitions
	financial situation	more beneficial financial situation fosters more advanced forms of entry
	effectiveness	the return rate or profitability of specific entry modes is different; each option requires an analysis and choosing a variant which is most beneficial economically
<b>External determinants</b>	growth and level of market development	the bigger market, the more advanced entry forms
	competitive situation	the stronger competition, the less risky entry forms
	legal regulations	the most beneficial choice considering legal regulations
	political conditions	lack of political stability discourages more advanced entry forms
<b>External and internal determinants</b>	cultural distance	the bigger cultural distance, the less advanced entry form
	institutional distance	the bigger institutional distance, the less advanced form of entry or greenfield
	the costs of new technology transfer	low costs of technology transfer conduce direct investment

Source: own study based on (Gorynia, 2005, pp. 51-58).

Generally, we can claim that the stronger the competitive assets of an enterprise are and the more attractive a foreign market is, the stronger enterprise's motives for the choice of the entry strategy requiring bigger employment of resources abroad. Theoretical considerations and empirical research indicate that gradual involvement into foreign activity is a frequently occurring sequence. The model of the gradual growth of involvement into foreign expansion assumes that an enterprise, as it is obtaining knowledge about the market, increases the employment of its resources on foreign markets (Oczkowska, 2013, pp. 81-87).

The strategic orientation chosen by a firm also performs an important role in taking decisions about the form of foreign market entry. In case of ethnocentric orientation, the only form of expansion is export, whereas polycentric orientation inclines to choose a joint venture or local firm acquisitions.

Moreover, also enterprise financial resources are important. Better financial situation conduces decisions about choosing more advanced forms of entry.

When making a choice of the foreign market expansion mode, the key criterion should be the criterion of effectiveness which can take the form of profitability (of turnover, capital,

assets) rate, return rate or the return period. In this approach, the best entry strategy is the one which will ensure the maximization of the adopted measure of effectiveness<sup>3</sup>.

Out of the external conditionings, the size, the dynamics and the potential of a foreign market are the basic factors determining the choice of foreign market entry strategy. The bigger potential of a given market, the more prone an enterprise will be to undertake the advanced entry forms. Moreover, the maturity of the market is also a determinant of the choice of the international expansion form. Emerging and developing markets conduce the use of the local distribution cells, contract manufacturing, or possibly the establishment of joint venture companies. Strategies of entering mature markets are mainly joint ventures and direct investment. Enterprises are also willing to choose smaller and less dynamic markets if they have beneficial location, e.g. the markets of neighboring countries with a small mental distance. Licence contracts enable to choose less absorptive and remote markets.

The choice of entering a given foreign market entry form is also determined by legal regulations. Tariffs, quotas, licences regulating turnover with foreign countries, the procedures of product admission to trading on the local market, charges and taxes, regulations concerning direct investment may decide about the choice of an expansion form. If the market is protected against the competition of foreign goods by means of tariffs and quantity restrictions, it may bring about the choice of an expansion form different than export, e.g. contract manufacturing or the sale of a licence. The introduction of preferences for foreign investors, for example tax holidays, may incline to choose direct investment.

When taking a decision about the international expansion mode, an enterprise should take into account a set of determinants defined as cultural differences. They may be a cause of numerous misunderstandings in conducting a business activity. Due to that, the cultural proximity between the home market and the host country market can foster direct investment.

The choice of the international expansion form may depend on the specific character of the sector in which an enterprise is going to invest. It is possible to indicate premises which prompt to choose among a greenfield investment, a joint venture and an acquisition.

Greenfield investments are preferred when: the production process is labor-intensive, an investing firm and its products are widely known on a given foreign market, and if the costs of the acquired business restructuring turned out to be higher than establishing a new business, or if disordered ownership relations could be an impediment in acquiring the enterprise.

A joint venture company is recommended for a foreign investor for which undertaking a greenfield investment is non-economical or too risky, and the combination of resources and partners' capabilities will enable to achieve competitive advantage.

On the other hand, the form of acquisition is beneficial when the acquired firm belongs to an asset-intensive industry, or a local producer has a high market share, a well-known brand, well developed supply and distribution network.

The report of the United Nations Conference on Trade and Development – UNCTAD 2012, stresses the growing significance of non-equity forms of expansion. The report presents the determinants which incline to choose non-equity forms of cooperation and direct investment (Tab. 2). The summary considers mainly external determinants: local policy, i.e. the conditionings

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<sup>3</sup> M. Gorynia presents the methods of choosing the forms of foreign market entry based on economic calculation (Gorynia, 2007, p. 151).

of the political and legal environment, the promotion of business, i.e. facilities for a potential foreign investor and economic indicators referring to the size and the structure of a foreign market, as well as cost and effectiveness related motives which may incline to expand in the form of non-equity cooperation or direct investment.

Table 2. Determinants of the choice of non-equity cooperation and direct investment

<b>Important for non-equity cooperation and direct investment</b>	<b>More important for direct investment</b>	<b>More important for non-equity cooperation</b>
<b>Local policy</b>		
Economic, political and social stability Competition strategy Trade development strategy Tax strategy	Principles of entry and activity Attitude to foreign investors International agreements on investing	Stable regulations and contract law Legal regulations concerning non-equity agreements, licences or franchising Protection of intellectual property
<b>Promotion of business</b>		
Reduction of costs of, for example, conducting activity	Promoting investment Reliefs for investors Providing after-sales services Providing social benefits (e.g. quality of life)	The activities promoting business focused on: modernization of technological, quality and efficiency standards in local firms development of business, support for local entrepreneurship subsidies, tax reliefs for start-ups improving the level of knowledge on non-equity cooperation support for the improvement of work conditions in local firms
<b>General economic conditions</b>		
Infrastructure Market size and dynamics GDP per citizen Access to regional and global markets Local preferences of buyers Access to raw materials Access to cheap workforce Access to skilled workforce Relative costs and productivity of resources/assets Other costs – of transport, communication, energy	Access to strategic assets: technologies and intellectual property strategic infrastructure	Presence of reliable local entrepreneurs and business partners  Access to local capital

Source: (World Investment Report, 2011, p. 145).

In case of non-equity cooperation, stable trade and contract legislation take on special significance, because the effectiveness of a chosen entry strategy may depend on detailed parameters of licence, franchising agreements or contract production. More and more importance is also

attached to the protection of intellectual property. The promotion of business performs an important role, too. Governments encourage to undertake not only foreign direct investment, but also non-equity cooperation<sup>4</sup>.

In economic conditionings for non-equity cooperation, the key role is performed by the presence of reliable and talented local entrepreneurs and business partners. The main premises fostering the development of non-equity forms of international expansion are presented in Table 3.

Table 3. The main advantages and factors fostering the development of non-equity forms of international expansion

<b>Benefits coming from the use of non-equity forms of international expansion</b>	<b>Factors fostering the development of non-equity forms</b>
Low initial investment expenditure	Attaching more and more importance to an increase in profits from the equity employed  The growth of the level of capital expenditure necessary for the development of production and entering new markets
Limited risk – shared with the partner and resulting from little employment of equity	Tendency to limit market and political risk
Flexibility – relative simplicity of withdrawing from the contract with the foreign partner	The growth of the awareness of turbulent environment and the necessity to predict crises
Leverages for basic competences – a possibility to focus on most important areas of activity	The growing fragmentation of production processes, improvement of intellectual property protection systems Increasing accessibility of specialized partners on emerging markets

Source: (*World Investment Report*, 2011, p. 142).

## 4. Conclusion

A foreign market entry strategy includes the form of entry, the time of entry and the mode of operation on a given market. Looking for and choosing proper expansion strategies is among the most important elements of the decision-making process and strategic solutions of enterprises internationalizing their activity. Taking the right decision within this scope to a great extent conditions the possibility to achieve success by an enterprise in the volatile, complex international environment. The form of foreign market entry is a significant element of the entry strategy

The forms of entering foreign markets differ from each other in the size and scope of the employment of equity, staff and other enterprise resources, location of the goods manufacturing,

<sup>4</sup> For example, the government of Malaysia introduced new regulations on franchising and took actions facilitating entry for transnational enterprises to the local economy. They consist in financial support for those who establish franchising enterprises. The government of Philippines supports the development of offshoring services in the form of call center, in: (*World Investment Report*, 2011).



the level of the incurred risk, the scope of the control of activities on foreign markets, as well as the time horizon of employment and flexibility. Their choice determines numerous factors, first of all, the enterprise competitive assets combined with the location values.

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# Chapter 3

## **Looking for Competitive Advantage of Polish Food Products in German Market. Research Results and Recommendations<sup>1</sup>**

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*Grażyna Śmigielaska, Aleksandra Grzesiuk*

### **1. Introduction**

The problems of national competitiveness is very hot. Countries strive to get significant position in competitiveness rankings e.g. The Global Competitiveness Ranking and The World Competitiveness Rankings. Finding own place in global economy is a challenge especially for emerging markets (Raluca, 2011; Pillania, 2009).

For many years countries like Poland, Hungary, Czech Republic, Romania and the others from so called Eastern Block have been economically isolated and now they face the global competition. They have to learn how to do it and how to turn weaknesses into strengths and threats into opportunities. Studies are conveyed to find the products which could compete successfully on international market, also agricultural products (Fertő & Hubbard, 2001).

The idea of the paper is to show that agricultural products could be such an opportunity for Poland. The fact that Polish agricultural economy has never been intensive is an strength now due to the fact that customers are looking for the natural products. But in nowadays economy having good product is not enough. There is necessary to know which exactly features are important for the customers to develop marketing campaign which will position the products by these features. So the marketing research are needed if not to waste public money.

### **2. Agriculture in rising Poland competitiveness**

The theory of developing competitive advantage by the firms could be applied to the countries what has been proposed inter alia by Porter (1990). According to it Poland should define the branches

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and product which could compete successfully in international environment. The question is if agriculture could be such a branch.

In 90. “majority of Poles believe that Polish agro-food trade is competitive on the international markets, not only because of low costs of manufacturing, but also because of special taste, good quality, specific methods of production (e.g., pigs fed with potatoes). Also international trade has a positive influence on the competitiveness of Polish agriculture. It has forced our producers to compete both in domestic and foreign markets. This leads to the improvement of the quality of products, better preparation of products for sale (packaging), and enlargement of the products offered for trade (variety)” (Klank, 1996).

This opinion has been confirmed. Nowadays, although the share of agriculture in GDP is not very big (in 2012 in was 3.5%) it has a significant share in Polish export 12.1% (Tab. 1).

Table 1. Structure of export of selected economies

Structure of exports	Poland	Czech Republic	Hungary	Slovakia	Bulgaria	Romania
Agriculture	12.1	5.5	9.2	5.9	17.2	11.0
Oils and minerals	9.9	5.9	5.6	9.3	32.5	9.7
Industrial products	77.9	88	85.0	84.5	49.2	78.8

Source: (Hausner et al., 2013, p. 29).

In Table 1 Poland is compared to the selected economies having similar international geographical, historical and institutional conditions (Cze, Hun, SVK) and those less wealthy then Poland but quickly closing the development gap (BGR, ROM). It is seen that the agriculture has much large share in Polish export than in the case of Czech Rep., Slovakia and Hungary the closest to Romania having similar structure of export.

Table 2. Food exports by sections (% of total Polish exports) 2005-2012

	2005	2010	2011	2012
Food and live animals	8.8	9.2	9.3	10.3
Beverages and Tobacco	0.6	1.3	1.2	1.3
<i>Total</i>	9.4	10.5	10.5	11.6

Source: (Mały Rocznik Statystyczny Polski, 2013).

In 2012, in terms of value, the sale of cigarettes and poultry, chocolate and cocoa-containing products, beef, pork, flour confectionery and sugar confectionery (biscuits, wafers, etc.), cheese and cottage cheese, fruit juices (especially apple juice) sugar syrup, frozen fruit, smoked fish (especially salmon) and sugar prevailed in Polish food export. The value of exports of these goods accounted for 47% of total sales of agri-food products abroad.

The Polish agriculture products are mainly exported to Germany. In 2012 the total exceeded 3.5 billion EURO<sup>2</sup>. The second important market is Great Britain which in 2012 imported agriculture products for 1.2 mld EURO. The little small import figures had Czech Republic (1.0 mld EURO since 11. 2012) and Russia (1.0 mld EURO). The main export products' groups include: poultry meat, fruit juice (mainly apple juice), processed fish, confectionery, frozen fruits, milk, and the others.

The German food market is heavily dependent on imports; in 2011 Germany imported \$ 58.1 billion of consumer-oriented products. By value, about one fourth came from the Netherlands and France and Italy each had about 10 percent of the import market (Rehder, 2012, p. 2).

The partnership with Germany probably stimulated progress in agriculture production in the region of north-west Poland, because provinces located there have the leading position. The structure of agriculture sector in western part of Poland are important determinant. The average size of agricultural farms is much bigger in western part of Poland then in eastern part. Other elements are: low percentage of land not used for agricultural purposes, comparatively big share of farms bigger than 20 ha agricultural crops (the average in UE is 19.6%) and much higher productivity per employee and from 1 ha (Czudec & Kata, 2013).

Czudec and Kata (2013) found out also that that the well developed regions haven't got much funds from the UE budget. Most of the financial support from the Rural Development Programme (Program Rozwoju Obszarów Wiejskich, PROW), which main goal is to rise competitiveness, went to help the less developed regions located in the South and East of Poland. So this regions which have potential to compete in international markets have to look for the competitive advantage themselves.

However, as the perspective of food export is concerned, the institutional (governmental) support should be presented. The analysis of institutional programs to support the export of Polish food products indicates that the greatest prospects should be associated with fund promotion of agri-food products.

In accordance with the Act of 22 May 2009 on the promotion funds agri-food products, the nine different funds were established (e.g. for the promotion of milk, for the promotion of fruits and vegetables). They aim is to support agricultural marketing, consumption growth and the promotion of agri-food products. To achieve these objectives information and promotion campaigns are to be organized, including programs financed by national and the EU funds. Promotion funds resources are particularly intended to finance the own contribution of professional organizations in the implementation of promotion and information campaigns conducted in the framework of the Agricultural Market Agency mechanism "Support for information and promotion activities" – the aim of such a structure of institutional support for the promotion of food was to achieve the significant multiplication effect of promotional activities.

Individual promotion funds are supplied from the obligatory contributions of food processing companies. Within these funds, the Agricultural Market Agency implements promotional programs for Polish food products abroad. However, these programs were initiated in 2009 and therefore it is difficult to assess their effectiveness, due to the very short period of implementation.

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<sup>2</sup> Read more: *Sukcesy polskiego eksportu artykułów rolno-spożywczych*, Ministerstwo Rolnictwa i Rozwoju Wsi. Retrieved on 12/04/2016, from <http://www.minrol.gov.pl/pol/Ministerstwo/Biuro-Prasowe/Informacje-Prasowe/Sukcesy-polskiego-eksportu-artykulow-rolno-spozywczych>.

However, it should be stressed that the programs for the promotion of products and brands associated with the country of origin should be implemented and coordinated by organizations with high potential like institutions and government agencies or trade associations. Only such a wide-ranging activities, in contrast to the very limited capabilities of individual companies, are the key for market success.

### **3. Perception of Polish food by Germans – results of the research**

The selected comments on the perception of Polish food by the Germans will be presented on the basis of the results of research conducted on the Polish-German border in 2012 (in the region of Mecklenburg-Vorpommern, Germany and the West Pomerania region in Poland).

The Authors put a thesis that competitive advantage based on price is not long-term advantages in food industry. Customers in Germany are looking for the best value. Therefore the Authors argue that there is a need to develop customer oriented products for final users with strong marketing perception. Due to the difficulties with the product and marketing differentiation in food market the Authors put a hypothesis that country of origin effect could be a positive distinctive characteristics of Polish food products exported to Germany.

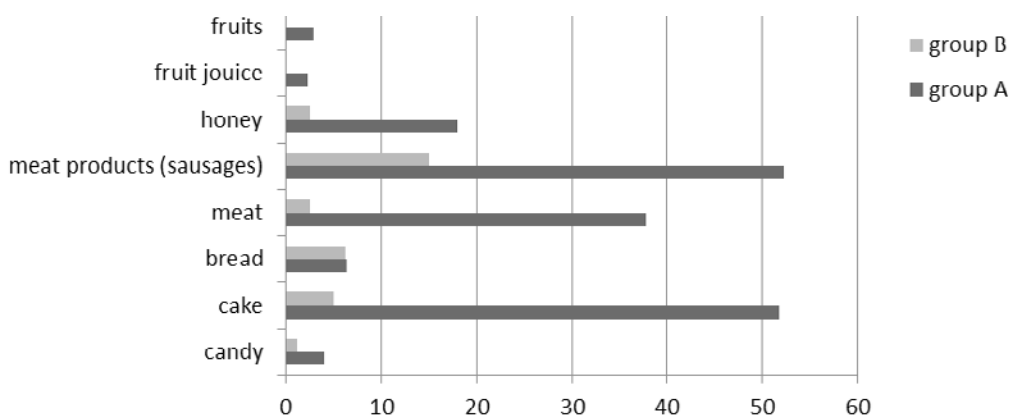
The purpose of the research was to determine the perception of Polish food and catering services among the Germans. The research was exploratory in nature and it has been carried out by questionnaire interview; purposeful selection of the research sample (respondents were only Germans) in Świnoujście and Bansin (Germany). The total number of 120 complete questionnaires was collected in Poland (Świnoujście) and 132 questionnaires in Germany (Bansin). Bansin is a seaside resort town in Germany, on the east coast of Usedom island, about five miles by rail northwest of Świnoujście. Bansin is one of the most popular resorts on the German Baltic coast. which develops a close partnership with nearby resorts in Germany. As a result of this collaboration, a number of cross-border initiatives have been implemented that have developed tourism infrastructure. The examples are: bus line, bicycle and walking lane connecting most important parts of the Świnoujście health resort – that is the city center, the harbor, the seaboard district and the border crossings to German towns of Ahlbeck, Garz and Bansin. The listed projects make cross-border traffic between Świnoujście and nearby towns in Germany intense. Therefore the environment in Świnoujście and Bansin creates favorable conditions for the research project of the presented purposes.

As a result of brainstorming, information gathered during the research was divided into two groups. Group A includes questionnaires collected in Poland and partly questionnaires collected in Germany, the respondents have declared that they were in Poland for at least one day, or at least occasionally (not less than 1 time per year) go for shopping there. Group B includes questionnaires collected in Germany from respondents who have never been in Poland. Finally, in Group A qualified 172 questionnaires and 80 questionnaires were classified in Group B. Analysis of the results of research will be conducted in a cross-sectional groups A and B.

Comparative analysis of the results obtained in Group A and B showed significant differences in the perception of Polish food products (Fig. 1). Respondents from Germany, who had direct contacts with Poland and tested Polish food (group A) clearly associated them with the country of origin: Polish meat products (52.3%), cake (51.7%), alcohol (41.3%), beer (39.5%),

meat (37.8%) and dairy products (32.6%). In the group of respondents who had no contact with Poland (group B), association with any food products characteristic for Poland are much more weaker. First of all, it should be emphasized that in group B one third of respondents were not able to identify any food product associated with Poland. The most frequently mentioned product in this group was alcohol (56.2%). It should be noted that this is a higher proportion than in group A (41.3%). In other categories: meats (15%), beer (8.7%), dairy products (8.7%) also achieved significantly lower scores.

Figure 1. Food products associated with Poland (%)



\*Among the choices respondents did not choose: jam, drinks & beverages (not juices), that were given in the survey  
Source: own study.

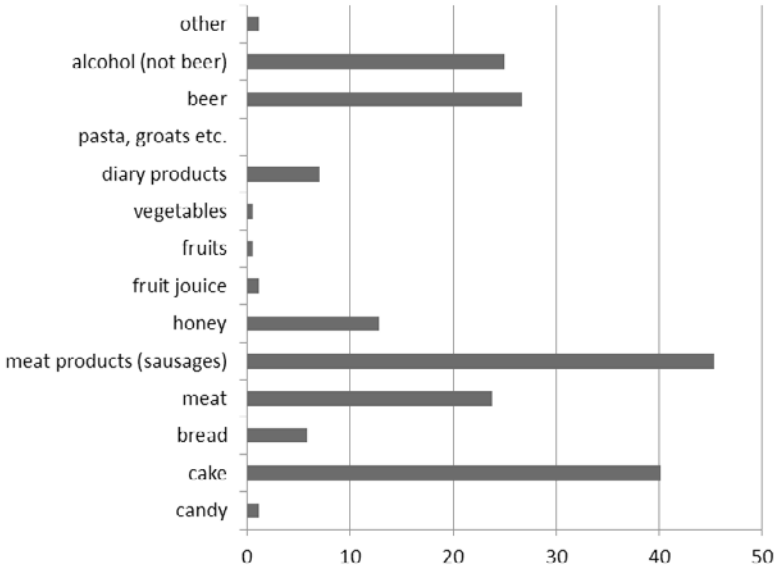
The presented results show that direct contact with the country of origin (in this case – a visit to Poland) had an important impact on the perception of Polish food products.

Perception of Polish food products relates to respondents' declarations as to recommend these products to others (see Fig. 2). Over 45% of respondents who were in Poland and had contact with Polish food products (group A) were inclined to recommend polish sausages, more than 40% – Polish cake, almost 27% – Polish beer.

It has been also found out that the price is an important argument for purchasing food products in Poland. For more than half of the respondents from Germany who declared to buy products in Poland, the purchasing decision was influenced by price (Fig. 3). However, 65% of respondents indicated "taste" as an important argument. The results indicate that there is a clear platform for Polish food positioning on the German market. It should be advertised by stressing "flavor". The arguments "organic/natural" (natural products without preservatives) turned out to be insignificant.

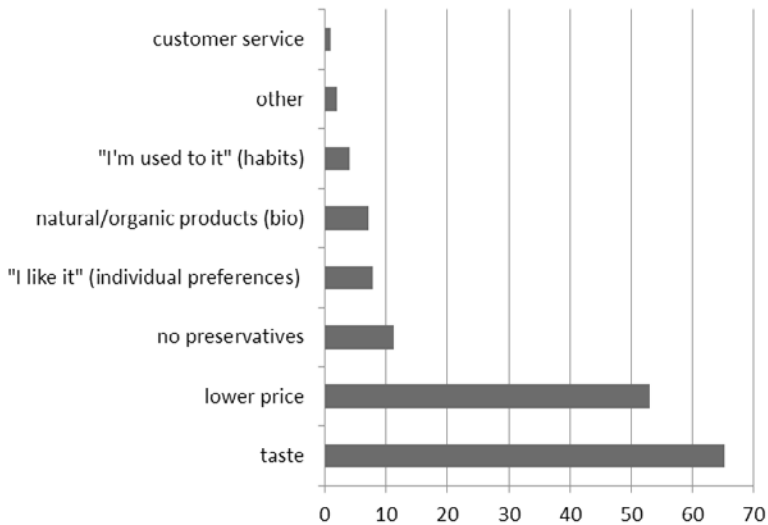
As indicated previously, three-quarters of the respondents who were not in Poland (group B) had problems with an indication of the category of food products associated with Poland. Additionally, the same group of respondents had problems with identification of the attributes of Polish food products (Fig. 4).

Figure 2. Polish foods products that are worth recommendation to other customers (%)



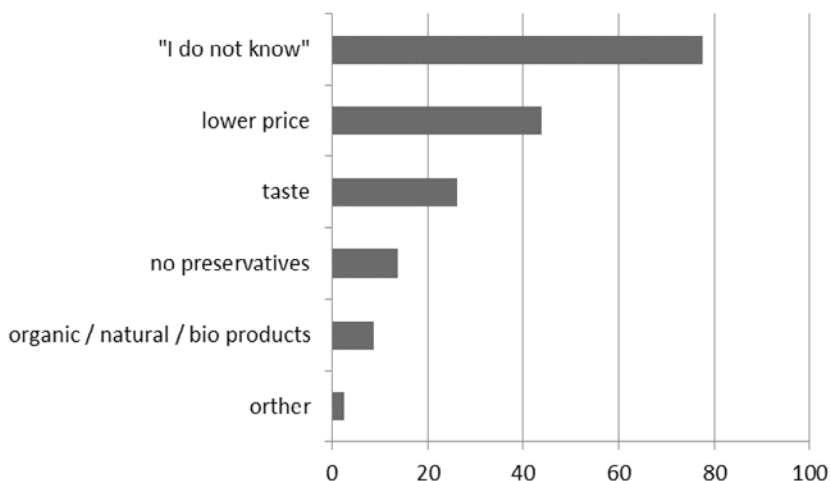
\*Among the choices respondents did not choose: jam, drinks & beverages (not juices), that were given in the survey  
 Source: own study.

Figure 3. Shopping in Poland – the main reasons



\*Among the choices respondents did not choose: long period "best before", that were given in the survey  
 Source: own study.

Figure 4. Attributes of food product in German market



\*Among the choices respondents did not choose: individual preferences, habits, customer service, longer period of "best before" that were given in the survey

Source: own research.

As it is visible on Figure 4 the strongest associations elicited two attributes: price and taste.

## 4. German food market

The German food market is mature and competitive. The food retail sector is fairly consolidated with discounters dominating the market. Food marketing trends in Germany show an increase in demand for convenience, sustainable, health, luxury, private label, and innovative food products (Rehder, 2012).

The most important challenge for Polish export to Germany is companies (Edeka, Schwarz, Aldi, Rewe) whose total share in food market was estimated for 66.2% (Rehder, 2012, p. 3). The major chains face slim margins due to fierce competition in the sector. However, in recent years, the structure of food retail market. Consolidation, market saturation, strong competition and low prices are key characteristics of it. In 2011 the sector was dominated by four large retail there has also been a trend in consumer preference toward smaller grocery formats, including convenience stores, small grocery retailers and independents.

In Germany, the market share for private label products has steadily increased to 40% in recent years. Focused on price, private label food products contributed to the initial success of German discounters. However, that has changed since nowadays there is not only price competitive standard private label products, but also more expensive high quality premium products Consumers are discovering the high value for money that private label brands are offering and how they can be an actual alternative to established brands. Private label market share is expected to increase further, driven by the increase profitability it is giving to retailers.

Private label leaders are supermarket chains like Edeka and Rewe. Discounters have played less of a role in the development of private label sales.



## 5. Promotion of Polish food in Germany – discussion and recommendations

In 2014 year agriculture in Poland generated only 3%<sup>3</sup> but food sector has become dominant sector of Polish economy (its contribution to PKB was 13%). Polish food specialties become one of the priorities of future development of Polish economy. But to be successful on well developed markets like Germany more promotional efforts are necessary. For a time being some general activities towards building Polish brand along with some market research has been taken up by the government but to be really successful more focused research are needed<sup>4</sup>.

The presented research results, due to their exploratory nature and lack of representativeness, should not constitute the sole basis for formulating recommendations for promotional campaigns abroad. However some recommendations can be formulated as directions for in-depth analysis and some guidelines for marketing communication on the German market.

The strongest attributes of Polish food, in the opinion of surveyed Germans are the price and taste. This perception is consistent with the common belief about Polish food (in terms of taste) and objective comparisons on prices. The results do not indicate the importance of arguments: “organic”, “natural”, so they should not play a key role in the promotion of Polish food products on the German market. With the attributes of “taste” and “price” clearly associated are such product group as: sausages and meat (especially beef). The mentioned product group should become the flagship of promotion campaign of Polish food in Germany, and positioning should be based on the attribute “taste”. It should be underlined there are no strong German national brands in these categories, which could become an obstacle for growth.

According to studies on the image of Poles in Germany, some negative stereotypes have been changed over the last years. It may also contribute to positive perception of Polish food products and some kind of openness of Germans for Polish products if the marketing is based on of the country of origin effect (“made in Poland”) (Kucharczyk et al., 2013).

Supporting the promotion of Polish food in the German market can be organized through the support of individual brands or through the coherent and coordinated promotional activities emphasizing the country of origin and promoting positive association with the country.

However decision makers should take into consideration the structure of German food retail market. It is a highly consumer-oriented market and, as mentioned earlier, retailing is dominated by national retail chains with strong position of discounters and private labels. Therefore the creation of a new brand (from the perspective of German market) of food product is extremely cost-intensive, long-term and the final effect is high-risk. The other argument against “new brand” is potential entry barriers because of limited access to the distribution channels.

Therefore, the Authors proposed to concentrate communication and promotional efforts on creating the image of food products from the Poland (the effect of the country of origin). The strategy’s allows creating an umbrella effect and therefore beneficiaries of the strategy could be individual brands.

<sup>3</sup> Read more: *Wilkin o 25-leciu: polskie rolnictwo oplaca się dotować*. Retrieved on 12/04/2016, from [http://wyborcza.pl/1,91446,16068282,Wilkin\\_o\\_25\\_leciu\\_polskie\\_rolnictwo\\_oplaca\\_sie\\_dotowac.html?disableRedirects=true](http://wyborcza.pl/1,91446,16068282,Wilkin_o_25_leciu_polskie_rolnictwo_oplaca_sie_dotowac.html?disableRedirects=true).

<sup>4</sup> Read more: *Promocja eksportu*. Retrieved on 12/04/2016, from <https://www.mr.gov.pl/strony/zadania/wspolpraca-miedzynarodowa/wspolpraca-gospodarcza/promocja-eksportu/>.

It should be underlined the survey clearly indicate that direct contact with Poland could change the perception of Polish food products by the Germans. Therefore, another element of the campaign promoting Polish food in Germany should be recommendations of the average Germans, who visited Poland, tried Polish meat products and recommend their taste.

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# Chapter 4

## Marketing as an Agent of Sustainable Change

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*Marek Seretny*

### 1. Introduction

Today's economy is experiencing serious economic and social problems affecting all citizens of the world, both rich and poor. The earth seems to become insufficient to meet the standards of living that the developed societies expect. Marketing is seen as the cause of many such problems. It contributed to the emergence of the behaviours that should be changed. With its indisputable impact on market development, marketing has a strong influence on degradation, but it can also build positive behaviours of consumers, enterprises, organizations, and entire societies. Understood as a philosophy of action, a way of thinking and doing business, sustainable marketing promotes credibility and responsibility, leading to better consumption, better relationships, and more responsible business, thus influencing the creation of a better world. Sustainable marketing is not just about producing better and cheaper, and refrain from cutting down trees. This is a genuine practical value of doing business, which influences efficiency, inspires creativity, promotes and preserves cooperation. Thanks to balancing the needs of people, global environment and economic development in the long run, sustainable marketing provides businesses and organizations with faith and strength to create "more" while using less funds and resources. On an operational level, sustainable marketing aims to influence customer behaviour and utilise consumer social evolution in order to create positive social change and thus to achieve a new long-term profit. It is also meant to influence what the customer receives – create brands that are part of the commercial and social future. Finally, it is supposed to provide goods and services, through managing in a responsible manner, being open to fair cooperation in marketing communication.

As we are at a critical point in history where growing, financial, environmental and security instabilities suggest a need for reorientation of marketing activities and marketing strategies in order to take into account the concept of sustainability as a new strategic imperative.

This phenomenon has not yet been comprehensively examined in the context of Marketing Management Science, nor is it sufficiently exposed in existing literature.

The purpose of the paper is to highlight the vital role that marketing plays in achieving behavioural change among customers as well as emphasise the changes in marketing practice that are required to help business adopt more sustainable practices. Author would like to introduce concepts and approaches applied in the field of sustainable consumption and production with the emphasis on preventive strategies to reduce their environmental footprint.

The new value represented in the paper is located in introduce discussion on sustainable marketing and its fundamental importance in the development of contemporary marketing theory. To become thoroughly sustainable in our business activities and in lifestyles, marketing will have much to contribute during the coming decade. As marketing aims to allow business to work as efficiently as possible, so sustainable marketing will be well placed to facilitate the transition to more sustainable development and negotiate change between all stakeholders involved on the economic, social and environmental arena.

## 2. Development of marketing environment

Economic development takes place with the active participation of marketing. Without exception, we are all participants in a changing market – every member of society will sooner or later become a consumer. Marketing undoubtedly acts as a stimulus to the development and improvement of living standards (Borland & Paliwoda, 2011).

The problem, which underlines the presented study, arises from analysis of the development of current marketing theory; specifically, that marketing theory and its practice were appropriate in the 80s and 90s and at the beginning of the new millennia now appear to be insufficient to achieve market success. Starting from the 1990s, a growing interest emerged in the relationship between marketing and sustainability theory, in developed markets, indicating that the two areas have a lot to offer to each other (Jones et al., 2008).

The individual concepts of marketing and sustainability are not new; in fact, both have evolved over several decades into drivers of strategy, competitiveness and innovation. It is only recently however, that the term “sustainable marketing” was introduced into the business world and commenced a rapid re-branding of marketing as an industry (Seretny & Seretny, 2012). During the last sixty years marketing has evolved (Fig. 1) – commencing as a product driven approach focused on intensively growing sales (*Marketing 1.0*) to a consumer centric focus (*Marketing 2.0*). Today we are witnessing the emergence of a new era, defined as Marketing 3.0, a value-driven era, where people no longer perceived as a target consumer market base on demographic factor but rather thoughtful and intelligent partners with emotions, feelings and specific spiritual values (Kotler et al., 2010).

The concept of sustainability raised in this paper is understood as the ability of an organization to grow, through responsible activity, in three dimensions: responsible exploitation of Earth’s natural resources, corporate social responsibility, and responsible economic development based on ethical principles (Hunt, 2011). The concept of sustainability is based on the theory of the triple bottom line of sustainability (TBL) (Elkington, 2010). The essence of the triple bottom line is that the achievement and success of a company can and should be measured not only by traditional methods of financial profits, but also consider or account for social and environmental outcomes (Fig. 2). It should be stressed that sustainability has already emerged as a key element shaping today’s marketing and therefore justifies further analysis of this vital topic.

Businesspeople and managers’ approaches to the marketing philosophy reflect the level of their business maturity. The maturity of the company is also reflected in its activities in the field of business responsibility, and in its sustainable development. Such activities are interdisciplinary. There are important economic, historical, cultural and management variables, as well as psychology, philosophy, business ethics and sociology (Seretny, 2014).

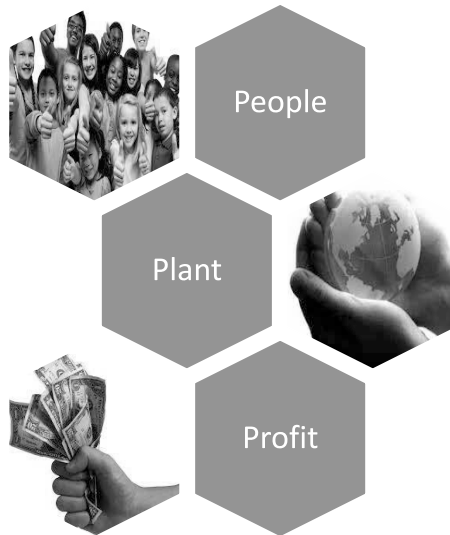
Figure 1. Marketing development



Source: own compilation based on Kotler’s concept of Marketing 3.0.

Now more than ever, the effective functioning of companies has become an important condition of human development. Today’s stage of technological progress and considering the extremely complex global economic structures, it is very important to ensure cooperation between different market stakeholders. This is only possible, provided that all participants in the economic arena, respect the emerging ethical requirements.

Figure 2. Triple Bottom Line of Sustainability



Source: own compilation based on (Slaper, 2011).

In addition, a great variety of business relationships result in adverse effects for consumers linked either directly or indirectly with a given company. As a result of defensive actions undertaken by a diverse group of social and environmental activists and pressure exerted by them, companies are increasingly burdened with responsibilities, with which they are trying to cope in different ways. Interest in the issues of business responsibility for social and environmental impacts is growing steadily, both in the academic as well as the business world.

This interest has also passed into political spheres of various governments. Pioneering work on corporate social responsibility arose in the United States and Australia (Crane & Desmond, 2002). The issue of corporate social responsibility is met with great interest and is developing in the European Union. Engagement has advanced to the point that legal acts have been developed in order to implement a policy of responsibility throughout the EU. Sustainability has become a key objective of the European Union by the Treaty of Amsterdam of 1997, the present legal basis is Articles 11 and 191-193 of the Treaty on the Functioning of the European Union (*Treaty on the Functioning...*, 2012). This is the main tool for defining specific objectives and actions aimed primarily at achieving fully responsible development. Moreover this tool also helps in preparation of appropriate standards is long-term strategies such as the “Strategy for Sustainable Development of the European Union” (2001). Besides Strategies for the Sustainable Development in the EU the issue of sustainability is one of the leading topics of the Lisbon Strategy and its elements can also be found in “Europe 2020”. The strategy “Europe 2020” was developed for the period of 2010-2020 and is Europe’s response to the increasing phenomenon of environmental degradation, social injustice, exclusion of individuals and groups, and emerging new challenges, including, among others, increasing competitiveness of the emerging Asian economies. The document presents a vision of the social market economy, with its main objectives: development that is intelligent, supporting inclusive growth.

On the basis of an analysis of the Polish legal situation, it can be assumed that sustainability, should become a key objective of socio-economic activities of the country.

The Constitution of the Republic of Poland in Article 5 states that: “The Republic of Poland shall safeguard the independence and integrity of its territory and ensure the freedoms and rights of human being and citizen, as well as safety of citizens, safeguard the national heritage and ensure the protection of the environment, guided by the principle of sustainable development”. Reference to the concept of sustainable development occurs in Article 74 of the Constitution in the context of the ecological security and the principles of generational justice and the protection of the environment.

The concept of “sustainability”, is broadly defined in the legislation protecting the environment, the most important among others is: The Environmental Protection Act of 27 April 2001 (with later amendments). Another law, in which the concept of “sustainable development” is present, is the Act of 27 March 2003 on spatial planning and development. From the point of view of implementation, the concept of sustainable development occurs in the Act of 6 December 2006, the principles of development policy.

An important role in shaping the goals and priorities for the long-term sustainable development of the country, was played by the “National Development Strategy 2007-2015” (2006). This is a planning document, specifying the conditions, objectives and directions of socio-economic development and land-use directions which take into account the principle of sustainable development.

The Strategy for the Sustainable Development of Poland up-to 2025 specifies the correlations and dependencies. It also points out directions and limitations as follows:

- create the necessary legal basis for the rational management of renewable and non-renewable natural resources, and to protect the environment against the economic pressure caused by human activities,
- the creation of institutional environmental management systems at central, regional and local level, to monitor the implementation of the law,
- economic measures in the environment, based on the principle of the “user and polluter-pays” principle and the “double benefit” (win-win strategy),
- the creation of effective institutions for financing environmental protection – not only limited to financing protection, but also sustainable development,
- significant reduction in the quantity and quality of pollutants released into the environment resulting in a noticeable improvement in its condition,
- a significant increase in environmental awareness among the public and the creation of a legal framework for public participation in the processes of environmental management.

It can be argued that we are witnessing the formation of a new society, integrated by globalization, technological developments and the emergence of new communication opportunities around economic and social objectives in which the global corporation operating locally, becomes a symbol of our times and leading it are people – a symbol of managerial capitalism (Seretny & Seretny, 2012). Any person involved in management of the economic, social and political activities, whether they want to or not, is responsible for the impact that the organization has on the outside world. As such, the managerial task of predicting effects of their actions on social, economic and environmental realities is critically important. Managers should use clear criteria to evaluate whether they actually practice socially responsible business as well as understand the relevance of its significance. The success of organizations and continuous customer satisfaction, are known to be associated with the maintenance of high standards of conduct.

Unfortunately, despite the existing legal and social pressures to maintain sustainable business models many Corporates are the cause of social, environmental and economic problems. It can be argued that this has led to a crisis in the global economy of a magnitude unprecedented in the history of capitalism. This is a consequence of an existing business philosophy that sees market activity narrowly, primarily through the prism of financial performance and growth, at the expense of society – not for the benefit of society. Although financial outcomes are an important element of market activity; financial gain should be a consequence of consumer need fulfilment as opposed to being the main objective of the business model (Porter & Kramer, 2011).

This situation notes that businesses organizations and especially their leaders must rebuild relationships and trust with all participants, by proposing a new business model. The basis for such a model should become a responsible perspective on how to meet the current needs of consumers, and at the same time keep or even increase the business’s ability to meet the needs and desires of wider society and its future generations.

Referring also to the perspective of the European Commission, it is important that social responsibility has become an integral part of the European management practice. This in turn requires changes in the way we manage organizations and calls for a new marketing management skills (Niestrój, 2009). This approach requires as it seems, changes in values and perception, not only for those employed within the company, but those functioning in its environment. All stakeholders especially consumers, must pay closer attention to the responsible consumption, which is seen as a key aspect in the development of a sustainable society (Golka, 2004).



### 3. Marketing for sustainability

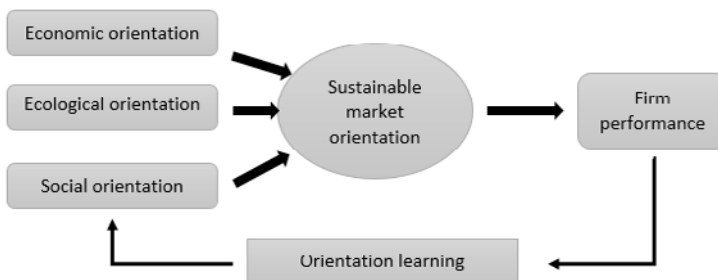
The discipline of marketing should not ignore the challenge of sustainability but embrace it, after all, a true marketer does not see difficulties but opportunities (Emery, 2012). The era of sustainability has arrived – now we have to drive it fully through our economic system. To do so marketing has to evolve to take into consideration the full environmental and social responsibilities. This shift will require nothing less than complete change of mind-set.

If we are going to live in sustainable way, almost everything we know and take for granted will experience some change. Particularly as customers we have to change our lifestyles from the way of treating our planet to the way we consume goods, from the way we consume the energy to the way we obtain our food. Marketing as an agent of change plays the vital role in achieving behavioural change among customers as well as emphasising the changes in marketing practice required to help business adopt more sustainable practices.

Classic business economic drivers call for maximizing profit and shareholder returns through efficient management of resources and competitive marketing that is responsive to customer needs. A reconceptualization of the Market Orientation (MO) paradigm offers potential to achieve greater alignment of long-term commercial performance with the interests of a wider range of stakeholders including latent or potential customers and communities. Interesting proposition for the reformulation of Market Orientation lies in a synthesis of market orientation, macro-marketing, corporate social responsibility, and sustainable development management concepts as Sustainable Market Orientation (SMO) (Mitchel et al., 2010). By adopting an SMO, corporate management will move beyond a conventional concentration on microeconomic and functional management prescribed by MO. Authors suggest that SMO may be conceptualized as having four components: objectives, strategies, processes, and benefits. It is institutional marketing management where the firm uses sustainable management principles to:

- anticipate and meet customer needs through the effective integration of comprehensive environmental intelligence with operational and marketing systems,
- apply profitable, socially and environmentally responsible value systems,
- generate positive, long-run outcomes in economic, social, and environmental terms that are acceptable for primary stakeholders who derive direct financial benefits from firms and secondary stakeholders who gain indirect economic, social, and environmental benefits.

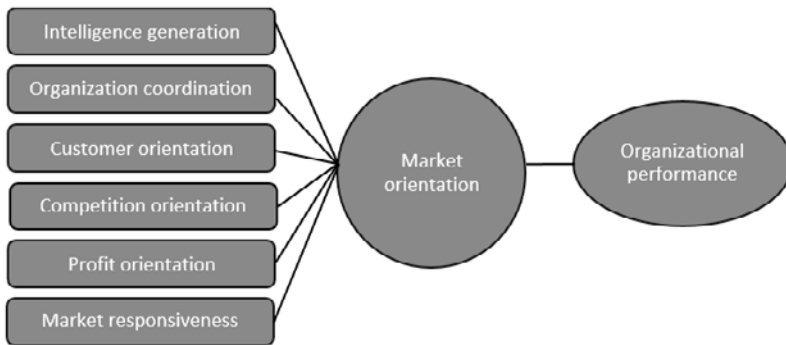
Figure 3. Antecedents and consequences of Sustainable Market Orientation



Source: own compilation based on (Mitchel et al., 2010, p. 161).

The model of corporate SMO (Fig. 3) provides for a more comprehensive, stakeholder-based approach to corporate management than the widely accepted model of MO (Fig. 4). SMO combines the principles of market orientation with a macro-marketing systems management approach, a stakeholder approach to integrating corporate social responsibility and marketing strategy, and use of the sustainability management concept proposed in the report of United Nations' World Commission on Environment and Development (Brundtland Commission) to balance corporate economic, social, and environmental governance.

Figure 4. Model of market orientation



Source: own compilation based on (Mitchel et al., 2010, p. 161).

To implement Sustainable Market Orientation there is a need to build business models based on the cooperation between the company, market environment and society in which mutuality and interdependence in networks is fundamental to the effective management of relationships between an organization and its stakeholders.

Confronted with the principles of corporate social responsibility managers, business leaders and entrepreneurs are faced with important questions; how to combine the moral values underlying responsible actions with questionable everyday business? How to strike values with the reality and make sure that they will not remain a dead letter of the law?

The interdisciplinary nature of the modern theory of sustainable marketing fits with the challenges posed by the business responsibility. As a response to the needs for the successful implementation of sustainable marketing assumptions, the Model of Sustainable Marketing (MSM), has been developed, understood as a simplified representation of a complex business situation (Fig. 5). The Model supports business and social relationships in aspects of responsibility and competitiveness. The role of the proposed Model of Sustainable Marketing, as a representation of the process of modern marketing management is to influence the behaviour of customers (in terms of sustainable consumption) in order to create positive social change through which a company will be able to achieve profit. It also has influence on what the customer perceives through the creation of a brand which is a part of the commercial reality – but also part of the social reality. Finally, by changing the attitude of management and staff, the Model affects the delivery of goods and services and encourages a responsible and open interaction with customers through a fair and ethical process of marketing communication. It is a proposition that supports the creation of optimal conditions for the development of environmentally friendly, responsible, innovative and competitive business.

Figure 5. Model of Sustainable Marketing



Source: own elaboration.

By using Model of Sustainable Marketing the practice of conventional marketing will have a chance to re-evaluate and alter accordingly – that all human activity is dependent on the existence of the natural capital provided by the planet and acknowledges that long-term sustainable economic viability only results from both environmental stability and social equity. The sustainable marketing paradigm aims to address this challenges. When defining sustainable marketing which is a framework for MSM it is important to understand its all-encompassing nature form strategy to tactics and implementation, viewing the business as whole from one single objective: to become as sustainable as possible, socially, environmentally and economically. Sustainable marketing therefore can be defined in the following terms:

“Sustainable marketing is a holistic approach whose aim is to insure that marketing strategies and tactics are specifically design to secure a socially equitable, environmentally friendly and economically fair and viable business for the benefit of current and future generations of customers, employees and society as whole” (Emery, 2012, p. 24).

However, it is important to note that sustainable marketing is much broader than and it also performs a role beyond the purely business orientation. Sustainable marketing acts as an agent of change within society. Society in general needs to re-evaluate its relationship with consumption and re-address consumption-driven lifestyles. Educating, persuading and convincing society of the need to adopt ne habits such as recycling, shopping for seasonal local food products, reducing food waste, composting, collecting rainwater, reducing energy usage, generating alternative energy in the home and so on, are sustainability challenges that can be met by using sustainable marketing techniques adopted from social marketing.

## 4. Conclusion

As we are at a critical point in history, today’s economy is experiencing serious economic and social problems affecting all citizens of the world. Growing, financial, and environmental security instabilities suggest a need for reorientation of marketing activities and marketing strategies in order to take into account the concept of sustainability as a new strategic imperative. The realisation that

business has a responsibility to all stakeholders, not just to shareholders, signals the beginning of the end for the classic marketing concept as it undergoes successive modification and revision in attempt to ensure the inclusion of all stakeholders and cater for their welfare.

The Triple Bottom Line has become increasingly common in business parlance as an organisations seek to organise, justify and measure their social, environmental and economic performance. Sustainability is recognised to affect every single person on the planet and involves anticipating, managing and evaluating all human activity in the business.

Sustainable marketing is holistic long-term view of marketing which seeks to facilitate sustainable business practice and represents a true paradigmatic shift in marketing.

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# Chapter 5

## Brand vs. Institutional Memory

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Agnieszka Giszterowicz

### 1. Introduction

Jean Noel Kapferer (1995, pp. 15-21) claimed that a brand is a living memory. May this finding become the starting point for the thesis claiming that a brand is a form of an institutional memory or vice versa? Do they consist of the same elements? Do a brand and an institutional memory perform similar functions?

It has been proved that there is a convergence between a brand and an institutional memory, which is related to a temporary character of both of the phenomena (the relation past – presence – future) (Giszterowicz, 2015c). Additionally, the terms “institutional memory” (which in the field of management is known as the “organizational memory”) and “brand” are closely related to the term “information”. Liczmańska (2008, pp. 87-88) says that branding helps the customers in making a buying decision, simplifies the process of gathering information about the products thereby simplifies the moment of decision making. A customer standing in front of the shelf makes a decision of buying a certain product in just a few seconds. This time must be enough to communicate to the customer the whole package of associations. This is when the brand becomes an information carrier, a bridge linking the company with the product and the product with the customer. In such a short time the pieces of information regarding the quality, usage, effectiveness of the product can be communicated only via the brand. It is also known that the informative features of the brand (and more specifically of its prototype) were appreciated at the turn of the third and the second century BC, which was reflected in a comprehensive study: *The Birth of Brand: 4000 Years of Branding History* (Moore & Reid, 2008). The institutional (organizational) memory is described as a stored piece of information (in people’s minds, relations, values, organizational processes – writers note) about the past of the company, which can be used in the current decision-making process.

Taking into account all the statements mentioned above, in order to determine if the relation of the two phenomena and the term “information” enable them to be recognized as convergent, any further considerations shall be continued in relation to the cybernetics and the theory of information originating from the cybernetics.

The problem related to the level of similarity between the structure of a brand and the institutional memory shall be solved through determining the elements of the brand identity of Harvard

with the use of the Kapferer's hexagon and the identity platform. Then, they will be compared to the structure of the institutional memory of Harvard.

## 2. Analysis of the literature and the directions of defining the brand and the institutional memory

A study of the literature, which is a reason for starting the discussion about a brand and institutional memory as two convergent phenomena, is a subject of the work of Giszterowicz (2015c). The Table 1 organizes and supplements the definitions presented in the source mentioned above.

Table 1. Brand vs. institutional memory

BRAND	INSTITUTIONAL MEMORY
A group of functional, economic and psychological benefits for the user, which are delivered by a product marked with a certain sign (Urbanek, 2012, pp. 353-357).	Each collectivity has the institutional memory, no matter their reification level or legal status is. An institution may be a nation, corporation, medical practice, family, gang, poker club or the people of '95. This term is a topic of discussions of many, seemingly unrelated with each other, scientific disciplines. This interdisciplinarity makes the institutional memory a subject of many publications and scientific discussions, while the basic question asked by the researchers is: "if institutions really possess its own memory or it is a memory of the people involved in its actions"? The term institutional memory is related to the term social memory, collective memory, memorial site, etc. In the context of the management studies, we talk about the, so called, organizational memory (Linde, 2009, pp. 7-8).
A name, term, sign, symbol, picture or a combination of those elements created or developed in order to mark a product (or service) and distinguish it from the competitors' offer, so called "blurred" presentation of a brand (Kall, 2001, p. 11).	A definition of the organisational memory may include its content or processes related to the memory: acquiring the knowledge, storing, maintaining and recovering/searching it (Stein, 1995, p. 19).
A brand is a living memory (Kapferer, 1995, pp. 15-21), is an 'anchor' in the customer's memory having the influence on shaping the perception of the brand in the future (Kapferer, 1995, as cited in: Kall, 2001, p. 16).	Storing pieces of information regarding the company's past, which may be used in a current decision-making process (Walsh & Ungson, 1991, as cited in: Rudawska, 2012, p. 361).
Modern brands are often a product as well as a timeless icon (Effie, 2015).	The institutional memory is a timeless phenomenon, which is the most visible in the world of sport. Each person has his own memory, but there is also a collective memory, which exceeds the experience of one person: the institutional memory. It makes some sports teams constantly win, others constantly lose. A joy of victory or bitterness of defeat is hard
A brand may benefit from the historical heritage, if an owner of a brand underlines some values resulting from its long history (Kall, 2001, p. 37).	An identity means a vision of a potential recognition of the brand by a customer or – in other words – a desired way of perceiving it, created by the sponsor of the brand (Altkorn, 1999, p. 39).
A brand identity is a source of inspiration (Kapferer as cited in: Dębski, 2009, p. 94).	
A brand identity is a certain, complex message about the brand, sent by the seller to potential receivers via all marketing tools (Czubala et al., 2006, p. 99).	

A name, graphic symbol, product, advertisement, etc., which create an image – a result of decoding the signals sent by the brand (Kall, 2001, p. 25).	to be deleted from the collectivity. A success of one team may become after some time a part of a success of another team, even if the coach or the whole team has changed. The same applies to the “losing teams”.
A brand image is a set of concepts, which are a reaction of the customers to the brand (Figiel, 2004, p. 77).	Change of the team may not bring a result – a victory. The institutional memory is entwined in an organism of a sports team. A similar phenomenon is to be observed in the business world. Some organizations will always win with their competitors, even if they do not match their level of innovativeness (PLEXXI, 2013).
Brands perfectly match the era of ear-catching slogans and global village, because they say a lot to the people around the world thinking similarly and all that thanks to only one symbol (Olins, 2004 as cited in: Śniadek & Styperek, 2007, p. 92).	The institutional memory cannot be perceived only as storing the data, i.e. invoices, information, letters, spreadsheets, but dynamically (perceiving the environment and reacting, operational procedures, etc.). Thanks to the institutional memory, the objectives of the organizations are formulated, which are the guidelines and fundamentals of the decisions being made while executing activities (Kim, 1995, pp. 43-45).
<p>Role of a brand:</p> <ul style="list-style-type: none"> <li>• eliminates or significantly minimises the buyer concerns related to a purchase of an intangible product offered in a distant place</li> <li>• identifies a product and its manufacturer, distinguishes itself from competitors</li> <li>• is associated with the benefits and high quality of the product</li> <li>• strengthens the effect of a customer loyalty</li> <li>• enables a higher pricing of the products</li> <li>• ensures legal protection of the original, unique features of the product (for example its own name, which may be registered as a trademark)</li> <li>• simplifies the process of extending the offer – products are accepted faster</li> <li>• shapes a positive image of the manufacturer. (Śniadek &amp; Styperek, 2007, p. 92).</li> </ul>	Thanks to the memory, the organization may benefit from the results of former learning processes, no matter if the creator of the idea still works for the corporation or not (Rudawska, 2012, p. 360).
	The most important thing is if the certain past (positive or negative) elements (experience) are suitably accepted or rejected (Linde, 2009, p. 8).
Branding is present in all industries and on all markets, and its influence is noticeable virtually in each field and aspect of our life. Today we cannot imagine functioning without brands, because what else could us, the customers, guarantee durability, reliability and quality of the purchased products? What else could shortly but precisely embody our attitudes, ideas, lifestyle, material and social status? (Śniadek & Styperek, 2007, p. 92).	The organizational memory is the mean (way) of using the knowledge from the past in current operations (i.e. decision-making, organizing, leading, communicating, planning, motivating) and this is how it influences a lower or higher level of effectiveness of organization (Stein, 1995, p. 22).
The brand may consist of a verbal part (the name) and non-verbal part (symbol, logo). When composing the verbal part of the brand we can use words, whose goal is to evoke some associations, names of the cities and regions, animals, words symbolizing the nature. The names may derive from the history, literary and musical works ( <i>Encyklopedia Zarządzania</i> ).	The institutional memory is a group of collective competences, information, knowledge and experience as well as a characteristic exemplification of former successes and failures of the organization, which is helpful in avoiding the errors that has been already made (Karwowski, 2004, p. 13).

Source: own elaboration.

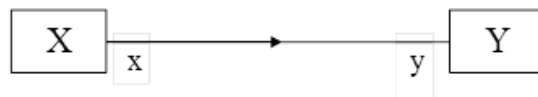


### 3. Information, pseudo-information, para-information – the brand and the institutional memory from the point of view of cybernetics

*Cybernetics (...) should become one of the main parts of education of modern management staff and the elements of cybernetic understanding of phenomena shall be acquired even in high schools (Mazur, 1980, pp. 152-163).*

In the field of the cybernetics, the information is one of the main terms and the informing process is described as a transformation of information contained in the original (the beginning of the control circuit) into information contained in pictures (the end of the control circuit). It is therefore a process of control based on a feedback of two systems: X and Y (Mazur, 1976, p. 67).

Figure 1. Control circuit



Source: own work based on (Mazur, 1976, p. 68).

Besides the term “informing” Marian Mazur introduces also a term “para-informing”, which is a transformation of the original into a para-original and of a picture into a para-picture. In other words, para-informing is a process of informing based on para-information, in which we pick such statements that may evoke desired para-information (Mazur, 1976, pp. 75-77).

Additionally, each cyberneticist underlines that para-informing is such a common process, that pointing out informing without para-informing requires an effort (Mazur, 1976, p. 76). In simpler words, para-informing is what commonly is referred to as: *understanding, meaning, content, sense* of all messages, while the range of para-informing depends on the associations of the sender and receiver. Some associations arise among everyone, others only among the educated ones, middle class, people having no sense of humour, etc. At best, they can receive two separate pieces of information, which are so similar, that they can be considered as the same, but *consider as the same* does not mean *the same* (Mazur, 1976, p. 74).

A specific application of para-informing are allusions (Mazur, 1976, p. 77), and in order to evoke para-informing we may use, above all, all words, gestures and signs, which means that in relations to the field of management, it shall be the branding. The essence of the brand<sup>1</sup> is not what it really is (sign, sound, colour) and what it represents, but what certain receivers assign to it – which is based on their own connotation.

Table 2 organises the terms of the cybernetic theory of information, shows the structure and indicated differences between the two types of communication.

<sup>1</sup> The brand understood as a work of art and a complex phenomenon: economic, social, historical and cultural (Giszterowicz, 2014, 2015b).

Table 2. Information and para-information from the point of view of a distortion

INFORMING	PARA-INFORMING
<p><b>Trans-informing</b> – True informing</p> <ul style="list-style-type: none"> <li>• The sent letter and the received one</li> <li>• The document and its copy</li> <li>• The area and its map</li> <li>• Coding of the text and its de-coding</li> </ul>	<p><b>Para-transforming</b> – Accurate presuming</p> <ul style="list-style-type: none"> <li>• Understanding the allusion</li> <li>• Correct intention interpretation</li> <li>• The picture being a result of the artefact contemplation</li> </ul>
<p><b>Pseudo-informing</b> – Apparent informing</p> <ul style="list-style-type: none"> <li>• <b>Simulation</b> (overstuffed informing) – when somebody says that many industrial plants, factories and manufactories have been built, the abundance of information is only apparent because all those names have the same meaning.</li> <li>• <b>Dissimulation</b> (general informing) – when somebody says that two people had gone into the room, but he knows that one man and one woman had entered the room.</li> <li>• <b>Confusion</b> (unclear informing) – using the term ‘base material’ in the meaning of the processed material and sometimes in the meaning of the final result of the processing.</li> </ul>	<p><b>Para-misinforming</b> Non-accurate presuming</p> <ul style="list-style-type: none"> <li>• <b>Simulation</b> (groundless presuming) – finding a non-existing allusion.</li> <li>• <b>Dissimulation</b> (dull presuming) – failure to find an existing allusion.</li> <li>• <b>Confusion</b> (mis-presuming) – finding a different allusion than the existing one.</li> </ul>
	<p><b>Misinforming</b> – False informing</p> <ul style="list-style-type: none"> <li>• <b>Simulation</b> (fabling) – listing in the inventory a product which is not present in the warehouse.</li> <li>• <b>Dissimulation</b> (suppressing) – failure to list a product which is present in the warehouse.</li> <li>• <b>Confusion</b> (misrepresentation) – listing in the inventory one product instead of another one.</li> </ul>

Source: own elaboration based on (Mazur, 1976, pp. 81-82).

Mazur (1976, p. 80) concludes, that the goal of the artefacts which are a result of the creative imagination<sup>2</sup> is to invigorate the receivers to start their own thinking process through abstract information, which means that they refer to a large extent to his para-informing. Typical for the old works of art was the accuracy of presentation (for example the anatomical specificity of the ancient sculptures and medieval portrays), and the ideal of the creators of those works was to inform as faithfully as possible (*communication art*). Over time, people started to deviate from this by giving up the excessive accuracy<sup>3</sup>. The receiver should supplement the lack of details using his own imagination, which means para information.

In Mazur’s work from the 1967, and consequently in the publications analysing the phenomenon of the brand in terms of the cybernetic theory of information (Giszterowicz, 2014, 2015b), the works of art created by the artists are classified as the pseudo-informing processes. This raises a problem related to including the brand (work) in an adequate group of informing

<sup>2</sup> A result of the creative imagination of a brand manager (visual communication artist) is a brand (Giszterowicz, 2015a).

<sup>3</sup> This phenomenon is to be observed also in branding. A trademark after a facelift is usually simpler and easier to be recreated in the receiver’s (customer’s) mind.

processes. The abovementioned table classifies the pseudo-informing as an informing process and not a para-informing process. However the solution to this problem may be the next theory of Mazur (1976, p. 78) claiming that one of the three elements determining the process of communication via para-informing is existence of a piece of information, because para-originals and para-pictures arise from the transformation of the originals and pictures, so those originals and pictures need to appear.

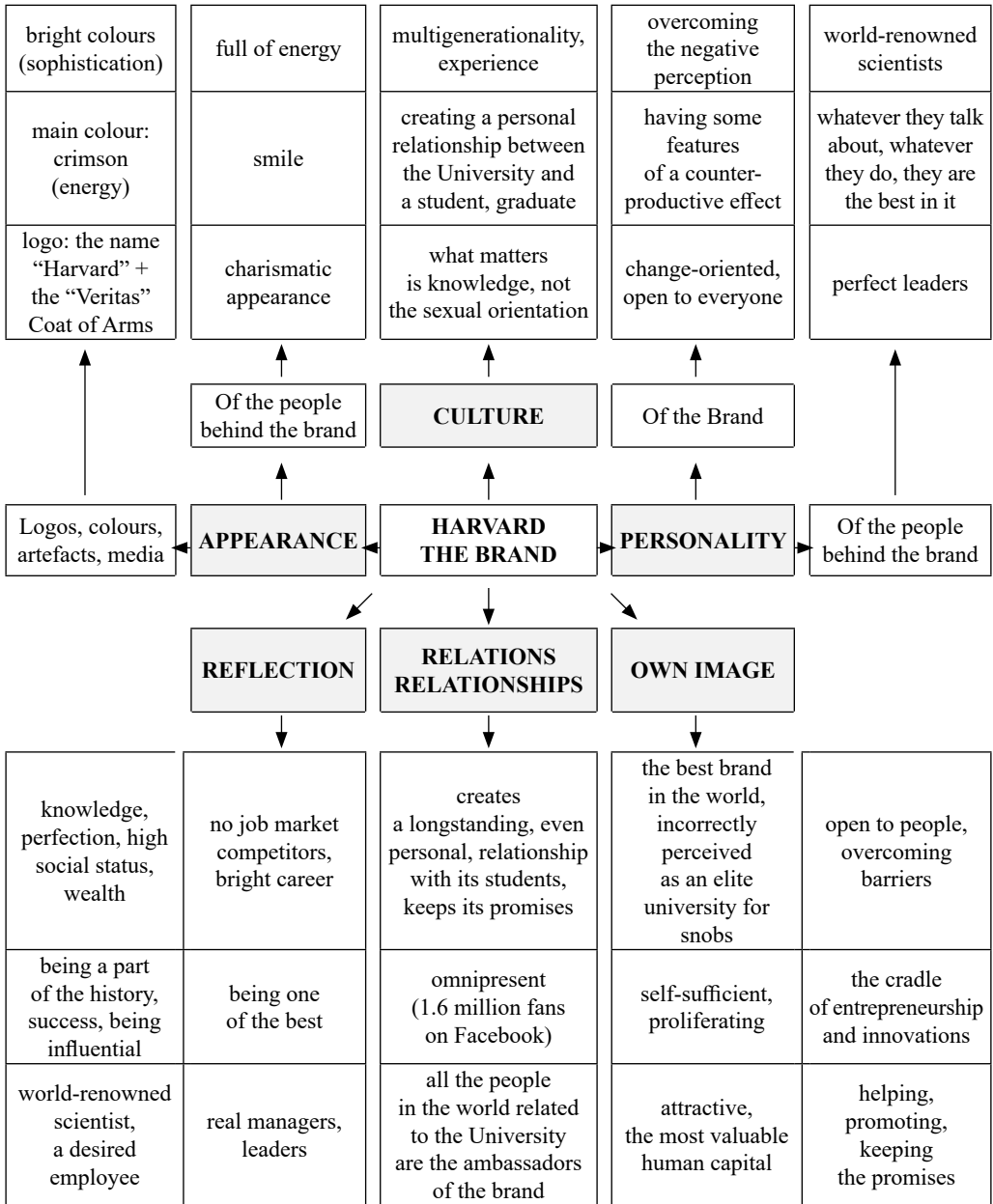
In contrast to the brand, the institutional memory is not a work of marketing communication artists and its goal is to achieve a high level of efficiency of the organization not via emitting variously interpreter signals, but by the skilful use of a system knowledge base created basing on the real competences and experience. The institutional memory is related to communicating via transmission and not via modifying a piece of information. Accordingly to the typology of Mazur, this process may be treated as an informing process, and the studied phenomena (from the point of view of the cybernetic theory of information) could be considered as divergent.

#### 4. Structure of the brand and the institutional memory illustrated by the case of the HBS

The goal of this section of the work is to determine, using the Kapferer's hexagon (Tab. 3) and the identity platform (Tab. 4), the elements composing the brand identity and then refer them to the structure of the institutional memory of the Harvard Business School (Tab. 5). The results of the conducted research will help to identify the level of similarity between the studied phenomena. Data implemented into the schemes come from the materials published on the Harvard website and in *The Harvard Crimson*.

Table 3. Kapferer's hexagon of the Harvard brand

shortcuts	ease	respect for history and tradition	sound, valuable, comprehensive	having a high social status
modern graphic (web)	elegance	own culture, code	tolerant, diverse, global, engaged	open, involved
photos, films, website (freshness, novelty)	simplicity	global orientation, exposure to internationalisation	energising, fresh, surprising, innovative	charismatic
symbols: simplicity, geometry, expressiveness)	cool	reputation of keeping the promises	synonym of durability, heritage, attributes	influential, well-known, famous
font type: Trade Gothic sensitivity, modernity	maverick	unbelievable diversity	elite, preclusive, conservative	social elite



Source: own elaboration based on (Kapferer, 1995, p. 38; Zhou, 2012; *Ranking najlepszych amerykańskich uniwersytetów*).

Table 4. Identity platform of the Harvard brand

1	<b>Why should the brand exist?</b>	<i>What would the customers lose, if the brand does not exist?</i>	It helps in acquiring the top level knowledge, job market gets the best specialists, most of the alumni become famous and very successful in terms of their profession, guarantee of a success in life, wealth, the most advantageous development path
2	<b>Standpoint/ point of view</b>	<i>From what position does the brand speak?</i>	The best university in the US, a synonym of success and good fortune, the best educational institution and an elite alumni club in the same time
3	<b>Vision</b>	<i>What is the vision of the brand in terms of a certain product category?</i>	Educational offer addressed to the best and most talented but not the wealthiest ones, breaking a stereotype of being elite, inaccessible, conservative and closed
4	<b>Values</b>	<i>What are the key values of the brand?</i>	Respecting the history, multigenerationality, certainty, freshness, being engaged, innovativeness, multiculturalism, tolerance, global character, diversity, comprehensively, being unbeatable, change as a target, openness, non-stereotypical, being influential, charisma, status, durability, heritage, self-reliance, entrepreneurship, culture, tradition
5	<b>Mission</b>	<i>What kind of changes does the brand intend to introduce in its customers' life?</i>	Its diploma guarantees a success in life, wealth, gaining a status available only for a select few and social contacts pay off in obtaining the most lucrative positions and open the door to brilliant business and political careers
6	<b>Territory</b>	<i>Where shall the brand execute its mission? Which of the product categories reflect the values of the brand in the best way?</i>	USA (Cambridge, Boston and Massachusetts) + research centres in Europe, Asia, etc. Educational offer, scholarship programs, alumni clubs, social initiatives, corrective action projects, integrational projects, profiles on social media sites
7	<b>Flagship products</b>	<i>Which products or actions convey the mission and vision of the brand in the best way?</i>	Educational and publishing offer, belonging to elite clubs, social initiatives (projects that engage students, presence on social media portals, selling labelled products), world-renowned scientists
8	<b>Style and language of the brand</b>	<i>Which elements of the style and language are typical for the brand?</i>	Binds its users with a certain category (successful, wealthy people, world elite), guarantees the best education, access to the newest technologies, lectures of the Nobel Prize winners, social contacts, brings attention to its reputation, centuries-long tradition, but shifts from the symbol of conservatism into the symbol of modernity, development and innovation
9	<b>Client of the brand</b>	<i>Not a target customer but an image of the customer created by the brand (reflection)</i>	Multidisciplinary leaders, Nobel Prize winner, outstanding scientist, politician, desired employee, social elite, man of success, confident activist, unrivalled professional

Source: own elaboration based on (Kall, 2001, pp. 140-141; Zhou, 2012; Harvard Brand & Style Guide; About Harvard; *Ranking najlepszych amerykańskich uniwersytetów*).

Table 5. Structure of the institutional memory of the HBS

<b>Experience NARRATION /FILM</b>	<b>Pictures PHOTOS</b>	<b>Values INQUIRY &amp; INNOVATION</b>	<b>History TIMELINE</b>
<i>Information and opinions gathered during the talks with the people associated with the University</i>	<i>The pictures in people's memories and a collection dedicated to the most important places, people and events related to the University</i>	<i>Constant search, trying to answer the questions about the issues fundamental for the organisation</i>	<i>Documented, facts about the life of the institution and people related to it arranged in chronological order</i>
Students	Alumni	What are the determinants of the profession (definitions, ethics, bedrock of knowledge)?	Handing out the first diplomas
Alumni	Library	How to shape the leaders? What shall serve when fulfilling this mission (lecturers, pedagogues, didactics material, premises, technology, other infrastructure)?	Accepting foreign students
Staff	Campus and premises	What kind of knowledge is the most useful? Is there a borderline between the theory and practice? What shall survive in a changing environment (industry, enterprises, human factor, history)?	Receiving financial assistance
Lecturers	Curricula and courses		Election of the Presidents of the University
Candidates	Deans	How do we perceive the success? How have we achieved the success? What are the effects of our activities (promoting knowledge, creating the community, building a business model)? How do we fulfil the mission (teaching, helping other universities)? Do we have an influence (shaping the reality, changes)?	Publication of the first newspaper
Sponsors	Diversity and demographics		Transformation of the fields of studies
Enthusiasts	Students of the doctoral program	How do we perceive the success? How have we achieved the success? What are the effects of our activities (promoting knowledge, creating the community, building a business model)? How do we fulfil the mission (teaching, helping other universities)? Do we have an influence (shaping the reality, changes)?	Creating the alumni association
	Lectures		Publication of the book of alumni
Achievements	Faculties	How do we perceive the success? How have we achieved the success? What are the effects of our activities (promoting knowledge, creating the community, building a business model)? How do we fulfil the mission (teaching, helping other universities)? Do we have an influence (shaping the reality, changes)?	Changes of the University Authorities
Case-studies	Gifts		Obtaining a diploma by the most outstanding scientists
Social life	Initiatives and special programs	How do we perceive the success? How have we achieved the success? What are the effects of our activities (promoting knowledge, creating the community, building a business model)? How do we fulfil the mission (teaching, helping other universities)? Do we have an influence (shaping the reality, changes)?	Outstanding scientific accomplishments, important publications
Events	History		Introducing the "case study" as a bedrock of the education
Staff	International global character	Creating the international associations	Positions achieved in rankings of the best universities
Students	MBA program	Installation and usage of the first computer	Opening the library
Teaching	Research	Creating world research centres	Handing out the first diplomas to women

Source: own elaboration based on (*Harvard Business School Institutional Memory*, 2015).

## 5. Conclusion

The conducted study of the literature, the analysis of the Harvard institutional memory and the Harvard brand identity highlighted many convergences, which speak in favour of broadening the definition of the institutional memory. Among them we may distinguish: a dual (material and immaterial) character of the phenomena (signs, symbols, patterns, photos, and the awareness of people), the possibility of answering the questions about the sense and goal of existence, reflection of the mission and vision, being fixed in the memory of people, stating the values, competences and attributes (which they want to fulfil, which they want to use to build recognition and charm), considering the cultural context, relating to tradition, being a tool for implementation of the set goals, stressing the meaning of the human factor (a person, through the way he acts, shapes the image and contributes to the value increase), etc. One of the most important elements binding the brand and the institutional memory are pictures (photos, signs, symbols, logotypes), whose carriers might be archives, documents, websites, films, products, but mainly all those, whose carrier is human mind and memory.

The abovementioned elements, the proved, multidimensional temporal character of the phenomena and the discrepancies related to proving the role played by the phenomena in the informing processes lead to a conclusion, that the institutional memory is a brand, but not the one created by the brand managers specially employed to do so, but by the people engaged in the activity of the institution or organization. The real brand could not exist without the institutional memory, because this is what builds the power of the brand.

The fundamental issue related with the concept of institutional memory and brand is a matter of identity. A. K. Koźmiński (2011, p. 127) writes that identity is a tool proving the right to exist. Because of the *identity disorders* and *problems* with institutional memory, many institutions and organizations, despite significant funds involved in their activities, fail to build a strong brand. Polish examples include projects completed from EU funds. Many of them do not deliver the desired effects. The revitalization projects fall from a lack of main subject of revitalization – identity. Serious institutional memory disorders are involving such polish institution-brands as: police or education centers. These phenomena are widely described by M. Jakubowska (2015, pp. 42-55), R. Szypta-Szczęch, or K. Durkalec (2015, pp. 81-96). The lack of identity and institutional memory awareness can also be one of the reasons for not using key success factors by municipalities in formulating competitive strategy. This issue was raised on the example of Myślenice (town situated in the Lesser Poland Voivodeship) and without reference to the institutional memory by M. Gorzelany-Dziadkowiec and J. Gorzelany-Plesińska on the 8<sup>th</sup> ISCFM CUE in 2016. The obvious remedy would be to rebuild the identity and to build a brand on the foundation of institutional memory treated (before funds or managerial competences) as a key success factor.

As already mentioned, the real brand could not exist without the institutional memory, because this is what builds the power of the brand. However, the term itself may be helpful in defining the institutional memory, which basically is a try of catching an abstract, in many aspects, phenomenon.

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# Chapter 6

## **Social Gaming as a New Marketing and Management Tool**

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*Iwona Lupa*

### **1. Introduction**

The dynamic development of social media in recent years had a great impact on businesses. There are new trends in marketing and management in which the potential of the Internet community is used in reaching goals of the company. One of these trends is social gaming. Nowadays more and more companies notice the benefits of using games to attract new customers or employees. It was also observed that the games can be helpful in the implementation of different projects in the company.

The aim of this article is to present some examples of the use of social gaming in the activities of the various companies. As a research method was used a case study.

### **2. Definition of social gaming**

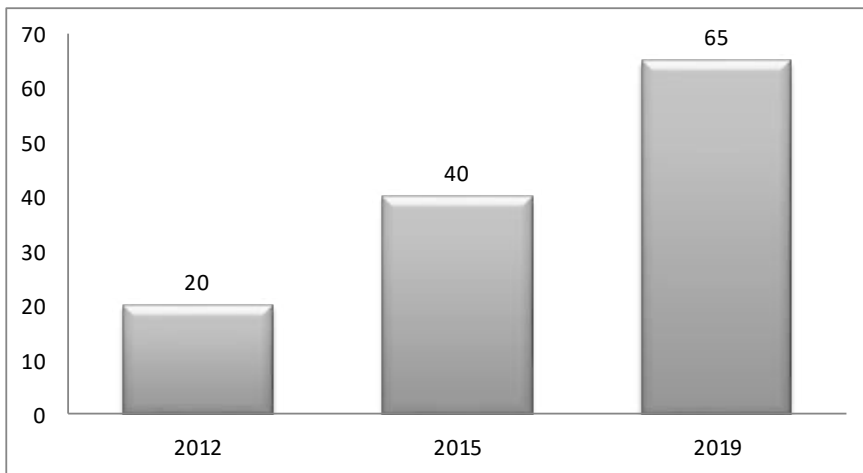
The game is “a voluntary activity, which is deliberately separated from the ordinary world as less serious, and at the same time absorbing the player in an intense and total way. That action is not related to the benefit and one cannot make a profit from it. The game takes place in its own space, both place and time, in accordance with established rules and in a certain order” (Tkaczyk, 2012, p. 14). Based on this definition, one can say that the basic features of game is its voluntariness which means that the player is not force to it. In addition, the game world is not real, but virtual, which means that one do not need to approach to it with full seriousness. Games involve users to a very large extent, although they do not reach material benefits (omitting the professional players). At the same time, however, psychological studies have shown that achieving different levels of games or collecting achievements by the players are considered as a real achievement (Osowiecka, 2014). The game has its own specific time, place and rules, to which the player must conform.

In this article one focuses on social games, i.e. games that meet at least one of the following conditions:

- are related in any way with social media (are applications in social media, it is possible to provide these games in social media, or it is possible to share the results achieved in these games with other users of social media),
- engage other users (interactions between users are possible).

There is no doubt that the vast majority of games allows interaction between players. Social gaming is a phenomenon known for centuries. Even in ancient times, one can find examples of logic and skill games, played e.g. between women (Łaczek, 2008, p. 180). However, the development of social media in the last 10-15 years, determined the dynamic development of social games. It is estimated that the market value of these games will grow from 20 billion PLN in 2012 to approx. PLN 65 billion in 2019 (Fig. 1).

Figure 1. Forecast of the value of the social games global market (bln PLN)



\s

Source: (*Social Gaming Market...*, 2014).

These data indicate that the average annual growth rate is 16.1%. The greatest value of the segment generates social casino games. In 2014, it has reached revenues of PLN 10 billion, and revenue growth was 50% per annum in the period 2011-2014 (*Social Gaming Market...*, 2014).

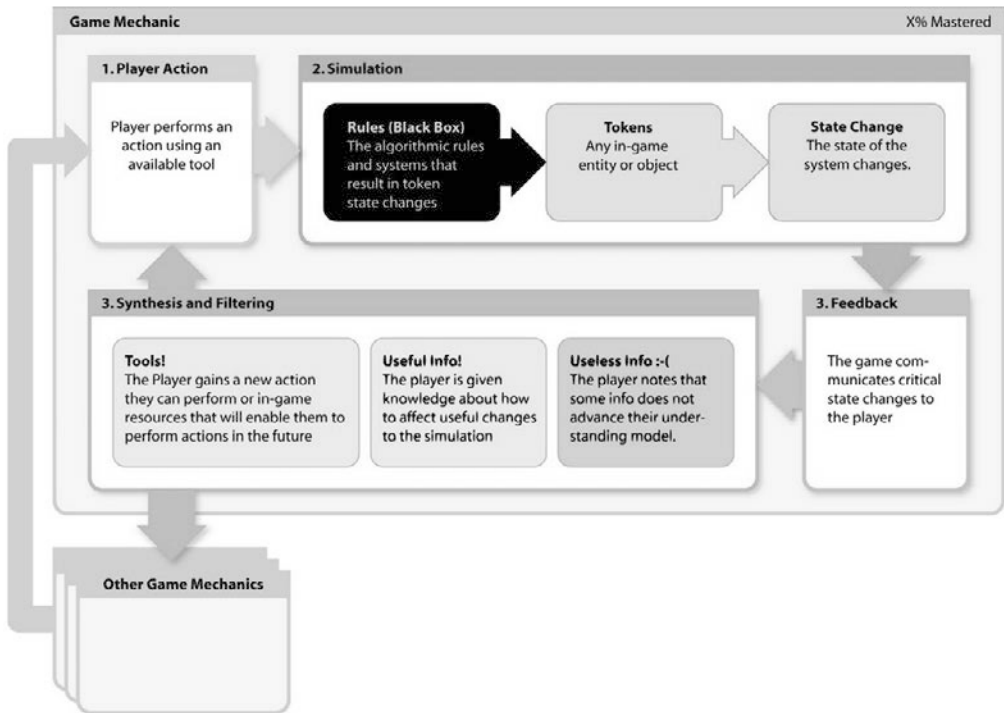
Social games have certain characteristics that determine their attractiveness for the user and thus also determine their development. These include the following (Jankowski, 2013, p. 145; Wrona, 2013, p. 27):

- awards adequate to the effort of performing a particular task (distinctions appear after completing certain tasks),
- fast and frequent feedback, no need to wait for a reply,
- uncertainty supporting interest of the game,
- the participation of other people in the game which give the opportunity of competition or cooperation and the ability to show off user's score,
- leaderboards and rankings which give the opportunity of competition and comparison one's results to others,

- defined goals (player has to perform clearly defined tasks),
- the necessity to take certain decisions by the player, which involves risks,
- target levels, which determines the development of the player and affect his commitment,
- training for player to perform certain tasks.

These elements form “game mechanics”. These “are rule based systems/simulations that facilitate and encourage a user to explore and learn the properties of their possibility space through the use of feedback mechanisms” (Cook, 2006). Figure 2 illustrates them very well.

Figure 2. Game Mechanic



Source: (Cook, 2006).

One can describe the system on Figure 1 in four points. First, player performs an action. Second, the action causes an effect within the game world. Third, the player receives feedback. Then, thanks to new information player performs another action (Cook, 2006).

The use of game mechanics in non-gaming contexts to improve user experience and user engagement is defined as gamification (Deterding et al., 2011, pp. 2425-2428; Groh, 2012, pp. 39-41). Gamification means “to implement the structure and mechanics of games (points, distinctions, levels, challenges, awards) to the real world to stimulate the involvement of users, change their behavior and solve the problems of different types” (Wrona, 2013, p. 25).

Game mechanics are used in many areas of company’s activity, mainly in marketing and management.

### 3. The use of social gaming in the company

As a result of the development of the Internet, especially social media, gaming mechanisms were increasingly used in business operations. Previously, the barriers were lack of appropriate technology and relatively high costs of such solutions (Jankowski, 2013, p. 144). Currently, the market offers a wide range of applications customized to the needs of each company. In addition, gamification can also be used in marketing activities without incurring additional costs. For example, competitions with elements of games can spread in social media in a viral way. Application of gamification in promotion activities of companies in these media can significantly increase the involvement of users around the brand. The example of using social gaming in promotion in social media is showed on Figure 3.

Figure 3. An example of using social gaming in promotion in social media by Tymbark brand



Source: (Tymbark, 2016) – own translation.

One can see the use of some elements from social games in the case of promotion of Tymbark brand. There is some task to do and some reward. It is voluntary and fun. People have shared of their ideas about using of these three words (Summer, Tymbark, Friends), arranged their own stories and given feedback for the other users.

Another example of the use of gamification in brand promotion through social media illustrates Figure 4.

Figure 4. An example of using social gaming in promotion in social media by Frugo brand



Source: (Frugo, 2016) – own translation.

In this example, the image is in the format “gif”. Ice cream by Frugo brand is moving very fast, and the user has to put it in the goal. It is also an example of using the real-time marketing concept in practice. Post was published on 10<sup>th</sup> June, when was a beginning of the Euro Championships in football. Frugo used this event to promote its own brand.

Gamification is also used in advertising (advergaming). This kind of advertisement is consider to be more involved and less obtrusive, especially among young people aged 16-24 years, who had

previously dealt with advergaming (Budzanowska-Drzewiecka, 2015). There are many examples of advergaming especially in mobile marketing (marketing associated with mobile technologies). One case is when user has to scratch with his finger some picture in his mobile phone or jigsaw puzzle to see some product.

In social media users may share information and results through social games with their friends and other users, and can also invite them to take part in these games. As a result, they express their loyalty to the brand. It affects the competitiveness of the brand and allows to distinguish among other brands (Wrona, 2013, p. 25).

In the field of marketing gamification is mainly used in Europe. In the United States, in turn, it is almost obligatory aspect in the design of products and services. Currently almost all web and mobile applications use elements of games. However in this context, one rarely use the term “gamification”. One talks rather about user experience, especially regarding the design to meet the needs of customers, causing emotions, building commitment and specific habits (Draszanowska & Sroka, 2013, p. 61).

Games are also increasingly used in management. They are used especially in motivating employees to perform some actions and to stimulate their creativity, which in turn leads into an increase of innovation of company (Wrona, 2013, p. 25). Gamification in management is already around for a long time in the form of e.g. employees rankings, thanks to which they can compare their achievements and compete with each other. It is in order to gain a recognition of boss or a particular prize, which belongs to the worker located at the top of the rankings. Games are also used in the process of adaptation of employees to work, or their mutual integration. It seems, however, the broadest application of social games is in recruitment. The use of games in this area helps to obtain objective results. In addition to this, company obtain information about the course of the game, i.e. about decisions which player (potential future employee) undertook at various stages, how long did it take him, which strategy he adopted, etc. In addition, one can specify e.g. the level of determination of a candidate in pursuing the objectives (Pilawski, 2014). The advantages of games in the recruitment are also: reducing candidate’s stress, saving time (the game can be implemented at candidate’s home, in time he wants), as well as the ability to customize games to the company’s expectations. Disadvantages of this method of recruitment are: costs of design and implementation of the game, as well as the impossibility of replacing all stages of recruitment with the game (*Gry rekrutacyjne...*, 2016).

Games can develop analytical thinking and teach to make certain decisions of a strategic nature. They can also develop teamwork and cooperation. In this connection they are also widely used in the training of employees. This concerns especially simulation games (*Gry symulacyjne...*, 2016).

Gamification can therefore be used to increase the involvement of its customers and / or employees to change their behavior and to stimulate innovation (Salcu & Acatrinei, 2013, pp. 767-790, as cited in: Świeszczak & Świeszczak, 2015, p. 1609).

#### **4. Case study of using social gaming in marketing and management**

In marketing gamification is used very often, which has shown the examples given earlier. At this point it is also worth to describe the case of Samsung Poland. The company took advantage of this concept with the launch of a new product – the smartphone Samsung Galaxy S4. Application of gamification in this case was to build brand awareness of the product and also to educate users

about its various functions. The company assumed that advertising message is too short to show customers all the capabilities of this phone. Accordingly, they designed game, which consisted of about 50 tasks in 6 missions, characterized by different degrees of difficulty. All tasks were related to the new phone Samsung Galaxy S4 and its functions (Draszanowska & Sroka, 2013).

The result of the campaign was to fill more than 110,000 tasks by users who have acquired skills in operating of new phone. This example shows that gamification can be a very important support for traditional forms of promotion. It engage users to a large extent, (Draszanowska & Sroka, 2013),

In the area of recruitment interesting solution applied Faurecia company in the form of a simulation game “FES Game”. Thanks to this it is possible to transfer company’s culture, its principles and specifics of working in this company to potential employees already at the recruitment stage. Both the script and the rules of the game are linked to the profile of the company Faurecia, the industry in which it operates and the specificity of the work. In the game may participate 10 to 14 candidates. They are divided into several teams. Their task is to build a production line and the realization of the customer’s order. During the implementation of specific tasks, specialists of the HR department can watch the behavior of individual candidates. This allows the assessment of their competence and the suitability to work in the company. They can determine which candidate is creative, has analytical skills, which one can listen and watch or is conflicting (Klimek-Michno, 2015).

Obligations relating to the organization of the game in the company Faurecia are divided between specialists from HR and trainers who run this game. The duties of HR department are (Klimek-Michno, 2015):

- organization of the game,
- organization of tours in the company (candidates can see how production hall and office in the company looks like),
- recruiting and selecting candidates (participants of the game),
- monitoring and evaluating various candidates during the game,
- the organization of meetings of candidates with current employees of the company,
- informing candidates about the recruitment process, organizational culture, career opportunities, etc.

Trainers, in turn, have the task (Klimek-Michno, 2015):

- conduct game,
- provide answers to specialized and technical questions regarding the game.

It is worth noting that the game in the company Faurecia is also used in the process of adaptation of new employees and implement them to their job (Klimek-Michno, 2015).

Another perspective in using social gaming in recruitment represents Hays – an international corporation dedicated to recruiting for its customers. Since traditional methods of recruitment (e.g. posting ads on the Internet) are not sufficiently effective, the company decided to apply gamification to create employee recommendations programs. This results from the study, according to which in the mid-size organizations average 80% of candidates who have found employment in a particular company, already knew someone who worked there. Moreover, 60% of the candidates decides to change employers as a result of opinion about the company of one of his friends. Using the potential of social gaming and social media to create an employee recommendations programs was a key for the company. Hays company created a game that was fully integrated with Facebook. The target group of the project consisted of persons aged 20 up to 30 years, who know at least two foreign languages. The company’s goal was to use their contact



to the recommendation of candidates for the job. It was assumed to acquire the application of three types of users (Draszanowska & Sroka, 2013):

- candidates for the job,
- people who will promote the game application,
- people who will actively search for job candidates.

The last category of people was a key. In the game through a variety of training tasks and missions the company wanted to raise in these people the commitment to achieve the objective. The aim of the project was to use the potential of user's contacts and to get the highest recommendation in response to a published application jobs. Players took on the role of NASA agents who search candidates on Earth for the colonization of other planet (Earth 2) because our planet will be destroyed. View of this game application illustrates Figure 5. The game is kept in a climate of tension caused by the threat of destruction of our planet (Draszanowska & Sroka, 2013).

Figure 5. "Earth 2" application image



Source: (Draszanowska & Sroka, 2013).

According to experts of the Hays company, gamification affects the user by increasing their motivation and commitment. Therefore it is applicable in many areas of business. These types of solutions are also important in employer branding to promote the brand as an employer (Draszanowska & Sroka, 2013).

## 5. Conclusion

Social gaming is a trend that is increasingly growing in the modern enterprises. Game mechanics are used to win the best candidates to work, to motivate them and increase their commitment. Social games were also used in the training of employees. In addition, due to the development of social media, games have also become an important tool of promotion. They can attract new customers virally. The use of games in the companies affects their image. They seem to be more modern and attractive on the market. However one can see that the potential of social games in the companies' activities is still being discovered, and companies should facing challenge to use them for their own purposes in the best possible extent. In a short time the "generation Z" (the generation born after 2000) starts to come on the labor market. These are people who grew up in an environment of games, Internet and social media. It seems that social gaming will be an important tool used in marketing and management, to attract these people and to keep them in company.

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# Chapter 7

## **Range of Activities of the Dairy Cooperatives of Świętokrzyskie Province Related to the Creation of Customer Value in the Area of Marketing**

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*Izabela Konieczna*

### **1. Introduction**

One of the elements that constitute the business model is the value proposition for the customer, which covers various areas of the company, including marketing. The customer value proposition is arguably the most important tool in the product marketer's toolset. It is the foundation for understanding how the product will realistically be valued by the target user (Hudadoff, 2009, p. 2). The value proposition is a statement of the value that a company, product or service offering provides to a customer. The stronger the value proposition, the more value customers perceive that they get and, therefore, the more willing they are to buy (Ryals, 2011, p. 46).

The aim of this article is to identify the activities of value creation for customers in the area of marketing, which have been divided into the performed activities, outsourced and controlled activities, outsourced and uncontrolled activities, and activities that are not present in the cooperative.

### **2. The value proposition for the customer – a theoretical background**

A good value proposition is one of the most important sales tools that the marketing department can provide (Ryals, 2011, p. 46). A customer value proposition is a description of the experiences a target user will realize upon purchase and use of a product (Hudadoff, 2009, p. 2).

The value perceived by the customer is the difference between the expected evaluation of all the benefits and costs associated with the offer of a company offer competitors (Kall & Sojkin, 2006, p. 106). The decision to buy is often the result of a detailed assessment of all possible benefits and all cash and non-cash costs (time, effort, stress) related to the acquisition of goods and services competitors (Kall & Sojkin, 2006, p. 106). The value for the customer (buyer) is created in the process of use of the purchased product or service. It is a subjective assessment of perceived

customer benefits and costs made by him after the acquisition and use of the product and/or service. The customer gets the value, if subjectively perceived benefits are greater than the subjectively perceived by him costs. The value for the customer is therefore a surplus of subjectively perceived by the customer benefits of the subjectively perceived costs associated with the purchase and use of the product. The value obtained by the customer is the basis of satisfaction experienced by the client in connection with the acquisition and use of the product (Szumilak, 2007, p. 26). Benefits are building value for the customer to the extent to which a product or service, improve functioning or customer experience. On the other hand costs include cash expenses, including the price of goods and non-cash expenses: time to make a purchase, financial and non-financial consequences of the erroneous choice of the offer and the energy expended in connection with the purchase (Szumilak, 2007, p. 72).

Customers are looking for solutions that will directly or indirectly improve their competitive advantage. As part of the sales process, buyers expect to hear specifically how company's products or services will contribute to their success – and why the company is uniquely qualified to deliver that value. Value proposition serves as the foundation for all of the marketing efforts and defines what makes the company different from alternative solutions (Td Agency, p. 1).

The value proposition consists of several key components:

- What the company offers to customers?
- What type of value or benefit is associated with company's offering (e.g., cost savings, time savings, revenue increase, customer/employee satisfaction) and how much of it the customer can expect as well as how the value is generated?
- To whom the company is offering that value (MaRS Discovery District, 2012, p. 6).

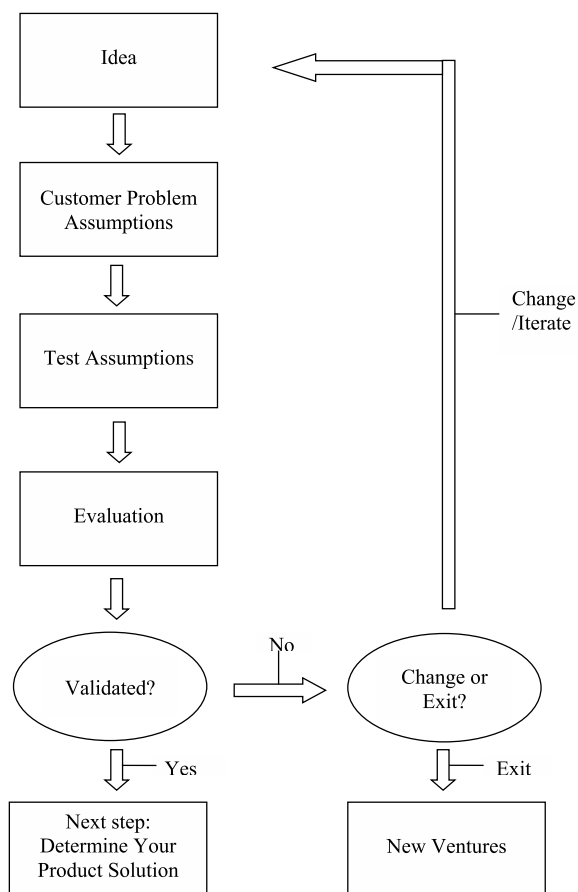
Figure 1 shows the process of crafting a value proposition?

The customer value proposition is the keystone for effective product marketing activities. It brings together customer intelligence, competitive insight, and product valuation. It delivers a concise, supportable statement of the product's value. It quantifies how that value is realized based on all of the target user's likely product experiences. The customer value proposition provides a focused approach to understanding the target user in the context of company's product (Hudad-off, 2009, p. 2). The basic rules for turning an organizational strength into a value proposition are to think in terms of capability, impact and cost. The value proposition should contain statements of all three things. Capability is about what your company can do for the customer; impact is about what that means for them or for their business; and price is about how much the customer would have to give up to obtain that impact (Ryals, 2011, p. 46).

Solid, compelling value propositions are:

- Distinctive – they distinguish the value you offer vs. the value they would get elsewhere.
- Measurable – they deliver quantifiable outcomes and benefits and provide a reason for the buyer to take action now.
- Defendable – they provide evidence to support company's claims and reduce the buyer's risk.
- Sustainable – they stand the test of time and can be delivered consistently (Td Agency, 2016, p. 1).

Figure 1. Value proposition and business model process – general



Source: (MaRS Discovery District, 2012, p. 4).

### 3. Activities related to the creation of customer value in the sphere of marketing – research results

The subject of the research conducted among representatives of the dairy cooperatives of Świętokrzyskie Province was the identification of activities constituting the customer value in the sphere of marketing, which have been divided into the performed activities, outsourced and controlled activities, outsourced and uncontrolled activities, and activities that are not present in the cooperative. The respondents had to indicate activities, taking into account customers from Świętokrzyskie Province, from other provinces, from the European Union and from other markets. Direct interviews using a questionnaire survey was conducted among representatives of the cooperative representing 50% of the population, which resulted from the tendency to participate

in the research. Due to the lack of response to questions about the activities outsourced and uncontrolled and activities that are not present in the cooperatives, it was necessary to limit the scope of the analysis. Research results are presented in Table 1.

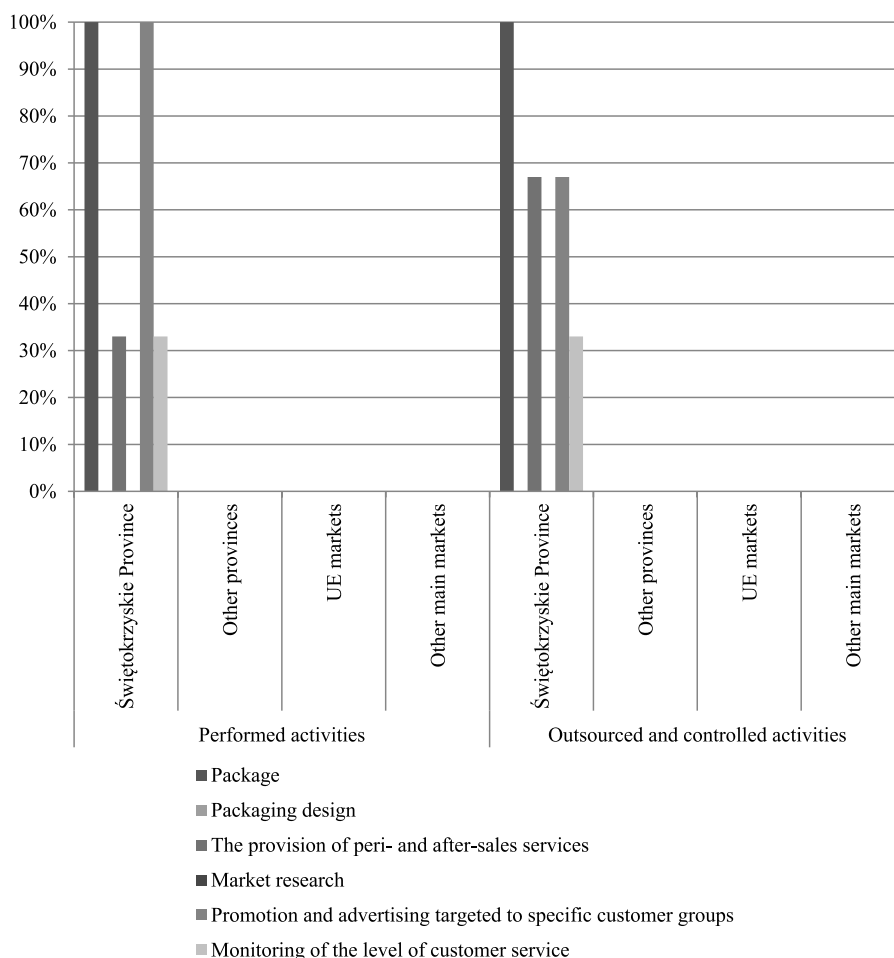
Table 1. Performed activities, outsourced and controlled activities constituting the customer value of dairy cooperatives from Świętokrzyskie Province

Activities	Performed activities				Outsourced and controlled activities			
	Świętokrzyskie Province	Other provinces	UE markets	Other main markets	Świętokrzyskie Province	Other provinces	UE markets	Other main markets
Package	100%	0%	0%	0%	100%	0%	0%	0%
Packaging design	0%	0%	0%	0%	0%	0%	0%	0%
The provision of peri- and after-sales services	33%	0%	0%	0%	67%	0%	0%	0%
Market research	0%	0%	0%	0%	0%	0%	0%	0%
Promotion and advertising targeted to specific customer groups	100%	0%	0%	0%	67%	0%	0%	0%
Monitoring of the level of customer service	33%	0%	0%	0%	33%	0%	0%	0%

Source: own compilation.

Performed activities, related to creating customer value in marketing are: promotion and advertising targeted to specific customer groups, package (100% indications), the provision of peri- and after-sales services, and monitoring of the level of customer service (33% indications). In the process of creating value for the customer co-operatives do not perform operations involving packaging design, and market research. As is also apparent from Table 1 and Figure 2 marketing activities related to the creation of value for the customer and at the same time performed are addressed to clients from Świętokrzyskie Province. None of the co-operative does perform activities addressed to customers from other Polish provinces, from European Union or other markets.

Figure 2. Performed activities, outsourced and controlled activities constituting the customer value of dairy cooperatives from Świętokrzyskie Province



Source: own compilation.

Table 1 and Figure 2 show that in marketing activities related to the creation of value for the customer that are outsourced and controlled are: package (100% indications), the provision of peri- and after-sales services, promotion and advertising targeted to specific customer groups (67% indications), and monitoring of the level of customer service (33% indications). Cooperatives have shown that in the process of creating value for the customer do not control and do not outsource to external entities operations involving packaging design, and market research. As in the case of activities performed by the cooperatives, the activities controlled and outsourced are directed to clients from Świętokrzyskie Province. None of the cooperatives outsource, and control activities addressed to customers from other Polish provinces, from European Union or other markets.



## 4. Conclusion

The aim of this article was an identification of activities of value creation for customers in the area of marketing, which have been divided into the performed activities, outsourced and controlled activities, outsourced and uncontrolled activities, and activities that are not present in the cooperative. Due to the lack of response to questions about the activities outsourced and uncontrolled and activities that are not present in the cooperatives, it was necessary to limit the scope of the analysis. Analysis of the results showed that both the activities performed by cooperatives and outsourced and controlled include: promotion and advertising targeted to specific customer groups, package the provision of peri- and after-sales services, and monitoring of the level of customer service. Moreover, all cooperatives both perform, and control outsourced activity such as package. On the other hand, more cooperatives perform promotion and advertising targeted to specific customer groups. In the same time more cooperatives outsource and control the provision of peri- and after-sales services. The same number of cooperatives is monitoring the level of customer service. Surprisingly all indicated cooperatives' activities are directed to clients from Świętokrzyskie Province. None of the cooperatives perform or outsource, and control activities addressed to customers from other Polish provinces, from European Union or other markets.

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# Chapter 8

## Marketing of Higher Education Institutions

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*Joanna Chodór*

### 1. Introduction

The research on higher education with regard to changes occurring in the world has enormous potential. The mission of higher education has changed in last years, universities have redefined how they promote. Like business, education can be adaptable to the market, but its sense of self over reach satisfying market needs. Education mission is providing higher education as a social institution, not a typical business mission. For universities to remain profitable and essential to advancing the public trust, it must be heedful how the market positively affects it.

The aim of the project and research is to discover the link between purposeful activities promoting the higher education institutions and the way they are perceived by students in terms of the choice of place to study. When we mention the promotion of higher education institutions, we think of marketing and advertisement of intangible assets.

Marketing of intangible services, such as education, takes for granted the occurrence of several difficulties. Brand building and clear message concerning these “intangible” products help to build awareness of offered services on the often crowded market. The business of higher education depends on it.

The changes in higher education in the world were observed already with regard to the demographic peak of the 1980's. Presently the costs of education are also higher. One of the reasons for the increase of these costs is large cost consumption of modern technologies and equipment. The society is aging and it is a challenge for universities to find a valuable student representing a high intellectual level. Therefore, the question arises as to whether universities with centuries of tradition have problems with the enrolment of students, or whether new possibilities of attracting students will appear as the market economy develops.

Potential students are continuously interested in certain majors, such as medicine or law. Such interest results from the awareness that there is hardly any unemployment among graduates of these majors.

However, there is a question concerning how big the role of marketing, image-building and promotion activities is in enrolment and acquisition of new students. These factors have been intentionally separated here, because they have different definitions, however, they all have a common part and each of them is connected with the other.

This dissertation is divided into three parts presented simultaneously. The higher education institutions function within a closed law system, with emphasis on Polish legal functioning of higher education institutions. The second body of dissertation contains information what and how universities should market themselves. The last part includes information what determines the choice and present existing research on the image of higher education.

## **2. Higher education institution – functioning within the system**

### **a) Higher education institutions, however, do not function within a closed system**

They belong to the system which is strictly regulated by law.

The accountability of universities can be divided into:

- internal and external,
- legal and financial,
- academic.

By providing a short description of legal, political and economic situation, we can also mention the role of universities with regard to the cities in which they are located and their promotion. With respect to this, a university may be perceived as a provider of professional employees for the region and a driver of innovation for the region, and it may also serve as an independent advisor and a reviewer. Very often the presence of universities in the cities is perceived as a significant economic factor of development which determines the level of competitiveness of a city or the level of positioning strategy.

The promotion activities constitute a part of the organisational culture of a higher education institution, however, they function within specified boundaries: applicable domestic law, international law under alliances (for example the European Union), trends and technologies held.

With regard to higher education we can speak of somewhat unusual cooperation which involves cooperation with competitors: not only do higher education institutions exchange the students between one another (it is enabled by various types of exchange programs), but they also exchange lecturers or administrative employees.

At the same time, higher education institutions should remember that they function within the system in which they fulfil social functions, such as shaping attitudes and broadening of knowledge.

### **b) Legal functioning of higher education institutions in Poland**

Presently higher education institutions function under the act – The Law on Higher Education:

- public university-type higher education institutions which are established and closed pursuant to the act,
- public higher education institutions which are established and closed pursuant to the regulation of a competent minister of higher education,
- non-public higher education institutions which are established and closed by their owners (a natural or legal person who is not a state or local government legal person) with the consent of a competent minister of higher education.

The act does not distinguish the concept of an owner of a higher education institution. It only mentions a founder of a non-public higher education institution who, formally speaking, is its owner.

Public higher education institutions and public university-type higher education institutions are managed by the academic senate represented by a rector.

Moreover, the higher education institutions have their internal regulations: the Academic Senate which is a legislative body, the Statute or Organisational Bylaws regulating the functioning of particular units within a higher education institution.

Today's universities must strike a balance among delivering academic programs, conducting and promoting research, and engaging with the community as a social institutions. Higher education institution customers are not only potential students but also lawmakers.

### 3. What to promote?

Presently universities conduct many promotion activities addressed to various audience groups. More and more often, the universities address their activities to potential students, and the organisation of such activities includes various types of lectures or meetings of the Children's University (Uniwersytet Dzieci)<sup>1</sup>.

The review of the literature helps to separate several audience groups.

The problem of higher education institutions regards not only the determination of the audience group, but also the subject which is to be promoted.

Table 1. Who are the targets?

Author	Groups	Description
Weaver (1976)	Two	1. a) the government, managers and academics 2. b) the students, their families, employers and society in general
Belohav (1984)	Two	1. a) Government 2. b) Business sector
Robinson and Long (1987)	Three	Primary: students Secondary: paymasters (i.e. public administration) Tertiary: validating bodies (i.e. graduates)
Reavill (1988)	One	Students
European Foundation for Quality Management, EFQM (1989)	Three	1. a) students 2. b) faculty and administrative Staff 3. c) other groups with direct interests
Schauerman (1994)	Four	Internal direct: students and teachers Internal indirect: administrative office, board of trustees External direct: community, employers External indirect: parents, taxpayers

Source: (*Marketing akademicki Rola uniwersytetów...*, 2011, p. 115).

<sup>1</sup> More information on the projects carried out, for example, by the Jagiellonian University can be found on the website: <http://www.uj.edu.pl/studiu-j-na-uj/junior-senior/dzieci>.

At the beginning the academic environment was not ready to deal with the real educational boom after 1989. This phenomenon resulted in the loosening of ethical restrictions which so far had been applicable in this environment. What were the consequences for higher education institutions? If education was supposed to be treated as a “commodity” and a student as a “customer”, the university started to be seen as a company.

When we talk about promotion of higher education institutions, we talk about marketing and advertisement of intangible goods. The marketing of intangible services, such as education, presupposes the occurrence of several difficulties. The brand building and clear message about such “intangible” products help to build the awareness of the offered services and relations on the market which is very often crowded.

While considering the intangible nature of education, the marketing researchers (Johnson, Sallee, Kotler, Armstrong) point out that the question concerning the things we can offer reflects who we are and what we do as an institution. The key concept here is “evidence”, something that we can indicate and say “this is what we do”, because the effects of education, such as knowledge, values, ethics and other skills are difficult to make tangible, and the marketing and enrolment specialists from higher education institutions have to find and provide visible evidence that an institution stands out against other institutions and is more successful.

Teaching is an intangible product which largely depends on the diploma that the students later receive. It is the only tangible proof of a life experience characteristic of higher education institutions and universities.

The universities and higher education institutions have three main aspects of “tangibility” in their offer:

- academics, “academicism” (this explains why the rankings are so important) – research methodology is changing, new points are added, which causes that some higher education institutions change their places,
- amenities and perception of the so-called social-facilities (clubs, campus, organisations),
- athletics (sports) – students like to have a team no matter if it loses with a better team or wins.

Therefore, the promotion policy of a higher education institution should provide interaction between the following factors:

- declaration of clear, measurable and intended goals, and basic measures for their execution,
- relations between teaching, research activities, activities of management team and promotion activities,
- monitoring and research of demand on the market with regard to specific educational services,
- predicting the demand on the educational market in 5-10-15 years,
- tracking the technical and economic development of the country, countries, the European Union and the world, providing the identification of new professions, qualifications and competences that will appear in the future – this involves the necessity to implement new courses and specialisations in the future,
- verification of changing trends in the interests of young people with regard to choosing particular major and specialisation of studies.

Image is not everything for higher education institutions, but it is close. The image people have of an institution impact so many decisions they will make and the actions they will take as a result of the image. This part discussed the difficulties that accompany marketing an intangible product. Universities struggle to stand out in a marketplace.

## **4. Existing research on the image of higher education institutions**

The analysis of current trends in the research of marketing market regarding the higher education institutions have been conducting. The literature indicates that there were various research conducted concerning the promotion and image of higher education institutions.

Delphi method (it was supposed to determine the marketing challenges of higher education institutions for the upcoming years).

Research on the language of promotion (demonstrating the difference in the understanding of particular expressions).

Research on branding of higher education institutions. The higher education institutions have been compared to corporations which build their image by using particular terminology (corporate names) and visual identity. The corporate branding is part of the mission and the corporate value. Is it the same case at the universities? Or perhaps universities build their image as the “University of Jobs”?

Research on the standardisation of results of marketing in the world. The standardisation of marketing results is related with the globalisation and the global promotion opportunities (including the universities). The Chi-Square method was applied.

Research on higher education institutions, their mission and responsibility for education and upbringing. The matter of trust in the higher education institutions is the key element, for example, when decisions are made with regard to the funding for higher education institutions. The European system of higher education is usually financed by the national governments, and the concept of trust and mission in this case is perceived in a different way than in the USA. The majority of funds of higher education institutions in the USA come from the sponsors. Very often members of the public and entrepreneurs express their trust in the higher education institutions.

Research on the measurement of brand awareness. The brand awareness is an expression of cognitive effect (it conditions the creation of the remaining effects: affective, volitional and behavioural). The measurement of brand awareness is related to the awareness of the product features and the so-called brand knowledge.

Opinions about in the conversations about what exactly “marketing of higher education” is and what it should be is many. Brand research on the basis of physiological behaviours and emotional reactions of the recipients. There is many possibilities of research university marketing. Higher education institutions if they want to promote they must decide how to conduct research about leverage their actions.

## **5. What determines the choice of a higher education institution?**

This chapter discusses the difficulties that accompany marketing and image construction an intangible product such as higher education.

The impact of social factors on the choice of universities: computerisation and globalisation of society (one can choose a university in a different country), economic crisis in various countries, lower costs of studying, greater competition between higher education institutions (the opportunity of obtaining a double diploma), greater knowledge, access to data and analyses (rankings) concerning higher education institutions, a range of staff at a higher education institution.

Examples of measures indicating interest in a particular higher education institution:

- behavioural effect (students' interest in a particular higher education institution, average number of candidates per place),
- economic effect (funding of a higher education institution; this is particularly important in the countries where education is financed by sponsors),
- communication and media effect (positive image of a higher education institution).

The perception is a set of promotion activities processed by the recipients and depending on a higher education institution, however, the recommendation system is equally significant in this context.

Ultimately, the marketing goal for universities should be twofold: make the intangible tangible and find their own areas of market differentiation.

## 6. How to become a competitive higher education institution?

The process of deepening integration within the European Union and the increase in the number of members in this integration group is associated with internationalisation. For the producers, globalisation means that each company wanting to find its place on the market must manufacture within the world class, because more and more economic branches and sectors are faced with the necessity of participating in a global competition or in large regional economic groups.

In literature the concept of globalisation is often confused with the concept of internationalisation. The globalisation and the process of globalisation itself is more of a social process based on the *transcendence of national boundaries*; it is also an economic process between nations and religions, the results of which are transferred on knowledge, people, values and ideas.

The internationalisation may be perceived more as a result of the globalisation and its part. We may find many *drivers of internationalisation*, and its main driver is globalisation. In literature we may also find, among other things, the development of the means of communication and technology, as well as political and economic instability, which also have impact on the willingness of students to take up studies abroad. Such a situation was observed in Poland after the increase in political and economic problems in Ukraine. According to data from the Central Statistical Office of Poland (GUS), in the academic year 2015/2016 there are already 30,589 students in Poland, which is 7,197 students more than last year. They constitute more than 53% of all foreign students in Poland. The promotion of a higher education institution abroad may become the main direction of promotion activities of higher education institutions in the upcoming years.

The higher education institutions provide the society with knowledge through education and communication of results of conducted academic research, and by providing educational and research services on the competitive, imperfect market of Poland and Europe.

There are higher education institutions of various status showing up on the educational market: public and non-public, large and small, with significant academic and didactic achievements, new ones which are trying to find a place for themselves, domestic ones, and in the near future also foreign ones. Because of all this, we have to deal with an imperfect competitive market.

The competitive market of educational services in the conditions of decreasing number of potential students requires from a higher education institution and its organisational units special care to provide expected demand for particular services offered to the students.

The demand for educational services offered by higher education institutions depends primarily on:

- current condition of economy,
- pace of economic development,
- interests of students and the trend to study particular majors,
- conditions of studying.

The challenge for university is to find the best opportunity and place in the market. Firstly, important is to shape image, purpose and vision of marketing. Higher education's function is critical, and individual institutions and those who govern them must take care to maintain their social function as they navigate the business realities nowadays.

## 7. How to shape the image? – Recommendation

The market positioning itself is the image shaping. The choice of image shaping strategy is a prerequisite for building an image consistent with the objectives and targets. With regard to this, the process of separation of stakeholders, i.e. groups representing various interests and expectations towards a company or institution, is of particular significance. It is essential to conduct an environmental analysis, which will help to find out what is the current position of the higher education institution on the market. The audience of PR activities can be divided into internal and external. The internal audience include lecturers, administrative employees, academics and current students. Usually they have a different image than external audience, and their perception is shaped by their own work, internal contacts, and is directed from the inside. The external audience include: customers, intermediaries, suppliers, influential institutions, competitors (higher education institutions offering similar profiles of studies). It is incredibly important for PR activities of every institution to woo them. However, more and more often it is necessary not only to focus on the current stakeholders, but also on the future ones. A positive image is a strategic objective of every institution, because without it no expected increase and interest in the offered products is possible. This opinion is generally applicable. Since it is a constantly desired value, very often it becomes an operational objective, especially when it is treated as a result of impact on particular tools, such as advertisement, sponsoring or PR. So, if you want to be a successful in marketing, think like marketer. Marketers who are successful think strategically about two things: product and the market.

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# Chapter 9

## Product Innovations in Cultural Goods and Services – A Proposal for Classification

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*Tomasz Smoleń*

### 1. Introduction

There are classifications used for different types of products types, groups and selections in general product management and marketing. In this paper the author would like to describe and propose a classification method for the allocation of innovative cultural goods and services to different product categories. First there would be presented a concise definition of what cultural product is, as well as the dimensions of artistic work – the essential component of any cultural product. The following part would be devoted to presentation of Crawford and Di Benedetto general innovative product categorization. Then author incorporating the mentioned model, explains his own proposal of innovative cultural product classification with the more detailed description of each category listed along with peculiar type of product examples.

### 2. Cultural product definition and dimensions

Lucia Aiello defines cultural products as “goods and services that include the arts (performing arts, visual arts, architecture), heritage conservation (museums, galleries, libraries), the cultural industries (written media, broadcasting, film, recording), and festivals.” (Aiello, 2014, p. 20). These products are offered by the cultural enterprises that are performing activities of prevalent artistic and cultural content, in order to achieve an objective of social order, “the community’s cultural growth” (Aiello, 2014, p. 20).

Francois Colbert (2007, p. 31) specifies that all cultural products are characterized by four components:

- the artistic product itself – the work itself as produced by individual creator or a team of creators, and three aspects revolving around this central component:
  - spin-off products,
  - related services,
  - the consumer’s experience (including the value attached to the product).

F. Colbert also lists three dimensions to define the notion of artistic works (Tab. 1).

Table 1. The Three Dimensions of an Artistic Work

Referential dimension	Technical dimension	Circumstantial dimension
Discipline Genre History Competitor's products Substitute products	<ul style="list-style-type: none"> <li>• of the product consumed</li> <li>• of the production process</li> </ul>	Ephemeral components The consumer The artist

Source: (Colbert, 2007, p. 34).

“The referential dimension enables consumers to situate a product according to various points of reference. The number of these reference points increase or decrease according to the individual customer’s experience or knowledge of the product. This dimension defines the product through comparison with both whatever else exists and what once existed” (Colbert, 2007, p. 33). The mentioned dimension type is used by consumers and critics to classify and evaluate individual products. The technical dimension includes the technical and material components of the product as received by the consumer. Colbert states that elements of technical dimension in cultural works have an impact on the level of quality of these products. The circumstantial dimension is related to the ephemeral circumstances surrounding product perception by customers. Examples of this dimension class are: perception of the consumer, depending on his mood, state of health, the level of his knowledge of the offer; or situational context of circumstances in which consumer uses cultural goods and evaluates them. The circumstantial dimensions also have an impact on the artists themselves. In particular, it is clearly visible in performing arts when the quality of the product is defined as the level of artistic performance, that may depend on mood and physical condition of the performer as well as on audience reaction to his performance (Colbert, 2007, p. 34).

### 3. Categories of general products innovativeness and a proposal for cultural products innovativeness classes

Merle Crawford and Anthony Di Benedetto categorized new products according to their level of innovativeness for the world market or for the company that offers them, incorporating a concept by Booz, Allen and Hamilton (Crawford & Di Benedetto, 2011, p. 14). In this model there are six categories listed:

1. New-to-the-world products, or really-new products. These are also named “breakthrough innovations”.
2. New-to-the-firm products or new product lines.
3. Additions to existing product lines.
4. Improvements and revisions to existing products.
5. Repositionings.
6. Cost reductions.

Using the Crawford and Di Benedetto concept and taking into account the specificity of available cultural products, the author of this paper proposes the following four classes of innovative cultural goods and services:

- Breakthrough innovations – new product for the market and for the cultural enterprise.
- New products for the enterprise, similar to other product available on the market.

- Reissues of old products with a reduced number of components and features of the former edition(s).
  - Fresh adaptations of old content in the form of new products, including repositionings.
- Below there are presented specific features and examples of products from each of the cultural product innovation class featured in the list. These examples relate to the selected branches of cultural markets.

#### **4. Breakthrough innovations – New products for cultural market and for institutions offering them**

New cultural goods introduced to the market may differ by two distinct groups of innovative features:

1. the level of innovation in terms of content included that constitute the essence of the product and the communication messages it contains,
2. technical innovative features of product forms that are cultural content carriers or physical tools used in the provision of cultural services.

These products will be considered innovative, which include a completely new content made available in the form of premiere: books, films, photographs, songs and recorded music and sounds, musicals, dramas, stage performances, choreography, scripts, as well as works representing the fine arts: images, graphics, sculptures, architectural designs, and other artistic artifacts created using innovative technologies (e.g. artistic compositions created with use of 3D printers). It is important for product belonging to this category that their essential, basic content is a new work, not the interpretation or adaptation of other works that have already been made available and are recognized.

In the case of innovative forms of cultural products one may distinguish a group products that while premiered were considered another new forms of media with cultural content, along with the dedicated equipment enabling the use of such media. Among the forms of products representing the mentioned group one should mention multimedia files in selected formats dedicated to various applications, such as: PDF, doc, mobi, epub, wav, doc, AAC, FLAC, AIFF, JPG, GIF, avi, mp3, mp4, divx, HD signal transmitted via cable television or broadband Internet, Wi-Fi, DAB<sup>1</sup>, DVB<sup>2</sup>. The information carries that can be used for distribution of mentioned files types are: USB memory sticks, optical disks, HDD, SD memory cards, audio books, DVD and Blu-Ray (BD) discs and cloud computing data “carriers”. Innovative appliances offered for cultural goods (files with cultural content) use are the following types of electronic equipment: e-book readers and the corresponding stationary and portable players of various text files types; smartphones, applications that allow electronic files playback and other equipment devised for the collection and storage of digitized cultural content.

The development of new forms of cultural products is closely linked with the emergence of technical innovations that could potentially be used for the creation, preservation, collection, objectification, presentation and distribution of the works of individual creators and artists. For example: computer graphics as an art form and artists’ works emerged only after the computers

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<sup>1</sup> DAB – *Digital Audio Broadcasting*.

<sup>2</sup> DVB-T – *Digital Video Broadcasting-Terrestrial*.

along with dedicated graphic software had been made available on the market, for creative use as artistic tools. The equipment, its users and their works are often the leaven of new cultural markets (just like computer graphics market).

As an example of breakthrough innovation, in the sense of innovative cultural content and product form, one may present a movie *Kingsman*, premiered in June 2015. This film by the end of 2015 is to be made available in the form of Ultra HD Blu-Ray. Potential consumer will be able to fully benefit from innovative movie medium, only with the use of dedicated hardware Ultra HD Blu-Ray player and a television set compatible with the 4K standard, with a screen resolution of 3840 x 2160 (Cox, 2015).

Breakthrough innovations on market of culture more commonly relate to the works' content newness than to innovativeness of physical forms of these products. On the cultural market there is a finite, limited number of forms (formats) of products, which often are internationally recognized as technical standards. The possibility of formation and to publish new cultural content seems to be unlimited. Whereas the possibility of creation and publication of new, innovative cultural content seems to be unlimited.

## **5. New products for the enterprise, similar to other product available on the market AND reissues of old products with a reduced number of components and features of the former edition(s)**

A considerable part of the new cultural product offers does not have any features of breakthrough innovations. Within this category one can distinguish products that are new for the company, but were already present in offers of other market participants. Such innovations often are similar to the competitors' products. These are mockeries or even imitations. Such products represent new product lines or lines complementing existing offers. Sometimes these products also represent the company's response to the offer made by its competitors.

In the book market there are new books released representing similar, trendy subjects and literary forms, that are currently attractive to readers. The same is happening in other cultural goods markets: phonographic, film, theater, concert or exhibition (museums, galleries), where there are offers with themes, issues representing the same or related genres, artistic forms or concerning selected problems and questions (e.g. historical, social, existential or ethical). Firms thus supplement their offer to "be on time", following and imitating the ideas from competitors, trendsetters and opinion leaders for new offers or just implement statutory objectives of their activities, taking into account the interests and needs of the target audiences. They are prepared to make offers adjusted to market expectations, namely: consumers and possibly other market participants: dealers, critics and sponsors.

Another group of cultural products may be recognized as new editions of former product that complement existing product lines. The substance of such products usually is the same, but the medium (physical form of a product). These kind of products, with only slightly modified cultural content, at most, are referred to as re-editions or re-issues. Reissues may as well be extended products with additional content, offered at a higher prices and targeted to specific audiences, in a limited number of copies, available only for a restricted period of time. Another product type among reissues are compilations with selected samples of content, taken from several hitherto separate

products/publications summarized. There are also reissues in the form of a cheaper, simplified versions of products that have already reached end-stage phase in their Product Life Cycle.

For example, on the literature market reissues are as follows: the new edition of the “old” books – with such elements, different than in hitherto product editions, like: the format size, the jacket type, (hard/soft) cover, a graphic printings and illustrations. In the recording industry re-editions may appear as the CDs with archival recordings of music. At the film market as a re-release would be a set of several archival films released again in the form of a DVD/BD box set, at a lower price than the sum of the prices of each publication with individual movies from the set. The earlier mentioned movie *Kingsman* within the future reissue would probably also have its premiere in new video formats, for example: the pay channels of cable television networks, VOD (Video On Demand) on sites, like Netflix, and eventually also in the offer of the selected terrestrial television stations.

## **6. Fresh adaptations of old content in the form of new products, including repositionings**

New products that are adaptations of famous works are the next cultural product type. In the movies there are produced so-called remakes of classic films that are new versions of films created on the basis of screenplays already used, but this time made under the direction of another director and with different cast of actors. Adaptations are also translations of foreign language texts (e.g. the poetry, prose, lyrics et al.), new arrangements of songs, works of art created with the new graphics tools (e.g. computer graphic design, computer animated films and others), adaptations of stories from books as movie scripts, comics and other similar “new versions” of previously known works.

In performing arts productions (of theaters, ballet, opera, etc.) such new products are new performances of well-known plays, choreography, operas – in new version with directors and casts, also staged in different venues and places. Adaptations (new musical arrangements) are also new offerings during concert performances, as well as in the studio or live music and video recordings of previously published musical compositions. Musicians as studio players or live performers are the creators music’s new interpretation – regardless of whether they perform their own songs or by others composers. The same is true in the case of vocal performances of formerly known repertoire in a new interpretations of other singers.

A form of product adaptation to the market of fine arts would be thematic exhibitions at galleries and museums. On such occasions there are used archival artifacts and objects representing different fields of art, sometimes interspersed with less famous works or pieces of art previously unavailable to the public. The author’s contribution of the curators of such exhibitions is the specific selection and thematic listing of appropriate items presented.

At the movie market there are also adaptations of classic films, that underwent a new editing or technical updates that make previously known movies more attractive in new versions. For instance, in 2014 there was presented in theaters, and later on DVD and Blu-Ray discs, a re-edited and shortened new version of classic polish movie “Potop” (“Deluge”). Original movie, first published in 1974, lasted 316 minutes. A new shortened to 185 minutes version of the classic film by Jerzy Hoffman is called “Potop redivivus”.

As innovative products there are offered in cinemas and published as DVD/BDs so called “director’s cuts” movie versions. Usually these are the original full versions of the movies as original

director(s) intended, but ultimately shortened by the request of movie producers or other important gatekeepers (i.e. local censors, final movie approval committees) or local movie market standard requirements. Such movie product enhancements are featuring different edits, plot endings and scenes that were deleted from previously available versions etc. for the purpose of limiting the duration of the final version of the film directed to be shown in cinemas. “Director’s cuts” are the pretext to reintroduction of the film production to the market to earn more money on the pre-formed film material.

As other examples of innovative cultural product adaptations one can also indicate the online versions of: museums and galleries, libraries, reading rooms, where virtual content is presented and shared collections of such resources like: the works, artifacts in the digitized multimedia forms (text, photographs, sound, music and video recordings, animations, databases, et al.).

A peculiar new cultural products are created and issued for special occasions, specific circumstances or events. In publishing there appear biographies on the same historical figures or celebrities, books dealing with the same historical events, publications describing the selected similar scientific issues (e.g. academic or school textbooks) or topics (encyclopedias, dictionaries, guides, atlases). One should also indicate examples of many children’s books containing similar to each other fairy tales, legends and series of books written on demand by specialized authors of let say: romantic novels (known as “Harlequins” – the name of the publishing house specializing in such type of literature) or crime stories. From the music market there’s an example of cheap CD with recordings of famous classical music composers, performed by the anonymous orchestras (or those that do not have the status of a branded performer).

Repositioning’s are the same products but presented in a new way to change their appearance and image in consumers’ minds. The changes of the repositioned cultural products concern for example shifts in the product price category, product features simplification in relation to previously available versions (paperback books, budget editions of books, music on CDs and films on DVDs respectively, simplification of packaging, multiproduct packs etc. The symptom of hitherto existing product status change is a change in its dedicated catalogue number and list price. Repositioning of cultural goods also serve as important element in the implementation of new marketing strategies, aimed at different target markets. Repositioning may also support the refreshment and update of older products, which may have somewhat been forgotten by existing customers.

## 7. Conclusion

Product innovations in cultural markets, unlike in other industries, may arise from the new form of the product itself or (more frequently) from new content of the products, new adaptations of content already offered or represent new products complementary to existing product lines of the enterprise. Cultural products representing each of proposed new product categories listed in the paper may be characterized also by different levels of risk of market success/failure incurred on the commercial markets.

The market introduction of new cultural products representing each of the proposed “newness” categories listed above, require incurring diversified financial expenditures and marketing efforts – relating to the cost of products’ artistic content creation and the cost of product form, it’s tangible and intangible (service) elements. The potential market success of cultural product depends on the ability to match the offering’s marketing-mix composition, adequately to the characteristics

and preferences of the consumers to whom the offer is targeted at. In the case of cultural goods, the ultimate opinion on the innovative character of the offer is made by consumers who opt to take advantage of the “new” offer, or express no interest in it. Therefore, it is essentially important for new goods and cultural services to be recognized and perceived as innovative by potential consumers, so they can get interested in and ultimately willing to consume such products in convenient forms.

The issues raised in this paper could be further researched in a study on the frequency input of each highlighted innovative product groups in various branches of cultural product markets, and then on recognition and identification of the factors that determine the choice of a particular type of cultural product innovation in creating new product offerings in selected individual sectors of cultural market.

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# Chapter 10

## **A Focus on the Theories Related to the Consumer's Choices: A View on the Irrationality and Unpredictability of Choice**

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*Camillo Manlio Giovanni Manera*

### **1. Introduction to the decision making – analysis and forecast of the decision through different models**

The new vision related to the individual's choice cannot leave aside the irrational dimension aimed to satisfy the pleasure, fulfil fancies, and the feelings of the individual itself soon before taking his/her choice (Holbrook & Hirschman, 1982). It is clear how different could be this kind of analysis comparing to the previous theories, adopted in the economic field. The classical decision theory (CDT), indeed, describes the behaviour of the individual during his/her choice as a determined action aimed to achieve the personal goal. The choice is rationally pursuit, following 3 determined steps: (1) choice of one available actions, (2) expectation and (3) outcome (Hastic & Dawes, 2001). This kind of vision explains the action of the individual as a cold logic action, through which the person selects the best option in terms of profit, and excludes from the final choice all the options evaluated as less profitable. Furthermore, this assumption includes the idea that the individual, before choosing, has got already a satisfying knowledge of the field in which is choosing, that is able to choose (and to exclude) within the options and to judge correctly what action could result in the best outcome (Falzer, 2004). This theory has been overcome along the years. This happened due to the fact that it was excluding completely, for instance, all the past of the individual, the experiences and the emotions; it was not considering that, the individual could have a general incomplete or distorted view of the facts, a wrong idea of the possible losses and benefits as outcomes and – more in general – an inadequate “decision frame” (Tversky & Kahneman, 1981).

So that it is common knowledge that the decision making, as well as other executive processes, includes the individual's personal sphere, in which all experiences are included together with the emotions, goals, fears and the errors of the individual's analysis. Basically, it is a co-existence of all the individual's imperfections and the logic together (Gutnik et al., 2006). Furthermore, it should be considered the fact that the culture, gender and age, have

an important influence on the risk analysis, during the individual's choice. The ambiguity of the available options could result in a different analysis between different subjects indeed (Fischhoff, 2012).

## **2. Changing the decision making theories, but not the way of making decisions**

In the past, the classical decision theory was not denying the existence of the individual's personal factors, which were difficult to be calculated as – for instance – the impulsiveness, but, these factors were considered as disturbing elements of the analysis. Furthermore it was attributed to them a negative connotation, a flap in the logic of the choice, hard to predict and then to be divided by the rational choice (Medin & Bazerman, 1999).

So the new theories related the individual's choices include in their analysis the irrational dimension, either together during the act of the choice, or dividing the analytical thought from the experiential one. Indeed, it exists a kind of analysis of the choice which could be defined as analytical, that explain how the individual chooses his/her best option through several algorithms; it consists of a more logical vision of the action, reducing in its explication the influence that the irrational part could have on the individual's choice. At the same time, there is also an analysis of the choice more focused on the individual's experience. It explains how different individuals, coming from different experiences, can evaluate apparently logical facts in a differently way (Epstein, 1994). It is common knowledge that the theories focused on the rational and the analytical dimension of the choice and those focused on the irrational, experiential and private dimension, should be “merged” together in order to understand and forecast the individual's choice (Slovic et al., 2004). It has been made another important observation among rationality and irrationality, considering the impulsivity of the person: measuring the impulsiveness could explain us how the choice should belong to an analytical analysis and how, on the contrary, is belonging to the irrational part of the individual involved in the choice. For this purpose it has been used the REI-40, the Rational-Experiential Inventory; it is an item used to describe a level of impulsivity of the individual, trying to understand the influence that the rational part might have on the irrational one, and vice versa (Pacini & Epstein, 1999).

Furthermore, it is now evident how all theories that do not consider the interdependence between cognition and emotion, are incomplete and they cannot explain the reality. Both cognition and emotion have an influence on the individual modifying his/her choice, they are mutually dependent, as one can have a determined influence on the other and vice versa. The theories and models aimed to explain the individual's choices might simplify their “filter” not considering the individual's irrational part. But consequently, the result is an impoverishment of the reality. This impoverishment causes an insufficient explication of the individual's choice dimension. The Heuristic way has been describing the people before, and after their choices, and it analysed all those behaviours that were manifested in a different way comparing to that most obvious along the years (Gigerenzer & Gaissmaier, 2011); why an individual can apparently choose a way of behaving far differently from the most logic way?

### **3. The role of the emotions, the physiologic origin and the Amygdala**

As previously mentioned, in the last 20 years researchers dedicated many of their efforts to understand where the emotions have their origins, how they might have an impact on the individual, influencing his/her choices or – more generally – modifying his/her status. Consequently, it has been discovered that the origin of the emotional feeling starts from the hypothalamus, placed below the thalamus, soon above the brainstem. It can be considered the portion or part of the brain at the basement of the autonomic nervous system (Karplus & Kreidl, 1927).

The term limbic system is still used in order to describe all those parts of the individual's brain, from which emotions start. The limbic system is the part of the brain where the individual feel and evaluate unconsciously the emotional relevance of a certain environment. There is not a scientific definition of which parts compose this area, and where it exactly starts and ends; it is a really generic way of defining a place in which emotions start and interfere with the individual. Furthermore, there is not an exactly explication, through the limbic system theory, of how our emotions chemically start, which make the limbic system theory an incomplete one (LeDoux, 2002).

However, it is clear to the scientific community that the amygdala could be considered as a container in which all fears experienced are stored and basically extracted whenever the occasion require the usage, in order to accomplish any unconsciously and fast choice. It makes of the amygdala an entity that have a function similar to the several memory systems we have in the brain (Packard et al., 1994). It has a deep influence on the individual – fears experienced learning – however there are recent several different points of view that argue, even clashing against theories supported by many data, that amygdala just elaborate memories sourced in other memory systems (Cahill & McGaugh, 1998).

The fears, stored or “learned”, basically might have an influence on any of the individual's actions. This way of considering the fears as such a factor deeply rooted in our brain, as long term experiences which could interfere with the individual's actions, makes all theories related the limbic system applicable to any field in which the individual action might be studied. The assumption is that the individual could be influenced by fears in any time of his choice.

Such an assumption makes really hard to define what consciousness could be, how could it be defined, when it could be verifiable or observable, and through what individual attitude. Therefore, many scientists have devoted their time to the study of a definition of consciousness. A remarkable view explains that the consciousness could be rooted in a working serially organized memory space, in which the individual gives different shapes to external transposed factors, comparing and contrasting them (Baddley, 1998). Several studies show how different parts of the individual brain are stimulated by the activation of a fear external process; these external factors involved are integrated in the working space area, together with the stored ones in short term or long term memories; the working space acts as a “container”. Then, whenever the individual met a situation in which the external factor would activate a fear stored situation, many part of his brain would be involved in the process and activating the fear system (LeDoux, 2003). The individual can receive and process unconsciously external factors, which could recall stored experiences, related to his fears, activating the fear system and then creating an effect, or, in other words, a changing of his status.

## **4. The role of the emotions in marketing, the emotional marketing**

Together with the evolution of the theories related the consumer's choices, the scientific community has developed its view related the marketing, including the emotional factors. The emotional dimension of the individual has been considered gradually more important along the years, since it became the basis of the marketing campaigns of most of the companies. Depending on the market in which the marketing campaign is developed, the irrational connection between the consumer and the brand might be fundamental in order to achieve the final consumer's purchase. In the luxury market – for instance – the emphasis on the technical factors and on the quality of the product can be less important than building an irrational connection between the potential consumer and the brand/product. Consequently, the irrational connection between the consumer and the brand/product might be the main differentiating factor (Consoli, 2010). It is an actual reality that the market offers a wide range of the same product, so that it becomes mandatory for all companies achieving a good level of differentiation between similar products. Furthermore, if the purchase of a consumer is considered belonging to two different needs, functional and emotional (Consoli, 2010), it is clear how the emotional differentiation becomes vital for the company's life.

According to the definition of Mayer, Salovey and Caruso the individual's intelligence can be defined as: "the capacity to carry out abstract thought, as well as general ability to learn and adapt to the environment", and the emotional intelligence is a kind of individual's intelligence (Mayer et al., 2004). The emotional intelligence receives and processes the emotional information. Basically, it's way of playing a role in the individual's behaviour consists in receiving external emotional inputs and processing these inputs in order to easily generate an output (thought). Subsequently, the emotional intelligence filters the outputs (emotions), comprehend them and then manage them (Mayer & Salovey, 1997). In other words, the emotional intelligence is the instrument through which the individual manage and comprehend his/her and others emotions. It is scientifically proved how this instrument can be managed successfully in sales and in marketing techniques; the emotional intelligence is present but not developed in all individuals, and professional sales that manage this instrument have a proved advantage in terms of business (Kidwell et al., 2011).

It is a well-known reality indeed that the companies aim to obtain a continuing relationship with customers who are considered company's asset (Yaghoubi et al., 2011), in order to achieve a certain degree of loyalty that converge into repetitive purchases. The discipline through which it is possible to achieve a deep degree of loyalty is named Relationship Marketing; it has the scope to grow the company's business, its profits and its resistance to the competition through the creation, the maintenance and the strengthening of the relationships with the customers (Gronroos, 1994).

## **5. Internet users: decision making and the advertising influence**

The media generally are operating on the basis of several business revenue models. The advertising and the sponsors constitute the most influencing source of revenues (Mathew, Ogedebe & Ogedebe, 2013). In the Internet media, the advertising and the sponsors generally offer a remuneration in order to be published and exposed into the web to all users (Afuah & Tucci, 2003). According to the definition of Afuah and Tucci (2003, p. 5): "the Internet is a low cost standard with fast interactivity that exhibits network externalities, moderates time, has a universal reach, acts as a distribution channel, and reduces information asymmetries between transacting parties".

Through this definition it is possible to assume several considerations: A) thanks to the characteristics of the Internet, the user might have the chance to gather many information regarding the product/service s/he is interested of. B) These information are available at the same time s/he needs and wherever s/he is. C) The user can gather all information for free. D) Thanks to this easier accessibility to the information the user can have a better chance to compare, and subsequently making a choice. E) The huge amount of information accessible might generate a side effect: the process of decision making can become more complicate (Byeong-Joon, 2004) and the user's comparison within all information can give as result a "decision – standby".

Regarding the consumer's online purchases – for instance – the consumer might accomplish a choice, starting from a consideration of the own budget, finding the best product/service, and then proceeding with the purchase. Of course, the process composed by the steps as: 1) find the problem, 2) find the solutions, 3) comparison and budget analysis, 4) purchase and 5) overall evaluation, is excluding once more all the irrational influencing factors (Byeong-Joon, 2004). Consequently, the advertising and the emotional marketing might have a decisive influence on the final consumer choice, by leveraging on the emotional status of the consumer, once all information available might be too many in order to be compared. Due to the characteristics of the Internet mentioned by Afuah and Tucci, the e-market and – more generally – the Internet can be an instrument naturally made to promote the companies (Constantinides, 2004). Consequently, in the web, the user might have the chance to deepen his/her knowledge of a certain company, to discover it or simply to get an idea, which is a process called *web experience* (Constantinides & Geurts, 2005).

## 6. To buy or not to buy? The stages of the choice in the World Wide Web

The users might be influenced by several different factors that, in turn, are having an influence on the user's choices during different stages. We assume that the user knows the problem, but must find a suitable solution.

At the stage that we will call 1<sup>st</sup>: realization of the problem, it could be very probable that the user might think – logically – about what product/service might be suitable for the resolution. This stage will reward the website which will satisfy the functionality requirement of the user, and consequently will drive his choice (Constantinides & Geurts, 2005). The user will probably choose the best convenient offer, which might be even more suitable if accompanied by some added values as: easy usability of the website, customer service after sale and interaction client/seller (Constantinides & Geurts, 2005).

At the stage 2<sup>nd</sup>: solution research, the user who does not know a priori what s/he needs, might receive a certain degree of influence from psychological factors that are, in turn, generated by the website and its content. In this case the marketing mix (4P: Product, Price, Promotion, Place) (Singh, 2012) factors are as much important as the website's credibility, the security of the payment process and of the delivery of the product/service (Constantinides & Geurts, 2005). The perception of risk can change the user's behaviour, influencing his/her choice regarding a possible purchase indeed (Dai, Forsythe & Kwon, 2014). It is not definitely sure that the person involved in the choice decide to seek for a solution in the Internet; more than fifty per cent of the Internet population consider the e-commerce a wild, confused and risky world indeed, in which choosing to buy is always a hard activity. The stages of the user's choice are described in, Table 1 (Horrigan, 2008).

Table 1. The user's stages of the choice in the Internet upon the risk perception

Internet usage			
Risk			
Stage 1 <sup>st</sup>	Risk	Stage 2 <sup>nd</sup>	
Realization of the problem		Solution research	
Functionality requirement		Psychological factors	Marketing mix
Best convenient offer + easy usability of the website, customer service after sale and interaction client/seller		Website's credibility, the security of the payment process and of the delivery of the product/service	Product, Price, Promotion, Place

Source: own elaboration based on the theories in (Horrigan, 2008).

## 7. Conclusion

All the theories that, in the past, were explaining the human's choices as a result of sequences of logical stages have been overcome by new theories. These new theories give credit to the illogical and irrational side of the human being. They explain how every – apparently – rational choice might be conditioned in any time by different irrational factors. These theories even admit the deficit of the men's mind once facing the problems: they admit that there are many chances that the individual does not recognize the issue or misunderstand it. The age, the gender, the past, many external uncontrollable and controllable factors, might have a minimal or – on the contrary – a radical influence on the final choice. If in the past the scientific community overcome their own analysis regarding the human's way of choosing, we can affirm that the individual's choice did not change in term of complicity between rational and irrational side. Although the irrationality might change parallel to epoch in which the individual is accomplishing his/her choice and his/her social status.

Furthermore, the scientific community made important progress in their research due to their analysis of the individual's physical reactions. All the studies related to the amygdala accentuated the importance of the irrational factors, explaining how feelings as fear – for instance – might deeply condition the individual's choices. Once established that the human being is a compound of rationality and irrationality, several studies decided to apply the new theories to the marketing discipline. Therefore, the emotional marketing finds its roots divided by two different academic worlds: the marketing itself and psychology and the neurosciences.

In other words, the emotional marketing answers to the new marketers' the need of approaching the potential clients in the new postmodern era. This approach cannot be satisfactory if pursued through the models of the industrial economy (Rytel, 2010).

All these considerations can be then applied to the wide world of the web. It is proved how emotions might interfere with any choice before, during and after the purchase process of any product/service in the Internet. At the beginning, the only feeling of the risk about the purchase itself can stop a user to be a potential buyer. Afterwards it might be possible that an online research converged into a purchase if the user's choice is driven by several factors; these factors are rational or irrational. Therefore, a good and immediate website usage and a reduction of the risk perception regarding the purchase can be as important as a good marketing mix.

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# Chapter 11

## Predicting the Determinants of Mobile Commerce Acceptance: A SEM Approach<sup>1</sup>

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### 1. Introduction

High levels of penetration of mobile devices worldwide have opened new business opportunities. By the end of 2015, there was more than 7 billion mobile subscriptions world-wide, almost as there are people on the Earth (International Telecommunication Union, 2016). In developed countries the number of mobile subscriptions even exceeds the number of inhabitants, and for example, mobile penetration in European Union member countries in 2013 was 132% (Eurostat, 2015, *isoc\_tc\_mcsupe*). Serbia is on this issue very similar to EU average, with more than 9.3 mobile subscriptions, which corresponds to 131% of mobile penetration (Republic Agency of Electronic Telecommunications of Serbia, 2015, p. 11).

Today the usage of mobile devices in commercial activities i.e. mobile commerce (m-commerce) has very high growth rate, and new applications and options are presented daily, including m-shopping of goods and various services and m-payment. The most popular and most often used mobile devices in mobile commerce context are smartphones and tablets, and the sale of both devices has a steady growth for several years. For example, only in 2015 more than 1.4 billion new smartphones were sold globally (Gartner, 2016). On the other hand, studies show that, especially during holidays, tablet is the device of choice for m-commerce (eMarketer, 2016). The expectations are that mobile commerce will keep high growth rates for many years to come (Ecommerce Europe, 2015).

One of the important questions for m-commerce providers in further efficient development of m-commerce is to determine which factors influence the consumer decision to adopt it and it is the main objective of this paper.

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## 2. Hypotheses and research model

The problem of explaining and predicting human behaviour has a long history and many theories were developed in order to explain individual's intention to adopt an innovation. One of the most well-known is Theory of Reasoned Action (TRA) developed by Fishbein and Ajzen (1980), based on which Davis (1989) proposed one of the most common and most famous models for innovation adoption – Technology Acceptance Model (TAM), which has been applied in many studies related to the acceptance of Internet-based services like online banking (Chong et al., 2010; Lin et al., 2014), mobile services (Zarpou et al., 2012), mobile payment (Kim et al., 2010; Liebana-Cabanillas et al., 2014; Schierz et al., 2010), and m-commerce (Chong et al., 2012; Chong, 2013a; Wei et al., 2009). According to the basic model, the crucial factors influencing individual's decision to accept new technology are its usefulness and ease of use. Although TAM is well-established as a powerful and robust model in consumer behaviour prediction (Zhang et al., 2012), in order to make better explanation and more precise prediction of users' acceptance it is advised to extend it with additional constructs (Chong et al., 2012; Wei et al., 2009; Wu & Wang, 2005). For example, Wei et al. (2009), while examining factors influencing m-commerce adoption in Malaysia, extended the TAM by incorporating variables such as trust, perceived financial cost, and social influence. On the other hand, Zarpou et al. (2012) studied consumer' adoption of mobile services and proposed extending the TAM with trust, innovativeness, relationship drivers, and functionality.

In this study, modified TAM model, containing perceived usefulness, perceived ease of use and behavioural intention was extended by four external variables: personal innovativeness, social influence, perceived cost and trust.

Personal innovativeness represents customer's willingness to try out new products or services. Consumers with higher personal innovativeness usually adopt new technologies earlier than the others (Agarwal & Prasad, 1998), as more innovative people usually have more positive perceptions of innovations and therefore more positive intentions to use them (Lu, 2014). Innovativeness has been found as a valid antecedent of m-commerce acceptance in several studies (Aldas-Manzano et al., 2009; Bhatti, 2007; Lu, 2014; Morosan, 2014; San-Martin & Lopez-Catalan, 2013; etc.). As m-commerce is still a novelty for the most of consumers, it is reasonable to explore its influence on intention to use m-commerce. Therefore, we propose the following hypothesis:

H1: Innovativeness has a significant and positive effect on perceived ease of use.

Social influence is also found as an important predictor of new technology acceptance, particularly in an early stage of development or diffusion. In the m-commerce context, it could be considered as the extent to which the consumer perceives that the important persons such as his relatives and friends believe that he should use m-commerce (Chong, 2013b), but it also include the influence of mass media like the Internet, social networks, newspapers, TV, radio, etc. Social influence was found as a significant antecedent of m-commerce adoption in the studies of Chan and Chong (2013), Chong (2013b), Chong et al. (2012), Wei et al. (2009), Zhang et al. (2012), etc. Therefore, we propose the following hypotheses:

H2a: Social influence has a significant and positive effect on perceived usefulness.

H2b: Social influence has a significant and positive effect on perceived ease of use.

H2c: Social influence has a significant and positive effect on trust.

Perceived cost also may significantly influence m-commerce adoption, especially among younger consumers and in undeveloped and developing countries (Chong et al., 2012), since high prices could hinder its development. It was found as an important predictor of m-commerce adoption in Alkhunaizan and Love (2012), Chong et al. (2012), Kuo and Yen (2009), Wei et al. (2009), Wu and Wang (2005), Zhang et al. (2012), etc. Therefore, we propose the following hypothesis:

H3: Perceived cost has a significant and positive effect on behavioural intention.

The problems of security and privacy are some of the most important barriers to faster adoption of e- and m-commerce, and it is no wonder that consumers' trust i.e. his belief that using m-commerce is secure and has no privacy threats (Wei et al., 2009) is very significant predictor of m-commerce acceptance, which is confirmed in many studies (Chong, 2013a; Chong, 2013b; Chong et al., 2012; Leong et al., 2013; Wei et al., 2009; Zarpou et al., 2012; Zhang et al., 2012; etc.). Therefore, we propose the following hypotheses:

H4a: Trust has a significant and positive effect on perceived usefulness.

H4b: Trust has a significant and positive effect on behavioural intention.

Perceived ease of use and perceived usefulness are two original TAM constructs, very often used as m-commerce acceptance determinants (Bhatti, 2007; Chan & Chong, 2013; Chong, 2013a; Chong et al., 2012; Wei et al., 2009; Wu & Wang, 2005; Zhang et al., 2012). Perceived ease of use is considered as the degree to which a person believes that using m-commerce would be free of effort (Davis, 1989). Although consumers are today quite familiar with mobile devices, m-commerce is still an innovation for most of them (Chong, 2013a), and in order to promote its acceptance, m-commerce services should be easy to learn and easy to use (Kim et al., 2010). In our study, we test the influence of perceived ease of use on three other factors i.e. we propose the following hypotheses:

H5a: Perceived ease of use has a significant and positive effect on trust.

H5b: Perceived ease of use has a significant and positive effect on perceived usefulness.

H5c: Perceived ease of use has a significant and positive effect on behavioural intention.

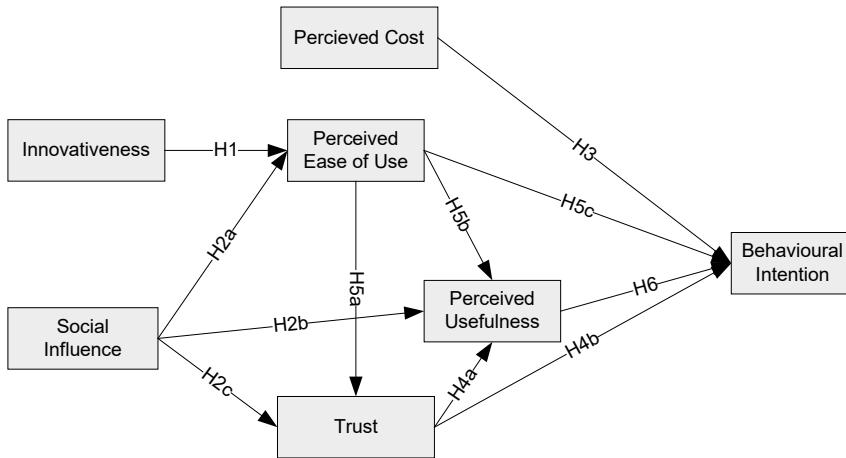
Perceived usefulness in m-commerce context is defined as the degree to which a person believes that using a m-commerce would enhance his or her job performance (Davis, 1989), and it is definitely one of the most important antecedents of any new technology adoption, as consumers will start to use m-commerce only if they find it to be more useful than its alternatives such as traditional or e-commerce (Chong, 2013a). Therefore, we propose the following hypothesis:

H6: Perceived usefulness has significant and positive effect of behavioural intention.

Behavioural intention represents a central concept of TAM (Davis, 1989) and it could be described as an individual's subjective probability that he or she will use m-commerce (Zarpou et al., 2012). It is often found as the most important predictor of an individual's actual behaviour (Zhang et al., 2012).

Based on the formulated hypothesis, a new research model, composed of seven variables, is proposed and its structure is shown in Figure 1.

Figure 1. Research model



Source: own study.

The figure clearly shows that the proposed model enables testing of 11 effects in total. Each model variable was measured over a minimum of three statements which were selected based on a review of relevant literature. At the same time, respondents expressed their agreement or disagreement with the statements on the seven-point Likert scale.

### 3. Research methodology

The model was tested among the customers of three mobile operators in the Republic of Serbia. Interviewers contacted potential respondents in the offices of mobile operators i.e. while leaving the premises. The key condition for the participation in the study was that the customers had to make some mobile commerce activity during last 12 months. After review of the collected material, 17 incompletely filled questionnaires were found, leaving the final sample of 224 respondents who took part in the conducted research.

All respondents in the sample were divided into demographic segments on the basis of three control characteristics (sex, age and level of education). The sample contains a slightly higher percentage of women (55.8%) compared to men (44.2%). In terms of age groups of respondents, most of them were in 25-34 years (30.4%) and 18-24 years (26.3%) segments. The whole sample is slightly shifted to younger generations, i.e. the respondents who have 35-44 years make up 22.8% of the sample, while the oldest age group (45 and over) is 20.5% of the sample. An almost identical percentage of respondents have completed secondary education (45.1%) and university degree (42.0%), while respondents with college education make up 12.9% of the sample.

### 4. Data analysis and results

Data analysis was carried out using statistical packages SPSS and AMOS. First, the reliability analysis was conducted by which the internal consistency of the statements used to measure latent variables was measured. After that, the values of fit indices were calculated. Finally, using structural equation modelling (SEM), the statistical significance and strength of 11 effects of the research model was tested.

Results of the reliability analysis are shown in Table 1. Reliability of each variable was estimated based on the value of Cronbach's alpha coefficient. The values of this coefficient are in [0-1] interval, and an adequate level of reliability is achieved if the value of the Cronbach's alpha coefficient is higher than 0.7 (Nunnally, 1978). Since the reliability of the variables of the proposed model varies between 0.80-0.95, it can be concluded that the model is reliable i.e. that the statements by which latent variables were measured are internally consistent.

Table 1. Reliability analysis

Variables	Cronbach's alpha
Innovativeness	0.88
Social influence	0.80
Perceived cost	0.91
Trust	0.93
Ease of use	0.95
Perceived usefulness	0.94
Behavioural intention	0.92

Source: own study.

The model also has an appropriate level of compliance as evidenced by the values of fit indices (Tab. 2). Only the value of GFI index (0.84) is slightly lower than the desired threshold of 0.85. However, the values of all other indices were within recommended levels, according to the literature (Carmines & McIver, 1981; Hair et al., 2006; Steiger, 1990).

Table 2. Fit indices in the proposed model

Fit Index	Recommendations	Model values
$\chi^2/df$	< 3	2.29 (599.3/261)
GFI	> 0.85	0.84
CFI	> 0.90	0.93
TLI	> 0.90	0.92
IFI	> 0.90	0.93
RMSEA	< 0.1	0.08

\*Notes: GFI – goodness-of-fit index;  
 CFI – comparative goodness of fit;  
 TLI – Tucker-Lewis Index;  
 IFI – incremental fit index;  
 RMSEA – root mean square error of approximation.  
 Source: own study.

Out of 11 tested effects, 10 effects were proven to be statistically significant. Only in the case of the impact of social influence to ease of use  $p$  value was higher than 0.05, which indicates the insignificance of the given effect and caused the reject of the hypothesis H2b. On the other hand, all other hypotheses were confirmed. The results of the structural equation model analysis are shown in Table 3.

Table 3. Tests of hypothesized relationships

Hypothesis	Estimates	Conclusion
H1: Innovativeness → Ease of use	0.492***	Supported
H2a: Social influence → Perceived usefulness	0.453***	Supported
H2b: Social influence → Ease of use	0.089 <sup>ns</sup>	Not supported
H2c: Social influence → Trust	0.356***	Supported
H3: Perceived cost → Behavioural intention	0.225***	Supported
H4a: Trust → Perceived usefulness	0.448***	Supported
H4b: Trust → Behavioural intention	0.239***	Supported
H5a: Ease of use → Trust	0.480***	Supported
H5b: Ease of use → Perceived usefulness	0.219***	Supported
H5c: Ease of use → Behavioural intention	0.324***	Supported
H6: Perceived usefulness → Behavioural intention	0.261***	Supported

\*\*\* Significant at 0.01 level; <sup>ns</sup> Not significant

Source: own study.

As we can see, the two strongest effects in the model are the influences of innovativeness on ease of use (estimate = 0.492,  $p < 0.01$ ) and ease of use on trust (estimate = 0.480,  $p < 0.01$ ). These findings indicate that consumer personal innovation strongly influences the ease of use of mobile services i.e. the more consumer is innovative, the easier he will use the new mobile applications and services, which further enhances his/her confidence in this type of commercial activities. Furthermore, a high level of confidence in the safety of mobile commerce affects the respondents' perception on the usefulness of these types of services. As the final consequence of this process, trust and perceived usefulness stand out as significant antecedents of behavioural intention to use m-commerce, but following ease of use, as the most influential factor. It is interesting also to point out that social environment significantly shapes the perceptions of the usefulness of using mobile commerce services. In addition, the influence of the social environment can be a powerful factor of customer trust in the efficacy and safety of mobile transactions.

## 5. Conclusion

The main contribution of the presented research is the identification of the key drivers of behavioural intention to use mobile commerce. In addition, the paper analyses the interrelationships and the effects of the variables that contribute to the development of long-term relationships with customers in this particular business activity. This paper also presents the unique structure of the research model, which contains seven variables in total. Suggested model represents an expanded version of the TAM model and it also contains some specific external variables, such as social influence, innovativeness, perceived cost and trust.

The analysis shows that personal innovativeness is very important in the process of acquiring skills in the field of information technology and the ease usage of mobile applications. It is also important to note that the influence of social environment represents a factor of trust and building people's attitudes about the usefulness of mobile commerce. These results are expected since this is a quite new service, and as people do not have their own experiences, they have to rely on the opinions and influences of the reference groups. It is interesting to note that in the proposed model the impact of ease of use on perceived usefulness was also tested. The analysis of a given effect is very interesting due to the fact that they are basic elements of the TAM model and in our study, this effect was found as statistically significant. The results clearly indicate that it is important to identify key antecedents of trust, ease of use and perceived usefulness, since these three variables reinforce the willingness of consumers to use mobile services in the future.

Results of the research suggest useful implications for the management of mobile commerce providers. First of all, due to the fact that this is a new service and, since the trust was found as an important driver of behavioural intention, it is necessary to improve data protection and security of mobile transactions. This would reduce the risk of transactions and increase the confidence of consumers in m-commerce systems. It is also important to educate consumers about the protection and security systems of mobile commerce and safe usage of m-commerce services.

The impact of ease of use on the behavioural intention was also found to be strong and statistically significant. It is interesting to stress that this variable was influenced by personal innovation of consumers, but that no significant social impact was found. Mobile commerce applications must be easy to use, as this was found to be significant antecedent of m-commerce acceptance. This is especially important for the motivation of senior consumers to use mobile services, since many of them have an aversion to this form of commerce. Continuous education in proper usage of m-commerce of all stakeholders would be helpful. It is also important that mobile commerce providers continuously conduct satisfaction surveys, in order to be able to identify the key benefits offered by mobile commerce, but also significant barriers and experienced problems.

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# Chapter 12

## Retail Management Friendly to Older Consumers<sup>1</sup>

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*Dagmar Lesakova*

### 1. Introduction

Development of customer satisfaction, as a precondition of survival in a competitive market place, has been discussed frequently in recent years. The emphasis on satisfaction is not only a natural consequence of severe global competition, but also an essential goal of the whole business. Companies satisfying their customers achieve better results, while those with dissatisfied customers, fail. These findings are valid also in store selection (Giese & Cote, 2000).

Customers evaluate shopping experiences and arrive at “satisfaction judgments” by comparing what they really get to what they expected (Payne, 2008; Schiffman & Kanuk, 2010). It has been documented (Buttle, 2004), that customer satisfaction is an important factor driving positive word of mouth, repurchase rate and loyalty. Loyalty as a tendency of customers to stay with a store or a brand, is closely related to satisfaction and finally to store profitability. The dissatisfaction of consumers can result in negative word of mouth and lost sales. Giese and Cote (2000) argue that satisfying customers is more important than short term profit goals, because as long as customers are satisfied, the business has a perspective of profit for the future.

Several authors (Goodwin & McElwee, 1999; Lambert, 1979; Lesakova, 2013) define customer satisfaction as the ability of an organisation to provide a service performance that exceeds the customer expectations. Customers can derive satisfaction from diverse satisfaction attributes, hence retailers need to understand the particular attributes of satisfaction.

Analysing the customer satisfaction, marketing managers need to be focused not only on individual satisfaction attributes, but mainly on gaining a clear insight into the complex relationships among overall satisfaction rating and various individual performance attributes. The purpose of such an insight is to identify the areas (processes, attributes, indicators) that need improvement and that most significantly affect the relationship with the customer. Cronin, Brady and Hult (2000) suggest that any evaluation of customer satisfaction that takes into account only individual attributes, is not complete. A set of attributes provides a complex tool for explaining the different

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aspects of customer satisfaction in a store in terms of the whole – total – overall experience of satisfaction with a particular store.

Building satisfaction is especially important in the retail sector (Hayley & Lumbers, 2008). Retailers develop their business in a highly competitive environment, where competitors are located in a small distance of one another, knowing that if they do not satisfy customers wants properly, these customers will very quickly find another store that fulfills their expectations (Oates et al., 1996). With regard to food retailing, consumers face an array of stores in which to shop and the level of choice that exists is immense. Therefore the constant feedback from seniors' attitudes towards the stores where they conduct their purchasing is vital for retailers survival. Satisfaction here is achieved by knowing customer's needs and requirements, and adapting the processes and systems so that customer expectations are consistently met or exceeded (Schiffman & Kanuk, 2010; Goodwin & McElwee, 1999).

Asking customers to evaluate the satisfaction with firm's performance appears relatively simple at first sight, however it is difficult in practice and companies often identify highly skewed results in customer responses (indicating a majority of positive or high satisfaction rates). What seems to be a key problem is determining an appropriate scale for measuring satisfaction (Cronin & Taylor, 1992) and determining the critical performance factors driving overall satisfaction or dissatisfaction.

Attributes in customer satisfaction include 6 areas: products (attribute area 1), price (attribute area 2), promotion (attribute area 3), sales personnel (attribute area 4), store environment (attribute area 5), processes and services (attribute area 6).

Crompton and Love (1995) discuss the necessity of including not only the performance of individual attributes, but also attribute importance measures in satisfaction analysis. They conclude that "investment of resources may be wise only in case that the attributes are relatively important to customers" (Crompton & Love, 1995).

Our research of shopping satisfaction is focused on the seniors' age group. The purchase behavior of older consumers differs somewhat from that of their younger counterparts. Several authors (Moschis et al., 2004; Hayley & Lumbers, 2008) have specified such differences, which include: expecting personal attention and special services, considering shopping to be a social event, perceiving brand and retailer reputation, longer time in purchase decision-making, increased store loyalty, etc. With advancing age seniors experience a decline in appetite, food intake and dietary adequacy (Oates et al., 1996), as well as a decreasing ability to taste and smell, chewing difficulties and limited dexterity. Given the range of noted differences, retailers need to give them serious consideration and use them to differentiate their services to different consumer segments.

## **2. Goals and Methods**

The goal of the paper is threefold: 1) to identify the attributes with positive and negative impact upon food shopping experience in older customers segment during their food procurement process, 2) to reveal attributes with greatest impact on the overall perceived satisfaction in the segment of older shoppers, 3) based on the importance-performance analysis (IPA) results to propose some recommendations for retail management aiming at better consideration and meeting the expectations of the older people. The key question raised in our research is "what are the critical points perceived by seniors in their overall shopping satisfaction".

To achieve the goals a 3-step methodology was applied, starting with identification of attributes that impact the food shopping satisfaction in seniors segment. Second step is devoted

to the detection of performance-importance data (attribute's measures) and final part includes development of an IPA grid and strategies recommended for particular attributes.

The key method used in our research is importance-performance analysis (IPA), which is an assessment technique and tool for management decisions. Our research involves modification of traditional IPA analysis, that may enhance the capability of the traditional approach. The modification is based on replacing the self stated importance (as it is used in traditional importance-performance analysis) by more reliable indicators.

The use of self-stated importance has been criticized by various researchers as an "ambiguous and unreliable concept" (Oh & Parks, 1997). Because of the tendency of customers to rate almost every factor as important, it is reasonable to determine importance in an indirect way by indicating variables that are significantly related to an overall measure of satisfaction. Statistical techniques like correlation, regression, discriminant analysis have been mainly used for this purpose (Chu, 2002). In our paper we use the association tests between two rank order variables, that is "attribute performance" and "degree of overall satisfaction". To quantify the attribute's impact on the overall satisfaction, we use the Cramer's V coefficient, which measures the power of an attribute.

Cramer's V is computed for the contingency table corresponding with the attribute. It is based on the value of the chi square statistic for a table with 5 rows and 5 columns and for a given number of respondents  $n$  ( $n = 466$ ). Cramer's V will range from 0 to 1. A high value of V indicates a high degree of association. An attribute receives a high degree of satisfaction impact and importance, when the Cramer's V has a large value, indicating a high degree of association. Perfect dependence between variables corresponds to the case, when  $V = 1$ . On the contrary,  $V = 0$  in case of no association between variables.

$$V = \sqrt{\frac{\emptyset^2}{\min(r-1)(c-1)}} \quad (1)$$

$$\emptyset = \sqrt{\frac{\chi^2}{n}} \quad (2)$$

In the visual matrix presentation of the IPA results also the placement of the grindlines in the matrix presentation plays an important role. Interpretation, decisions and subsequent strategy plans are based on the placement of attributes in the quadrants determined by the placement of the grindlines (Mount, 1997). The strict interpretation is that key main importance in action planning have those attributes that are in the "concentrate here" quadrant. Where the "crosshairs" intersect will have significant impact on the findings and subsequent responses. Some authors (Martilla & James, 1977) argue that the placement of the gridlines is "a mater of judgment". In case of the absence of low performance and importance scores, Martilla and James (1977) suggest "moving the axes over one position on the scale". Hence, we should keep in mind the relative meaning of the grid's quadrants, which are: quadrant I: Concentrate here (high importance, low performance), quadrant II: Keep up the good work (high importance, high performance), quadrant III: Possible overkill (low importance, high performance) and quadrant IV: Low priority (low importance, low performance). The quadrants can be used to generate recommendations by differentiating between them.

The questionnaire was distributed to 466 respondents (seniors aged 65+) and consisted of 2 parts. The core part of the questionnaire was respondents' assessment of the performance of individual satisfaction attributes. On a five-point scale respondents rated their satisfaction with 20 individual attributes (belonging to six areas of satisfaction) in that retail store, where they mostly purchase their grocery products. They expressed the satisfaction with individual attributes in their real life. Mean and standard deviation were calculated for each attribute. In the second part of the questionnaire seniors rated their overall satisfaction with a store (summary measure). They were asked to express on a 5-point scale their agreement with the statement "I am satisfied with a store, where I mostly conduct my food shopping". Finally, the Cramer's V coefficient of each attribute performance and the summary item "I am satisfied with a store, where I mostly conduct my food shopping", was calculated and used as a derived importance measure for each attribute.

### 3. Results and Discussion

Satisfaction analysis aims to identify company performance on a set of criteria (Moschis, 2003). A common way is to compute the percentage of respondents that are satisfied with the particular attribute. However, this information does not reveal customer priorities. If the company wants to identify the areas for satisfaction improvement, then focusing effort on the lowest performance scores may or may not lead to the best allocation of resources. Therefore, also focus on attribute importance in satisfaction development is necessary. By combining the performance and importance scores of the attributes in an IPA matrix, areas with a different impact on overall customer satisfaction can be revealed.

Table 1. Performance of satisfaction attributes

Attr. code	Satisfaction attributes	Satisfaction performance	
		Mean	St.Dev.
	Product – AA1		
A11	Freshness of products	4.08	0.66
A12	High quality products	4.12	0.78
A13	Large product variety	4.16	0.55
A14	Practical packaging	3.94	0.78
	Price – AA2		
A21	Lower prices, cheaper products	3.72	0.84
A22	Frequent discounts/sales	3.62	0.80
	Promotion – AA3		
A31	Regular promotions/demonstrations	4.02	0.54
A32	Regular advertising	4.08	0.78
	Personnel – AA4		
A41	Friendly staff with commitment	3.96	0.68
A42	Knowledgeable and professional staff	3.94	0.82
A43	Efficient staff assistance	3.90	0.88
A44	Staff uniform	3.98	0.56

	Physical Store Environment – AA5		
A51	Convenient store location	4.08	0.52
A52	Comfortable and clean trolleys	3.98	0.48
A53	Pleasant environment	3.96	0.92
A55	Well-organised store design/layout	3.98	0.54
A56	Store cleanliness	4.28	0.36
A57	Practical shelf layout	3.91	0.72
	Processes and services – AA6		
A61	Short queues at cashiers	4.00	0.42
A63	Complaint system	3.42	0.60
	Summary item		
SI	Overall satisfaction with the store	4.04	0.56

Source: own calculation.

Lowest performing items are given in Table 2: complaint system (3.42); frequent discounts/bargains in store (3.62); lower prices/cheaper products (3.72); efficient staff assistance (3.90) and practical shelf lay-out (3.91).

An analysis of the individual attributes of customer satisfaction reveals the items that display the highest impact on the overall satisfaction, hence considered as important and relevant to improve the outcomes (Tab. 2), are:

1. product-related: high quality products and freshness of products
2. price-related: lower prices, frequent discounts/sales
3. physical store environment-related: well-organised store design, practical shelf lay-out
4. processes and services-related: minimum waiting time at cashiers.

Two attribute areas have been identified to display the highest importance on seniors' shopping satisfaction: attribute area price policy (AA2) and attribute area personnel policy (AA4). Price is recognised as being decisive factor to older people, particularly for those with low incomes. Seniors obviously perceive the price of foods to be high not only because of their low pensions, but also because of high tax-level on foods in the country.

Even though the staff and service are crucial and highly important in ensuring satisfaction among customers, the retailer staff were reported with only 16% with "very satisfied" a 25% with "satisfied". This is a crucial finding, as poor service and unhelpful staff can have an immediate negative effect on customers and decreases the likelihood of their loyalty to that store. Regular advertising and demonstrations, staff uniforms or practical packaging were determined to be least important.

Table 2. Derived importance-performance analysis (DIPA)

Attr. code	Satisfaction attributes	Performance Mean	Cramer's V
	Product – AA1		
A11	Freshness of products	4.08	0.583
A12	High quality products	4.12	0.606
A13	Large product variety	4.16	0.546
A14	Practical packaging	3.94	0.298
	Price – AA2		



A21	Lower prices, cheaper products	3.72	0.599
A22	Frequent discounts/sales	3.62	0.535
	Promotion – AA3		
A31	Regular promotions/demonstrations	4.02	0.214
A32	Regular advertising	4.08	0.280
	Personnel – AA4		
A41	Friendly staff with commitment	3.96	0.510
A42	Knowledgeable and professional staff	3.94	0.514
A43	Efficient staff assistance	3.90	0.524
A44	Staff uniform	3.98	0.298
	Physical Store Environment – AA5		
A51	Convenient store location	4.08	0.462
A52	Comfortable and clean trolleys	3.98	0.490
A53	Pleasant environment	3.96	0.488
A55	Well-organised store design/layout	3.98	0.579
A56	Store cleanliness	4.28	0.440
A57	Practical shelf layout	3.91	0.538
	Processes and services – AA6		
A61	Short queues at cashiers	4.00	0.532
A63	Complaint system	3.42	0.504
	Summary item		
SI	Overall satisfaction with the store	4.04	

Source: own calculation.

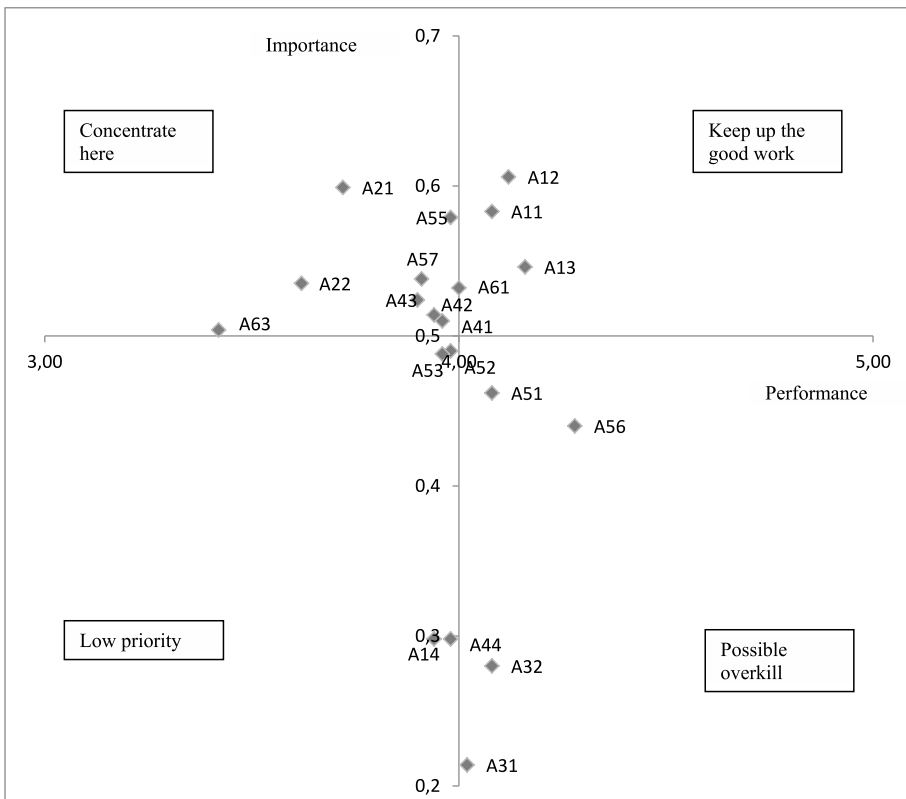
In order to develop the DIPA matrix, the importance values of an attribute will be represented by the V coefficients corresponding with that attribute (on the axis y). The performance coordinate (axis x) of an attribute is given by the value of individual attribute performance. Point of intersection for performance axis x determines value 4 (according to the requirements of retail managers on the performance benchmark) and for importance axis y it is the value of  $C > 0.5$ .

In our exploration adding the derived importance measure C to the mean performance of individual attributes resulted in a matrix presentation shown in Figure 1. There are eight attributes that fall into the “Concentrate here” quadrant: 1) lower prices/cheaper products; 2) frequent discounts/sales; 3) friendly staff with commitment; 4) knowledgeable and professional staff; 5) efficient staff assistance; 6) well-organized store design/layout; 7) practical shelf lay-out; 8) complaint system. An analysis that follows strict interpretation would concentrate on these eight items. Seniors perceive these attributes as very important, but the perceptions of performance levels are below average. Therefore further improvement efforts should be concentrated here. It is important to note that not all of the lowest performing items noted in Table 2, are in the “concentrate here” quadrant. Hence, an analysis based on a performance-only presentation would miss some of the items in the “concentrate here” quadrant.

The attributes, where the retail should keep its good position, are the product-related aspects: freshness, quality and broad assortment of foods, as well as short queues at checking points. They are situated in quadrant II “Keep up the good work”. All these retail benefits are the strengths of the stores and should keep up the good work in maintaining confidence of their customers, as otherwise, these benefits might risk falling into the “Concentrate here” quadrant.

Low impact of the promotion attributes such as regular advertising or demonstrations, on the overall satisfaction should be taken into account, when considering allocation of resources (quadrant III “Possible overkill”). Here, the customers are satisfied with the attributes performance, but all the continuous effort in delivering those benefits to the customers will be futile, if customers are already content. Therefore, present efforts on these attributes in this quadrant are questionable and retail managers should consider allocating resources elsewhere, especially on the attributes in the “Concentrate here” quadrant.

Figure 1. Derived importance-performance grid



Source: own calculation.

Four items were located in the “Low priority” quadrant, with low values of performance and importance impact: practical packaging, staff uniform, pleasant external environment and comfortable and clean trolleys. Any of the attributes that fall into this quadrant possess low importance value and pose no threat to the store.

An analysis using the derived importance-performance method suggests that the issues that are most critical for follow-up retail strategy actions are: 1) price policy 2) personnel policy aimed on professional and polite behaviour towards seniors, and 3) effective design and lay-out of the store.

## 4. Conclusion

In the presented paper the impact of individual store attributes on the overall satisfaction level was explained. A modification of traditional IPA to derived IPA method was applied improving the satisfaction analysis and revealing in which way determinant attributes affect overall consumer satisfaction in seniors' segment when shopping for foods. The validity of our DIPA methodology lays in the interpretation and identification of the most significant attributes demanding actions by management. Thus, derived importance-performance analysis brings a statistical logic to what is traditionally a visual interpretation. The research was able to distinguish between items that add value to summary satisfaction and the items that are perceived by seniors to be deficient. Measuring satisfaction attributes by applying the DIPA tells managers where to focus their efforts. The suggested method can improve decision-making quality at the attribute level.

Two attribute areas – namely personnel policy and price policy – can be identified as crucial in terms of customer satisfaction. A significant correlation of knowledgeable and helpful staff and value for money (price relative to quality) with overall store satisfaction indicates the importance of affordability in conjunction with the need for a well organised store.

The attributes that are used to describe the factors of customer satisfaction, that is, attributes of price policy, staff behaviour and shopping convenience confirm the importance of the context in a discussion of satisfaction development in slovakian grocery retail and suggest that strategies specifically designed for the grocery retail could be beneficial to enhance customer satisfaction.

The findings presented here can assist in translating results into action. Using the DIPA method, the retail management can focus on the critical points in follow-up actions as well as on items which are lower-rated in DIPA.

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# Chapter 13

## **Marketing Automation Impact on Sales of Medical Services and Healthcare Facilities Management**

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*Wojciech Lewandowski, Jakub Paluch*

### **1. Introduction**

The purpose of the research article is to find answers to questions related to the usage of the on-line marketing tools, such as Marketing Automation, in order to find an effective methods of commercial medical services sales growth as well as efficient healthcare institutions management.

The article focuses on the authors' researches results of on-line advertising forms and mechanisms, used in private medical offices and Marketing Automation tools utilization, in the context of achievement sales objectives and companies managing methods.

The research article is an inspiration for further researches. Most important fact is that both on-line marketing market and native medical market are dynamically developing areas of economy, which gives researchers wide range of capabilities and opportunities to build and verify new scientific concepts and also to confirm existing theories.

### **2. The market and advertising of medical services**

According to research conducted by company named PMR, polish private medical market will be growing at a rate of 7% per year between 2015 and 2020. In 2013 the value of this market was around 35,4 billion of zlotys. By the end of 2014 it was 37,5 billion of zlotys and it is still growing (PMR, 2014, p. 5). Such high market value is caused by the fact that people are increasingly dissatisfied with public healthcare system and services. More often and more willingly they choose private healthcare services. The process of out flowing of people from public to private medical offices contributes to creation of new private care units, doctors are opening private cabinets, and also at the same time healthcare market is a interesting target for investors and capital groups wanted to invest in stable, perspective and lucrative segments of the market. In consequence healthcare services and medical offices are commercialized and exposed for the market mechanisms such as competition and rivalry. "In the recent years we are noticing the significant development

of competition, either within the public hospital sector, or within private sector, or between private and public sector. Competitive pressure is increased due to the financial constraints that heavily loads especially hospitals, as well as creation of the big private healthcare centres and networks tempted by the market which offers bright prospects for the future” (Stępniewski, 2011).

Through the concept of market mechanisms economists understand the interchangeable relationships expressed in buying and selling transactions between suppliers and buyers, whose decisions are shaping the supply, demand and their mutual relations.

An integrated part of those mechanisms is competition. Business entities which are involved in the market are seeking to reach their goals by competition in the field of quality, price or the range of products and services they offer.

The market of healthcare services is frequently defined as a general processes that occur between medical offices, doctors and patients. And because it is a process not a physical object or product, it raises doubts as we can use the concepts associated with market mechanisms, particularly in the context of sale.

Medical service is any healthy benefit which means a provision for preserving, saving, curing or improving the health as well as other medical activities as a result of treatment process or the separate regulatory rules for their implementation (*Ustawa o działalności leczniczej*, 2011). Nobel laureate Kenneth Arrow has pointed out that health services are no market goods and they cannot be under the influence of market mechanisms, because the demand for them is not a consequence of the desire to meet the needs, but it is necessity, which people avoid (Arrow, 1979).

Medical market is not homogenous and has its own characteristic. However it is exposed for market mechanisms typical for services, which posses a ordinary set of features, such as (Kotler, 2005, pp. 13-22):

- immateriality,
- heterogeneity,
- inseparability,
- impermanence.

Last but not least and most interesting characteristic of healthcare market is the phenomenon of asymmetry of information between patient and doctors. It manifests itself by imbalance in access to information and knowledge about the treatment processes, unfortunately against patients not doctors.

In many cases the purchase of medical service is equivalent to purchasing a trust rather than a precise effect (Rój, 2006). All aspects above have a enormous influence on purchasing decisions make by patients and thus strategy, management and advertising tools used by medical companies.

## **2.1. Legal conditions for advertising medical services**

Due to the growing number of healthcare services providers as well as competition, medical offices are constantly looking for ways to attract new patients. The solution for them is the advertisement.

Medical establishments are billing to advertise in a way that other market participants normally do, but they cannot. The reason is a limitation made by Act of 15 April 2011 treating of medical activity. This Act provides that the entity performing medical activities shall make public

information about range and types of health benefits. The content and form of this information cannot bear the characteristics of advertising. In addition, medical facilities are limited by the 63 article of the Medical Ethics Code, which says that doctor creates his own professional opinion only by results his work, that is why advertise is prohibited, and that doctor should not allow for using his name and image for commercial purposes. Sanctions for violation the prohibition of advertising may be:

- disciplinary sanctions,
- legal sanctions inures under article 147a § 2 of the Code of Violations which is as follow: expose to a penalty of a arrest, imprisonment or a fine is person who provides to a public information about range and types of a health services or veterinary services which are having a form and content of advertisement.

In addition, the problem is that the legislator does not precise the definition of the advertising, which gives the possibility of and wrong interpretation of the law and causes confusion.

To ensure the efficiency and effectiveness of marketing, sales and management, it is important to know the characteristic of the healthcare market and medical services as well as in-depth knowledge of the regulations.

## **2.2. Types of on-line advertising and marketing tools**

Despite the legal restrictions, medical offices are using advertising effectively acquiring new patients and increasing their revenues.

The main objectives of advertising medical companies are (Świtła, 2001, p. 12):

- creating positive image of the companies as well as rising the confidence of the patients,
- causing turnover growth as well as increasing market share,
- increasing sale of the services,
- searching and acquiring new patients,
- informing about new services.

Objectives above are achieved through the usage of marketing instruments called Marketing Mix. Those instruments are used by medical offices in the various channels of information, advertisement and communication. Currently, the channel which is most popular and gives previously unknown possibilities has become the Internet, because on-line advertising allows medical facilities to:

- personalize the offer and to reach out the individual patients so that it is possible use traditional way of persuasion,
- instantly publish content and information without geographical and temporal limits,
- ongoing verification and modification of the content,
- adapt the content of the advertising to the subject of Web Pages the advertisement appears,
- custom advertising content to the current needs of patients and providing them with the products and services they need at any time,
- verify and control the effectiveness of advertising and ongoing costs,
- influence on a different senses at the same time,
- gather data about patients and their reactions in one system,
- conduct ongoing dialogue with patients.

The research of the medical offices that are advertising themselves in Internet, performed at the beginning of current year, shows which marketing tools medical facilities are using to advertise



themselves in on-line environment (Lewandowski, 2016). It shows that nearly 85% of the surveyed companies are using multiple channels of communication and information distribution, at the same time. The tools that has been using are as follow:

- Web Sites and corporate profiles,
- WOMM and sponsored articles,
- AdWords – sponsored links (SEM), display advertising and remarketing,
- positioning (SEO),
- e-mail marketing,
- Social Media,
- Marketing Automation tools.

According to the research of 78 medical facilities only 10% use Marketing Automation solutions (Lewandowski, 2016). It is caused due to the fact that Marketing Automation solutions are a novelty on the Polish advertising market and companies do not possess appropriate knowledge of using such solutions and tools. This situation is going to give the advantage to those companies and medical offices which will use Marketing Automation as a first on the market.

### **3. The characteristic of Marketing Automation solution**

The information technology development has changed the ways of communication medical facilities with current and potential patients. According to market conditions and characteristics of services which facilities deliver, medical offices will increasingly use more and more newest advertising solutions such as Marketing Automation. The usage of complex multi-channel for advertising and communicating with patients is possible only by utilizing Marketing Automation processes. Typical Marketing Automation system possesses a number of functionalities relating to the monitoring of the potential customers behaviour as well as reaction to this behaviour (Świszczak, 2013). Marketing Automation applications were developed in the US about 15 years ago. After 11 years Marketing Automation solutions appeared in Poland, around year 2012, and rapidly began to develop. Within half a year more than 300 companies decided to implement Marketing Automation solutions. Mostly small and medium-sized enterprises (SALESmanago, 2012).

Currently, we can observe a growing concern and interest about Marketing Automation systems from companies. From year to year sales of systems increases. In the year 2009 the value of global Marketing Automation systems was only 100 billion dollars, but already in 2013 it was 750 billion dollars. It was estimated that by the end of 2014 its value reaches 1200 billion dollars which means 60% higher value in comparison with the previous year (Raab, 2014).

Marketing Automation systems allow users for adjusting marketing campaign for a particular segment of consumers and communication is possible through different channels such as: e-mail, text messages, distribution of content in audio or video formats, ending with system that generate content in the most dynamic way, via Social Media and Web Sites (Świszczak, 2013). Patients are profiled based on their movements on the Web Site, their reaction for marketing, or on the basis of data from CRM and ERP.

Marketing Automation enables:

- monitoring and identifying behaviour of the patients who entered the Web Site,
- gaining new contacts (by: wizard contact forms, acquiring contacts from Social Media),

- communicating with potential and current patients (including e-mail marketing module, automatic education programs, dynamic recommendations on the Web Site, sending text messages, automatization and personalization call centre work, Social Media marketing),
- contact and sales management (including CRM module, automatic sales alerts, behavioural segmentation of contacts, automatic transfer of contacts),
- analytics (including recognition and conversion path analyzes, marketing campaigns analyzes, reporting and analyzes of the activity of people who are working with the tool).

Marketing Automation system can also be used as a factor for sales, marketing and managing improvement. In order to do that marketing, sales and managing departments should use the concept of the Sales Funnel. Sales Funnel is a visualization of the road which a potential patient travel from the moment he make a contact with medical facility, until he become its customer. According to this concept the entire sales process is divided into several phases (Błażewicz, 2014, p. 194):

- acquisition of entities which visit medical office Web Site,
- conversion of visitors – sales leads – entities potentially interested in the product,
- qualification of the leads. Leads has become evaluated in order to identify which of them should company deal with,
- leads conversion into Marketing Qualifield Leads (MQL), which occurs as a result of newsletter subscription, downloading a documents, participation in the webinar, etc.,
- lead nurturing – program which task is to prepare potential patients to contact with seller,
- lead conversion into Sales Qualifield Leads (SQL). Marketing Automation system automatically recognizes the conversion of the lead in to SQL and passes it to the sales department,
- further actions with a new patients.

Marketing Automation system is used in every single phase mentioned above. Its great advantage is the integration under one platform many different ways to reach patients. It helps and allowing medical offices to provide a consistent and multi-channel communication and to handle massive numbers of contacts.

Marketing Automation also supports remarketing. In this case Marketing Automation operates via AdWords campaigns by displaying personalized advertisements among Google search results.

Marketing Automation systems not only automates communication with the patients, but what is more important for medical facilities, it makes the communication personalized by adaptation communicates to a degree of patient willingness to buy products and services.

The essential condition of the medical services sales process is entering the patient to a Web Site of the medical facility. When a patient visit the site, he leave the contact information and thus become a sales lead.

One of the most important function of Marketing Automation collects information and data about patients who at least once had visited the Web Site. Patients either voluntarily leave the information or system automatically monitors the patient's behaviour and concludes. Thanks to this it is known when patients visited the Web Site again, what information they were looking for, how much time they spend on a particular subpage, which keyword phrases they searched. Based on the above mentioned data, Marketing Automation system automatically builds a behavioural profiles of the Web Site users, then perform patients segmentation and finally implements appropriate and personalized marketing and sales activities.

Marketing Automation system has also another useful and interesting feature. It can automatically change the content of the Web Site according to the needs of patients. Through

the behavioural profiles medical facilities can send to the patients personalized messages containing an offer with information that patients are looking for as well as individually prepared and adapted to their needs.

#### **4. The benefits of Marketing Automation**

Implementation the Marketing Automation solution can bring many benefits associated to the areas of marketing, sales and management to the medical facilities, such as:

- automatization of marketing and sales activities using one tool can save money and time,
- handling multiple channels of communication with patients, including Social Media allow medical offices to create faster and more complete image,
- gathering data and information about potential and current patients without a need of possessing multiple system, which reduces costs and brings effectiveness,
- faster reaction and response to a needs of patients,
- supervision for managers, so they can control costs, plans, marketing and sales strategy implementation,
- reduction in operating costs and increase revenues. According to a report by Razor Social's Ian Cleary, 20% of companies that implemented marketing automation system noticed a revenue growth of at least 75%, 10% about 50-74%, and another 25% of 30-49% (SALESmanago, 2014).

#### **5. Conclusion**

Marketing Automation system is one of the most interesting and effective methods of acquisition new patients and communication between medical offices and patients. Thanks to this solution medical facilities are able to reach individual patients and propose them personalized offer. It allows for effectively advertising and sales without a conflicting with current legal restrictions. Marketing Automation also allows managers to improve activities of their facilities because system forces implementation of strategy, structuring, clear and transparent procedures and also system requires from users adjusting excising within the company processes. Properly and efficiently implemented system helps to communicate with patients and advertise more effectively, it effects on the sales growths and systematizes a medical company which is essential in today's healthcare market reality.

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# Chapter 14

## Using Modern Web Tool to Improve Marketing Communication

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*Marcin Szplit*

### 1. Introduction

If the company need to be successful (sold all produced the goods at the cost of providing him a high profit) must make many decisions with the character of both strategic and operational. Strategic decisions relate to the type of business, determine the type of the other decisions and are difficult to reverse (usually it involves huge costs). Operational decisions while relate to current operations and include a short period, but are necessary for the proper functioning of the company. The adoption of an overall marketing strategy is in the area of tactical decisions, that is, covering the period up to a year and dealing with specific issues less than operational decisions. Manager deciding on the type of production (assortments produced in a given year) has to choose strategic markets which will be led the product. Tool supporting such decisions methods of strategic analysis. They allow you to determine the long-term attractiveness of the overall market or selected segment. Through strategic analysis easier to predict or prepare for the needs of the market and customers feed products and determine which model of strategic markets the company has the greatest chance of success.

Research in the enterprise EKOPŁON SA were conducted in the period May-December 2014 within the framework of the project “the Holy Knowledge Transfer – business for science – science for business”.

The project was implemented in partnership by the Staropolska Chamber of Industry – Commerce and Kielce University of Technology under a contract with the Świętokrzyskie Office of Regional Development under the Operational Programme Human Capital.

### 2. Characteristics of the company EKOPŁON SA

The specificity of the company EKOPŁON SA is a result of the market on which the company operates. The history of EKOPŁON SA begins in 1989. Company was founded by Professor Dr. Jan Sajkiewicz. At those times it was one of the first joint-stock companies operating in the province and the country. The first years of activity is the production of mainly foliar fertilizers. This one

comes brand EKOPLON. The development and success of the company owes gathered around her a group of highly skilled professionals, technologists and professionals from the agricultural sector, in the field of fertilization and animal nutrition. Since 2007, the company is engaged in the production and sale of feeding livestock. In 2009, the company completed the recertification audit for compliance System Security Measures for Animal Nutrition standard ISO 22000. The certifying authority TÜV Nord company issued a positive assessment.

The market in which the company is present is a market centered around distributors and resellers, with whom the company works closely. The company does not sell and does not intend to sell their products directly to the final purchasers.

### **3. Marketing activities undertaken by EKOPLON SA**

Key market segments are animal nutrition and fertilization of plants. Market segmentation is performed around the products and not by the markets. The company currently is in the process of defining clients and develop new structure of market segments. The current marketing tools are subject to change in the direction of greater use of the Internet and create a platform (portal), which is to strengthen relationships with buyers and final distributors. Currently, a tool used in the company (website, “gadgets online”) are informative or are limited to creating cooperation with distributors.

Research carried out at EKOPLON SA allowed us to identify several features of economic and organizational conditions that affect their specific marketing management. These are:

- focus on people,
- social Responsibility,
- internal negotiations,
- marked the social structure of the company by an owner/manager,
- understanding market,
- the size of the market share.

Formulating changes in the marketing strategy is associated with both the result of research of image as well as changes in the operation of the company associated with the implementation of activities on the Internet and social networks. Effective marketing strategy combines product development, promotion, distribution, pricing, i.e. marketing mix (or 4P) and customer relationship management, and can serve as the basis of a marketing plan.

Manufacturer on the market feed and fertilizer at the present time must take a marketing approach in the formula 4P – product, distribution, promotion and price, which allows for more accurate and deeper analysis of the environment and processes in the enterprise, and this in turn leads to a more informed and better decisions. The product feed is a product used by farms. It is important that the planning of the product and its innovations were supported by market analysis, which will show the legitimacy of the firm course of action. Well-chosen and organized distribution channels allow you to lower costs and reduce risks associated with the transport of sensitive agricultural products and product delivery to the customer in the right quantity and time. Determining the overall promotion strategy will consciously create the image of the products on the market and use tools such as advertising in the right way. Flexible approach to shaping determines to a large extent on the economic success of the company, so you should analyze customer portfolio. Analysis 4P makes it easier to succeed and improve business performance.

Developed marketing plan for the company EKOPLON focuses on actions such as the action in the field of virtual cooperation with distributors, the virtual calculator profitability of farming, simplified accounting for a website and a system of rewards for outstanding levels of sales of regional representatives.

#### 4. Proposed changes in the marketing strategy

As each activity carried out by an promotional activity also entails certain costs. Each organization should explore both the effects of its impact on the target groups as well as the cost of these projects and also in comparison with the effects. It is therefore important that the company could correctly determine both the amount of effort needed to achieve its objectives the promotion and measures to evaluate the effectiveness and efficiency of promotional activities.

To achieve the objectives the company selected the following indicators of the effectiveness of marketing activities:

- Event – Analysis. Precisely formulated questions asked respondents are directly involved in the selected event. This is a form of direct interviews during the event or telephone interviews (CATI) with the participants after having collected their phone numbers,
- Attitude Adjustment ROI. This is a qualitative method to measure changes in attitudes, behaviors, attitudes and awareness of specific target groups, which affects communication company. It is to carry out surveys of attitudes towards the product among the target group for whom the program was promotion.

The choice of these indicators just due to the nature undertaken and planned by EKOPLON SA marketing activities such as participation in trade fairs, industry meetings, training courses organized for distributors and promotional activities taken against distributors of the company.

The new form of the company's presence on the Internet includes the preparation of a new advertising campaign feed product. Proposed by a highly qualified staff form a campaign e-mail looks like this:

Figure 1. An example of email campaign



Source: own study based on internal materials company EKOPLON SA.



On the picture below is shown a Lead namely the introduction to the first letter of the campaign “Happy Farm”. The campaign will begin in the first half of 2015, will be preceded by a survey among distributors the company EKOPLON. The study is the task to establish customer segments into three main areas:

- the volume of sales per customer 1,
- gender customer,
- age of client.

Among approx. 200 distributors of the study will 30 randomly selected. The study will take the form of a survey conducted by telephone or through a representative EKOPLON.

Assumptions campaign shows also include the presentation of a proposal for new packaging, which are as follows:

Figure 2. Promoted new versions of the product packaging EKOPLON SA



Source: own study based on internal materials company EKOPLON SA.

New visualization company should be more clear to the retail purchaser and should be easier to get his attention through the choice of colors.

Changing the presence of the Internet made by EKOPLON is to develop within the framework of the development of customer relationship of new forms of work support seller and breeder. Introduced calculators husbandry parameters by entering the feed and farm animals allow simulate financial e.g. To calculate the ROI (Return on Investment). Calculators are currently in the test phase (still contain errors) and will be communicated to a wider range of users since 2015. The supporting relationship with the buyer is to be developed into a powerful tool that will help the company's customers EKOPLON perform multiple simulations and forecasts, as well as even lead mini accounts by using the tools available through the website (after logging in to your account).

## **5. Verification of the assumptions of strategic**

Verification of the goals pursued a marketing strategy succeeded only partially. In marketing practice time verification marketing strategy is at least one year of its adoption. Adjustments made in the light of the audit conducted marketing activities at intervals of less than one year but not carried out audits should be conducted more frequently than quarterly. More frequent monitoring of marketing activities can lead to excessive expansion of reporting and could disorganize the work of the marketing department. The proposed procedure of verification marketing strategy includes elements of varying importance for achieving the ultimate goal set by the company. Confronted with practice of nutrition market activity it turns out that the key to the presented model are:

- orientation distributors,
- proper analysis of the market feed,
- assessment of marketing environment,
- competitor analysis,
- determination of purpose and mission,
- segmentation and defining the target market of new products company,
- selection strategy: online communication and pricing,
- positive financial result of allowing the continuation and reviewing marketing strategy and occupy favorable competitive position.

The verification procedure boils down to “translate” the marketing strategy for marketing operational objectives for individual organizational units of service marketing company using equivalent measures of those objectives. It allows you to look at the marketing activities from the perspective of:

- client,
- internal processes, i.e. marketing activities,
- innovative,
- financial.

Depending on the tools of the marketing mix can for example differentiate strategic scorecard activity shaping the product in the area of distribution, promotion, advertising and so on. This method is also used in the process of formulating marketing strategy. It is used to develop and implement a marketing strategy, a tool for planning and control of marketing activities.

When creating a table evaluate the results should be – on the basis of pre-developed marketing strategy – to answer the question, what should be the achievement of individuals in the company involved in marketing activities, considered from the point of view of potential customers, internal processes, capacity for innovation and corporate finance.

Adopted measures for the company EKOPOLON SA four perspectives strategic results are as follows:

The perspective of the recipient Deals:

- awareness promotion,
- awareness of the promoted product,
- product preference,
- range promotion.

The prospect of internal processes:

- adequacy of resources to tasks,
- goals promotional activities,

- the degree of formalization of promotional activities,
- delegation.
- Financial perspective:
  - the relative cost of reaching hundreds of customers,
  - the relative cost per customer acquisition.
- The prospect of an innovative:
  - ingenuity promotion,
  - originality promotion,
  - the ability to improve.

## 6. Conclusion

The broadly defined aspects of the food economy and its innovation should be mentioned issues: modern trade, the process of distribution, technological innovation in the trade including information systems and e-commerce partnerships with suppliers and customers, using all kinds of instruments, e.g. Public relations, self-presentation, perception and ad performance, functional and organic food, and other like. modern technologies and innovations for environmental protection. Therefore, the introduction of new or improved products will require the creation of new sales techniques with the use of distribution channels at the same time fulfilling the criteria of economic viability of obtained by minimizing the cost and the widest possible access to the final recipient ensuring a high level of service to the purchaser. In Poland there is a potential growth market for feed and fertilizer. The need for innovation is therefore due to the market situation, and the more competitive and open markets, and this is built in the process of integration and globalization, the greater the demand for marketing innovations

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## **PART II**

# **HUMAN CAPITAL AND KNOWLEDGE MANAGEMENT**





# Chapter 15

## **Towards Human Capital: Evolution of Personnel Function in Poland during Socio-economic Transformation**

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Zbigniew Jan Antczak

### **1. Introduction**

The 25 years of socio-economic transformation in Poland were the period of transition from a centrally planned economy to the so-called free market and the oligarchic society. The resulting changes in the operation of companies were also observed in the sphere of personnel function (hereinafter referred to as PF), defined as “the sum of personnel-related activities undertaken with the intention of achieving company objectives and satisfying the needs of its stakeholders” (Antczak, 2005; Antczak & Listwan, 2007); with trend defined as a “diagnosed direction or current of transformations, or an observed development tendency (...)” (*Słownik języka polskiego, 1992*).

Research assumptions. The main object of research is the identification of trends in the evolution of *personnel function implementations* (hereinafter referred to as PFI) in companies operating over the period of last 25 years in Poland. The research incorporated data obtained through literature studies, but the main foundation for the diagnosis of directions and trends in PF transformation came in the form of own research and studies published by other authors (ADP, 2012; Andersen, 2006; Antczak, 2005, 2013; Antczak, Listwan, 2007; BCG, 2007, 2009; CBI, 2012; CGMA, 2012; CRF, 2012; Deloitte, 2007, 2009, 2011, 2013; DP, 2012; HRC, 2010; HRP, 2010; IES, 2008; Ipsos MORI, 2012; KPMG, 2012; Listwan, 1999, 2000b, 2005; Ludwicyński, 2003; Pocztowski & Urbaniak, 2006; Stolarska, 2003; Strużyna, 2005; Urbaniak & Bohdziewicz, 2000-2012). The methods employed for the study – triangulation, competent expert opinion, and reinterpretation of qualitative reasoning – required expert knowledge and experience in this particular research field. The evolution of PF was related to economic and demographic changes observed in Poland, such as rapid aging of the population, slow increase of wealth, mounting public debt, unemployment, economic emigration, educational boom (Antczak & Mężyk, 2013; Korus, 2013; Kryńska, 2011; Orłowska, 2009; *Polska 2025*; Szafranec, 2011; *World at Work*, 2011). Poland is a country of large economic disproportions, with extensive areas of poverty and destitution. Many areas of the economy (e.g. public health care) are in the state of permanent crisis. This is accompanied by other problems, such as the long-term wage freeze, illegal transfer

of capital, and degradation of social environments (Antczak, 2013a; Antczak & Listwan, 2007; Bieńkuńska, 2013; Krakowiak, 2013; Nagaj, 2009; Nojszewska, 2010; Orłowska, 2009; Panek, 2013; *Rynek* 2007; Rząsa, 2012; Szarfenberg, 2011; *Unia...*, 2013).

At the end of the 20<sup>th</sup> century, the volume of corporate spending on immaterial resources in developed economies increased by a third (accompanied by a similar drop in spending on material resources). The stark divergence between Poland and developed economies in terms of the dominant trends towards human and intellectual capital results in the intensification of economic dependence. In line with the V. Pareto principle, 20% of the population are able to adapt to the global model and to benefit from it (the so-called hyper/multi-specialists; Prokurat, 2013), with the remaining 80% being excluded (low-paid workers). The crisis of 2007-2013 resulted in loss of several million jobs. Within the next decade, half of the present jobs requiring universally available skills will be closed down (driven out of business by the new technologies). The present stagnation on the labour market is associated with improved productivity. Corporations accumulate their wealth through cost optimization (also by reducing the cost of employment) and restructuring of employment. The increased unemployment and low-pay employment, in contrast with the newly generated segment of high-wage employment requiring top qualifications (also a by-product of the technological progress) results in strong differentiation of jobs (*jobless recovery*). The supranational corporations brain-drain local economies, violate human rights and abuse employee rights (also in Poland: Antczak, 2005, 2013a; *Brudny...*, 2013; Frey & Osborne, 2013; MGI, 2011; 2013; Panek, 2013; Wróbel, 2014).

## **2. The personnel function after the introduction of the so-called market economy**

The introduction of selected elements of the so-called market economy in Poland had its effects also in the PFI area. In state-owned companies (State Treasury companies), the changes (if any) were particularly non-conclusive, often resulting in regression of some areas (sub-functions). The old concepts interspersed with new ideas have led to the formation of a discrete amalgam of *quasi*-complementing, parallel solutions (Lichtarski, 1999; Szambelańczyk, 1995). The organizations proudly announced their “21<sup>st</sup> century strategies”, but their realization was greatly hampered by “hierarchical organizational structures typical for 20<sup>th</sup> century companies, and the 19<sup>th</sup> century approach to human management” (Pocztowski, 2000b). On the other hand, the restructured companies were fast to introduce some significant changes in the PF area. The PF was transformed into a holistic system, and enriched by a wealth of new instruments, both qualitatively and quantitatively. This has led to rapid professionalization, rationalization and partial decentralization of the PFI, with a notable shift towards non-instrumental perception of employees and democratisation of labour relations. The political and ideological pressures were alleviated, with strong trends towards outsourcing the PFI services. However, the PF crystallization and factual knowledge in the field remained fairly low. The short period of transformation from command-and-control economy to the yet unspecified model of the free market, coupled with high inflation rates, undefined role of the state authorities, sluggish privatization and rapid diversification, resulted in strong differentiation of the PF models “by company ownership and legal status, by market segment, by company relations with foreign markets/companies, by the risk of company bankruptcy or liquidation, etc.” (Wawrzyniak, 1999). In effect, strategies of many

Polish companies were dominated by the functional approach, with PFI abundant in contradictions and incongruities (Antczak & Listwan, 2007; Gableta et al., 2000; Gruszczyńska-Malec & Strużyna, 1998).

The end of the 20<sup>th</sup> century for many Polish companies was a time of instability, poor perspectives for development, and great volatility and uncertainty of economic environment. These problems, particularly for small and medium-sized companies with Polish capital, proved destructive for PFI. Personnel problems were emphasized by low conceptual and managerial skills of the majority of their managers. Large corporations with foreign capital implemented their PF on a more advanced level, steadily strengthened their competitive advantage. The decomposition of hierarchical structures resulted in gradual elimination of some of the major elements of the PF (Dobrzyński, 2003). PFI was concentrated in the areas well-defined by legal constraints and strategic competences. The transformation of corporations into networked, virtual structures resulted in equally virtual character of selected PF elements, and – in many cases – shifting the burden of PF implementation onto network participants (Antczak, 2000, 2001b, 2004, 2005; Antczak & Gałwa, 2001; Antczak & Listwan, 2007). The PFI changes were largely non-linear. Regression was observed in many areas, as attested by the results of studies of 100 Polish companies from the list of top 500 (Ludwiczynski, 2003; Stolarska, 2003). PFI was concentrated on selected areas, and not on creation of tangible organizational values. Only selected few companies managed to formulate a precise PF strategy, even less were able to implement it with some success. Personnel departments were more focused on job reduction, and lacked comprehensive planning. Some organizations, bowing to the pressure from the unemployed, recruited their employees haphazardly, without proper selection procedures. The wage systems lacked flexibility and direct correlation with job productivity. All the above deficiencies presented a serious obstacle for companies with Polish capital to aspire to competitive advantage on the markets (Antczak & Listwan, 2007; Gruszczyńska-Malec & Strużyna, 1998).

### **3. PFI in organizations operating in Poland in the 21<sup>st</sup> century**

In the early years of the 21<sup>st</sup> century, the PFI – defined as a holistic system, slowly began to assume a strategic dimension. Personnel managers began to perceive the PF processes in a systemic context. This was accompanied by prominent transformations and differentiations. Some sub-functions were centralized and left in the care of selected few, mostly top managerial staff with high qualifications (and/or dedicated personnel management teams). Some large companies, employing the corporate model of large conglomerates with foreign capital, created their own specialized personnel management units and shared services centres. Many PF elements were delegated to middle management and to self-managing task teams. The incessant penetration of virtual space into corporate structures led to the virtualization of the PF (*e-FP/e-HRM*; ADP, 2012; Antczak, 2005b; HRP, 2011; Kuczyński, 2003; Partyka, 2004; Sajkiewicz & Sajkiewicz, 2002). IT solutions were employed mostly in the area of wages management (on the most basic level, one may even risk the term ‘automatic administration’). In 2011, 96% of companies in Poland used computers, with 94% having Internet access, 66% utilizing the EDIFACT standard of electronic data interchange (*electronic data interchange for administration, commerce and transport*; the standard was more often used by large companies – 86%, respectively). The next stage of virtualization of the wages management sub-function of the PF was the outsourcing



of services (ADP, 2012; Andersen, 2006; Antczak & Listwan, 2007; Urbaniak & Bohdziewicz, 2000-2012; Rozkrut, 2011; *Wykorzystanie technologii...*, 2007). The virtualization of non-wage sub-functions was evident in the introduction of IT systems to support the processes of recruitment, evaluation, motivation, training, and organizational culture.

Large and medium-sized companies were more inclined to employ HRMS (*human resource management systems*), to support their PFI and to allow better integration of the associated databases. The systems help employees track the progress of individual tasks, plan the timeframes, forward various motions and proposals on-line and round the clock, regardless of their geographic location. The HRM systems offer support for wage calculation and online training capabilities (*e-learning*). They also include a range of supplementary instruments for servicing of social activities, health and safety procedures, civil law contracts, budgeting of HR departments, managing personal employee development, running call centres for employees (*employee relationship management*, ERM), supporting internal and external recruitment procedures, career planning and employee evaluation. The systems may be accessed from smartphone and tablet devices through dedicated, browser-based applets (ESS, *employee self-service*, MSS, *manager self-service*). They offer modules for auditing of the correlations between the number of employers, their qualifications, and the organizational structure; those can be used, for example, to analyse competence deficits, track the PF-related costs, or take precise measurements of return on human capital investment (Antczak, 2008; Antczak & Listwan, 2007; Borkowska, 2010; Guryn et al., 2004). According to the report on the use of IT and telecommunication technologies in companies (*Wykorzystanie technologii...*), in 2007 alone, 13% of Polish companies employed ERP systems (*enterprise resource planning*), and 21% used CRM systems (*customer relationship management*). At present, the ERP systems are used in ca. 50% of large companies, in 25% of medium-sized companies, and in 10% of small companies; with similar increase in the use of CRM systems (SHRM, 2013; *Wykorzystanie technologii...*, 2007).

The PFI in companies operating in Poland in the early years of the 21<sup>st</sup> century was also strongly influenced by the structure of competing groups of entities. Three major categories were identified in this respect: the pioneers (early adopters) – mostly large corporations with foreign capital, fast in incorporating new concepts; the followers, fairly fast in adopting the solutions employed successfully by the pioneers (PLCs, large and medium companies with Polish capital); and the procrastinators employing the solutions after they have become the adopted standard (small and medium-sized enterprises with Polish capital). In some companies, the PF departments were eager to seek strategic partnerships. However, the transition to this particular role was largely hampered by their operational involvement in personnel and wages administration, as well as poor utilization of the strategic management instruments (Antczak & Listwan, 2007).

Following Poland's accession to the EU structures, the individual PF departments (units) faced a number of problems, such as the effects of mass economic emigration of Polish employees, the corporate brain drain (retention of valuable employees is regarded as the second most important challenge for personnel managers), and the problems of strategic adjustment of employee qualifications and HR potential to the challenges faced by the organization. Some companies pursued a path of gradual automation and virtualization of the PFI. Large companies with foreign capital were more inclined to perceive their PF units as partners in the realization of business objectives (polarization, diversification of solutions) (ADP, 2012; HRPA, 2010; KPMG, 2012). Large companies with Polish capital and a sizeable number of medium-sized enterprises with domestic capital were forced to introduce certain strategic instruments to counteract

the outflow of skilled personnel to international corporations. These included individual career paths (statistically 50%), reserve personnel (statistically 50%), succession plans (nearly 50%). The use of dedicated instruments varied dynamically across the population under study. For example, while more than 2/3 of companies operating in Poland at the onset of the 21<sup>st</sup> century had no implemented plans of career development, as much as 40% of companies participating in the *Lider ZZL* (HRM Leader) program introduced such solutions. Development of employees and managers is, at present, considered as the third most important challenge faced by companies. As much as 80% of companies under study implemented some competence management solutions. Ca. 70% of the organizations expressed their intention to introduce or extend the use of competence models and employee profiling for enhancing their leadership, productivity management and recruitment processes (ADP, 2012; Antczak & Listwan, 2007; BCG, 2007, 2009; CBI, 2012; CGMA, 2012; Deloitte, 2007, 2009, 2011, 2013; HRC, 2010; HRP, 2010; Urbaniak & Bohdziewicz, 2000-2012).

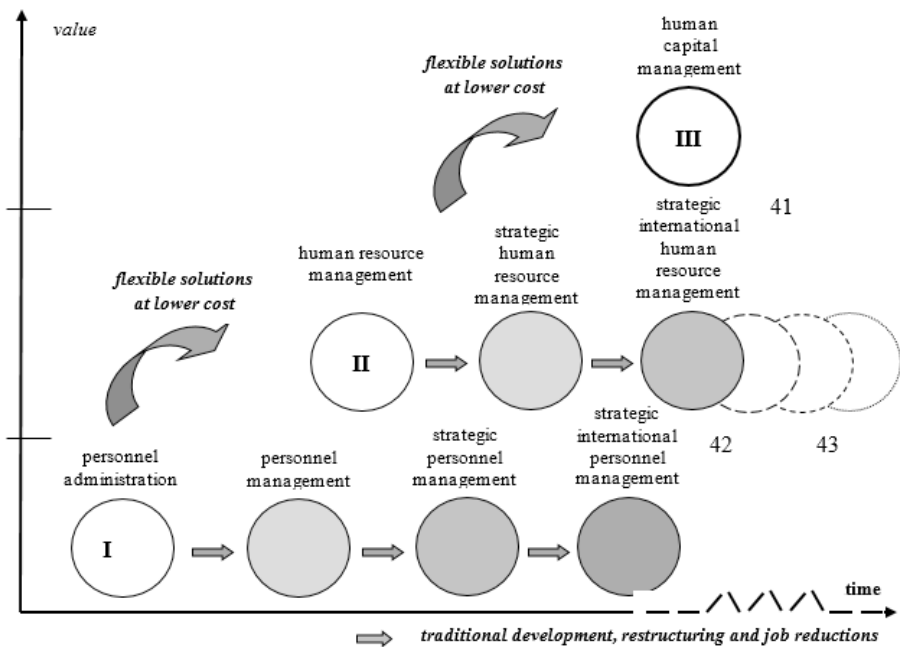
A half of large companies and one in three medium-sized companies introduced ICT solutions for servicing PF functions other than wage calculation; informatization was applied to such areas as training, evaluation and motivation of employees. However, some 1/4 of entities under study (more than a half in the case of small companies) had no plans of introducing such systems. In total, an average of 10% of companies decided to outsource at least one of their PF processes. From 1/4 to 1/5 (in decreasing order) of companies implemented outsourcing solutions with respect to their wage calculation, training, health and safety procedures, recruitment or other personnel processes (this was observed in 2/3 of large organizations, and in similar percentage of companies with foreign capital; ADP, 2012; Andersen, 2006; Antczak & Listwan, 2007).

The present situation of the PFI in Poland is widely differentiated. The simple variants (administration and operative administration) are found both in small, privately owned entities and in large state-owned companies. In some small companies and, more often, in medium-sized and large private companies with domestic capital, the dominant approach is that of operational-tactical or tactical PF. Both the above formulas are fairly backward compared to some of the advanced PFI solutions employed by global corporations (Antczak & Listwan, 2007; Mikołajczyk & Stolarska, 2000). The rank of the PF in large corporations with foreign capital and the strategic aspirations of PF units is attested by the strong involvement of the boards (ADP, 2012; Antczak & Listwan, 2007; BCG, 2007; CBI, 2012; CGMA, 2012; Deloitte, 2007, 2009, 2011, 2013; HRC, 2010; HRP, 2010; Urbaniak & Bohdziewicz, 2000-2012). At the same time, line management was fairly reluctant in their involvement in the realization of PF sub-elements (e.g. training), and more focused on addressing the everyday problems, such as management, conflict resolution and employee evaluation. Formalization and synergizing of business and personnel strategies is rapidly becoming a standard. The activities of personnel managers are more and more focused on providing a cohesive system for training, performance evaluation and organization of reserve personnel. The side effects of growing independence and professionalization of hyper-specialists are counterbalanced by integration and motivation programs, such as life-work balance (WLBP, *work-life balance program*), highly effective HRM systems (HPWS, *high performance work systems*), high involvement management (HIWP, *high involvement work practices*) and others (Antczak & Listwan, 2007; Borkowska, 2010, 2011).

Many companies with domestic capital (small companies in particular) still realize parts of their PF sub-functions (such as recruitment) based on traditional, well-trying and proven methods and channels, although the increased use of ICT solutions is also evident here. Organizations with

foreign capital (mainly: large companies) seek to attract wider audiences, for example by organizing university presentations, job fairs, etc. The majority of companies use competence profiling and formal job descriptions. Ca. half of companies with Polish capital (large, and, to some extent, medium-sized ones) undertake some actions to retain their best employees (e.g. by increasing their wages). Other important features of wage policy were: pro-competition and pro-development activities, and long-term stimulation of productive behaviours. Organizations equipped with modern technologies, as well as knowledge-based organizations were characterized by positive correlation between wages and individual performance of the employees on the one hand, and market situation on the other (Antczak, 2013a; Antczak & Listwan, 2007).

Figure 1. Return on investment, as related to the level of competition (and the resulting scenarios) between various qualitative forms of PF implementation



Source: own study.

The majority of companies with Polish capital utilize such solutions as diagnoses of competence deficits, systemic management of training tasks, auditing of training results. Incidentally, in this group of companies, the training sessions were largely focused on the so-called hard skills (specialist skills). Corporations with foreign capital, on the other hand, were more focused on investing in soft skills (communication skills, stress management, team building, self-organization, decision making, etc.). They were also more likely to measure employee satisfaction and collect their opinions. The strong and non-instrumental position of the employees in flexible employment systems was strongly related to rare qualifications and/or skills (Antczak & Listwan, 2007; Borkowska, 2006).

## 4. Conclusion

It may be observed that the rank of PF has grown steadily over the period under study, although the level of PF implementation was found unsatisfactory for many entities. The evolutionary transformation of the PFI can be observed in long-term perspective, and the rank of the PFI in shaping the competitive position of the company and the generation of both human and intellectual capital is rising steadily. Specialization and professionalization are also the evident trends. They are accompanied by PF centralization in the strategic dimension, as well as diversification of selected sub-functions. Global corporations are in the lead in this respect, and they are also more likely to implement advanced PF solutions, based on a variety of modern instruments. Moreover, this group is also more likely to benefit from such activities (for instance, a sizeable return on investment expressed in share price increase anywhere between 1/5 and 1/3 of the current stock exchange index, or a reduction of labour cost between 1/4-1/3; Andersen, 2006; Bassi & McMurrer, 2004; Drucker, 2003; Frey & Osborne, 2013; MGI, 2011, 2013). Organizations with Polish capital – mostly small and medium-sized companies – clearly fall behind, although selected large companies in this group try to copy some of the solutions employed by their international competitors. The analysis of the above findings shows a distinctive correlation: the PFI investment yields a more sizeable return in those companies which offer more flexible organizational structures and relations to their most skilled employees (i.e. those with rare or/and high competences. This correlation may be visualized to plot possible scenarios and paths of development (cf. Fig. 1.).

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# Chapter 16

## Human Capital Management in a Non-profit Organization

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*Tomasz Kusio*

### 1. Introduction

The specificity of the functioning of non-profit organizations refers to the objective, the nature of their operation, which is a social function. On the other hand, however, comparisons of management formulas to the principles of social economy entities determines the canons of actions based on the need for economic efficiency, which in turn causes the need to implement the principles of rationality in managing of human resources, tangible and intangible assets as well as other financial resources. Thus, the functioning of non-governmental organizations is governed by the principles of effective management, which accompanies the functioning of for-profit organizations. Persons managing non-profit organizations on the one hand should ensure implementation of the statutory objectives of the organization but on the other hand, should do so in an economically efficient manner and also with the principles of economic efficiency. Non-profit organizations are organizations whose resources structure differ from for-profit organizations. In NGOs human resources constitute by far the more significant capital than in the case of for-profits such as production or production and trade companies.

The paper attempts to identify the areas of management of non-profit organizations, aimed at primary and strongest part of the structure of resources, which is human capital. In the era of knowledge economy, but also in the period in which crisis effects are still present, there is a variation in the economic situation between EU regions. Particularly important are initiatives of a social nature, in which the activity is aimed at achieving social objectives. Similar initiatives are activities carried out by people uniting in a variety of organizations, non-profit organizations. Re-entering the labor market for the unemployed or socially excluded people is a major obstacle when it comes to the presentation of preparedness to work, as well as the dynamics of achieving efficiency in the realization of job responsibilities. Participation in NGO initiatives can thus provide a bridge to enter the labor market.

Due to the growing significance of non-profit organizations, as well as the specifics of the structure of the resources of these organizations, where the human factor is predominant, taking consideration of management in this area, discussing these topics seems to be currently relevant. This article is divided into three sections: in the first block human capital management is referenced

to planning the development of the organization, in the second block management is attributed to the implementation of development plans, which comes in raising the competence of human resources, while the third block concerns the evaluation of the actions taken in order to organization development.

## **2. Planning the development of the organization**

As is noticed by S. and K. Wiśniewscy (2015, p. 175) employees are expected to be equipped in increasingly higher competences and to focus on permanent development, and a key element of competence is knowledge, which should be expanded and developed. Hence in the management of the organization PKM (Personal Knowledge Management) appears as a process of continuous improvement of knowledge of the organization.

Improving knowledge of the organization seems to be particularly important for non-profit organizations, where the success of the operation and the realization of its objectives determines to a large extent the human factor. Paying attention to the individual approach to the development of internal stakeholders is an important factor in the development of the organization.

However, in the context of non-profit organizations PKM, emphasizing, among others, individual approach to human capital management collides with a specific structure of internal stakeholders, consisted of three groups: members of the organization, people working in the organization and the volunteers. In Poland, most of the people involved in the work of non-profit organizations are its members (42%), followed by volunteers (30%) and workers full or part time employed and other forms of employment (28%) (Fudaliński, 2013, p. 227). Research shows that together with the hiring organization of salaried employees at the same time the percentage of volunteers and members of the organization is decreasing. Number of persons cooperating as volunteers does not increase in proportion to the increase of people formally employed. The structure of the people involved in the NGOs functioning is also affected by the organization orientation, there are associations or foundations with or without economic activity element. In the organizations with economic activity element, the employment dominates and in organizations with lack of this element volunteering dominates (Fudaliński, 2013, p. 227). Thus, in the context of human resource development, in relation to non-profit organizations, one should have in mind the structure of internal stakeholders, ie. people involved in the operation and those whose aim and desire is to develop the organization. This also transfers into greater dimension of realization of the noble objectives of the organization.

In the context of an individual approach to stakeholders such as volunteers, depending on the size of the organization and the number of volunteers, as well as their roles, there will be different individual approach to their development. The factor of a motivational character will in turn be an individual approach, which at a later stage may have an the impact of a potential change in the status of this group of stakeholders. This should affect both the development of the individual as well as organizational development.

The processes of continuous improvement affect both the individual successes, as well as the achievements of the institution (Sitko-Lutek, 2001, pp. 110-111). Managers should initiate and implement activities to broadly understood learning and, above all, improve their competence. Apart from organizing training and individualization of learning processes, it is essential to build, by the managers, organizational culture based on the promotion of values such as knowledge, cooperation, self-improvement, expertise, innovation, creativity, openness and information flow.

Building an organizational culture is considered to be one of the elements of social management (Buła et al., 2014, p. 66). At the same time such areas of social management should be distinguished as: human resources, financial management, marketing, etc. The formula of activity and nature of the organization which is a non-profit means that the management should have the qualities of transparency and stakeholder satisfaction. The specificity of non-profit organizations indicates that apart from internal stakeholders, importance should be attributed to external stakeholders such as cooperating institutions (including public administration). Their influence for the functioning of non-profit organizations is significant.

Regulations of social governance, in the context of non-profit organizations, point to the importance of relationships that exist between the internal stakeholders – those who represent the organization and external stakeholders. Quality and dynamics of these relationships has its source in the quality and dynamics of human resource development in non-profit organizations. NGO image affects significantly the relations with the organization external stakeholders. The strength and importance of the image of the organization may be evidenced by the value of the brand, which translates into a value of intangible assets when it comes to the financial dimension.

As U. Bukowska indicates (2009, pp. 488-489) there are three variants of the proceedings in relation to the image of the organization:

- to promote and strengthen the current image,
- to change the image and at the same time on a regular basis to neutralize the negative effects of “stretching” of old, negative image,
- to create image, which previously did not exist (neutral, neutral perception of the organization).

In the context of non-profit organizations, image issues are particularly important. This is due to the large significance of the role of the relationship of these organizations with the environment (Fudaliński, 2013, p. 227). You can risk saying that the level of quality of NGO relationships with the environment may be testified both in terms of quantity as well as quality. When considering the external stakeholders, they are not just such groups as donors, but also those for whom NGO activities are performed. What’s more, equally important, if not even more important: the significant group of stakeholders are volunteers. The impact of the decisions of the people managing nonprofits in shaping the best possible image of the organization can also be considered as a factor for evaluation of managers activities.

### **3. Competence development of nonprofits resources**

As J. Fudalinski notices (2013, p. 227) “...it is human capital that determines all aspects of third sector organizations”. Human capital in the non-profit organization is represented by the members, employees and volunteers. Directing the work of people carrying out statutory tasks should be done in such a way that the participants of the organization were not only performing tasks assigned to them by virtue of their responsibilities, but executed these tasks because they want to pursue them and because they identify themselves fully with the implementation of these tasks. As mentioned earlier in the article, the structure of resources in nonprofit organizations is significantly different from that which characterizes for-profit organizations. At the same time the characteristics of the activities of non-profit organizations – its functioning, where the main emphasis is put on the implementation of the statutory objectives of the organization with really little importance of achieving financial outputs means that in the development of the organization

the very important are non-financial factors. It should be noted, however, that this claim relates to the non-profit as a whole. In the context of three groups of internal stakeholders, the structure of financial and non-financial factors, which determine the motivation, may differ.

Achieving the personal attitude of willingness to perform the tasks is possible only if there is a belief of the persons carrying out the tasks that there is the positive impact of these activities for both the organization, as well as for their own benefit – identification with the execution of tasks. In order to make possible achievement of such a state, individualized approach to each internal stakeholder is necessary. For the identification to be possible it is still necessary clear definition both the scope and nature of the tasks to be performed, as well as to embed them into a vision of personal development in the form of (e.g.) the definition of career paths. Those who are convinced of the merits of their own career paths show greater motivation and commitment to work. However for an organization achievement of the greatest possible level of identification of employees/people involved with the organization minimizes the risk of losing these people, thus reducing the rotation and searching and training new people (Krawczyk, 2016, p. 86). Determining the career paths is one of the essential elements of the strategy of development in nonprofits. Depending on the size and potential of the organization, it is important to draw attention to this important element in the implementation of the HR strategy.

Nonprofits can implement multiple huge initiatives engaging masses of people, where only once and in a short time there are implemented social actions and in such moments it is difficult the implementation of the individual approach to each person. Nevertheless, the position category itself should be developed by the organization. One should remember that the context of an individual approach to the person involved in the realization of the objectives of the organization does not mean neglecting the context of group tasks.

Appropriate leadership may be stimulant to the work of team members, employees. On the other hand, suitable directing the team's work in the context of the function of creativity, results in the ideas more useful and valuable than if the job was performed individually by team members (Wiercińska-Szmigiel, 2015, pp. 142-143).

Generating ideas of a high usefulness degree and being transferable into possible and valuable use is therefore the dimension of the work of the management teams of employees, at least when it comes to team management, where there is culture of innovation, culture of creating innovative solutions. Therefore, the assessment of the work of managers in organizations will provide such an element as creating and deepening the culture of innovation within the organization.

## **4. Evaluation criteria**

The third contextual management area in the non-profit organization refers to the evaluation. The necessity of current monitoring of the activities' effects aimed at developing and improving the functioning of NGOs has the qualitative dimension. Therefore it is necessary to provide assessment procedures of the developmental activities implementation both in the assessment of the levels of achieved indicators, as well as assessment of the persons responsible for the development of non-profit organizations, as a whole and in reference to the specific areas of its activity.

The way in which the effectiveness of leadership is understood depends on the definition of leadership. If the leadership would be defined solely in terms of behavior, then only those behaviors should be taken into account in assessing the effectiveness (Oyinlade, 2006, pp. 25-40).

Literature review effects indicate that assessment of managerial work in the context of the type of organization in which managers work are the subject of quite stormy discussion. In the context of for-profit-oriented organization, one of the main indicators of performance evaluation is a financial result. The better a company achieves financial results, the higher is effectiveness of managers work perceived. However, even such a generalized idea has critics as the work of a manager is embedded in a reference group, which is either a team or organization. The results achieved in some teams may differ from the results of the entire organization.

The evaluation context of manager's work has currently also the stakeholders' dimension. From the financial results point of view the shareholders evaluation dimension may be for managers far more important than other reference measures.

Evaluation of individuals involved in the management of the nonprofit certainly depends both on the size of the organization, as well as the specifics of its activities. It can therefore be noted that nonprofit, in which the functioning formula includes the operation of a business, an important element in assessing will be the level of implementation of this area of activities. In the case of NGOs, without the business-oriented element of activities, the managers will not be evaluated in a large dimension in the context of achieving the economic effects of the economic activity, but this does not mean that the financial element in general should not be taken under consideration. In nonprofits including economic activity element the work of managers have greater financial dimension. The greater importance of financial factor in the evaluation of managers of nonprofits, the more this evaluation is similar to the evaluation of for-profits. In this context the need to care for efficiency in the management of property investments should be underlined.

As inadequate the current treatment of technical resources only in an operational context should be regarded for example in the tactical. It is recognized that resources should be the basis for the development strategies created in the organizations. Thus the scope of resource management should be revised and expanded. One should pay more attention to the management of resources (Wiśniewska, 2015, pp. 55-60). Property management in reference to companies is more increasingly present in the context of topics of effectiveness of the nonprofits. Increasingly, it starts to be more and more important in the context of universities (Kusio, 2016).

Changes in the environment such as globalization, decentralization and wider use of ICT technologies imply the need for leadership development oriented to transmit new values, mediating disputes, creating coalitions (Wallis & McLoughlin, 2009, pp. 327-351).

## **5. Conclusion**

Changes in the environment imply a need to revise the functioning of both for-profit as well as not-for-profit organizations. The special role and importance of NGOs in the current reality, formed from one side of the knowledge economy and on the other side intensified competitiveness, heightened by a post-crisis factor, arises from the need of involvement for the social processes people affected by the social exclusion. The exclusion affects their negative attitude towards understanding business and this again hinders full-fledged participation in the labor market. Therefore, the significance of NGO sector is again underlined. This results in a need to indicate the implications for modern and efficient administration of those organizations, which in effect should lead to their development.

The structure of labor resources in nonprofits, where the “human share” is often 100% causes the need to attribute to the development of the organization to the development of people involved in the implementation of the statutory objectives of the organization. There are members of the organization, its employees and volunteers, who constitute the group of internal stakeholders. Strong relationships with the environment reinforce the importance of ties and relations between internal stakeholders and external stakeholders. In order to discuss matters related to the development of nonprofits, in addition to human resources development, it is important to pay attention to the development of relations with the environment. Individualized approach to internal stakeholders is not always possible, but adequate human capital management strategy requires a similar approach. In order to ensure the adequate quality of human resource development of NGO, it is necessary to introduce evaluation systems to manage these resources.

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# Chapter 17

## Evaluation of Fair Remuneration in the Economy of Ukraine in the Light of the Theory of Human Capital<sup>1</sup>

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*Jurij Renkas*

### 1. Introduction

The category of capital is mentioned the earliest in scientific studies on double-entry bookkeeping. Already in 1494 in Venice, there appeared in print the work of “Summa de Arithmetica, Geometria, Proportioni et Proportionalita” by L. Pacioli, which includes a description of double-entry bookkeeping or a practical system for measuring the increase of capital in management. Although the deliberations on capital were presented by most of the well-known economists, until recently there was no clear theory of this important category. Today, there grows a belief (Dobija, 2007) that the capital should be seen as an abstract and potential category, as it is the ability of an object to do the job. This chapter presents a coherent system of concepts associated with the correct understanding of capital. On this theoretical basis, there is developed the measurement of human capital and fair remuneration.

### 2. Human capital measurement model

As is known, a new-born child appears with the  $H_0$  capital, but without the work of his or her parents, his or her capital would shortly disappear as a result of natural dissipation ( $e^{-st}$ ). The efforts of parents and society, i.e. the compensation of the capital dissipation process with the ( $e^{mt}$ ) factor, guarantee his or her survival and growth. Since the  $m$  variable eliminates the  $s$  variable, the  $p$  constant has a major impact on the growth of human capital. This constant limits the growth (a child cannot grow up by 40 cm during a single week). As shown by empirical research,  $p$ , the economic constant of potential growth is an essential element for measuring human capital, which is generally represented by the formula (1):

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$$H = H_0 e^{pt} \quad (1)$$

where:

t – passage of time.

Understanding the nature of capital allowed to shed new light on the problem of human capital. As is known, the issues of human capital and its measurement were analysed and exported by T. Schultz and G. Becker; the latter dealt with the effects of spending on professional education. He pointed (Cahuc & Zylberberg, 2004, pp. 69-71) that investment in education will allow receiving a higher remuneration in the future.

The human ability to perform work undoubtedly comes from the general and professional education, as well as from the experience. Also the very process of life that shapes a body able to work in the real world cannot be ignored. Thus, the theoretical model of human capital measurement must contain variables defining expenditure on maintenance and professional education, as well as variables that affect the growth of capital through experience. Therefore, the value of human capital, H, is a function  $H(k, t, e, l, T, w, p)$ , where k – annual maintenance costs, t – number of years of capitalization of maintenance costs, e – annual costs of professional education, l – number of years of capitalization of costs of professional education, T – number of years of work, w – learning ability parameter, p – economic constant of potential growth (8% (1/year)). The detailed, repeatedly empirically verified models are shown in Table 1 (lines 1-3).

Human capital assigned to the employee is his attribute and this value increases during the period from birth to the end of working life. The size of an individual human capital is determined by expenditures (the necessary amount), including: cost of living and education expenses, as well as expenses incurred while working (for example, post-graduate studies). Furthermore, capital of the employee increases as a result of growth in work experience. This is a positive side effect of performed work. Identification of these expenditures and determination of the function of capital growth as a result of acquired experience lead to the repeatedly verified human capital models outlined in many previous studies, such as (Dobija, 2009, 2010; Cieslak & Dobija, 2007, Koziol, 2007; Kurek, 2011; Renkas, 2011, 2012a, 2012b). These models are shown in Table 1.

Table 1. Employee human capital measurement model

No.	Author and model name	Formula	Description
1	<i>M. Dobija</i> Human capital measurement model (basic)	$H(k,e,T,p) = (K + E) \times (1 + Q(T))$  Additive form: $H(k,e,T,p) = K + E + D(T)$	H(T) – human capital value K – capitalized maintenance costs E – capitalized costs of education Q(T) – factor of the experience growth over T years of work D(T) – capital of the experience of professional work performed by T years
2	<i>D. Dobija</i> Model supplemented with creativity capital	$H(k,e,T,p) = K + E + D(T) + R$	R – creativity capital

3	<p><i>W. Koziol</i> Human capital measurement model at continuous education expenditures</p>	$H(k,e,T,p) = K + E + D(T) + U_i \times (1 + Q(t_i))$	<p><math>U_i</math> – size of capitalized costs for receiving the <math>i</math>-th qualification level <math>t_i</math> – number of years after obtaining the appropriate level of qualification until the measurement</p>
4	<p><i>J. Renkas</i> Econometric model of the minimum living wage</p>	$H(k,e,T,p) = (13,18 X_1 + 217,39 X_2 + 1320,74) \times 1250$	<p><math>X_1</math> – age <math>X_2</math> – number of years of education</p>

Source: own elaboration.

It should be noted that these models are a function of many variables, which always include maintenance expenses, education expenses, passage of time and the economic constant of potential growth. In particular, the model of human capital of a person with no professional education and experience of work is shown in the following formula:

$$H(k, p) = K \tag{2}$$

where:

$H(k, p)$  – human capital value,

$K$  – capitalized maintenance costs,  $k$ , using the capitalization rate of  $p$ .

The size of human capital calculated according to the above formula is a basis for determining the level of the minimum wage in the economy of a particular country, because this wage is deserved by employees who do not have the professional education and work experience.

If a young man obtains a professional education, his capital is increased by related capitalized expenditures. Thus, the model for a person on the threshold of a career is as follows:

$$H(k, e, p) = K + E \tag{3}$$

where:

$H(k, e, p)$  – human capital value,

$K$  – capitalized maintenance costs,

$E$  – capitalized costs of education.

Model of human capital of the employed person includes an additional variable associated with professional experience acquired during work (Cieslak & Dobija, 2007, pp. 5-24):

$$H(k, e, T, p) = (K + E) \times (1 + Q(T)) \tag{4}$$

where:

$H(k, e, t, p)$  – capital value assigned to a person with the experience of  $T$  years of work,

$K$  – capitalized maintenance costs,

$E$  – capitalized costs of education,

$Q(T)$  – factor of the experience growth over  $T$  years of work.

The amount of  $Q(T)$  is derived from the specified learning curve (Stando-Gorowska, 2014). This model can also be presented in the additive form (Koziol, 2010, pp. 79-80):

$$H(k, e, T, p) = K + E + D(T) \quad (5)$$

where:

$D(T)$  – the capital of the experience of work performed over  $T$  years,

$D(T) = H(0) \times Q(T)$ , wherein  $D(0) = 0$ .

This model is more convenient for analysis and shaping of remuneration.

The human capital model also includes a measurable creativity capital element,  $R$  (may be equal to 0). This applies to people whose ability to work is above average, and therefore they receive respectively higher wages. The present value of the stream of surplus determines the value of the capital.

Human capital is spontaneously dissipated by nature. A measurement of the dissipation leads to a determination of living wage, that, by compensating the loss, does not allow for capital depreciation. It is determined by an appropriate percentage of the employee's personal capital. The percentage specifying the wage is related to the  $p$  constant.

### 3. Thermodynamic nature of the fair wage

Understanding that capital is the ability to work is an important moment in the development of economics. This term identifies fundamental principles underlying the concept of capital. It is worth noting that the ability to work is also a basic category in the physical sciences. As we know, this statement comes from Benjamin Thompson. Benjamin Thompson (Sir Kelvin), in the mid-nineteenth century, described this category as fundamental for physics. The scientist studied the processes of energy conversion to work and was one of the precursors of thermodynamics. His statement that a heat engine cannot operate without a cooler (dissipating some of the energy) is very important in the theory of measuring human capital and shaping fair remuneration. This is related to the fact that the human body also acts based on the heat engine principle. P. Atkins (2005, pp. 157-158) writes on this subject: stressing that “an abstract steam engine, which is located in our body, it is distributed among all the cells of our body and takes thousands of different forms...” The author explains the operation of the heat engine which functions by a chemical compound, adenosine-5'-triphosphate (ATP). With enzymes, it changes to adenosine-5'-diphosphate (ADP). These interpretations show the thermodynamic nature of processes occurring in the cells of our body. Understanding and consideration of these issues leads to determining the equitable remuneration.

To explain the essence of fair remuneration, it should be understood that if life requires functioning of heat engines, which can operate only if a portion of energy is scattered, for life to exist it is necessary to compensate for this natural loss. Therefore, the remuneration for performed work should at least compensate for the natural dissipation of human capital. In the capital model, the level of dissipation is determined by the variable of  $s$ , whose average value, as shown by studies, is  $p = E(s) = 0.08(1/\text{year})$ .

The way that these statements translate into economic calculations is shown in Table 2. In this table, there is theoretically calculated the minimum wage for the US and Ukrainian economies. As we know, the US economy is characterized by a fair minimum wage, and the situation in Ukraine is shown by the calculations. Based on the model (2) for an employee who does not have a professional education and seniority, there is prepared a comparative calculation of fair wages for

the US and Ukraine. There is applied the continuous capitalization, which leads to the following formula:

$$K = k \times 12 \frac{e^{pt} - 1}{p} \tag{6}$$

where:

- K – capitalized maintenance costs,
- k – monthly maintenance costs,
- p – economic constant (0.08),
- t – number of years of life.

In Ukraine, legally established monthly maintenance costs are dependent on the age of a person (the “Establishing the social minimum and subsistence wage” Law of Ukraine). To carry out the calculations, there will be used the average value of the index as of the year 2015. For comparison, there are also served calculations of the minimum wage in the US. The monthly maintenance costs in the country are estimated at \$475. The calculations are carried out for a model teenager (17 years).

Table 2. Minimum wage in Ukraine and in the US, calculated taking into account the economic constant of potential growth (2015)

Calculating the value of human capital and minimum wage	USA	Ukraine
Monthly maintenance costs (k)	\$475.0	UAH 1,218.0
Years of capitalization	17	18
Human capital value (H(T,p) = K)	\$206,354.0	UAH 547,373.0
Annual remuneration (W = H(T,p) × 0.08)	\$16,598.0	UAH 43,790.0
Monthly remuneration (W/12)	\$1,376.0	UAH 3,649.0
Hourly remuneration (W/12/176)	\$7.8	UAH 20.7
Legal hourly remuneration	\$7.7	UAH 8.3
<b>Percentage of compliance</b>	<b>99%</b>	<b>40%</b>
<b>Settlement of income in the family</b>		
Family (2 adults + 2 children)	2+2	2+2
Income (2 adults)	\$2,752.0	UAH 7,298.0
Pension contributions 20%	\$550.4	UAH 1,459.6
Health insurance 10%	\$275.2	UAH 729.8
Total amount remaining in the family	\$1926.4	UAH 5,108.6
Amount per person	\$481.6	UAH 1,277.2
<b>Settlement of pension fund</b>		
Pension fund per person raised to 65 years of age at the capitalization rate of 3%	\$349,544.6	UAH 891,352.9
Amount of monthly pension at the settlement for 20 years	\$1,456.4	UAH 3,714.0

Source: own elaboration.

The first part of Table 2 shows the calculations of the minimum wage. As we can see, the wage calculated on the basis of the human capital theory for the economy of Ukraine is much higher

than the legally fixed minimum wage in this country. An average worker receives only 40% of the remuneration, which, according to the human capital theory, could be considered the fair minimum wage. This means that, with the current regulations on the minimum wage, human capital of an employee is depreciated. The first effect is the reduction in fertility.

In the second part of the table, there is an information showing that maintenance costs have not been reduced, that is the quality of life has been preserved. With the preserved maintenance costs, the family has funds for health care and parents capitalize their pension funds.

The third part of the table shows the settlement of pension fund, with which pensions will be paid. The calculations indicate that the amount of monthly pension at the settlement for 20 years is slightly larger than the fair minimum wage. Therefore, at the contribution of 20% of remuneration, the pension in the capital system allows for a fair income in the period specified by the statistical life curve. Nevertheless, this requires the pension contributions to be multiplied at a rate of 3% per year.

Table 3 presents a comparative analysis of the minimum wages legally determined in the USA, Poland and Ukraine and the minimum wages indicated on the basis of the human capital theory for people of these countries who do not have professional education and professional experience (the capital of the experience).

Table 3. Minimum wages for the USA, Poland and Ukraine, calculated on the basis of the human capital theory (2015)

Minimum wage	USA (t = 17)	Poland (t = 18)	Ukraine (t = 18)
Monthly labour costs ( $8\% \times H(T,p)/12$ )	\$1,376.0	PLN 2,577.0	UAH 3,649.0
Legal minimum wage	\$1,355.0	PLN 2,100.0	UAH 1,462.0
Percentage of compliance	99%	82%	40%

Source: own elaboration.

The comparison of minimum wages of individual countries reveals differences in the percentage of compliance of the wage determined by law and the theoretical wage. The difficult situation in the Ukrainian economy draws attention, because on average, the employees receive less than half of the salary, which, based on the theory of human capital, can be considered fair. This inadequacy of the level of the basic wage precludes maintaining of the individual human capital of an employee and is the cause of emigration of the labour force from Ukraine. A large number of people go abroad in search of higher wages, which will create better conditions for the development.

#### 4. Determining the maximum basic wage in the economy of Ukraine

The use of human capital theory helps to estimate earnings of an employee with the maximum human capital, but without considering any creativity capital. This type of estimate helps to determine the factor, that is how many times this kind of wage is higher than the minimum wage.

We will consider the earnings of a professor of medicine aged 70 years. Not taking into account the creativity capital, we will use a modified additive form of the human capital model:

$$H(k,e,T, p) = K + E + U + D(T) \tag{7}$$

where:

- K – capital of maintenance costs,
- E – capital of education,
- U – capital of continuing the education,
- D(T) – capital of experience.

Calculations will be performed with data from Ukraine, which does not reduce the generality of considerations. The model person has a six-year medical education and 46 years of experience in working as a professional. As we know, achieving the title of professor requires constant work for achieving of different degrees. Besides, on the career path, there should be gained different specialization degrees. Therefore, the human capital value of that person is further increased by the value of capital of continuing the education (U). These calculations are contained in Table 4.

Table 4. Determining the maximum basic wage in the economy of Ukraine (2015)

Economic values	Calculations
Capital of maintenance costs (K)	$K = 1218 \times 12 \frac{(1 + 0.08)^{24} - 1}{0.08} = 975833.7$
Capital of education (E)	$A = 4000 \times 10 \frac{(1 + 0.08)^6 - 1}{0.08} = 293437.2$
Capital of experience (D(T))	$D(T) = (K + E) \times (1 - T^{\frac{\ln(1-w)}{\ln 2}}) = 1269270,9 \times (1 - 46^{\frac{\ln 0.9}{\ln 2}}) = 560002.3$
Capital of continuing the education (U)	$U = 3088,6 \times \frac{(1 + 0.08)^{46} - 1}{0.08} = 1292334.0$
Total human capital value (H(T,p))	UAH 3,121,607.2
Annual remuneration (W = H(T,p) × 0.08)	UAH 249,728.6
Monthly remuneration (W/12)	UAH 20,810.7

Source: own elaboration.

The maintenance costs were set at the subsistence wage level, which, in Ukraine in July 2015 amounted to 1,218 hryvnias per month. To calculate the human capital value with the maintenance costs (K), there was assumed that their amount would be capitalized to 24 years of age or until graduation and starting work. The costs of education, in turn, were established at the level of 4,000 UAH per month, which relate only to the six-year period of study. In addition, the total amount of human resources is increased by the factor of experience (Q(T)), which is calculated taking into account the learning factor (w) at 0.1, which allowed to determine the capital of experience (D(T)). In order to calculate the capital of continuing the education (U), there was assumed that the model employee spends an average of 2 hours per day of free time on additional training. The value of an hour of such was estimated as a quotient of the annual compensation for the use



of the employee's capital ( $8\% \times H(k, e, t, p)$ ) and the annual labour standard in Ukraine of about 2000 hours. The estimated amount is 3.088 UAH.

Comparing the calculated wage (Tab. 4) with the minimum wage, we can see that the factor of these amounts does not exceed 6 (Tab. 5). As we know, already in ancient times, Plato defined the maximum to the minimum wage ratio at the level of 5.

Table 5. Theoretical ratio of the minimum to maximum wage according to the human capital measurement

	<b>Minimum wage</b>	<b>Maximum wage</b>
Monthly remuneration	UAH 3,649.0	UAH 20,810.7
Ratio	1	5.7

Source: own elaboration.

This factor of wage is confirmed to some extent by the decile amounts. According to W. Gadowski (2010), the ratio of the average income of the "top" decile to the "low" decile in the European Union in 2007-2008 was 5.0 – the accurate indicator of Plato. It should be noted that this ratio is to a large extent in accordance with measurements resulting from the human capital theory. This applies to democratic countries with developed economy.

In post-socialist countries, such as Latvia or Romania, the ratio is 7.0. In the economies of Poland and Ukraine, there are even tenfold spans between the highest and the lowest decile, which is examined by M. Wojcik-Zoladek (2013). This results in the occurrence of large social inequalities.

## 5. Conclusion

The human capital measurement theory and consistent remunerations includes many explanations necessary for maintaining balance in the socio-economic system. It is known that the size of wages decides whether the nuclear family preserves and develops human capital or there occurs its dissipation. These theories are largely the result of work carried out during the last twenty years by a team from the University of Economics in Krakow. The research also led to the clarification of the nature of capital. The developed capital model revealed important relationships of this category with the fundamental principles of thermodynamics. In particular, the second law of thermodynamics provides an indication of a fair remuneration as a compensation for spontaneously dispersed energy of the human body. The research has revealed that the model of capital, and hence, the economic calculation of capital is associated with a fixed amount of  $p$ , which determines the average rate of growth of capital in the management processes. This amount forms the rate of profit, and therefore also the discount rates. The level of spontaneous dispersion of capital,  $s$ , determines the natural level of uncertainty in economic processes. The constant economic of potential growth determines the fair minimum wage, which compensates for the spontaneous dissipation of individual human capital of the employee. Moreover, the theory confirms limitations of the factor of the maximum wage against the minimum wage and the validity of the Platonic pattern. These are important issues that create the emerging work economy (Dobija, 2015). This theory refers to the knowledge, which appeared in ancient civilizations, such as: Mesopotamia,

Egypt; to the classical economics, not dominated by central banking theories. In this economy, work is the fundamental category and fair remunerations constitute dues for work, thereafter exchanged for products.

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# Chapter 18

## Development of Social Potential in Enterprise in the Conditions Cultural Diversity<sup>1</sup>

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*Renata Winkler, Paweł Łukasik*

### 1. Introduction

Any organization may be considered as a system. Since it is people, who form it, an organization may also be considered a specific social system. Oftentimes it is emphasized that the functional efficiency of economic entities as well as their innovativeness and effectiveness in adapting to changes occurring in the environment is dependent (and at significant level) on employee qualifications, knowledge, skills, experience, disposition, motivation, and commitment. It is reflected e.g. by several notions, which have entered the management vocabulary: work management, human resources management, human capital, intellectual capital, social capital and social potential.

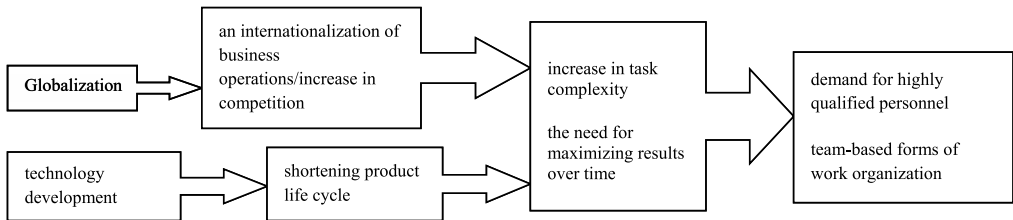
In the context of *markets globalization, increasing competition, technology development rate, shortening product lifecycles, demographic changes and the internationalization of business operations* it would seem prudent (in the aspect of a widely understood human resource management), to i.a. consider a fact of some significance. Namely, that the indirect effects of all those phenomena (and thus increasing complexity of tasks and the need to focus on maximizing the results over time, expressed i.a. in the permanent “time pressure”) may lead to, i.a.: (1) members of the organization rarely work independent of other people, as well as, (2) no working post currently remains unchanged over time. As a result, two things can be observed: an increase in demand for highly qualified personnel, and a strengthening of the tendency for increasing use of team-based work organization (see. Fig. 1).

Although the loss of employees who are crucial for the organization still involves a number of consequences, both severe and difficult to predict, at the same time the increasing demand for a specific work contribution is characterized by a certain “irregularity”, due to which, participation of a single employee in several different teams at the same time, working on different projects becomes economically feasible. It is the consequence of the fact that employee’s qualifications

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Figure 1. The impact of globalization and technological development on expectations in view of the human factor in the organization



Source: own elaboration.

(competencies) in longer time intervals are somewhat stiff (i.e. their modification requires time), and the variability of challenges facing economic systems involves a variability of demand for specific employee skills, both in terms of the type of these skills, as well as the method and time of their use. Not without significance is the context of observable demographic (ageing societies), social (increasing number of professionally active women, and an intensification of migrations) and technological (the possibility to work remotely, independently of the place of residence) changes.

As mentioned in publications on organization and management, the meaning of the human factor has a well-established position. Different attitudes give different definitions of the most effective management of this factor (i.e. people). The purpose of this paper is to identify and systematize the basic directions of initiatives improving the social potential of a company in a culturally diverse environment. The publication was financed from the funds granted to the Faculty of Management of the Cracow University of Economics, within the framework of the subsidy for the maintenance of research potential in 2016<sup>2</sup>.

## 2. The Social Potential of a Company

Changes in conditioning the operations of companies have influenced the perception of people in the organization, similarly to changes of approach to management. B. Jamka (2011, p. 16) indicates the following “logical sequences” in perceiving people in the company (concepts of perceiving an employee in an organization): people as resource, people as capital, people as potential. While analysing attitudes to people within such orientations, the author indicates that (Jamka, 2011, pp. 229, 298-299, 304-305, 323):

- within the resource orientation (people an available resource) – attention is paid to the “quality” of this resource and the possibility to expand on this quality (competences management),
- in the case of the capital orientation (people as capital, a resource “carrier”) – emphasis is put on obtaining a return on the investment, in other words, on using contracted possibilities (knowledge, talent and relation management),

<sup>2</sup> Statutory research of the Department of Organizational Behaviors entitled.

- with regard to the latter (people as potential), the centre of gravity is moved to individual potential of opportunities and the causative role in creating an environment fostering the use thereof.

The evolution of perception of the human factor in a way reflects the degree of acceptance of the fact that the effectiveness of human resources is not a straightforward derivative of their “objective quality” (a resource approach), nor is it a “return on the investment” (a capital approach)<sup>3</sup>. Employing a person means engaging an entire person, instead of solely their qualifications, skills and experience. Therefore, the potential of a given entity may be fully used only if its commitment is obtained, and proper operational conditions provided, desirable from the perspective of specific and fixed properties of a given person (which may vary from conditions adequate for other employees).

The notion of work/employee/social potential management is present in Polish literature on the subject since the 1990s. K. Bolesta-Kukułka (1995, p. 16) defined social potential as qualifications, motivations and mentality of employees and stresses that social potential of an organization is shaped by the creation of a relevant scope of competences, stimulation and proper focusing of employee motivation, impacting their mentality (attitudes, approaches, ideas). The Author states that person is the most important and irreplaceable factor in the operation of any organization, only if they are treated subjectively and comprehensively (including their emotions, motivations, creative gifts and personal uniqueness). S. Smoleński (2001, p. 75) defines employee potential as “obtainable employee involvement, translated into specific results, depending on the impacts on <<hard>> and <<soft>> elements of their competencies”. Z. Pawlak and A. Smoleń (2007, p. 278) define company’s social potential as the people working for the company, with their knowledge, experience, skills, abilities, predispositions for work, motivation and health. They also emphasize that the word “potential” means that certain human capabilities and talents may present themselves and be completed only after fulfilling specific conditions. According to B. Mikuła (2014, p. 82) social potential should be understood as “a complex of an organization’s capabilities and the ability to operate in changing and diverse conditions, resulting from the collective use of the ability to apply systems, resources owned and the disposition of people working for the benefit of the organization”.

In the opinion of B. Jamka (2011, p. 225), although it is difficult to speak about a single, accepted definition of social potential management, authors advocating notion shaped in such a way expose in their definitions both the issues of employee “abilities” and the use thereof (i.e. the causal power of the company in stimulating these abilities). On the other hand, M. Moczulska and J. Stankiewicz (2016, p. X) point out that in the creation of conditions favourable for activating potential (realizing potential) the anticipated result is employee commitment, is that commitment, as a result of modelling (whether e.g. work conditions or shaping motivation), which in the end allows the use of potential.

Therefore in the context of the issues tackled in this paper, of particular importance seem to be: firstly, emphasizing the importance of commitment, secondly, stressing that in the opinion of B. Jamka (2011, p. 229) social potential management most strongly corresponds to diversity management.

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<sup>3</sup> I.e. the aforementioned use of contracted abilities.

### 3. Cultural diversity management

One of the consequences of globalization and the internationalization of business activities is the growing influence of expatriates among the employees, and thus an increase in the degree of cultural heterogeneity of the staff. Factors fostering the deepening of cultural diversity in the employee population are deemed to be (aside from migration):

- the ageing of societies in developed countries,
- the increasing requirements towards employees (a consequence of technological progress and “liquidity”/“irregularity” of demand for a certain type of work contribution).

Staff diversity (*both in stressed aspect of national and cultural origin, and due to the diversity in terms of gender, age, education, professional experience, religious beliefs, social-economic status, or family commitments and racial background*) (cf. Arai, Wanca-Thibault & Shockley-Zalabak, 2001, p. 445) – involves differences regarding collections of norms, rules, regulations, notions, convictions, beliefs, stereotypes, prejudices and any cognitive factors internalized by these entities, in possession of individual members, which condition their ways of thinking, feeling, reasoning and responding (behaviour). Therefore, the appearing differences in cultural conditioning of the personnel creates both opportunities and hazards for an organization. The degree of a person’s immersion in culture (due to the scope of areas determined for an individual by cultural heritage) causes ignoring or disregarding cultural differences between people squanders opportunities for the organization, connected with cultural diversity. Most authors tackling the issue of diversity management see opportunity in i.a. the possibility of achieving a higher level of creativity within employee groups, improving the quality of decision-making within the organization, better adjustment of advertising campaigns to new markets, increase in flexibility of management and functioning of a given economic entity (Cox & Blake, 1991, p. 47). On the other hand, such issues are perceived as hazards: intensification within an organization problems related with communication, coordination and motivation. It also emphasizes that diversity is oftentimes (though not always) a factor hindering the process of creating a team, substantially inhibits its later functioning, as cultural heterogeneity translates into a lesser degree of understanding between co-workers, an increased frequency of conflicts, lower level of group cohesion, more problems with cooperation and trouble with determining common goals and priorities (Karjalainen, 2010, p. 99).

Effective functioning in a multicultural environment requires introducing into the organization specific real changes, enabling the adjustment to new conditions. It requires reorienting the way of functioning of organization, both in terms of adopted solutions with regards to the selection, training, and managing the staff. It is therefore the main area of challenges for the managerial staff of the organization. The use of diversity requires both identifying and activating the distinctive features. Thus, in the opinion of S. Tokarski and G. Drozdowski (2001, p. 202), the managers receive the role to act as “cultural mediators and agents for change”. The already aforementioned recognition and fusion of emerging contradictions, and the minimization of disorders arising on the borders of culturally diverse conditions, poses to them a new quality of challenges – and oftentimes requires expanding certain competences. Thus, for purely practical reasons, interest grows in the complex issues of leading and managing a culturally diverse team, both in theory and in practice.

The basis for the diversity management concepts is the acceptance of the fact that each employee is different and such differences may be visible, but not necessarily (Amstrong, 2001, p. 690). Diversity management is defined as an appreciation and use of the differences between

people in such a way, so that they contribute to an increase in productivity of the entire organization through: (1) enabling all employees to use their own potential as much as possible, and (2) acquiring their full commitment in company matters (Amstrong, 2001, p. 237, 690). Ignoring or eliminating differences is deemed as dysfunctional (Kostera & Śliwa, 2010, p. 309). Therefore, managing cultural diversity “can be defined as planning, coordination and implementation of set of management strategies, policies, initiatives, and training and development activities that seek to accommodate diverse sets of social and individual backgrounds, interests, beliefs, values and ways of work in organizations with international, multinational, global and transnational workforces and operations” (Özbilgin & Tatli, 2015, p. 10).

On one hand, in the opinion of B. Jamka (2011, p. 274, 341), social potential management strongly corresponds to the essence of diversity management, and, on the other hand, diversity management itself is, in a broad sense, identical with the essence of attributive talent management.

#### **4. Improving the social potential of a company: Building Commitment**

S.P. Robbins and T.A. Judge (2012, pp. 94-95) distinguish commitment to work and involvement to the organization. In their opinion, the measurement of commitment to work should refer to “the degree, to which people psychologically identify with their work and judge their perceived level of effectiveness in their work as important in the assessment of their own value” (Robbins & Judge, 2012, p. 95). The authors fall back on works concerning the psychological empowerment of employees as a concept “meaning the belief of the employees, as to the degree of their influence on their work environment, their competences, the meaning of their work, their perceived autonomy in its performance” (Ergeneli, Saglam & Metin, 2007, as cited in: Robbins & Judge, 2012, p. 95), which contributes to the feeling of importance among the employees (Avolio, Zhu, Koh & Bhatia, 2004, as cited in: Robbins & Judge, 2012, p. 95). On the other hand, commitment to the company may be specified as “the degree to which employees feel connected to the company, participate in its life, and wish to stay with it” (Szaban, 2012, p. 111). It is possible to enumerate: **commitment as a force of habit**, motivated by mounting problems related with the change of employment; **commitment as an ideal** resulting from accepting the goals of the organization; **commitment as a normative state**, the source of which is the pressure from other people in the organization (Szaban, 2012, p. 111) and **commitment as affection** (emotional), based on an “emotional, positive relation the employee has with the organization” (Chrupała-Pniak & Grabowski, 2014, p. 85).

D. Łochnicka (2014, pp. 102-105) conducted research on fostering employee commitment by supporting independent projects and improvement of actions based on employee ideas. The research suggests that most companies make use of different forms of teamwork such as project or problem solving groups. In all 25 companies examined, employees had the possibility to submit their ideas by means of e.g. project teams, superior-subordinate meetings, company Intranet. In most of the researched companies (23), submitted ideas were rewarded financially, in proportion to the value added to the company by an idea. Significantly there were fewer awards for the number of submitted ideas. Also the non-monetary rewards for submitted ideas were significantly less frequent. A particular role in employee engagement, in light of the results of the research, is played by superior-subordinate relations. In particular, when they rely on manager openness



towards the submission of ideas by subordinates, appreciation of their contribution to the development of the company, care for personnel development, they contribute to increased employee satisfaction, as well as loyalty and attachment to an organization. Work autonomy has been recognized as an important factor affecting satisfaction from and devotion to work. In practice, it can be increased through implementing programmes of direct employee commitment (Łochnicka, 2014, pp. 102-105).

J. Stankiewicz and M. Moczulska (2013, pp. 254-263), basing on a rich review of literature and own research, assessed the effect of competition and cooperation on employee commitment. The authors surmised that commitment may be built in three areas: work, interpersonal relations, and organizational factors. (1) In the area of work, cooperation fosters the satisfaction of the need of recognition, development, sense of meaning, success, independence, and respect. (2) In the area of relations, cooperation satisfies the need of belonging, exercising influence, superior credibility, based on compliance of their behaviour with values cherished in the organization. (3) In the area of organizational factors, cooperation gives a sense of fair and equal treatment, based on terms and conditions agreed upon in the organization, and foster the perception of trust and respect as important values of organizational culture (Stankiewicz & Moczulska, 2013, p. 257). Similarly, competition is favourable for building commitment in the area of work, interpersonal relations and organizational factors, but unlike cooperation, it results in certain negative consequences, such as a sense of solitude, and negative interpersonal attitudes in the area of interpersonal relations (Stankiewicz & Moczulska, 2013, p. 258). Research conducted by the authors on a sample of sixty companies in the Lubuskie Voivodeship indicates that competition reduces the monotony of work and increases interest therewith, and contributes to an increase in creativity, but oftentimes it is also a cause of conflicts and professional burnout. On the other hand, cooperation fosters the transfer of information and sharing knowledge, improvement in relations with co-workers and work satisfaction. Both competition and cooperation stimulate employee activity and contribute to an increase in quality of the performed tasks (Stankiewicz & Moczulska, 2013, p. 262). At this point, it should be mentioned that the increasing importance of cooperation, commitment and responsibility as key values of an organization has also been confirmed empirically. The research, conducted in this field by K. Gadomska-Lila (2010, p. 35), indicates that the most often indicated key value is cooperation (60% of cases), followed by commitment and responsibility. And it is for these values, that the increases in the frequency of incidence between 2001 and 2008 were the highest (over 10%).

M. Urbaniak (2007, p. 52) examined on a group of 259 companies the frequency of applying (percentile) the following activities undertaken in order to increase commitment: understandable system documents (79.51), organizing obligatory work post trainings (76.45), improvement in work safety conditions (64.48), possibility of submitting initiatives/ideas (62.16), employee assessment (59.46), dependence of remuneration on work performance (57.53), team problem solving (48.65), discretionary training (48.26), providing access to professional press/publications/websites (47.10), expressing appreciation (41.70), superior example (37.07), social assistance (33.2), restrictive penalty system (19.69). The results of this research indicate that the employee must, above all, know their responsibilities, know how to perform their basic duties safely and in accordance with their own belief. Of less importance is how will they be assessed by their superiors, what remuneration will they receive, and least of all, what are the possibilities for general development offered by the employing company. It is also clear that penalizing the employees rarely leads to an increase in commitment.

While examining issues of involvement in 21 intentionally selected knowledge organizations, M. Juchnowicz (2010, p. 63) identified (with the use of a correlation coefficient between the level of commitment and a given factor) the following determinants of commitment: link between remuneration and the effects of work (0.62), opportunities for development (0.61), good relations with co-workers (0.61), connecting the content of work with employee competences (0.55), participation in decision-making (0.5), a share in company profits (0.49), proper technical equipment (0.48), possibility of independent decision-making on the method of work performance (0.48), remuneration adequate to work put in (0.48), possibility of promotion (0.47). The results, based on a correlation between commitment and involvement of individual factors thereof, lead to a conclusion that of paramount importance for employees are such company activities, which contribute to their development. This applies particularly to employees of an organization based on knowledge.

In research conducted by E. Rypina (2009, p. 140), from amongst 3 500 employees from 19 companies of the industrial and services sectors, it turned out that work organization and opportunities for development influenced commitment in 63% of the examined companies followed by remuneration (53%), relations with the direct superior (47%), relations with co-workers (37%).

In the context of the conducted analysis of quoted and discussed results, the following basic areas of initiatives ensuring the development of commitment may be indicated:

1. **Good work organization** i.e.: providing transparency of principles of organization functioning described in documents, creating possibilities to submit ideas/initiatives of employees, conducting employee assessments, implementing team-based problem solving, adequate determination and selection of the contents of work to employee competence.
2. **Opportunities for development** – both in the form of obligatory work post trainings and discretionary training, providing access to professional press/literature, creating possibilities for promotion.
3. **Remuneration** – making remuneration dependent on work performance or amount of work put in.
4. **Relation with Superiors** – building relations based on: expressing appreciation for employee accomplishments, openness to employee ideas, care for subordinate development and good example from the superior.
5. **Good relations with co-workers** – based on proper use of the elements of cooperation and competition.

## **5. Cultural Diversity and Improving Social Potential**

The development of commitment, as a main sign of building social potential in an organization, should be examined not only from the point of view of the effectiveness of particular activities in a culturally uniform social environment within an organization, but first and foremost (in light of the conditions discussed in the introduction), in culturally diverse organizations, the number of which is constantly growing.

The need to meet the challenges connected with (for the organization as a whole, and separately for each of the employees) establishing direct cooperation with persons from other cultures and/or work in an alien cultural environment generates the need to reformulate some assumptions with regards to personnel policy, and, as it would seem, already at the stage of competence

profile construction for recruitment. Candidate assessment (during internal or external recruitment) conducted solely in the qualification and professional experience contexts, required due to the substantive scope of responsibilities on a given post, proves to be in most cases, insufficient. The conviction prevailing amongst both the employers and employees that professional success is fundamentally dependent on the available specialist knowledge and professional skills was not explicitly confirmed in practice. In the opinion of specialists in the field of intercultural cooperation, next to the professional disposition (connected with i.a. language qualifications, type and level of education, possessed knowledge, experience and skills), candidate assessment considers such factors as: cultural sensitivity of an individual, awareness of their own cultural conditioning, empathy, adaptability, stress resistance, task-oriented attitude. Furthermore, in the case of transferring an employee from one country to another, consideration should also be given to the health and family situation of the candidates. As it appears, the effectiveness of an expatriate is influenced by both (Miś, 2002, p. 147): (1) problems arising from encountering unknown and inexplicable situations occurring during their adaptation to the new cultural reality and (2) difficulties in acclimatizing their family in a new culture and/or their spouse's problems with finding a job. These problems may significantly contribute to an employee deciding to resign from work and come back to their home country. In the event when, according to approximate data, 16-50% of expatriates leaves the country of their assignment (Miś, 2002, p. 145), an increase in commitment of an organization is postulated, in personal affairs of the employees, which should be reflected in i.a. undertaking actions related with assisting visa proceedings for the spouses, completing the formalities in the country of assignment related with family accommodations, guarantee continuing education for the children of the expatriate or finding employment by the spouse. It is of crucial importance in spite the fact that social assistance of the company is insignificant in research on commitment factors conducted by M. Urbaniak (2007, p. 52), in conditions of an international organization.

In the context of all the considerations made, it seems important to try and assess, which of the abovementioned initiatives prove most justified in building employee commitment under conditions of cultural diversity, as the described initiatives were implemented in Polish companies.

If we consider the first of the mentioned areas, i.e. **work organization**, than for many reasons rise doubts, whether the implementation of any of the initiatives distinguished in this area under conditions of cultural diversity each time may bring about the desired effects. A question may be posed "do employees have similar tendencies to seriously approach the written rules of conduct in every culture?" – or "do they prefer to follow informal principles"? In light of the literature on the subject concerning cultural differences, the answer is "not necessarily". According to the concept of G. Hofstede and G.J. Hofstede (2007, p. 78) of dividing cultures into those with a small and large distance to authority, leadership is based more on authority than on objectively determined principles, therefore building commitment on the terms specified in company's documentation may prove to be less effective. Another tool for building commitment, i.e. the possibility of submitting ideas for own projects, initiatives, activities, methods, is at the same time connected with several cultural matters. Firstly, it is a matter of employee autonomy arising from readiness of the superior to delegate authority and responsibility, which is also subject to cultural diversity with regards to a large and small distance to authority (Hofstede & Hofstede, 2007, p. 70). In cultures with small distance to authority, the tendency to submit own ideas, even those contradictory with the views of the superiors, should be higher. However,

a question arises, how is it possible that in a country such as Japan, with a large distance to authority (Hofstede & Hofstede, 2007, p. 95) employee commitment may be assured? The answer lies in a different dimension of cultural differences described by Hofstede, i.e. individualism vs. collectivism. Japan, similarly to other countries in Asia and the Pacific (Hofstede & Hofstede, 2007, p. 95), is a country with dominance of the needs and objectives of a group, community, organization in a culture, and not the needs, goals and wishes of a unit. For this reason, ideas are obviously still being submitted, but more as a contribution to the success of a group rather than that of a single individual. Hence the high popularity of quality circles in the Japanese industry as a method of group-based problem solving and building employee commitment (Potocki, 2008, pp. 113-120). Therefore, cultural differences not so much reduce the effectiveness of the possibility to submit ideas by employees as a tool of supporting their commitment, as first and foremost is an indicator of the form, in which they should be implemented. The last element of good work organization (i.e. employee competence adjustment to the work content) seems to be independent from cultural differences, since in every culture the employee is supposed to be competent in their field of work. Countries with a large degree of avoiding uncertainty especially value expert knowledge (Potocki, 2008, p. 201).

Another area of building commitment and thus **opportunity for development** for the employees is of special importance in countries with a culture of individualism, where the basis for employment on a given position and promotion are individual competencies, and not affiliation with a group of suitable status (Potocki, 2008, p. 114). This feature of individualistic culture was noticed i.a. by the management of LG in Poland, seeing therein a chance to assure permanent employee commitment (Szpik & Klinkiewicz, 2008, p. 487).

R Also possibly dependent on cultural conditions is the adequacy of **remuneration** to work results. From the perspective of a large or distance to power, remuneration is more or less dependent on the position held (Szpik & Klinkiewicz, 2008, p. 70) and therefore not necessarily on work performance. Moreover,, it should be considered that in individualistic cultures “employees are economic units and act for employer’s benefit only when it also serves their own interests” (Szpik & Klinkiewicz, 2008, p. 114), and therefore the relation between remuneration and the effects of employee activities is of particle importance in those countries.

The statement that **relations with superiors** based on openness to employee suggestions, expressing appreciation, good example of the superior, and care for the development of subordinates, lead to an increase in employee commitment, is obviously true. The only question is “are such relations with a superior possible in every culture?”. The first issue, i.e. superior openness to employee suggestions, is highly dependent on the degree of distance to power. In cultures with little distance to power, it is expected that the superior would make use of the knowledge and experience of their subordinates, while in countries with a large distance, the subordinates themselves expect the superior to inform them what they should do (Szpik & Klinkiewicz, 2008, p. 70). The remaining elements seem to be important in every culture, at least as seen by G. Hofstede and G.J. Hofstede. This is the case e.g. with expressing appreciation in the scope of high or low degree of avoiding uncertainty (Hofstede & Hofstede, 2007, p. 201).

The last of the areas of building commitment indicated herein, i.e. **good relations with co-workers** translated into competent use of cooperation and competition, is dependent on different views on cooperation and competition in different cultures. Matriarchal societies put more value on cooperation and achieving agreement, denying the value of competition, while patriarchal societies are dominated by confrontation and rivalry (Hofstede & Hofstede, 2007, p. 159).

## 6. Conclusion

The considerations presented above indicate that building the social potential of an organization, focused on increasing employee commitment, must account for cultural differences as factors strengthening or reducing the impact of particular initiatives. Oftentimes, the implementation of certain activities aiming to increase employee commitment is difficult and even impossible due to the assumptions of persons in a given culture (i.e. in the scope of models of superior-subordinate relations). Therefore, it is clearly visible that the impact of cultural differences on the effectiveness of potential social building in an organization is very strong. Thus, need arises for further, more in-depth and, at the same time, large-scale research of this phenomenon. More so, due to the current lack of publications concerning cultural diversity of motivating factors or values appreciated in professional work. One of the few studies in this area was conducted by D. Elizur, I. Borg, R. Hunt and I.M. Beck (1991, p. 33) which shows the differences between such countries as: Germany, the Netherlands, Israel, The United States, Korea, Taiwan, China, and Hungary, with regards to such values appreciated in work as e.g.: advancement, feedback status, achievement, job interest, pay, benefits, security etc. Therefore, the issue of social potential building in an organization, in the aspect of multiculturalism, should increase in importance in the years to come.

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# Chapter 19

## **Explicit and Tacit Knowledge as Determinants of the Increase in the Level of Work Safety Culture versus the Concept of an Agile Organisation**

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*Andrzej Olak*

### **1. Introduction**

An organisation as a complex system is composed of many designates. One of the designates of the process of management is the occurrence of a permanent information exchange. It does not matter though whether the information exchange takes place between a subject and a managed entity or between an organisation and its surroundings. The level of knowledge and skills of the managing people become a factor indispensable for making strategic decisions. The initial assumptions indicate the need for a skilful search for both explicit and tacit knowledge. The process leads to an increase in the level of work safety culture and helps direct the organisation towards greater agility. It then allows for reaching better economic results and a significant organisational growth in time.

The purpose of the paper is to indicate the relationship between factors that create the level and quality of explicit and tacit knowledge. Organisations which aim to reach a high level of knowledge application will be able to better use the emerging market opportunities and their implementation will contribute to identifying the organisation as agile.

The deliberations concerning the level of explicit and tacit knowledge or safety culture also include a philosophical trait which is a determinant in using intuition, experience and human intellect. People managing an organisation have to make endless choices, which carry a natural risk. Analysing the area of management theory and searching for subsequent paradigms does not provide answers to all doubts or questions.

Considerations concerning organisational behaviour often lead to the concept of adaptive organisations. The idea assumed a high level of universalism in management, with a high index of openness within the organisation and flexible management. The opinion is based on an approach that treats an organisation as an open system forced to cooperate with the environment in order for the action can be successful. Such organisations can be regarded as organisations of the future. The structure helps professionally use the knowledge and skills of its members and reaching a high level of efficiency and effectiveness.



In order to maintain high efficiency, organisations have to constantly adapt to the changing environment. The environment, size and strategy of an organisation are considered to be the main unexpected circumstances affecting the organisation.

## 2. Explicit and tacit knowledge – essence

Knowledge is defined as “justified opinions or convictions”. Nonaka and Takeuchi define knowledge as a “dynamic process of justifying a personal conviction as true or implementing a technical skill through practice”. Reaching into the theory of philosophy, the opinions of Bergson seem essential. He claimed that intellectual knowledge contradicts intuition. The instinct and intellect are opposite: the instinct acts subconsciously and the intellect acts consciously, the instinct gets its power from the body while the intellect is relatively independent from the body (Tatarkiewicz, 2003, p. 209). It is a logical explanation why we can trust intuition or ourselves.

The encyclopaedic definition of the term “knowledge” brings us closer to the creation and course of information processes. They focus attention on the “inter” communication, i.e. communication processes. Nowadays knowledge is first and foremost perceived as an interdisciplinary concept, where systematising brings specific financial benefits for the organisation. It becomes the source of competitive advantage. The advantage is additionally determined by wide or limited experience, personal culture of employees or level of morality.

For many people knowledge is a vague term, which can additionally be mistaken for data or information, in particular in the organisations where the terms are used interchangeably. According to Davenport and Prusak, the data are separate, objective facts that can take a form of an orderly record of operations performed by the organisation. The information is a message or a stream of messages that provides specific sense and impacts the observer perception of reality. Knowledge developing based on the data and information, according to the logical behaviourism dominating in the case literature, can be divided into the following types; procedural – I know how, and declarative – I know what. One merges smoothly with the other, forming a kind of continuum (Jashapara, 2006, p. 69). Hence the fact that the level of both explicit and implicit knowledge, as a non-material resource of an organisation, is permanently linked with the human behaviour, thinking and actions but also with the organisation management style. Knowledge strongly depends on such factors as culture, ethics, intuition, working conditions and management style (Kisielnicki, 2011, pp. 160-161). Accumulation and high education level of employees in the organisation help verbalise and implement knowledge. According to many observers, the processes have become the essence of a contemporary enterprise whose success is greatly determined by the method of using the accumulated and creating new knowledge (Kwiatkowski, 2000, p. 93). Knowledge is information which facilitates taking actions. It is available in the right context wherever it is necessary to make the right decisions. It is valid information having its particular meaning, context and purpose owing to which it constantly affects making decisions.

A knowledge-based company is an intelligent company, which builds its advantage in the global environment based on its distinctive market competences. It is able to improve them constantly due to life-long learning, creation, acquiring new knowledge, its spreading and using in the business (Malara, 2006, p. 132). It turns out however that the a number of social, behavioural or even psychological factors will affect the level and quality of knowledge. Such an approach inspires the organisation for constant development, which will in turn be perceived through the economic

results of the organisation. The knowledge of results applies to any feedback about the organisation behaviour. It is valid information having a meaning, context and goal which constantly affects making decisions. Knowledge is a sub-collection of an intellectual capital (Tiwana, 2003, p. 61).

The available knowledge resources can have the nature of explicit i.e. conscious knowledge but also of tacit knowledge that has to be “brought out” with time, including the time spend in the organisation. It then becomes knowledge by acquaintance. It is knowledge concerning humans, places and objects acquired through sensual experience. Relating to the model developed by J. Nonaka and H. Takeuchi one shall identify the tasks for each phase in the knowledge creation process. One of the most important stages of creating knowledge within an organisation is using the intellect of the employees and searching for subsequent initiatives and ideas for further development of the company.

In this part a strict correlation between explicit and tacit knowledge occurs. Teams of employees (often called interdisciplinary teams in the company) hold a dialogue, frequently accompanied by a brainstorm, which later helps to reach the final result, i.e. develop ideas for further actions. The actions will have a positive contribution to the organisation and will lead it to subsequent stages of development.

### **3. Agile organisation – essence and meaning**

The key elements of an interaction between an organisation and its environment are business processes (Hall & Johnson 2009, pp. 50-65). In order for the processes to occur, modern organisations create new concepts. One of them is the concept of an organisation’s agility. Agility is the ability to respond to changes but it must not be associated with flexibility. The essential difference in the meaning is based on the fact that flexibility applies to changes in the routine implementation of tasks in the organisation. Therefore in order to become agile, the company should be able to cope with unexpected changes in the market demand (Goldman, Nagel & Preiss, 1995, p. 7). G. Fliender and R. Vokurka (1998, pp. 165-171) identified several internal and external strategic initiatives which boost agility of a company:

- reduction in the production cycle time and time to respond to an order filed,
- partnership,
- outsourcing,
- division of work,
- improving the results of the supply chain,
- teamwork, cross-functional team management,
- education of the staff, training, improving qualifications, empowerment,
- re-engineering of business processes.

Unexpected problems that organisations have to face in a dynamically changing environment are a dominating issue inside and outside business. Many different proposals were presented, including the following: network, re-engineering, modular organisations or virtual organisations. There are three concepts of an organisation: adaptive, flexible but first and foremost agile, as proposals to cope with uncertain and unpredictable environment. There are different approaches to defining each of the terms and there are many arguments and uncertainties concerning definitions and parts of each concept. Some authors propose a clear distinction between the concepts, while others suggest their using as substitutes. However, all concepts have been considered to be able

to modify and respond to changes. Studies were conducted to learn how organisations deal with uncertainty and how they change applying the concept of “adaptiveness”, and moreover how a form of an organisation, its structure and level of formalisation affect the adaptation capacity (Hage & Aiken, 1969, pp. 366-376, Hage & Dewar, 1973, pp. 279-290).

At the beginning of 1990 new solutions against dynamic management in the changing environment led to a development of the concept of agility. The creators of agility, the concept established at the Iacocca Institute, Lehigh University, US, defined it as “a production system with the possibility of implementation of hard and soft technologies”. Yusuf at al proposed that agility should be understood as efficient use of the rules of competition such as speed, flexibility and innovation. Despite differences, all definitions of “agility” emphasise the speed and flexibility as basic features of an organisation. In agile organisations, i.e. organisations that quickly respond to market changes, the intellectual level of the staff gains the key importance. In order to ensure high efficiency and effectiveness of designing, organisations programme themselves for reaching the goals. In an agile organisation, the flow of information is very fluent. It is favourable considering the diversity and complexity of the functional areas. H. M. Hormozi interprets the essence of an agile approach as an innovative manufacturing method which is able to create significant competitive advantage. Innovation is the basic tool helping to implement the concept of agility and leading to significant organisational changes. Innovative and organisational actions and creation of new products and processes contribute to organisations’ reaching a higher degree of agility, which greatly improves their competitive position.

#### **4. Adaptive organisation as a subject of agility**

The idea of an adaptive organisation was initially used as a substitute approach when studying behaviour in an organisation. Adaptive transformation should be taken in response to serious qualitative changes in the organisation environment. As a result we get a redefinition of the relations between an organisation and its resources involved in processes, the processes themselves and their products, and the environment in which it functions. (Koźmiński & Jemielnik, 2008, p. 115).

Substitute theories are a part of the theory of behaviour which states the fact that there is no universal method for managing or establishing a company, and that the style of an organisation depends on the situation limitations of the environment where the company operates. The opinion is based on an approach treating organisations as open systems, forced to cooperate with the environment so that their actions can bring success. It means in turn that organisations must not be accepted and subject to an analysis without considering the environment. The main assumption of the theory is that the organisational efficiency can be reached by adapting the characteristics of an organisation in case of unexpected circumstances. Therefore, to maintain high efficiency, organisations have to adapt with time to be able to function efficiently under changing conditions of the environment. The environment, size and organisation strategy are considered to be the main unexpected circumstances shaping an organisation. Examining the relations between the environment characteristics and organisations is identified by two kinds of construction, structure or organisational form: mechanical and organic. The results revealed that in a relatively stable and predictable environment, organisations tend to have a mechanical construction. This kind of organisation has a very hierarchical and formal management structure in cooperation with centralised authorities, it is driven by a number of rules and procedures, maintains a precise

division of work, applies a narrow management span and formal means of coordination. Organisations acting in an unstable, changing and unpredictable environment usually take an organic construction, which is less formal, less hierarchical and less mechanical. An organic organisation – a very flexible and informal model of an organisation, is most commonly used in unstable and unpredictable environment (Griffin, 1996, p. 384).

An organic construction stands for a less precise division of work, wider control span, more decentralised power, fewer rules and procedures and more personalised coordination measures. The main features of an organic construction include network communication, decentralised flow of power, high level of staff loyalty and high level of involvement in all kinds of design works, high level of the staff discretion and personal culture. A mechanical construction means high level of hierarchy in communication processes. Observations made for many years revealed that the hierarchical approach demonstrates higher efficiency, in particular when it comes to routine activities.

## **5. Work safety culture in an organisation – outline of the issue**

Managing of work safety and creating the culture of the process involves different technical, methodological and organisational tasks. The actions also include elements of motivation, career selection or permanent increasing of qualifications. However, it may turn out to be insufficient when low self-consciousness or a lack of understanding of safety-promoting activities are concerned. Searching for an unambiguous definition of safety culture is an attempt to make individuals sensitive to the important human need, i.e. safety of an individual. Safety culture and its meaning are conceptualised as the total of psychological and organisational factors. Following the right procedures will protect humans against unexpected incidents, including incidents at work. Each kind of culture is the total of many components, communication processes, habits, behaviour patterns, values and deficit features of every human being. The components of safety culture include the approach to risk, accepted group behaviour patterns followed under emergency and the ability to correct proceeding as a result of identifying the dangerous mistakes made (Pidgeon, 1991, pp. 129-140). The interpretation of the concept allows understanding of the safety culture concerning society, organisation or individuals in the presented way. Each organisation has its own organisation culture and hence its own safety culture. Searching for a perfect model, regardless of the type or kind of culture is a complex process which is continuous and always valid. The managing person who establishes the goals but is also the best example to follow is the role model or a culture creator in the organisation.

The Health and Safety Executive reviewed the literature concerning safety culture and its ambience to develop a set of tools used to inspect the areas related to the culture. The studies involved developing a model based on Cooper's works (2000), which is applied to differentiate three related aspects of safety culture. The psychological aspect refers to "what people feel" in relation to safety and its management on all levels of an organisation. The behavioural aspect describes the behaviour of staff, actions and activities related to the internal safety of an organisation. This aspect describes "what people do" in an organisation in relation to safety and can often be described as an organisational factor. The last aspect of safety culture is the situational aspect, describing the company policy, instructions, procedures, management system and communication flow. The aspect explains "what an organisation has" and can be described as a corporate factor

(Health and Safety Executive, 2005). Work safety culture is definitely an indispensable element of an organisation culture, helping to perform all activities in a predictable manner, thus implementing one of the basic human needs – the need for safety.

## 6. Conclusion

Knowledge in an organisation and its management are an indisputable fact. The number of entities which extend management by this element is growing gradually. On the one hand the situation is caused by globalisation and significant technical and technological progress being the result of both explicit and implicit knowledge, and on the other hand by the growing demands of clients and external stakeholders. The ability of an organisation to respond to changes, being flexible and agile, will contribute to an increase in the organisation safety.

Permanent improvement of an organisational culture, increasing the level of professional knowledge and boosting personal skills are components of the desired characteristics such as work safety culture.

The author of the paper makes an attempt to interpret the relationships between the conditions creating the level of explicit and tacit knowledge and simultaneously inspiring a higher level of work safety culture, and the speed of response of an organisation, metaphorically called an agile organisation. The deliberations include a philosophical aspect, interpreting the area of human intuition, experience, pragmatism and intellect. The decisions of people managing organisations are the result of making the right choice. The choice should be based on experience, intuition etc. The management theory and practice do not provide answers to all doubts or questions. A search for perfection will be continuous and philosophical. The basic elements of an organisation interaction with the environment are economic and social processes. In order for the processes to occur, modern organisations develop new concepts. The concept of agility is one of them. It is the ability to respond to changes but it must not be regarded as identical to flexibility, as it rather means instant capturing of the market opportunities. The basic difference in the definition of a classical and agile organisation is in that a classical organisation applies to changes in implementing tasks in the organisation on a routine basis. Knowledge and ability to use it are the necessary tools to implement such tasks. It turns out, though, that a number of social, behavioural and psychological factors will affect the knowledge level and quality. Deliberations concerning explicit and tacit knowledge and its impact on the increase in the level of work safety culture in an organisation and ability to respond quickly to the emerging market opportunities are an element of a new paradigm in the organisation science.

Safety culture is nowadays one of the most important aspects of creating modern organisations. The idea of safety culture is most often conceptualised as a collection of behavioural, social and cognitive factors. Safety culture of an enterprise is the scope and level of both explicit and tacit knowledge. The speed of changes occurring simultaneously in all areas of the organisation's life trigger the need for a quick response to different emerging market opportunities. Efficient use of such situations leads an organisation towards an agile organisation. It becomes possible when managers skilfully employ the resources of explicit and tacit knowledge which – if appropriately processed – will not only increase the economic results of an organisation but will also contribute to the improvement in the work safety culture. The purpose of the paper is to present the essence of an organisation agility determined by the knowledge improvement process.

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# Chapter 20

## Customer Knowledge Management in the Example of Functional Food

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Irena Śliwińska

### 1. Introduction

A number of studies shows that taking care of health is the primary motivation for consumption of functional food (Heasman & Mellentin, 2001, pp. 17-22; Kraus, 2015, pp. 1622-1633; Goetzke & Spiller, 2014, pp. 510-522). Nowadays consumers pay more attention to the impact of diet on health and well-being and more rarely evaluate the value of the product based solely on its appearance. Quality, taste and pro-health value have become the most important factors influencing purchase decisions.

This trend is also noticeable in Poland. In recent years, awareness of Polish consumers regarding healthy diet is apparently increasing. Research conducted by CBOS<sup>1</sup> in 2012 showed that 51% of adult respondents are convinced that trend of healthy living becomes more and more popular (*Polacy o swoim zdrowiu...*, 2012, pp. 3-8). Health and well-being have become the most important values. What is more, slightly more than a half of participants in the survey (54% of responses) shared the opinion that a healthy diet can exert beneficial effects on one's health (*Zachowania żywieniowe Polaków*, 2014, pp. 17-18). Polish consumers are becoming genuinely interested not only in cultivating healthy eating habits, but also in acquiring in-depth knowledge of the subject. Wide access to information increases the number of aware consumers searching for product information. People exchange information about healthy lifestyles, proper nutrition and preparing healthy meals. The exchange of knowledge takes place mainly in the Internet. Recently, it's increasingly popular to engage in blogging communities<sup>2</sup>, both by maintaining your own blog, as well as being an active reader responsive to a new content appearing on these or other social media<sup>3</sup>.

As Polish consumers desire to gain comprehensive product knowledge and are willing to share it with others, it seems reasonable to adopt Customer Knowledge Management approach in analyzing the functional foods market in Poland.

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<sup>1</sup> Public Opinion Research Center.

<sup>2</sup> The list of examples of blogging about healthy lifestyle in Polish: <http://fitbloggerzy.blogspot.com/p/lista-blogow.html>.

<sup>3</sup> E.g. Facebook, Instagram, Twitter, YouTube, Snapchat.

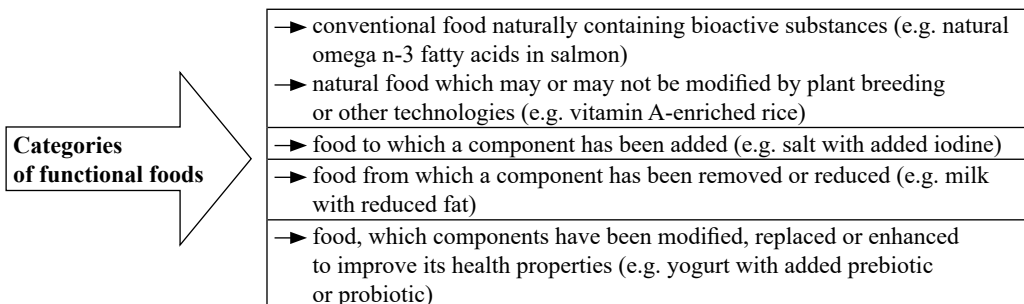


## 2. Definition of functional food

What is functional food? An old Chinese adage says: “Medicine and food are isogenic” (Arai & Fujimaki, 2004, p. 17). This philosophy had great impact on development of the food market. Functional food has been designed to support human body systems, improve health and reduce the morbidity rate for civilization diseases, which are being much more common today. The concept of functional foods was originally framed in Japan. Research in this area began as early as in 1984 as a part of a national program financed by the Ministry of Education, Science and Culture (MESC) aimed at exploring the dependence between food and medical sciences. Not long after, that is in 1991, the Ministry of Health and Welfare (MHW) initiated the process of legalization of new products and introduced the term of Foods for Special Health Use – FOSHU (Arai, 1997, p. 47). Hypoallergenic rice<sup>4</sup> was the first product approved as FOSHU (Arai & Fujimaki, 2004, p. 22; Castle et al., 2007, p. 125). Japan is currently the only country in which the status of functional foods has been legally regulated (Kudelka, 2011, p. 292).

Multiple reference sources suggest different definitions of functional foods (Doyon & Labercue, 2008, pp. 1135-1141). Although the term is widely used in the scientific community, European (including Polish) legislative bodies failed to adopt any official definition (Krygier & Florowska, 2008, p. 2). The most commonly used definition, established as a part of a European research program FUFOSE (Functional Food Science in Europe)<sup>5</sup> is as follows: “foods can be regarded as functional if they can be satisfactorily demonstrated to affect beneficially one or more target functions in the body, beyond adequate nutritional effects, in a way relevant to an improved state of health and well-being and/or reduction of risk of disease” (Diplock, 1999, p. 26). Functional foods need to have the same form as the conventional food, has to demonstrate health improving effect when consumed in the usual amounts. Functional foods products cannot be in the form of pills or capsules, but are a part of a normal food pattern. Functional foods may both include foods with naturally occurring substances having health-promoting effects and food subjected to modification, where some of its components have been added, removed, reduced or altered to obtain a beneficial effect on human body (see Fig. 1).

Figure 1. Categories of functional foods



Source: (*Functional Food*, 2010, p. 7).

<sup>4</sup> Rice with reduced globulin, commercial name Fine Rice (Arai & Fujimaki, 2004, p. 23).

<sup>5</sup> Read more about FUFOSE project on: [http://cordis.europa.eu/project/rcn/34926\\_en.html](http://cordis.europa.eu/project/rcn/34926_en.html), <http://www.ilsii.org/Europe/Pages/FUFOSE.aspx>.

In the European Union there is no specially created legislation aimed at functional food labeling<sup>6</sup>. As a result, functional food is labeled according to guidelines established for the entire food market. The responsibility for defining standards for food products (including functional foods) lies with the European Food Safety Authority (EFSA). Poland, as a member of the EU, follows EU regulations and directives as well as national standards (the Act of 25<sup>th</sup> August 2006 on Food and Nutrition Safety). The control of sanitary conditions of food and nutrition is being performed by the State Sanitary Inspection. (Szymeczka-Wesołowska, 2015, pp. 15-18; *Żywność funkcjonalna...*, 2012). The lack of formal definition of functional foods is not a barrier for development of this market sector. However, it causes difficulties for customers in obtaining reliable information and identifying proper products on the store shelves.

### 3. The awareness of the term “functional food” in Poland

The market for functional foods in Poland has emerged not long ago but currently it is developing rapidly. However, the demand for functional food in Poland is still lower as compared with other European countries. The current situation may be associated with lower awareness of Polish consumers in comparison with customers from other European countries (Stein & Rodriguez-Cerezo, 2008, pp. 29-32).

According to the research conducted among Polish consumers in 2011, only 9% of respondents have already heard of the concept of functional food, 22% of survey participants were not sure, whereas vast majority indicated the answer “no”. One-half of inquired subjects associate the concept of functional foods with foods enriched with substances having beneficial effect on health. 30% of respondents believe that pro-health effects of these products must be confirmed by tests. A large number of interviewees (35%) described functional foods as foods with good taste and being quick to prepare. Another answer (30% of respondents) was that functional products are produced in an environmentally friendly manner. The least numerous group of respondents (14%) claimed that it is genetically modified food (GMO) (*Żywność funkcjonalna...*, 2012, pp. 8-10). The data presented illustrates that Polish people are hardly able to accurately define the term functional foods. However, most of them (91%) would like to gain such knowledge. Polish consumers expressed their interest in acquiring such knowledge from the following sources: product packaging, Internet, doctor or nutritionist, magazines and television (*Żywność funkcjonalna...*, 2012, p. 12).

### 4. Why Customer Knowledge Management?

Besides reasonable use of basic resources (land, labor, and capital), modern management requires a wealth of knowledge (Jelińska, 2007, pp. 142-143). Nowadays, knowledge represents

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<sup>6</sup> The most important legal regulations on food labeling in EU: REGULATION (EC) No. 1924/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 December 2006 on nutrition and health claims made on foods and COMMISSION REGULATION (EU) No. 432/2012 of 16 May 2012 establishing a list of permitted health claims made on foods, other than those referring to the reduction of disease risk and to children’s development and health.

one of the key aspects of management shaping successful retail brand value. Development of modern technology and globalization make it is necessary to apply information technologies and reach the customer both in real and virtual world (Nowicki, Sitarska, 2010, pp. 17-19; Nycz, 2011, pp. 15-25).

The concept of managing knowledge as a resource has spurred the development of the following academic disciplines: Knowledge Management (KM), Customer Relationship Management (CRM) and Customer Knowledge Management (CKM). The latter is often defined as the combination of KM and CRM (Bueren et al., 2004, pp. 1-5). Table 1 presents the differences between KM, CRM and CKM.

Table 1. Customer Knowledge Management versus Knowledge Management and Customer Relationship Management

	<b>Knowledge Management</b>	<b>Customer Relationship Management</b>	<b>Customer Knowledge Management</b>
<b>Knowledge sources</b>	Company, network of companies, employee	Customer database	Customer experience, ideas and opinions about products
<b>Axioms</b>	“If only we knew what we know”	“Retention is cheaper than acquisition”	“If we only knew what our customers know”
<b>Rationale</b>	Unlock and integrate our employees’ knowledge about customers, sales processes and R&D	Mining knowledge about the customer in company’s database	Gaining knowledge from customers, sharing and expanding this knowledge
<b>Objectives</b>	Efficiency gains, cost saving and avoidance of re-inventing the wheel	Customer base nurturing, maintaining company’s customer base	Collaboration with customer for value co-creation
<b>Metrics</b>	Performance against budget	Performance in terms of customer satisfaction and loyalty	Performance against competitors in innovation and growth, contribution to customer success
<b>Benefits</b>	Customer satisfaction	Customer retention	Customer success, innovation, organizational learning
<b>Recipients of incentives</b>	Employee	Customer	Customer
<b>Role of customer</b>	Passive, recipient of products	Captive, tied to product by loyalty schemes	Active, partner in value creation process
<b>Corporate role</b>	Encourage employees to share their knowledge with their colleagues	Build lasting relationship with customers	Emancipate customers from passive recipients of products to active co-creators of value

Source: (Gibbert, Leibold & Probst, 2002, p. 461).

CKM represents strategic initiative focused on acquiring knowledge from the customers. The company encourages customers to take active part in the process of identifying, gaining and applying knowledge, thus bringing benefits to both sides. In this approach the role of the customer

changes. The customer becomes a partner for the company who participates in the process of generation, dissemination and use of knowledge. CKM is therefore related to the innovation and development of the company. In this process a specific system of values is being created, which brings advantages both for the manufacturer and the recipient of the product or service (Mikuła, 2007, pp. 179-181; Mikula, 2016; Paquette, 2006, p. 9).

How to gain knowledge from the customer? Michael Gibbert, Marius Leibold and Gilbert Probst have identified 5 ways of acquiring knowledge from consumers:

- prosumerism – the customer has a dual role: the producer and the client. The company interacts with the customer to produce new or improved products or services. Prosumers are active online and describe their experiences with a particular company or a particular product as well as share their opinions with manufacturer, marketer and other Internet users.
- mutual innovation – created in cooperation with customers who are aware of their needs, possess product knowledge and have an idea for improvement. The customer is engaged in the design and implementation of innovation.
- team-based co-learning – a platform is formed for the mutual exchange of knowledge, where both consumers and members of enterprise can make their posts. They rely mainly on creating virtual communities interacting through specific websites.
- communities of practice – customers are grouped in the so-called expert groups to work together on a voluntary basis. They share keen interest in the topic and the need for knowledge transfer. Customer reviews and recommendations are often exchanged by means of an internet platform. In this way enterprises engage their customers in the process of improving the product or service.
- joint intellectual property (IP) management – mutual transfer of knowledge, involving the intellectual property of the client and the company. Knowledge that is expanded during this cooperation becomes co-owned by the company and the customer (Gibbert, Leibold & Probst, 2002, pp. 464-466).

We now live in so-called information society. Today's customer is no longer just a passive recipient but an intelligent user of the products, often having professional knowledge and being able to take advantage of it in practice. Customers' creativity in product development opens up the opportunity for growth. Practical application of CKM should enhance the company's competitiveness on the market (Mikuła, 2016).

## **5. Conclusion**

The trend of maintaining a healthy lifestyle is still on the increase. Consumers following this philosophy become genuinely interested in food which could support their efforts to enhance overall health. As the consumption of functional food has direct impact on health and well-being, individual customers feel strongly motivated to search for product information on the Internet, television, radio or in magazines. Acquiring in-depth knowledge with regard to favorable impact of functional food components on human health empowered consumers to participate in the process of product development. Therefore, focusing attention on customer knowledge may stimulate growth in this segment of food market.

Polish companies have not yet fully seized opportunities for expansion created by adopting CKM approach in relation to the functional food market. Employing CKM principles seems reasonable

as Polish consumers are keen on sharing their knowledge and experience as well as eagerly await launch of innovative food products. Dissemination of knowledge is especially noticeable among Internet users who are active in social media or engaged in various brand communities. Other consumers are involved in the process of knowledge transfer by undertaking individual projects such as blogs about healthy food. Effective communication about health benefits of functional food (e.g. through appropriate marketing strategy in the network) and encouraging interaction with customers enables companies to develop new functional food products and increase product awareness with regard to goods already available on the Polish market (*Scientific concepts...*, 2000, pp. 23-26).

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# Chapter 21

## **Best Practice Marketplace as One of the Ways to Support the Process of Knowledge Sharing within Organisation**

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*Marzena Wójcik*

### **1. Introduction**

Knowledge management is currently one of the most popular management concept. Initially, knowledge management was associated with consulting companies, which were among the first on such a large scale noticed that the use of the experience gained in previous projects can greatly simplify the process of solving other problems (Mikuła, Pietruszka-Ortyl & Potocki, 2002, p. 69). Consulting companies today are examples of companies whose functioning is based on knowledge management. These companies are based on the use of knowledge, as an important source of competitive advantage in the consulting sector. Market position and reliability consulting companies depends on their ability to manage knowledge. An example of knowledge management and effective use of this concept in their business from consulting firms can derive other organizations and enterprises.

However, despite the popularity of the concept of knowledge management, many studies and projects to implement this concept to the companies there are still many practical problems that stand in the way of effective implementation of the above-mentioned concept, so that it could really improve the work of members of the organization and bring better results many business areas. One of the fundamental and often difficult to solve the problems is the issue of the sharing of knowledge, and more specifically the existence of barriers to the sharing of knowledge between members of the organization. Depending on the type and nature of barriers and difficulties in sharing organizations take different kinds of incentives aiming to encouraging members of the organization to share their knowledge and use knowledge from others. The subject literature characterizes many examples of barriers and difficulties in sharing knowledge and trying to give directions to overcome these barriers in the organization. Every organization knows best their resources and their employees therefore a solution on this issue should be individually adapted to the culture and needs of the organization and the individual characteristics of its employees.

The objective of this paper is to present one of the ways to help in the process of knowledge sharing among employees in the organization which is the concept of Best Practice Marketplace. The assumptions of this concept will be presented on the example of Best Practice Marketplace



operating in Siemens already in the 90s. Despite the passage of years, this concept can be implemented even today, and the organization can be customized to suit your needs and conditions. The article is intended to show that in the process of knowledge sharing, including through Best Practice Marketplace, they are not the most important large financial outlays, but the desire to share knowledge, involvement of employees and managers, as well as those working out how to share knowledge that members wanted it co-create, and to want to and be able to use it in an easy and fast way. The method used for this study is an analysis of the literature with an example from Siemens.

## **2. Knowledge management**

Knowledge management as well as other concepts related to knowledge and more broadly, you can tell from knowledge-based economy, are not yet clear, universally accepted definitions which are generally accepted in both the theory and practice of management (Grudzewski & Hejduk, 2003, p. 5). The difficulty in the adoption of a clear definition of knowledge management stems from a wide variety of tasks and issues which it covers, as well as the intangible nature of the factors which has to deal with this same knowledge, which define in the science of management is also quite wide. The following are selected definitions of knowledge management, which will allow though generally outline the concept.

Knowledge management consists in obtaining appropriate measures, developing and controlling the use of the conditions, methods and techniques to processes related to knowledge. These include mainly: the acquisition, creation, storage, dissemination and use of knowledge (Mikuła & Pietruszka-Ortyl, 2003, p. 6).

Knowledge management is also presented as a set of the following actions: acquisition of knowledge (learning, creating means identifying); analyzing knowledge (estimation, approval means evaluation); storing knowledge (organize, annotate means maintaining); and use of knowledge (applying, transferring means sharing) (Watson, 2003, pp. 13-14).

As we have already seen from the above definitions for knowledge management consists of many tasks and processes, which together form a coherent concept of knowledge management. Amongst them the most important are: gaining knowledge, locating knowledge, storing knowledge, application of knowledge, knowledge sharing and dissemination of knowledge, knowledge development (Probst, Raub & Romhardt, 2004, p. 42).

## **3. Sharing knowledge – barriers and difficulties in sharing knowledge**

One of the highlighted items included in the knowledge management is to share knowledge. The process of knowledge sharing include: display, publish, transfer of knowledge using different methods, e.g. meetings, bulletin boards, video technology, training, conferences, individual learning with the help of a master, support systems groupware, decision support systems (Skrzypek, 2014, p. 7). You can also say that knowledge sharing is based on mutual transfer, or exchange of knowledge, known as general information, abilities, skills and experience relevant to the organization. The aim of the process of knowledge sharing is transforming individual knowledge of each participant in the process of organizational knowledge. Sharing knowledge affects the extension

of the learning process on the larger circles of people and accelerates the process of translating knowledge of the concretely action (Krok, 2011, pp. 129-130).

Sharing knowledge is a very important issue in the development of the concept of knowledge management in the organization. Without knowledge sharing between employees, without the use of their mutual experience, there can be no effective knowledge management. The exchange of knowledge is the basis for creating new ideas and develop new business opportunities. Research shows that sharing knowledge is one of the key ways to maintain a competitive advantage (Stelmaszczyk, 2013, p. 367). People usually are not willing to transfer their knowledge, individual, often hard-earned skills and experience to others (Ziębicki, 2005, p. 295). So here comes the task, and one may even say challenge – how to encourage employees to share their knowledge, skills and experience with others in the interest of the whole organization.

On the subject of barriers and difficulties in sharing knowledge in both Polish and foreign literature has been written very much<sup>1</sup>. There have also been many divisions and classification of these barriers, such as. individual and social barriers (Disterer, 2001, pp. 2-3), or e.g. the barrier level: individual, organizational, technological (Riege, 2005, pp. 23-29; Ujwary-Gil, 2012, pp. 170-171). The next step in the analysis of barriers to knowledge sharing is to analyze the ways to overcome these barriers by introducing different rules, solutions, jobs, incentives and all kinds of motivators to sharing knowledge among members of the organization. Often needed in this case turn out to be the change in the organizational culture and the management model of the organization (Krok, 2011, p. 130).

Not exist simple and always checking methods to eliminate difficulties in the transfer of knowledge. Every company must find them in their own individual way. However, one can identify some universal tips that might help eliminate these difficulties. One of them may be the introduction of incentive pay system, promoting people who are happy to share their knowledge. A reasonable solution might also be e.g. the resignation of imposing ready-made systems and methods of operation, giving great freedom to employees and appreciating share ideas with other (Kłak, 2010, p. 82). Every company should develop, often by trial and error, their own ways adapted to the industry, the size and financial situation (Zarczyńska-Dobiesz, 2015, p. 49).

## **4. Sharing knowledge and experience in Siemens**

### **4.1. Short characteristics of the company Siemens**

The history of Siemens dates back to the mid-nineteenth century, when the October 12, 1847, the German inventor and engineer Werner von Siemens founded in Berlin company Siemens and Halske<sup>2</sup>. Currently, Siemens is one of the largest technology companies in the world. For

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<sup>1</sup> On the subject of barriers and difficulties in sharing knowledge, as well as possible actions in overcoming these barriers can be read, among others, in: Brzezinski & Mietlicka, 2011; Davenport & Prusak, 1998; Disterer, 2001; Kłak, 2010; Morawski, 2005; Riege, 2005; Rosa, 2007; Stelmaszczyk, 2013; Ujwary-Gil, 2012; Ziębicki, 2005 and also within broadly understood literature on knowledge management and knowledge transfer.

<sup>2</sup> More about company history see at: <http://www.siemens.com/history/en/history/>.

many years, it is a global symbol of technological excellence, innovation, quality and reliability. The company is present in over 200 countries, thanks to its technology being an active participant in the process of electrification, automation and digitization in many areas of life. As one of the world's largest manufacturers of energy efficient and saving materials technology, Siemens is a leader in the construction of offshore wind turbines, a leading supplier of gas and steam turbines, as well as technological solutions in the field of electric power transmission. Siemens is considered as a pioneer in infrastructure solutions and the automation and software industry. This company is also a leader in the field of devices for medical imaging, laboratory diagnostics and medical IT (*Siemens na ...*, 2016).

## **4.2. Knowledge Management at Siemens**

Siemens is linked with modern technologies and solutions. A characteristic feature of the new technologies is that they are often subject to change and must be monitored constantly and updating the ever-changing needs of customers. This is one of the key reasons why the company to maintain its position on the global, dynamic market of modern technologies, among others, computing, and communications should have an efficient management system, including the use of the knowledge, able to create new knowledge and be able to share this knowledge within the organization, located in various parts of the world.

A large diversification and a wide range of business activities in separate units also determines the company to act to improve the sharing and transfer of knowledge in the organization. To set such a large number of separate entities with different activities could generate a synergy effect and increase its value, it is necessary to efficiently manage knowledge. Separate units at Siemens can benefit from the knowledge and experience of exchanging it between each other, learning from each other<sup>3</sup>.

## **4.3. Sharing knowledge in Siemens**

### **4.3.1. Technology or attitude?**

Often knowledge management is associated with high technologies, e.g. Due to the activities of the company, which implements the concept of knowledge management, and which is associated with the development of the latest technologies. High, modern technologies and knowledge management will also appear in close proximity in the characterization of the economic reality in which dominates the concept of knowledge management – Knowledge-Based Economy – KBE, for which one of the characteristics is the development of high technologies. This may give the impression that in order to manage knowledge, and more specifically to share the knowledge needed are advanced, modern technologies. Siemens may invest funds in the acquisition of such technology, but can even develop them for themselves. Of course, the process of knowledge

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<sup>3</sup> More on the activities related to knowledge management at Siemens can read, among others: Bogdanienko (2006, pp. 136-146) and Davenport & Probst (2002).

sharing and knowledge management well if it is supported by a technological infrastructure, however, essential for success in this area is the commitment and the willingness of employees to share knowledge, and the sense that they are part of the whole organization, not just their unit. On this principle they operate at Siemens Communities of Practice and Best Practice Marketplace, which are based on the collaboration of all business units (Bogdanienko, 2006, pp. 136-137).

### **4.3.2. Motivating to share knowledge**

Barriers to knowledge sharing can be a major obstacle in introducing the concept of knowledge management to the organization. These barriers are often psychological, social, and because of the often deep embedding in the consciousness or subconscious of people are very difficult to overcome. According to B. Ziębicki “it is not possible to change the awareness of employees, resulting in the abolition of fear of losing their position through a” donation “of knowledge to others. But it is possible to create such a system, in which knowledge sharing is associated with higher potential benefits than those that can be obtained by stopping the knowledge for themselves” (2005, p. 297).

The question then arises of how to motivate people, to share their knowledge. This process is often due to the large resistance of employees to share knowledge, it can be a very difficult process that requires dedication and a considerable amount of time. One of the main individual barriers to knowledge sharing is the fear of losing their positions. Proposal to solve this problem may be the solution used in many Western companies, dependence employee’s promotion of “preparing” a proper competent successor (Ziębicki, 2005, p. 301).

In the Siemens noted that an adequate system of incentives and rewards is needed for both knowledge transfer – for both the donors and recipients of information. One example of the profit for the donor of knowledge could be that the growth of its prestige in the organization, because it will be perceived as an expert in the field and then others will want to consult his opinions in order to facilitate the implementation of their own, similar projects. The main prize for the recipient knowledge is knowledge in itself and the possibility of its use in daily practice. To transfer the knowledge to be fully effective should also take care of distinction for those who take and implement the knowledge in their business. This way you can avoid the syndrome, which says that if “something was not invented here”, not invented by our team and by me it is worse and not worth the interest. Siemens has developed its own system of motivation, which takes into account the value and amount of knowledge at which flow during the year attended the employee. The size of the prize is also dependent on the degree of knowledge of application, the degree its usage as well as the quality of the transmitted knowledge – the parameters are higher the more attractive is the reward (Bogdanienko, 2006, p. 140).

### **4.3.3. Best Practice Marketplace in Siemens**

Any organization that is aware of the importance of knowledge in today’s economy and the impact of knowledge on the company’s competitive position on the market at some point ask themselves: create new knowledge or transfer an existing one. The use of existing knowledge is seen as the sharing of “best practice”. Creating new knowledge is very important and good if the organization is able to create new knowledge and doing it. However, you should realize

how greatly the use of existing knowledge is more desirable than the creation of new knowledge. When an organization creates new knowledge, there is still a danger that it will invent something that already is or will create knowledge that is not needed anyone (Bogdanienko, 2006, p. 141). The use of already available knowledge through different combinations and use it in various projects and tasks may also contribute to the creation of new knowledge.

In the Siemens there was a similar attitude and above dilemma has been solved many years ago. It was found that there was no point in questioning the value that gives the creation of new knowledge, but discovered that the greatest value for the company gives the use of existing and future knowledge when it is transferred to a new site in a new context (Bogdanienko, 2006, p. 141). Such an appreciation of the value of ownership and the ability to use existing knowledge provoked further actions in the collection and sharing of knowledge in the organization. In order to collect all the benefits of sharing best experience Siemens has decided to create a Best Practice Sharing Marketplace where the best experiences were identifiably and classified on the basis of economic factors. To transfer best practices and experiences should be as mentioned above overcome many obstacles and difficulties that may arise in the course of carrying out this process. In the case of the idea of Best Practice Marketplace one of the key problems is that if something is considered “the best” is automatically brakes to creativity and makes subconsciously not looking for a better solution (Bogdanienko, 2006, p. 141).

The main objective of Best Practice Marketplace is as its name suggests, the exchange of best practices among members of the organization. At Siemens Best Practice Marketplace delivers codified knowledge and indicates the specific owners of the know-how in the company. This space allows anyone to unfettered search, obtaining supplies and sharing of best practice from one another. A person who offers his experience should provide information according to the scheme (Bogdanienko, 2006, p. 143):

- Description of the problem.
- Solution of the problem.
- The process for obtaining solutions.
- Critical factors in the implementation of solutions.
- The costs of the solution.
- Results can be achieved.

Author of the experience attributes this experience to a particular topic, and also determines the keywords so that you can easily identify an interesting area. The whole is complemented by the contact addresses for those who have questions related to the information. If an employee wants to find out about something can ask a question on the forum and expect answers to specific information on the subject (Bogdanienko, 2006, p. 143).

Obviously the basis for the functioning of Best Practice Marketplace and in the broader context of the concept of knowledge management in the organization must be complied many conditions, among them trust, employee loyalty – which is to guard against unwanted outflow of knowledge of the organization, as well as the willingness of employees to share their experiences and knowledge. In order to stimulate and increase the willingness of employees to share best experiences the company can motivate all kinds of incentives and rewards. Appreciation and promoting employees is one of the possible ways to reward employees who demonstrate a desire to take effort to transfer and implementation experience. Motivating employees allows for overcoming barriers that may occur during the process of sharing best practices. The degree to which the implementation of existing knowledge will be effective and successive largely depends on the motivation

of employees and middle managers, because they are directly responsible for program sharing best experiences. Management should constantly remind how important the company is to share best practice (Bogdanienko, 2006, p. 143). So as motivate employees to share their knowledge is often a long process so the construction and development of the market best practices also requires time and commitment of the whole organization. Experience shows that the process of exchange of experiences and best practices to be effective must be constantly supported and coordinated (Bogdanienko, 2006, p. 143).

## 5. Conclusion

At the core of effective knowledge management is the ability and willingness of members organizations to create knowledge and share it with other members of the organization. The process of sharing knowledge is necessarily linked to the issue of overcoming barriers and difficulties in sharing knowledge and motivate employees to share their knowledge and experience with other employees.

In this study was an example of Best Practice Marketplace used in Siemens. Siemens is a company that for many years consciously uses knowledge management, so it can be an example to analyze the various types of solutions related to this concept. Best Practice Marketplace assist in collecting knowledge, sharing it, so the company does not fall into the trap of reinventing the wheel – will not invent something that already is or will create knowledge that is not no use to anyone. Even small and medium-sized enterprises can for their own needs to develop its own Best Practice Marketplace – no need to engage large funds to advanced technologies and software. When building a Best Practice Marketplace most important is the way, the idea and the commitment of the members of the organization on this project.

In small and medium-sized enterprises in introducing the concept of knowledge management is worth use some kind of benchmarking – to observe and analyze proven ways to use this concept in other companies, including the largest global companies, and then try to implement similar ideas in your company. Each organization has different needs, consists of individual and unique elements, so borrowed ideas should be adapted to your company, to your individual needs and discretion (including financial possibilities).

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# Chapter **22**

## **Business Approach Towards Employability**

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*Robert Szydło*

### **1. Introduction**

The aim of this chapter is to present the general understanding of the employability concept with the comparison to the business perspective. It is an exploration analysis that should be treated as the introductory paper. The definition and description of the employability concept is presented in the beginning. It is followed by the recruitment tools analysis. All tools that are presented are widely used in the recruitment processes. The final part of the chapter is connected with the influence of recruitment tools and procedures on employability. The business perspective of employability is connected with the valid recruitment process. The good case practices for candidates which are preparing to the recruitment process are presented at the end. It is all to determine the business approach towards employability and address two secondary issues such impact of recruitment tools on employability and possibilities of increasing the graduates employability.

### **2. Current approach towards business environment**

The theory of Knowledge Based Economy (KBE) is currently a dominant conception that describes the world economy. It also has a significant impact on functioning and development of the companies. Playing an active role in KBE brings a lot of challenges for enterprises.

Effective management of Human Capital is one of the most important ones. The intellectual capital, which includes human capital, derives from the business and have been widespread by Edvinsson and Malone. Edvinsson noted, that some of the companies have considerable value, which is not reflected in the assets. Edvinsson and Malone (2001) define intellectual capital as knowledge, practical experience, good relations with customers and technology. It is the intellectual capital that allows to achieve a sustainable competitive advantage. Currently literature shows many approaches and definitions of human capital. Bratnicki (2001) describes human capital as a part of the intellectual capital of the company, which includes social and structural capital. According to Juchnowicz (2007) human capital include in particular competency, intellectual skulls and motivation. She enlisting two different dimensions of human capital. First one is connected with the skills of the employee that might be used during work. Second one



might be called the personal capital – that is being used outside of the company and occupation (Łukasiewicz, 2009).

The change of philosophy and the way of operating of a company is necessary for the proper adaptation of a company to KBE environment. The suggested changes might be connected with cooperation and relations, empowerment of competencies of the employees and creating the value not based on assets but based on intangible aspects such as knowledge, skills, research and development or creating the proper brand (Mikuła, 2007). K. Obłój (2007) notes that people are the most important base for building intangible assets. Human capital, as being shown in the definitions above, are the main point of building the competitive advance in a KBE. In order to be able to maximise all the changes and minimize the threats that are being brought by the new form of economy companies must ensure the proper level of knowledge, skills and experience. They can achieve that goal by investing in internal human capital or by acquisition of it from the labour market (Rybak, 2003). Employability, as a theoretical construct is based on the concept of intellectual and human capital.

Different researches are being conducted in order to show the key competencies of the employees and improve the human resource management. The development of the competencies might not be enough. It is because of the huge dynamics of the surroundings. Companies are trying to get the best employers from the labour market. Thanks for those activities companies are strong, ready for a hard competition and constant development.

### 3. Employability

Article 13 par. 1 of the Law on Higher Education indicate that one of the tasks of universities is providing students with knowledge and skills that are needed on the labour market, and that might be presented for future employer during recruitment and selection process. This resource is called employability. It has been discussed in the literature for over eighty years (Frączkiewicz-Wronka, 2012). It was translated for Polish as “zatrudnialność” by Poczowski (2003). Currently the popularity of this concept might be explained by the situation on the labour market and increased need for talented employees. Employability is also one of the priorities of the Bolonian System. It is usually considered as a theory concerning young people and the higher education graduates which are searching their first company and work (initial employability). It is important to notice that it is not the only aspect of employability.

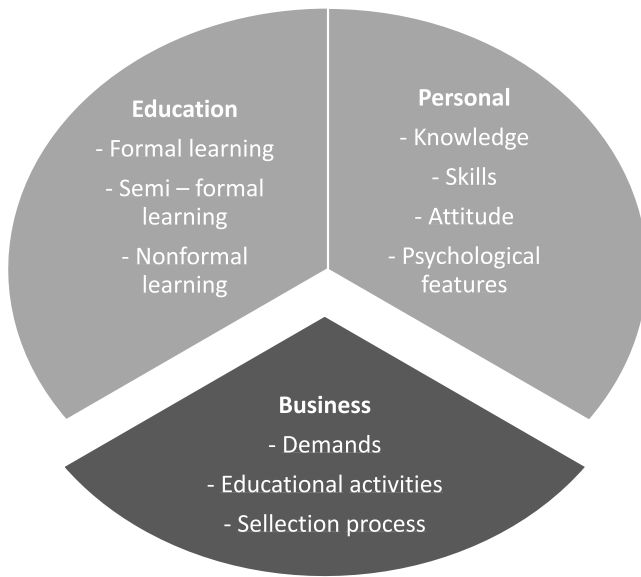
Employability is being considered in different aspects. Some of the authors claim that employability is a personal feature, such as perception of the possibilities of finding a good, satisfying job, or a better job in case person already have one (Brown, 2003; Berntson, 2008). Fugate (2004) claims that employability is a connection of personal features and undertaken actions that allow person to find a job. Authors consider employability as a chance of finding a job (Forrier & Sels, 2003). From the different angle, employability is a possibility of getting satisfying job by graduates (Harvey, 2001). This definition highlights the educational role in the process of enlarging the employability of graduates. Conducted researches shows, that employers search for employees with broad competencies (Dearing, 1997 as cited in: Baker, 2014) and that they value personal skills over knowledge (Saunders & Zuzel, 2010). The personal factors are those the most important when describing employability. High level of personal aspects gives the advantage on a labour market and a bigger chance of choosing the satisfactory job in both development and financial

aspect. The second factor, which is not that visible is widely understand education. It is about both formal education and trainings.

Aspects which are not presented in the definitions above are labour market characteristics, demography, structure and the conditions of economy (UE Council, 2012). Presented definitions do not show the impact of the business environment. Those are the companies that creates the work demand and present the requirements for future employees. It is then an important factor which is creating the employability itself. To summarize, employability consists of three factors: higher education, personal factors, business approach.

This definition is presented on Figure 1.

Figure 1. Factors that have an impact of employability



Source: own study.

Educational factors may be divided into 3 parts. Young people are participating in formal education represented by universities. Employability is shaped in this factor by lectures, workshops or conferences that are organised on the universities. It is a highly formalised structure. Trainings that are organised by various institutions are the example of non-formal education. Students are taking part in different initiatives of students organizations or groups. They are engaged in different kinds of projects and they have a Chance of acquire skills such as group work, time management and others. They are also engaged in social life, which benefits in the network. All of those are the examples of an informal education (Okoń, 2001). The last group of factors are the personal factors.

In order to describe those factors, the subject of the employability has to be explained. The potential employees are the subjects of employability. They can be divided into students, graduates, unemployed or disabled. It is important to note that that those categories are not separated. In current

Times those are young people who must become responsible for their own career (Pocztowski, 2008). Knowledge, skills, attitudes and psychological aspects such as temperament, goals and feelings of people are the components of personal factors. Three of them are the components of competencies, and psychological features fulfil the overall personal factors.

Business factors describes the requirements for potential employees and all the actions that are developing students. Those actions may be realized by cooperation with universities in organizing workshops, preparing special developing programs for student or preparing interesting program of internships. Recruitment and selection processes are frequently neglected aspects. All of those actions have a huge impact on employability. There is also one more factor – recruitment and selection process.

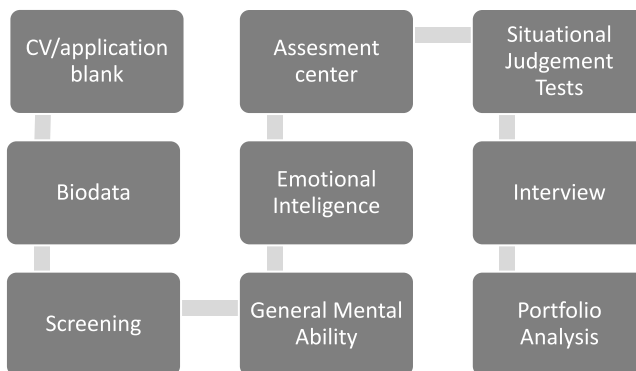
#### 4. Recruitment and selection

Recruitment and selection processes are equal to each other when considering them from the colloquial point of view. But according to the science those are two separate processes. Recruitment is being understood as advertising on a specific labour market the possibility of recruitment and all of the demands. The correct recruitment process is also responsible for gathering an exact number and quality of candidates (Listwan, 2005). Ludwicyński (2006) and Breugh & Starke (2000) understand the recruitment in the same or very similar way. Pocztowski (2003) claim that recruitment process should have 3 main functions. First one is connected with informing potential candidates about the job possibility and all the demands. Second is motivation for taking part in recruitment. Well prepared and conducted recruitment will provide a high quality of candidates. The last function is connected with pre-selection which may be understood as intriguing best candidates and discourage those who do not fulfil ale the demands that are presented.

The selection process Is being defined as the assessment of usefulness and the choice of one, which is the most appropriate from the point of view of the company and exact workplace (Ludwicyński, 2006). It is the process that takes part right after the recruitment.

Different selection tools are being used by the companies. Those which are being used the most frequently are presented on Figure 2.

Figure 2. Selection tools



Source: own study.

Well established recruitment and selection process may result in (Catano et al., 2005):

- reducing employee turnover by around 7%,
- increase long time profitability,
- establish employee trust,
- improve competencies and motivation among employees,
- provide a wide range of qualified employees.

CV and application blanks (AB) are similar, although slightly different. Application blank is a form, that is completed by the candidates with basic information about themselves (Catano et al., 2005). It is easier for the recruiters to base their assessment on AB as it consist only significant information for the recruiters.

Bio-data analysis is usually made by filling and analysing biographical information blanks (BIB's). It may be understood as an extension of classical AB. It provides additional information about one's personal interests, attitudes and values. It also consist of some not so relevant information such as school achievements, drive, leadership responsibilities, early family responsibilities, situational stability. But it may be also not very welcome by the applicants. BIBs invade the privacy, are easy to fake and hard to generalize.

Screening interview is usually taken by the recruiters at the beginning of the selection procedure. Its purpose is to find in previously collected documents all the characteristics that matches detailed requirements for the job (Dinnen & Williamson, 2012). In other words it is to check if the person matches the minimal requirements for the job.

GMA stands for General Mental Ability. It is a construct that may be equalised with intelligence. The concept of intelligence was described in details by many researchers, see Spearman, Thurstone, Vernon, Guilford, Catell or Caroll. And as there are different types of intelligence, based in psychological studies, only taxonomy will be presented here. What is commonly understood by intelligence consist of different types of intelligence. It may be connected with cognitive speed, processing speed, retrieval, visual perception or memory (Caroll, 1993). Emotional intelligences goes there as well. Intelligence in general is a good predictor for both study and work successes.

Assessment Centre or AC is a process employing multiple techniques and involving multiple assessors to produce judgement about the extent that the participant displays previously selected competencies (Joiner, 2000). Participants are observed in various situations for the time of few hours until even two or three days.

Situational judgements tests (SJTs) are measurement methods (mainly tests) during which applicants are solving job-related problems, based on given situations and responses that are possible in these situations (Lievene, et al., 2007). The correct ones are assessed by the employees that are actually performing the job.

Interviews are one of the most favoured selection tools among candidates (Steiner & Gilliland, 2001). In the past, because of the "gut instinct" there was a misconception that interview is not a valid tool. It is a lie, but some major conditions must be met. As the meta-analysis made by McDaniels, Whetzel, and Schmidt (1994) shows, if the interview is supposed to be valid, it has to be structured and individual.

Portfolio analysis as a selection tool is used mainly during recruitment processes focused on creative workers. It is showing a great usefulness in recruiting graphic designers, photographers but also marketing specialists.

Although all of the tools are widely used in selection processes they are not of the same validity. Some of them can predict the future performance of employees in a better way than another. The validity coefficients are presented in a Table 1.

Table 1. Validity coefficient of the selection tools

Tool	Tool validity	Tool + GMA validity
Portfolio Analysis	0.54	0.63
Situational Judgement Tests	0.54	0.63
General Mental Ability tests	0.51	–
Structuralized interview	0.51	0.63
Unstructuralized interview	0.38	0.55
Assessment centre	0.37	0.53
Biodata	0.35	0.52
Emotional intelligence tests	0.23	–
Screening	0.20	–

Source: (Schmidt & Hunter, 1998).

As it is shown in a Table 1, portfolio analysis and situational judgement tests have the highest validity coefficients. The level of 0.54 allows us to predict almost 30% of future performance. What is more, using GMA as an additional tool increases the validity coefficient of those tool to 0,63. It allows to predict almost 40% of future employee performance. What is also important, Structuralized interview, which has 0.51 validity coefficient is increased also to 0.63 when used together with GMA.

What may be controversial is that AC, which is one of the most important and widely used tool In selection, has only 0.37 validity coefficient. It is important to point out that there are two allegations that might be raised against data shown. The first one is that data shown in table one are a results of meta-analysis. It means that data were collected from various selection processes. Some of them might have higher validity, but it is the average result. Assessment Centre is a very difficult tool to prepare and conduct. The second allegation is that the data are noticeably old. Unfortunately, there is a lack of data of validity of tools. It may be a field for further research.

## 5. Selection process and employability

So what are the implications of recruitment and selection towards employability? It is one of the factors that determines business approach towards employability, just next to demands and educational activities. Unless those two, recruitment seems to be crucial one. Whole concept is based on the fact, that attitude, skills and knowledge of people are the core elements. And the selection process is the way of checking them. Well conducted recruitment and selection processes are crucial for the concept of employability itself. This can be determined by both companies and students perspectives.

From the perspective of companies, only the most valid tool should be used for the recruitment. They will assure the high level of employees. And in the same time this procedure will be consistent with the whole concept of employability. Without this, the idea of constant development of students would be wrong. Why they should be striving for being better and better, when the selection

process would be based on “gut instinct”. So using a valid tools not only gives companies talented workers but also is a base element for correct development process of competencies among students and all future employees.

In the same time it is important to train students in the process of recruitment and selection. The main point is not to prepare them to cheat the process but to feel comfortable while being involved. Nowadays it is more than usual to meet trainings and articles about how to be smarter than a recruiter, how to give “good” answers during the interview. But this kind of cheating will be revealed soon after the implementation of the employee to the workplace.

Employability is the concept that allows both presenting the whole range of competencies by the employee and establish clear demands and choose the best workers by the employer. The employability concept will benefit for both employer and employee.

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# Chapter 23

## **Selected Concepts of Prosocial Motivation in an Organisation**

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*Małgorzata Adamska-Chudzińska*

### **1. Introduction**

A type of behaviours existing in an environment, within which a person is engaged in a professional activity, has the influence on the level of the person's professional competence. Focusing organisational culture not only on measurable economic results but also on social objectives and values contributes to triggering subjective mechanisms of effective working. The conditions of respect for employees and ethical attitudes towards them enable one to take full advantage of human capital. The relationship between the economic and social spheres of organisation's functioning translates into the level of engagement of employees' professional efficiency. Manifestations of prosocial orientation in strategic activities of an organization are prosocial actions taken within it, which include the respect for social values and receptiveness to the needs and expectations of its stakeholders.

One who attempts to explain the conditions of motivation to execute professional tasks in a way that it takes values and expectations of the particular groups of stakeholders, that is, clients, employees, contractors and local communities, into consideration, encounters difficulties in formulating a uniform approach. The concepts related to this task show various factors causing the initiation of prosocial actions and that leads to presentation of different forms of prosocial motivation. This chapter aims at analysing the selected concepts explaining the prosocial dimension of actions taken up in organisations, and at determining the factors which are the strongest determinants of prosocial orientation of organisation's functioning.



## 2. The essence and classification of prosocial activities in an organisation

Prosocial activities (behaviours)<sup>1</sup> are the highest forms of organised human activities. It is visible in their orientation towards achievement of a consciously chosen objective which is maintaining, protecting and developing interests of other social entities (people, groups, societies, institutions) as well as contributing to their well-being and development (Reykowski, 1984, p. 24; Jachnis, 2008, p. 176). The activities consist in reacting to the needs and expectations of other people on the basis of fundamental social values (among others, truth, justice, integrity and responsibility); they constitute an axiological reinforcement of human action.

Orientation towards the needs and benefits of other social entities included in a prosocial behaviour may give cause for organisation's concern about pursuing its own interests. The prosocial dimension of a behaviour assumes certain dedication to others; and prioritisation of their affairs. Does giving back to others necessarily have to be an additional burden and resignation from satisfying own needs or suffering losses for an organisation? An answer to this question is equivocal. The action considering interests of others may carry a different range of consequences. Prosocial behaviours may be connected with a considerable limitation of own interests, and even with suffering losses or damages to own interests when it is entirely subordinated to others' interests. It is one of the possible types of a prosocial behaviour. A second type concerns a situation when own and somebody else's interests are pursued simultaneously. A part of activities is intended for other people's objectives; still, this does not affect own interests. Then, dedication means time and effort constituting "normal workload" with no losses to own affairs. A third type of a prosocial behaviour takes place when one is admittedly focused on own interest but takes somebody else's into consideration. From the range of his activities, he excludes behaviours which could favour own needs but; simultaneously, may do harm to other person (Clarke, 2005). Despite visible differences, the mentioned types of behaviours fall within one and the same class of prosocial behaviours.

In the context of the above-mentioned distinction, one should notice that the essence of prosocial activities undertaken within an organisation is related to the second and third type of these activities. Usually, an organisation is involved in neither a disinterested social action nor total subordination of the implementation of strategic tasks to the social objectives of its stakeholders. However, these can be simultaneously taken into consideration within the frameworks of the conducted activity or one can give up business projects which violate subjectivity of stakeholders. Each of these cases shows consideration for their aspirations and expectations and this, in turn, promotes triggering of a high level of professional competence in actions required by an organisation.

Given the relationship which may occur between the scope of taking care of own interests and the ones of other social entities, the following types of prosocial activities are mentioned (Reykowski, 1984, p. 24; Baron et al., 2006):

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<sup>1</sup> Human behaviour, in its psychological dimension, can be discussed as a relative form of activity or conscious pursuit of an objective. An intended behaviour organisationally constitutes a higher form of behaviour and, in contrast to reactive behaviour, is perceived as a human action taken for a specific purpose. In this chapter, the notions of prosocial activity and prosocial behaviour are used interchangeably with regard to their specific and realised dimension.

- *altruistic behaviours* including actions organised in a way that someone else (individual, community) will benefit from them while the one taking these actions sacrifices an important personal interest (e.g. possessions, health, life, good name),
- *helpful behaviours* including actions organised in a way that someone else will benefit from them while the one taking these actions only bears natural costs with no violation of own interests (e.g. time, effort),
- *corporate behaviours* including actions organised in a way that both partners will benefit from them or suffer no losses.

Prosocial activities undertaken within an organisation are mostly corporate and helpful. They are undertaken on the basis of functional dependency existing between an organisation and its stakeholders and, especially, employees. The presence of social values in professional relationships and consideration for individual needs of entities have a significant influence on engagement in cooperation and organisation's effectiveness.

Prosocial behaviours are always used towards "social objects" occurring beyond the limits of own affairs and they require consideration for these objects' needs and expectations, although it takes place to a varying extent. A more precise description of a prosocial action requires the adoption of several additional criteria which substantially complete the previous description. First of all, one should specify the object related to the action, that is, distinguish particular actions taken for the benefit of:

- specific individuals,
- social groups,
- institutions.

Prosocial activities undertaken within an organisation may concern all the stakeholders understood both individually and as specific social groups depending on current structure of professional relations in the working environment and its surroundings.

As to the activities undertaken for the benefit of specific people, further description referring to the content and things related to these activities is possible. In each case, prosocial activities consist in removing a harm (or protecting against it), or in increasing good in a certain scope. However, these can also concern different groups of needs determining the functioning of others, namely:

- existential needs (activities of saving one's life, providing adequate conditions for actions, removing hunger, taking care of relaxation),
- material needs (doing something for somebody, supporting, giving essentials),
- cognitive needs (explaining, informing, giving directions, insight),
- needs of practical action (helping with the action, overcoming difficulties, searching for new, non-standard forms of action),
- moral needs (protecting human dignity and rights, defending against disrespectful attitudes, non-constructive criticism, appreciating, increasing someone else's prestige),
- emotional needs (helping with gaining control over one's internal states e.g. consoling, calming down, showing enthusiasm, compassion, interest).

One should notice that, in the working environment, as a specific type of social community, there is a possibility of satisfying all the above-mentioned needs as well as other expectations expressed by stakeholders. However, the satisfaction is still dependent on a number of conditions, most of all, including norms and rules determining organisational culture and formulated by managers. A special role is played here by the way employees are treated and organisation's ability of including their higher needs (of acknowledgement, autonomy, self-actualisation) in the processes of achieving strategic goals.

The next property of prosocial activity refers to its duration. The criterion of time enables one to distinguish between one-time behaviours (short), behaviours spread over time, repeated behaviours and permanent behaviours, involving a considerable share of life's focus. Although every prosocial activity may enrich the axiological background of an organisation, these behaviours should become a regular determinant of building professional relationships. Only then one can expect positive results of their influence on organisation's social functioning.

Activities undertaken for the benefit of other people may also differ in the "costs" borne which are defined by time, effort and material resources used. One may indicate prosocial behaviours only requiring natural costs in form of small time and effort expenditure, as well as behaviours carrying "additional costs" when an activity is related with, for instance, threat to health or life, moral deprivation, material sacrifice, loss of values which can be obtained if one is not occupied with somebody else's needs. The most "costly" behaviours are related to especially considerable physical or mental efforts, financial burden and overcoming specific difficulties. "Costs" of prosocial activities undertaken within an organisation do not necessarily have to be high. Respecting social values when fulfilling professional tasks is usually related to natural costs in form of certain effort made and time spent for the benefit of others.

The specific properties of prosocial behaviours as a type of entity (whom they concern), characteristic of content (what they concern), time span and size of "costs" of assistance cause that they cover a wide range of activities: from small gestures of assistance offered, in a way, alongside the pursuit of own interests, through equal consideration for the needs of the interested entities, to considerable subordination of own needs to the interests of others. However, the last one usually does not happen in the economic activity of an organisation.

The previous description of a prosocial behaviour does not show a complete picture of an organisation's reaction to the state and needs of other entities. Undertaking prosocial activities is dependent on the level of "orientation towards the needs of others" manifesting itself in the psychological processes of regulation of action, that is perception, intellectual and emotional processes (Wosińska, 2004, pp. 400-411).

Processes of perception concerning the needs of others and their situations constitute a complex form of orientation activities consisting in the integration and interpretation of information on these needs. On the other hand, mental processes focused on others are organised in a way that they diagnose a situation of a certain individual, with regard to the consequences he may experience, to work out an optimal directive of action regarding his/her interests. Emotional processes enabling one to sense the state of other human being are dependent on the ability of empathic experience of internal states of other people. In the prosocial behaviour, all the distinguished processes show strong orientation towards other human being and his needs. Moulding the attitudes imbued with "orientation towards needs of others requires building of organisational culture in which prosocial behaviour is specific for both managers and all the stakeholders".

The factors additionally conducive to prosocial behaviours are strong internalisation of norms dictating the activities for the benefit of others or nonmaleficence (e.g. the norm of social responsibility, the norm of reciprocity) as well as treating other human being as an autonomous value (Zimbardo & Gerrig, 2009; Wojciszke, 2006). Each behaviour within an organisation implementing the social norm and appreciating human subjectivity is a prosocial behaviour in the sense that it confirms the validity of social values' presence in moulding proper professional relations; it is used to maintain and develop values positively regulating working situations.

### **3. Diversity of theoretical approaches interpreting the prosocial motivation**

Disposition to undertake prosocial behaviours does not manifest itself to the same extent in all the organisations. To some, these are common forms of activity, other use them more or less frequently or (the most numerous group) remove them from the everyday life. One should ask the question: what are the determinants of such behaviour? What are the facilitators of its occurrence within an organisation?

The offered theoretical positions explaining why the disposition to act for the benefit of others diversifies people and organisations show interesting but often controversial approaches.

According to neo-behaviourists, a prosocial behaviour takes place when the acting person may earn a specific personal benefit in return. This can be earned directly when the behaviour itself provides valuable awards of, for instance, a feeling of superiority or expression of gratitude. This can also be indirect when a person offering the behaviour expects a specific award in exchange. Benefit-award means obtaining some precious value or avoiding some loss or harm. The source of benefits are other people since they can make a certain value available or take it away.

According to the representatives of this approach, a person minds only his own business “by nature”. One of the main theorists of this trend, G. Homans, assumes that everything a human being does for others is done in hope of enjoying benefits. Therefore, a prosocial behaviour only occurs when a social situation enables one to profit from such a behaviour (Myers, 2003). On the other hand, disinterested behaviours are treated here as the results of ignoring awards.

Similarly, H. Kelley and J. Thibaut assume that prosocial behaviours are, to a great extent, dependent on features of situations and learning processes related to them. They emphasise the consequences of the behaviours in form of positive and negative reinforcements. Experiencing positive reinforcements in form of specific awards for actions for the benefit of others triggers a learning process of how to take care of other people’s affairs and an increase in willingness of prosocial behaviours. However, this always occur in the conditions of awarding (Mika, 1998, p. 19). A prosocial behaviour is treated in this perspective as an acquired way of maximising own interest.

The presented approaches show an attempt of making human activity dependent on the result of exchange of costs and advantages in social relations. Searching for adequacy between them reveals uncertainty concerning the offered premises of social action. Omitting the issue of personal conditionings and the role of psychological processes does not seem to fully clarify the prosocial aspect of behaviour.

A different approach is presented by humanistic psychology which places a human being, his development and experience, in the centre of its interest (Kozielecki, 2000). A prosocial behaviour is understood in that case as a disinterested pursuit of somebody else’s good which is in human nature. Inclination to take care of others develops naturally almost in all people provided that certain conditions are satisfied. The description of the desired conditions is differently viewed by different representatives of this trend. C. Rogers (2002) emphasises social experiences; mainly disinterested acceptance of a human being which is indispensable for a complete psychological development. Becoming a “complete human being” manifests itself through (1) openness to experience, (2) accepting experiences without fixed patterns attributed to them, (3) trusting own opinions and decisions. A common feature of these characteristics is creating a situation where a human being can use his natural inclination to act for the benefit of others without inhibition.

On the other hand, A. Maslow (1990) highlights the importance of satisfying all the basic needs, the so-called needs of deficit, and the role of reaching personal maturity. Conditions for undertaking prosocial activities only appear after satisfying basic needs (biological, of safety, affiliation and respect), when the possibility of self-actualisation manifests itself. Then, cognitive and aesthetic needs, determining social maturity, come to the fore. A characteristic feature of people who have experienced the conditions for satisfying the needs of self-actualisation is engaging in non-personal objectives, pursuit of truth, justice, honesty and other fundamental social values. A self-actualised person is in a way naturally capable of prosocial activities.

The stances of both authors enable one to notice that the impact of environment (acceptance, possibility of self-actualisation) may reinforce human natural aspiration to take care of other people's affairs. Still, if it does not happen this means that the impact is negative and inhibits internal prosocial tendencies.

Similar elements of guiding a human being towards non-personal good can be found in the theory of consequentialists. From their perspective, the objective of human action is taking care of the well-being of all, and not only selected for some reason, social groups. They say that a good deed is the one that contributes to making up common happiness understood as an increase in pleasure and decrease in suffering in the world. The sum of realisable good determines the quality of action (Klimowicz, 1974). However, they emphasise not so much the conditions conducive to this type of behaviours but their consequences. The action is assessed on the basis of the balance of bad and good results. The action is prosocial when it has consequences favourable from the non-personal point of view.

According to consequentialists, prosocial human behaviour is dependent on a feeling of obligation of multiplying the total amount of good and conscious acknowledgement of own responsibility for the consequences of acting towards other people. The issues of a feeling of obligation of prosocial activity and responsibility for this activity's consequences mentioned within this theory seem to be desirable determinants of social attitudes within an organisation.

A much younger theory, which highlights prosocial aspects even more powerfully, is communitarianism. Although it attributes the greatest importance to an individual, it simultaneously assumes that we become who we are through our relationships with others. Individuals fulfil themselves in communities. Only the communities may give them fullness of existence (*Komunitariańska...*, 2004). Therefore, prosocial engagement is an inherent part of social functioning of individuals. Morally strong communities are a precondition for morally strong individuals. The essential element of the theory of communitarianism is perception of human action in the light of community goals as well as pursuit of determination, realisation and maintenance of community's well-being. A person acts prosocially since he functions within a community, is engaged in relations with others creating these communities, and also because these give a basic outline of his personality (Etzioni, 2004).

On the basis of the assumptions of the theory of communitarianism, one may accept the proposal that aspiration to prosocial activities within an organisation may manifest itself in those who treat an organisation as a community thus, first of all, community of people on whom they depend and whom they are influencing. Still, this aspiration may be inhibited if professional relations are disturbed.

A more complete approach to a person acting prosocially is included in the theory defined as virtue ethics. The basic category of this theory is a description of a person in relation to his particular character traits (e.g. justice, honesty, humility, responsibility) which were called virtues

by the ancient people (Jaštal, 2004; Audi, 2004). An important issue of virtue ethics is the acknowledgement that the virtues are only those traits which can be used in a positive way. These are symptoms of reasoning. On the other hand, the traits which can be used in extremely different ways (both serving people and asocial) are not virtues. In this perspective, a tendency to act prosocially is dependent on character traits. A morally good entity of virtuous personality is able to act prosocially permanently. He does not need additional reinforcements and specific conditions.

A role of a specific composition of desirable character traits emphasised in this theory constitutes a significant issue for understanding prosocial behaviours. Character traits are significant instances determining the attitudes and that conditions their permanent impact on human behaviour. Prosocial behaviours undertaken within an organisation should be, in the context of this theory, the effect of internal constitution of managers and its other members comprised of socially desirable character traits.

## **4. Conclusion**

Under The presented theories attempt to explain determinants of prosocial behaviours, indicating the factors triggering prosocial activities. Consequently, they show different forms of prosocial motivation. Activities intended to benefit others may be motivated externally or internally. In the former case, a person expects that a prosocial activity will bring about a specific material or non-material gain (neo-behaviourism). On the other hand, activities undertaken for the benefit of others are internally motivated and require the distinction between nonspecific and specific motivations (Reykowski, 1986, p. 38; Franken, 2006; Rheiberg, 2006).

Nonspecific prosocial motivation is the one which is indirectly connected with the result of an action. In this case, involvement in social activity is only a way of pursuing other goals, e.g.: experience of superiority, competence, pleasure, giving assistance (neo-behaviourism) or assuring complete self-actualisation (communitarianism).

Specifically motivated prosocial activities are characterised by the fact that contribution to somebody else's well-being is their autonomous objective. Only this case shows prosocial motivation in its narrow sense. One can distinguish two forms of such motivation: conditioned and characterological. These show two different reasons for which somebody else's well-being can be an internal and autonomous objective of action. One category concerns the reasons which require additional conditions, e.g.: unconditional acceptance, satisfying the needs of deficit or acknowledgement of responsibility for the consequences of one's own actions (humanistic psychology, consequentialism). The other category of reasons results from entity's character traits and attitudes and these, as elements of a complex structure of personality, mould motivation to act naturally and relatively permanently. The socially desirable (virtuous) character traits and prosocial attitudes determine an internal human tendency to do prosocial actions (virtue ethics). An internalised belief concerning the sense and need of acting for the benefit of others, conviction of the rightness of actions cause automatic engagement in prosocial behaviours.

In the context of the offered theories, one can state that prosocial activities within an organisation can be undertaken in different circumstances and for different reasons; from expecting the resulting benefits, through a desire of experiencing specific internal states, to disinterested internal conviction of obligation and rightness of such activities. However, relatively permanent saturation of an organisation's activity with prosocial aspects requires a focus on the issues related

to moulding attitudes assuring the desirable behaviours. The attitudes of managers and employees should be characterised with their internal conviction of the validity of prosocial activities, the sense of responsibility for social effects of economic actions, and readiness to respect social values in relations with others. It is desirable that the attitudes are moulded on the basis of positive character traits, which have the greatest influence on prosocial orientation of action, and in the conditions assuring a subjective nature of professional relations since only then tendency to act for the benefit of others can gain due significance in relation with other undertakings.

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# Chapter 24

## **A Conceptual Framework of HRM in Local Governments: The Mediating Role of Culture and Personality Traits Between Leadership Styles, Creativity and Intrapreneurship**

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*Paweł Podolski*

### **1. Introduction**

In view of the rapidly changing environment of private and public sector entities, the management strategies applied in those entities as well as the scope of impact of public bodies on the course of socio-economic processes, must be constantly reviewed in order to ensure accomplishment of their statutory objectives. Public organisations handle chiefly the performance of “services, i.e. specialist activities that serve to meet society’s immaterial needs” (Lisiecki, 2011, p. 154).

Among researchers there are two distinct views on public management, i.e. management of public organisations, as to the transfer of methods and techniques applied in company management to public organisations (Karna, 2011). According to Micklethwait and Woolridge (1997) or Rainey and Steinbauer (1999), in view of the potential conflict of values held by public organisations, the application of methods used in the private sector by public sector entities is not advisable. Other researchers, among them Osborne (1997) or Kożuch (2004), see a kind of benchlearning taking place between the public and private sector, as a solution to many, but not all, problems encountered by public organisations while fulfilling entrusted tasks. The recent change of the role of the public sector, the nature of its objectives and the implementation of new public management models, such as: Common Assessment Framework or New Public Governance, e.g. under the European Union, seem to make the public and private sector closer in terms of management.

The aim of this paper is to define directions for change in public management in the context of human resource management in local governments, with special attention to the role of stimulation of creativity and intrapreneurship among the staff of public entities.



## 2. Local government as an organisation

According to the Constitution of the Republic of Poland of 1997, all public tasks not defined by the Constitution or other acts to be the tasks of other public authorities, shall be pursued by a local government, defined as a union of local community singled out from state structure under the rule of law. Local government is appointed for the purposes of autonomous fulfilment of public administration tasks in view of the interests of the state and local community.

The presumption of competencies of the local government defined in the constitution is associated with pursuit of the greatest possible self-government of the citizens. At the time of dynamic structural and functional changes in the public sector, determined by integration and growing variability and complexity of the environment, it becomes a challenge for members of local governments. The so-called environmental discontinuities arising from the increase in novelty of change and the intensity and pace of changes in the environment, are an essential precondition to depart from the classic Weber's administration model towards a New Public Governance model and a model of quality management in public administration through application of the Common Assessment Framework.

The model proposed by Max Weber assumes that administration will rely on principles such as: stability, competency, hierarchical structure and impersonality. The aim of introduction of detailed and fixed allocation of tasks and systems of rules and instructions was to ensure an objective and impartial fulfilment of administrative matters. The negative effects of the solution include excessive formalisation, concentration on interpretation of flawed laws, lack of flexibility and effectiveness in the accomplishment of changing tasks, whose presence in contemporary local government units is increasingly evident.

The aim of the implementation of the CAF model in public administration bodies in EU member states is to facilitate the diagnosis of the management system and the implementation of quality management techniques, following the TQM model applied in the private sector (Skierniewski, 2008). The model distinguishes 5 categories of potential: leadership, strategy and planning, workforce, partnership and resources, processes, and 4 categories of results: results of operations in the area of client/citizen relationships, results of operations in the area of staff relationships, social results of operations (EIPA, 2006).

The New Public Governance model is defined as participatory public management whose foundation is the involvement of employees of public organisations in decision-making processes and development of new solutions to problems faced by their employers. A component of the New Public Governance is New Public Management whose key elements can be summarised as follows: incorporation lessons from private-sector management; growth of hands-on "management" and of "arm's length" organizations where policy implementation is organizationally distanced from the policy makers; emphasis on input/output control and focus on entrepreneurial leadership (Osborne, 2006). This model stresses the significance of leaders, their autonomy and the management style they represent, for effective function of a public organization.

The above-described changes in public management translate into the requirements set for leaders as well as the other employees, in an evident way. Aside from the knowledge of regulations and procedures, and other basic skills expected of local government members (Czajka, 2013), essential prerequisites for effective fulfilment of entrusted tasks now include creativity, innovativeness and intrapreneurship.

### 3. Creativity and intra-entrepreneurship within an organization<sup>1</sup>

Creativity and intra-entrepreneurship are numbered among the most important factors affecting the competitiveness and efficiency of organizations (Hoever et al., 2012). A key goal of many of them is to stimulate the creativity of their employees, defined as the creation of new and valuable ideas concerning products, services or production processes.

It seems that creativity, often considered at three distinct levels comprising the individual, the team and the organizational structure, should be presented in a system-related approach – which treats a creative organization as a system of relationships involving employees at all levels, which shapes and at the same time is being shaped by the environment of the organization. The proposed model is close to the opinion presented by Csikszentmihaly (1999), according to which creativity emerges from the interaction between staff members, their department/team and the wider social environment – the leaders, managers and shareholders or citizens (the field). Amabile (2012) in the Componential Theory of Creativity distinguishes three components in the individual – the domain: relevant skills, creativity-relevant processes, intrinsic task motivation and one component outside the individual – the social environment in which the individual is working. According to this theory, creativity requires the coexistence of all the components. A wider or a narrower catalogue of factors affecting the creativity and entrepreneurship of employees has been mentioned in the literature. Typically, they include: individual performance capabilities, culture, climate, structure of the organization and dissemination practices related to them.

However, a leadership style, represented by a leader who has a direct influence on the shaping of creative and intra-entrepreneurial attitudes among the members of his or her team, seems to play a special role. Mumford et al. (2002), on the basis of a review of the research carried out in organizations, indicates leadership style as one of the most important factors determining the real creativity of the studied organizations. Such factors as the leader's features, culture of the organization and the employees' features can be considered mediators of the relationship between the leadership style and the creativity and intra-entrepreneurship of employees.

### 4. Leadership style

Leadership can be defined as a process in which an individual affects the members of a group during the completion of group and organizational objectives. According to one of the most widely studied and described concepts of leadership (Bass & Bass, 2008), there are three types of leadership: transformational, transactional and laissez-faire (noninterventionist) leadership.

The transactional leadership style is based on creating a clear structure and division of roles. Interactions with team members are transactions in which certain benefits are offered in exchange

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<sup>1</sup> The article is a continuation of discussion initiated in: Podolski, P. (2015). The Mediating Role of Culture and Personality Traits between Leadership Styles, Creativity and Intrapreneurship: A Conceptual Framework. [in:] T. Kusio & M. Makowiec (Eds.), *Entrepreneurship Management: Functioning and Development of an Organization* (pp. 201-218). Kraków: Cracow University of Economics – which describes the relationship between leadership style, creativity and intrapreneurship of employees.

for the effects of work. The transactional style is very similar to the idea of leadership in Weber's Model for Bureaucracy.

The second type of leadership highlighted by Bass & Bass (2008) is *laissez-faire*, or a non-interfering management style, which involves the avoidance of taking any position. This includes distancing from problems and having little concern for the workers, performed tasks or production. This model of leadership is not applied in public sector organisations.

The transformational leadership style involves inducing the involvement of employees based on their internal motivation, stimulating activity and emotional relationships between the leader and the group members, responding to the needs and aspirations of employees and the conversion of their individual values into group values in order to achieve collective goals (Jung, 2001). Transformational leadership involves four factors: inspirational motivation, idealized influence, individualized consideration and intellectual stimulation.

#### **4.1. Relationship between leadership style and creativity**

It has been shown that the transformational leadership style significantly affects group members' creativity (Shin & Zhou, 2003) and organizations' innovativeness (Jung et al., 2003). Research shows that there is a positive relationship between group creativity and the fact that the leader is perceived more as a transformational one than transactional (Sosik et al., 1999). The transformational model of leadership can be treated almost as a synonym for creative leadership. Amabile (2012), similarly to Sternberg et al. (2003), stresses the role of leaders and leadership style in stimulating creativity, pointing to the important role of leaders in shaping the internal motivation of their employees by taking such actions as providing challenges, greater freedom, adequate resources, support and encouragement and paying attention to team design. Internal motivation aroused among respondents leads to greater creativity measured by the indicators of divergent thinking (Jung, 2001). The available studies usually confirm the positive effect of transformational leadership, not only on creativity itself (Jung, 2001), but also on the climate conducive to creativity, which is directly related to the team's success in creative endeavours (Amabile et al., 1996).

However, it should be noted that transformational leadership is not consistently related to creativity across conditions – the leader's planning activities should change “as projects move from the idea generation phase to the development and implementation phase” (Mumford et al., 2002, p. 717). At every stage of creative project management, it is essential that the leader possesses organizational and technical expertise and abilities in the field of environmental scanning and forecasting activities in order to build synergies among different projects. Therefore, planning for cooperation within projects and between the projects of workers with unique expertise becomes the task of the leader. The effectiveness of leaders' sense-making activities are conditioned by their social skills, which according to Senge (1990) include, first and foremost, coaching and communication skills. The leader's level of social intelligence and their persuasive skills play an important role in the team's ability to formulate and implement creative solutions, as due to the high levels of criticism and autonomy of creative people, they are not easy to persuade.

## **4.2. Relationship between leadership style and intra-entrepreneurship**

Leaders' support for intra-entrepreneurship, through, *inter alia*, favouring employees' creative ideas and providing funds for their implementation, is one of the most important organizational factors stimulating entrepreneurial attitudes (Elenkov & Manev, 2005). It has been shown that transformational leadership is associated with the stimulation of intra-entrepreneurship both directly and indirectly – the mediator is an organizational identification, defined as a psychological bond between the employees and their organization (Moriano et al., 2014). However, no such link was found in the case of laissez-faire leadership, and transactional leadership proved to weaken intra-entrepreneurship. A transformational leader, by providing ideological explanations that link followers' identities with the collective identity of their organization (Jung et al., 2003), builds an organizational identification, which translates into employees' willingness to engage in the implementation of organizational goals (Kark et al., 2003). The leader's strengthening of intra-entrepreneurial attitudes requires a favourable organizational culture that supports risk-taking and innovativeness.

## **5. Culture of the organization**

Through numerous studies it has been shown that creativity and intra-entrepreneurship can be truly enhanced only when an entire organization supports them (Cardinal & Hatfield, 2000). As a result of research that has been carried out for more than half a century, a consistent set of interactional dimensions has been identified that would favour the enhancement of creativity and intra-entrepreneurship. The set includes: freedom, risk taking, openness, trust, support, orientation and intellectual stimulation, work challenge and intrinsic involvement (Ryhammer & Anderson, 2001). The characteristics of an organization's climate and culture that impact the creativity and intra-entrepreneurship of employees negatively include: setting short time frames, strong financial control, strong process control, subjecting new ideas to severe criticism, condoning the status quo and a conservative (Amabile, 2012).

### **5.1. Profiles of organizations' culture**

The characteristics of an organization's culture creates work environment that affects not only the willingness to make creative efforts, but also the rate of idea generation and the success of implementation efforts (Isaksen et al., 2001). Profiles of organizational culture developed by Cameron and Quinn (2003) based on the Competing Values Framework, characterized by a diverse configuration of the features described above, seem to favour taking up creative and intra-entrepreneurial activities to varying degrees.

The adhocracy culture, distinguished by a flexible structure that includes many structural linkages both inside and outside the organization, favours risk-taking and experimentation to develop innovative solutions and promotes diversity and teamwork, may be considered synonymous of a creative culture of the organization. An organization that functions in this way, in order to be able to react quickly to changes in the competitive environment, usually does not have a centralized centre of power, as the organizational structure is matched to the task. Therefore, in this case, matching the culture of the organization, the leadership style and the qualities represented by the leader

seem to play a special role in stimulating creativity. The adhocracy culture requires a transformational leadership style, a leader with a high level of expertise and social skills, a visionary prone to risk-taking who effectively takes up sense-making activities (Dunham & Freeman, 2000).

The opposite of adhocracy is a culture of hierarchy – characteristic of public sector organisations, in which the centralization of management and a strict formalization of project implementation dominate. These are the qualities that are negatively associated with the innovativeness and creativity of employees. The aim of an organization with a hierarchical culture is usually an effective provision of identical services, and therefore compliance with imposed rules, predictability and stability are highly appreciated values. Creativity plays much smaller role. A hierarchical culture requires a transactional leadership style suited to its characteristics, a leader acting as coordinator and administrator who is able to persuade subordinates to work effectively.

In the case of each type of organizational culture, a leadership style adapted to its requirements can stimulate creativity and intra-entrepreneurship of employees within a scope defined by the culture. According to Sternberg et al. (2003) an organization that “resists change is more likely to have kinds of creative leadership that accept existing paradigms (replication, redefinition and forward incrementation)” while in organizations with a more organic structure, a leader who rejects the existing paradigms (redirection, reconstruction, reinitiation) or carries out their synthesis (synthesis) will be preferred (Morris, 2006).

## **5.2. Shaping the culture of the organization by the leader**

It should be noted that organizational culture influences the actions of leaders and leaders can also influence the culture, as culture is numbered among social structures over which leaders have significant influence (Mumford, 2002). Schein (1992) distinguishes two mechanisms by which a transmission of beliefs, values and assumptions of the leader to the group that creates the organization may occur – Primary Embedding Mechanisms and Secondary Articulation and Reinforcement Mechanisms. In organizations that are in their early stages of development, secondary mechanisms play only a supporting role, but with the development of the organization, they become primary mechanisms. What is more these mechanisms contribute to the success of the organization, the stronger criteria they are for choosing a new leader. As a result, the probability that the leader will change the culture of the organization decreases with its development, since it becomes more important to follow strategies that were effective in the past than to implement new visions of the leader.

## **6. Individual characteristics of employees**

Shin and Zhou (2003) point out to the role of individual factors as a moderator affecting the direction and strength of the relationship between leadership style and its effects on the functioning of the organization. Among the most important mediators of the relationship between leadership style and creativity one should mention intrinsic motivation, which is one of the within-individual components mentioned in the theory by Amabile (2012). This researcher also points to the role of other components: domain-relevant skills (knowledge, expertise, technical skills, intelligence, and talent in a particular domain) and creativity-relevant processes (cognitive and personality processes conducive to novel thinking). Moriano et al. (2014) showed, however, that the development

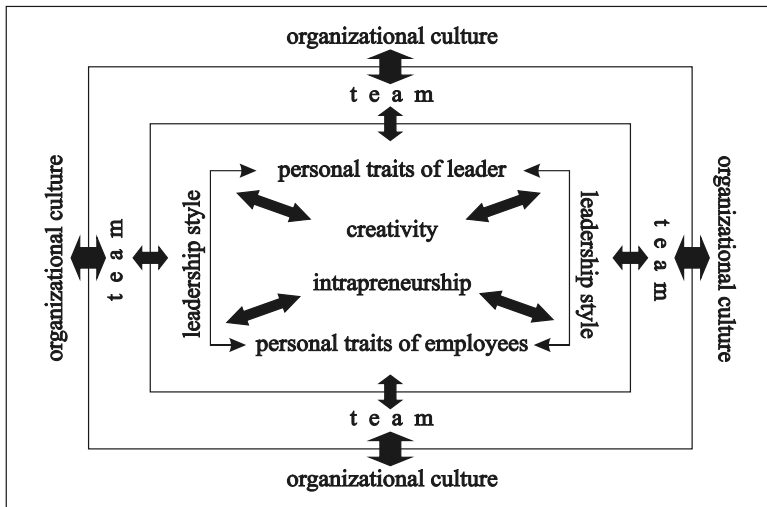
of intra-entrepreneurial attitudes is associated with the level of education achieved by the employee (the only significant demographic factor) and the degree of organizational identification.

An important mediator between leadership style and the creativity and intra-entrepreneurship of employees appears to be a need for closure, defined as the tendency to achieve an opinion or task solution rapidly in an ambiguous situation (Kruglanski & Webster, 1996). The need for closure can be examined dispositionally and situationally. It has been shown that the intolerance of ambiguity, a construct forming the need for cognitive closure, is negatively associated with innovativeness, creativity (Tegano, 1990). It was also found that the need for cognitive closure favours the pursuit of compromise and the rejection of dissenters' opinions than the formation of new solutions involving ambiguity or dissimilarity (Kruglanski & Webster, 1991). Furthermore, in a study by Chirumbolo et al. (2005), it was experimentally shown that groups of people with a high need for cognitive closure produced fewer ideas, developed the input data to a lesser extent and generated less creative ideas. It seems, therefore, that a team dominated by people with a high need for cognitive closure may not be able to take advantage of the opportunities offered by a transformational leader.

### 7. Conclusion

Creativity should be present in a system-related approach where creative organizations from the private and public sector alike are treated as a system of relationships involving employees at all levels, which shapes and at the same time is being shaped by the environment of the organization. The elements of this system of connections are factors presented in this study referring to the characteristics of the leader, the culture of the organization and the individual characteristics of employees that modify the relationship between the leadership style and the creativity and intra-entrepreneurship in organizations. Figure 1 shows the most important dependencies described in the article.

Figure 1. The theoretical model



Source: own elaboration.

The role of stimulation of creativity, intrapreneurship and transfer of knowledge and good practices among employees of public sector entities holds a growing significance for the establishment of human resource management strategy at local government level. One should stress that complex change in public management, such as the New Public Governance and the Common Assessment Framework, must form a coherent process embedded in the entire organisational environment, thus requiring cooperation of all public sector entities.

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# Chapter 25

## **Knowledge-based Educational Circumstances of Development of Tourism Sector**

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*Marian Bursztyn*

### **1. Introduction**

One of the main factors of contemporary socio-economic development is tourism sector constructed on the basis of knowledge. An assumption about a direct dependence between the economic growth, productiveness and education (knowledge) lays in foundations of each economic system. Knowledge is the basic factor that determines the manner of proper and rational exploitation of all aspects of a tourist enterprise. Nowadays, tourism has become one of the most dynamically developing sector of the economy, which is spread between low economic expenditures of a state and high labor consumption, which as a result renders tourism a significant partner in construction of sustainable economic development. Globalization is a significant factor determining a high position in the industry. It has become the reason of quick and multidimensional development understood as approximation of distant regions of our globe, especially of the places with difficult access. In reality, the tourism sector aims at bringing back spare time behaviors, including leisure, transport and accommodation. In order to combine all the factors influencing proper development and operation of the tourism sector in the transforming economic circumstances, all of those actions require specialist and general knowledge.

### **2. The process of knowledge management in tourism sector**

The concept of knowledge management is highly complex. This field has appeared as a consequence of evolution of education, i.e. science to a great extent, therefore of the practical manner of introducing the way of thinking applied by theoreticians. However, not until 1980s did information management develop and practically realized. As a result, it posed the beginning of this field's development, which is called nowadays knowledge management (Perechuda, 2005, p. 12).

New approaches have been developed within several last years in the process of knowledge management, embracing: the functional, processual and instrumental approach. The processual approach is focused on content-oriented functions of the organized cycle of action. This approach comprises of determining an objective correctly, planning all elements that influence its

achievement, staying optimally motivated to take up and maintain permanent readiness to pursuit it, control the effects and decide about horizontal and vertical permeability of the elements, which will guarantee the planned result. Each of the functions mentioned above should be interpreted in the aspect of knowledge management. A significant notion in this field is the fact that there is no possibility to hierarchize the management levels in this scope. There is a special kind of interactions, as everyone manages their knowledge individually in the same moment, and at the same time others manage the knowledge of an individual person. A premise here is the fact that supervisors treat their subordinates' knowledge as the enterprise's capital. The aim of multiplying this capital is to create an added value of the enterprise, thus they apply this knowledge and develop their own expertise on its basis. Regarding the non-material specificity of knowledge management as special capital, it is impossible to grasp the discussed category unequivocally, in just a single procedure or algorithm. The only, and as it seems the right thing to do is to take an attempt to specify a logical sequence of actions, which need to be undertaken while creating the process of knowledge management in tourism and recreation.

The available literature of the subject suggests primary tasks in the scope of knowledge management in tourism. Those actions should encompass such elements as: diagnosis (analysis and evaluation of the knowledge needs), inspiration (to develop and gather knowledge), and development of skills and abilities to acquire knowledge from the environment, learn some techniques of presenting, sharing, synthesizing the acquired knowledge, and as result creating new knowledge on the basis of the performed synthesis.

The above suggests that the presented scope of knowledge has a character of a didactic process, which embraces the principle – to learn and to teach. It is worth highlighting here that the educational act that includes conscious participation of its members in the learn-and-teach relation triggers acquisition of educational experience, which is based on knowledge management.

Comprehension of the knowledge management process requires an explanation of the essence and logical connection of the discussed elements. All actions of a human being are based on diagnoses, analyses and evaluation of the knowledge needs. In this scope, respect to the knowledge of your and of others poses a significant aspect. It means to believe that the most precious source of knowledge are those, who we cooperate and interact with. Another matter is the ability to inspire the environment to acquire new knowledge. Individual experiencing by members of the interaction leads to direct exchange of the experience that leans on expertise. It will be applied to complement the individual expertise, therefore causing absorption of knowledge from the environment (selective knowledge). Knowledge means all information gathered thanks to learning and experiencing. It is not enough to have a certain scope of knowledge, you also need to share it, as this is the manner in which it becomes enriched, hence expanding an individual's competences. From the management perspective, it seems to be the most difficult element in knowledge management. Sharing knowledge is an act understood as an attitude of openness to present and at the same time comprehend it. If knowledge is treated as capital, then the employee's duties embrace sharing the knowledge. While an employer signs a contract with an employee, the employee becomes joined to the enterprise's capital through the held knowledge. Therefore, the employee becomes obliged towards the employer to dispose the knowledge in order to multiply the capital of a given company. The concluded contract obliges the employee to provide both the employer and other employees with this knowledge. This situation pertains not only to direct contribution in the work facility but also in other professional meetings. All the more that a model of an enterprise operation that is to dominate and subordinate the employees' time not only directly in the premises but

also indirectly (e.g. external trainings, family meetings, credit availability) is becoming more and more popular. Employees need to believe that their knowledge is so significant that any potential absence will contribute not only in the decrease of effectiveness but also interpersonal rejection or limitation. Readiness to share the knowledge is not only economic but also social capital. While the first one is measurable, the latter is not, and it refers to an interpersonal factor of a person, such as the ability to establish and maintain relationships, the skill to broaden the network of contacts (both professional and private) with a purpose to achieve economic targets (Edwinsson & Malone, 2001).

Nowadays, the interest is moved from material to non-material resources in the management field. A major principle and a feature of non-material resources is their non-measurable character. What is more, it is characterized with significant flexibility, proving the nature of dynamic and permanent transformations. Such a wide scope is possible because it is not influenced by material qualities of their exploitation. The basis of non-material resources exploitation is posed by knowledge. According to H. Davenport (Bednarczyk, 2006, p. 7), knowledge means information enriched with experience, reflection, interpretations of events and the contexts, which it is realized in. The knowledge is created and formed in the process of personal and individual acquisition of information, which takes place as a result of scientific research (discoveries), individual and group experiences, within the educational process and through a proper attitude, related to the ability to combine facts logically and use the already acquired knowledge. Productive exploitation of knowledge in the tourism sector depends on effectiveness of management, especially knowledge management. Contemporary literature points to the fact that there are numerous approaches to the concept of management formulated in such a manner. According to this concept, B. Mięka (2006, p. 119) specifies the following approaches: functional (practical realization of the management function), processual – (logical process of behavior), instrumental (causative possibilities) and institutional (a system of the positions' objectives called for realization). Particular levels are strictly interconnected, as they serve realization of significant goals of the enterprise. At the same time, the employee bring certain knowledge into the organization, and on the other hand the organization hands them a part of its expertise (the working system, mutual correlations).

Comprehension of significance of the expertise application in the process of managing an enterprise requires to focus on the knowledge nature. Knowledge is rather of qualitative, formal and informal, dynamic character, which becomes outdated quickly. Moreover, it is interpreted differently by particular persons. Creation of knowledge may be viewed from various perspectives. It is developed individually or in a group, inside an organization or between companies, with application of various methods and procedures. Despite the fact that knowledge is of non-material character, its effects become visible in particular actions of a person, who belongs to a society. At the same time, it may be applied by any number of human beings, in plenty of places. However, the most valuable knowledge, created by and inside a given organization or a social group cannot be implemented in a different enterprise. The recent studies conducted by Audretsch and Feldmann (Gorynia & Jankowska, 2007) pointed that creation of knowledge is related to the person's place of origin, therefore it proves some tendencies of geographical concentration. This is caused by various informative needs, which depend on a geographical location. As a non-material product of a man, knowledge can measure only the circumstances that are advantageous for its creation. It is worth mentioning here that the boundary between creation and application of knowledge is not determined unequivocally. Therefore, we have a dependency telling that the value of knowledge increases along with its application. From the tourism sector's perspective, one of the main issues is not the knowledge itself but rather the possibility to apply it in everyday life.

Knowledge management in the tourism sector takes two dimensions into account (Mikula, 2005, pp. 20-23) strategic and operational. The strategic dimension is based on creation of an organization based on a strategy, which is focused on development of a value that integrates people, organizational culture, technology and procedures. The second dimensions is based on generating, arranging, and then on implementing and applying (and spreading) the knowledge that renders it possible to realize the assumed goals. Knowledge management includes all structures, together with the applied processes, which are focused on application of knowledge in order to achieve targets (Probst, Raub & Rombardt, 2004, p. 40).

Increasing awareness and forming climate for knowledge development, creation and improvement of concept, support to creativity in the enterprise – these are the manners of management that consider, among others, maximization of knowledge in the enterprise through development of the employees' knowledge and creativity and supporting innovation. Proper development of knowledge requires a certain system of organizational culture to be created in the sector, promoting the atmosphere of freedom, creativity and free flow of information. It is worth noticing that knowledge management, i.e. taking up new creative challenges should not be assessed only on the level of economic advantages.

Development of knowledge and creativity of employees in an enterprise takes places through various methods and techniques, among others such as (Brilman, 2002, pp. 170-173) brainstorming, determination of priorities in a group, a list of limitations technique and a discussion of the manner of removing them, case analysis, changing boundaries and limitations when solving problems, lotus flower technique, analogical thinking and application of analogies and metaphors. Knowledge application and implementation constitutes the main phase of the knowledge management process, starting and ending it. As a consequence, the knowledge is reflected in particular results. The most significant advantages of knowledge management implementation encompass the employees' knowledge and broadening of their competences through constant education. What is more, this process embraces improvement of communication and acceleration of the decision-making process. A logical consequence of such a process is transformation of the organizational infrastructure and clearance of channels for knowledge transfer and generation of new knowledge, which will facilitate functioning and strengthen effectiveness of operation and management of the tourism sector.

Seeking, gathering and developing knowledge resources are the most significant elements of the knowledge management process (Godziszewski, 2007, p. 35). The most often practiced actions embrace monitoring of the sector together with constant cooperation with particular participants of the process. In numerous organization, information, knowledge and competences are strictly connected with actions of an enterprise (Grudzewski & Hejduk, 2004, p. 88). It seems that there are no solutions allowing to gather, update and spread information in that scope. An example may be posed by a key employee leaving the sector, which may result in loss of the held knowledge and experience. Therefore, each organization should develop its own individual internal system of learning, which improves its actions within the market continuously (Grudzewski & Hejduk, 2004, pp. 58-59). Knowledge of employees and proper organizational and motivational infrastructure, relations with clients, motivation for success and various processes, which multiply earnings, are the basis of the company's value (Roos, 2007, pp. 41-44).

Knowledge management leads to highly significant effects, among which we can find (Grudzewski & Hejduk, 2004, p. 124) an increase in productiveness, growth of clients' satisfaction with finer products and services, improvement of employees' satisfactions thanks to intellectual development, and as a consequence improvement of financial results of the organization. Effective knowledge

management in the organization enables (Skrzypek, 2002, p. 35) complex support in gathering, analyzing and applying knowledge. These procedures render effective decisions possible, which allow to strengthen a socio-economic position. Knowledge management enables the employees to achieve the assumed targets rationally and optimally, which directly supports perception of the organization as an important social form in an everyday life of a human. Effective knowledge management allows to create such resources, which will be applied by all members of the organization. Hence, knowledge management is reflected in effective exploitation of theoretical knowledge and previous experience, together with the skills acquired with a purpose to use it correctly. Another feature of the effective knowledge management sector is efficient exploitation of knowledge possessed by all members, which supports practical usage of the available expertise. This situation creates a climate for sharing the obtained information, thus triggering educational processes inside the organization.

### **3. Influence of knowledge management on the tourist sector**

Significance of knowledge management for the tourism sector arises from the fact that the sector becomes increasingly more dependent on knowledge, and that the realized product is of more service nature, provided through human interactions, which are tough for normalization. The personal character of the tourism sector operation causes that the course of processes pertaining to knowledge, from acquisition to exploitation of knowledge, is highly hindered. What is more, specificity of this sector encompasses creation of various interconnected networks (e.g. hotel, communicational, advertising, etc.), which results from spacious allocation of subjects that the industry exploits. Complex character of the obtained product causes certain consequences on the level of knowledge management. There are plenty of persons involved in the tourism sector, who have been logically and systematically allocated to detailed levels of operation inside the sector. As a consequence, a basis for generation of a high-quality product is conscious operation of numerous persons. A precondition of such understanding is efficiency of processes pertaining to horizontal and vertical transfer and acquisition of knowledge (Janasz, 2004, pp. 62-66).

All of these cycles are related to intensive processes of transfer, storage and application of various knowledge and information. The circumstances discussed above suggest that a factor that dominates in the knowledge management sector is the innovation process. It means that knowledge combines with a thinking process (intellectual potential) creates innovations. Currently, great stress is placed on implementation of innovations, which aim at so called permanent competitiveness. Special significance in this process is ascribed to technological competitiveness and ability to compete on the market. The innovations embrace: new products and new manufacturing processes. The performed division, which theoretically does not cause any troubles to comprehend it, its rather artificial in practice of the tourism sector. Empirical separation of results along the unequivocal boundary tends to be impossible for particular processes.

It is generally assumed that innovative operations pertain just to manufacturing companies. As it has been already proven above, the tourism sector combines the material and non-material sphere of processes taking place within it. A provider of tourist services, thanks to higher flexibility, is less sensitive to market fluctuations. Therefore, they are more skilled in implementation of changes, and close interpersonal contacts between workers and clients improve determination and innovative fulfillment of their needs. It is worth noticing that the tourism sector operation is eventually verified by clients, apart from the fact that their role also undergoes evolution, e.g.

thanks to globalization. They are no longer just purchasers of the offered product, but rather active participants and subjects that form the offer of tourism enterprises (and thus of the whole sector), through participation in creation of value. Hence, the clients transform from passive purchasers to co-authors of a market offer, thus co-workers of the tourist enterprise.

Following K. Prahalad and V. Ramaswamy, we may conclude that the clients create and extract a value of business more often, because the value does not result from the offer but from the experience of co-creation, in which the clients participate, in the context of a particular event. What is more, it can be noticed that stiff boundaries between personnel and clients of a tourist enterprise become blurred on the ground of new institutional economy. This situation enables internalization of clients' knowledge into the organization's knowledge management system. Internalization of the clients' knowledge and their significant participation on the level of creating the innovative value for the whole sector, is possible as a result of certain conditions. The most important conditions, from the perspective of social relationships, comprise of: development of the environment of knowledge for the client, proper interaction (a dialog) with the purchaser, access of the client to the company's knowledge, creation of the cooperation environment between personnel and clients. Bearing in mind clearness in company's operations, there is a need to stress those elements, which result directly from the organization system, i.e. threats to consumption of tourist services, creation of a field of sharing experiences and harmonization of knowledge transfers inside the organization, between the organization and its clients, and between the company's clients.

The above suggests that the most important attributes of innovation may include:

- managers' and employees' ability to predict future,
- personnel cooperation in deciding on the company's strategy and making its actions more flexible,
- informativeness of the organization,
- management processes for the R&D sphere,
- focus on creation of innovations with the client,
- establishment of points of interactions between the organization and its clients,
- development of knowledge in the ethical perspective,
- a climate that supports learning – constant education and improvement, initiative and creativity of the employees – development of the organizational culture of innovative nature (including the climate of systematic generation of innovations, which may support creation of a team of workers that guarantees a high level of innovation,
- generation of climate of sharing knowledge, and the skills of eliminating social and individual barriers in this process,
- the ability to harmonize the transfers of knowledge inside and outside the enterprise,
- the organized system of acquiring, gathering, processing, transferring, storing and exploiting productively the inter-organizational knowledge and clients' expertise.

Summing up, purpose of knowledge management is to determine the manner of adjustment of both education and the innovations implementation in the tourism sector, which is to influence efficiency and effectiveness of the generated products realized in spare time situations. cycles are related to intensive processes of transfer, storage and application of various knowledge and information. The circumstances discussed above suggest that a factor that dominates in the knowledge management sector is the innovation process. It means that knowledge combines with a thinking process (intellectual potential) creates innovations. Currently, great stress is placed on implementation of innovations, which aim at so called permanent competitiveness. Special significance

in this process if ascribed to technological competitiveness and ability to compete on the market. The innovations embrace: new products and new manufacturing processes. The performed division, which theoretically does not cause any troubles to comprehend it, its rather artificial in practice of the tourism sector. Empirical separation of results along the unequivocal boundary tends to be impossible for particular processes.

The notion of innovation may relate to a sphere connected with organization of provision of services, while the changes taking place in the manufacturing process are a result of implementation of new methods of organization and management. Along with P. Druker (1992, pp. 67-70), there is a need to stress one additional kind of innovation – social and organizational. Those both kinds are interconnected and interdependent indirectly in the field of effective cooperation of people with various abilities and knowledge in the tourism sector. There is also a need to highlight the fact that currently, the knowledge plays a role of a determinant, a specific mechanism that drives the process of innovations implementation in the organization. It becomes a crucial element of spreading information and expertise.

It is generally assumed that innovative operations pertain just to manufacturing companies. As it has been already proven above, the tourism sector combines the material and non-material sphere of processes taking place within it. A provider of tourist services, thanks to higher flexibility, is less sensitive to market fluctuations. Therefore, they are more skilled in implementation of changes, and close interpersonal contacts between workers and clients improve determination and innovative fulfillment of their needs. It is worth noticing that the tourism sector operation is eventually verified by clients, apart from the fact that their role also undergoes evolution, e.g. thanks to globalization. They are no longer just purchasers of the offered product, but rather active participants and subjects that form the offer of tourism enterprises (and thus of the whole sector), through participation in creation of value. Hence, the clients transform from passive purchasers to co-authors of a market offer, thus co-workers of the tourist enterprise.

## 4. Conclusion

Processual approach to knowledge management requires, above all, to point sources and methods of knowledge generation. It currently poses a key factor of the tourism sector success, and indirectly also of an individual tourism enterprise. Effective knowledge management as well as implementation of innovations, which support knowledge management, and which should be exploited fully, may become a condition necessary to maintain a high quality of services. In this processes, special meaning is ascribed to permanent education and relationships between participants of the tourism sector – individual persons in the organization. Values realized in the organization result from features of the participants and the general context, which everyone exist and participate in, their manner of thinking and acting.

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## **PART III**

# **INSTRUMENTS OF HUMAN RESOURCES MANAGEMENT**





# Chapter 26

## Human Resources Development and Employer Branding<sup>1</sup>

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*Jacek Kopec*

### 1. Introduction

Analyses conducted by numerous researchers indicate that in the nearest future there will be fierce competition among firms in respect of winning and retaining talented employees in the organisation. In consequence of professional experience being gained, the observation of the results of subordinates' work and their behaviours, entrepreneurs are becoming convinced that it is worth making efforts to attract people with various talents to the firm. It is important because owing to the skilful use of employees' gifts, a given firm can achieve competitive advantage. In the times of great volatility of the economic environment and fierce competitiveness, taking actions enabling a specific enterprise to survive and keep developing is an important challenge for entrepreneurs and their managers. As a great majority of economic analysts think, it will be possible owing to the possession of talented workers in the organisation and their competent use. What will be extremely helpful within this scope is a broad identification of employees' talents, undertaking employee developmental activities and applying solutions making it possible to attract talented employees to the organisation. The article focuses on the analysis of activities related to the attraction of talents to the firm through the use of the employer branding concept. The aim of the article is to show how the development of the organisation's human resources influences employer branding, enabling to attract high flyers to the organisation faster and more effectively. The article makes use of the overview of the literature of the subject and own reflections.

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## 2. Employer branding

Recently, in the face of undergoing demographic changes, numerous departures of young people to other countries and the inflow of immigrants, we can notice a phenomenon of the fight for talents or, as some argue, the “war for talent” (see: Chambers, 1998; Pocztowski, 2016).

The implication come from this researches for managers is taking notice of identification and talents development of workers. Significant of talents for organizations testify a lot of research and reports. J. W. Boudreau and P. M. Ramstad (2005) said: “At least three markets are vital to organizational success:

- The financial market,
- The customer/product market,
- The talent market”.

Berger (2004) based on Lance A. Berger & Associates LTD research, we discovered that “successful companies either articulate or intuitive focus on three outcomes:

1. The identification, selection, development, and retention of superkeepers.
2. The identification and development of high-quality replacements for a small number of positions designated as key to current and future organization.
3. The classification of and investment in each employee based on his/her actual and/or potential for adding value to the organization”.

Winning talents for a given firm will require undertaking appropriate actions by the management staff, which will be connected with incurring specific costs for these actions. Individual firms will have to think about streamlining conducted activities and costs incurred within that scope. An analysis of costs and benefits of the applied solutions, as well as paying attention to employer branding will be helpful. The term of employer branding in the literature of the subject is understood in a similar way, yet differing in its components. B. Olszewska and K. Olszewska (2009) say: “... employer brand is a set of qualities (advantages and traits), also non-material ones, which make the organisation stand out, promise a special kind of professional experience and attracts people who want to improve, develop in its specific culture”.

On the other hand, K. Gadowska-Lila (2013) claims: “Employer brand is a set of characteristics and distinguishing features which future and current employees notice in a given employer and connect with it. It concerns both measurable elements, such as remuneration, awards, benefits, and immeasurable ones, such as the organisational culture, the management style, opportunities for development, prestige of the business, etc.”.

Employer brand, as it is perceived by a given employee or a potential candidate for a job, or a respondent surveyed on that issue, is a result of the analysis of activities related to shaping this brand by employees and the employer. Just like in the case of the employer brand term, also the term of employer branding in its components is interpreted in a bit similar and a bit different way by various authors. Table 1 presents selected views of some authors with regard to the interpretation of the term of employer branding.

Table 1. The views of selected authors regarding the interpretation of the employer branding term

Author (-s)	Interpretation of the employer branding term
A. M. Sivertzen, E. R. Nilsen, A. H. Olafsen	“... we consider employer branding to be the process of building employer identity directed at existing and potential employees, in order to differentiate the firm from its competitors”.
Ł. Sienkiewicz	“Employer branding is a set of purposeful and coordinated activities in the area of personal marketing, directed at building brand of the organisation as an exceptional employer offering working conditions which are competitive in comparison with working conditions of others (including financial conditions), and opportunities for professional development”.
R. Oczkowska	“... employer branding includes activities undertaken by the employer, and addressed both to existing and potential employees, as well as to other stakeholders, whose aim is to build an image of an attractive employer, and thus support the strategic goals of the organisation, strengthen and improve the competitive position and create the goodwill. Employer branding can be defined as a strategy of attracting, engaging and retaining the most talented, valuable employees in the organisation.”.

Source: own elaboration based on (Sivertzen et al., 2013; Sienkiewicz, 2014; Oczkowska, 2015).

Individual firms try to shape their employer brand depending on the needs and financial capabilities, with the use of various instruments and personal procedures. The most important personal procedures influencing employer branding according to J. Kopeć (2013) include:

- recruitment procedures,
- personnel development programme,
- employee remunerating system,
- work-life balance,
- outplacement,
- talent programme,
- diversity management procedure.

A broad variety of tools possible to be applied in practice by individual organisations, which are worth propagating is presented by S. Wiśniewska (2013). In Table 2 the author presents a synthetic compilation of potential tools for building a positive and coherent employer brand as an attractive workplace, which can be used by various organisations.

Table 2. The tools for creating employer brand

Shaping the internal employer brand	Shaping the external employer brand
<b>Classic tools (offline)</b>	
The code of practice constituting a set of good practices and principles with regard to interpersonal relationships, and determining work standards, as well as values and standards a given organisation is guided by. An adaptation programme aiming at fast and more effective onboarding. A training programme supporting continual development of employees and climbing up the career ladder.	Corporate ambassadors acting as a middleman between the organisation and students. Team games, enabling to familiarise with working conditions in the organisation, the principles of its functioning and the specificity of the industry. Meetings and conferences organised, among others, at universities, aiming at the presentation of labour culture in the organisation and projects directed at employees, as well as successes of the organisation and its employees.

<p>International employee exchange programme directed at achieving new competences owing to the implementation of international projects (in the case of an international organisation). Perks (financial bonuses, generous benefits package, among others).</p>	<p>Lectures and meetings held in the organisation, enabling potential employees, among others, to familiarise themselves with the specificity of work in a given organisation. The programmes of paid internships and training.</p>
<p><b>Internet tools (online)</b></p>	
<p>“Work and career” tab at the organisation’s website, including information concerning:</p> <ul style="list-style-type: none"> <li>– opportunities for employee development,</li> <li>– potential career paths,</li> <li>– remuneration and perks,</li> <li>– values the organisation is guided by,</li> <li>– work standards in the organisation,</li> </ul> <p>A newsletter presenting the key ventures and successes in the organisation, as well as information concerning projects directed at employees, Social media (such as: Goldenline, Facebook), making it possible to build permanent relationships with the existing employees.</p>	<p>“Work and career” tab at the organisation’s website enabling:</p> <ul style="list-style-type: none"> <li>– to apply online,</li> <li>– to ask questions about recruitment and selection,</li> <li>– virtual walk around the organisation (e.g. in the form of a film), enabling to familiarise oneself with the labour culture in a given organisation.</li> </ul> <p>“Work and career” tab at the organisation’s website including the following information:</p> <ul style="list-style-type: none"> <li>– current job offers,</li> <li>– hints on preparing to the recruitment and selection process,</li> <li>– achievements of the organisation and its employees,</li> <li>– fundamental reasons for which it is worth commencing work for a specific organisation,</li> <li>– opportunities for employee development,</li> <li>– potential career paths,</li> <li>– remuneration and perks,</li> <li>– values the organisation is guided by.</li> <li>– work standards in the organisation.</li> </ul> <p>A newsletter presenting the most important projects and successes in the organisation, as well as the information concerning ventures directed at students and graduates. interactive games addressed, among others, to students, enabling to familiarise oneself with the labour culture and specificity of a given organisation.</p> <p>Social media (such as: Goldenline, Facebook) enabling to create relationships with potential employees.</p>

Source: (Wiśniewska, 2013).

Employer branding is influenced by the quality of the use and practical application of the instruments and the outlays incurred by the organisation for the implementation of the adopted tasks. One should also remember that the specified activities and tools are not the only ones that may influence the employer brand. When perceiving the employer brand, some people, candidates for a job or employees, may consider still other elements or activities, or the lack of them. Therefore, in the employer branding process it would be recommended to realise that numerous image building activities are worth implementing and publicising, and it is also worth caring about the employees’ content and satisfaction from work.

### **3. The development of the organisation's human resources**

The functioning of enterprises in the turbulent environment requires an adequate response to the occurring and predicted challenges. Depending on the size of the organisation and the scale of activities the challenges are in many cases similar but they also differ a little, considering the specific character of given organisations and the conditions of their functioning. As R. Oczkowska (2014) observes: "Among the challenges which contemporary enterprises face, a particularly important one is the globalisation process, the growing role of human capital as a source of competitive advantage, the use of opportunities created by technologies, the strive for raising effectiveness, the necessity to operate in the conditions of constant changes. The new conditionings require the speed of operation, flexibility, an ability to learn and high competences of employees".

Individual enterprises functioning in a specific country and industry may also come across other challenges arising from the specific character of a given market. The necessity to adapt to the specificity of a given market and the challenges arising from it, as well as predicted changes in order to survive and achieve competitive advantage requires from the firm activities within the scope of the development of the organisation's human resources. Individuals working for a given organisation, as well as potential candidates for a job would like to work for firms which can face up to the challenges of the future and which enjoy a good image, both in the opinion of the employees and experts. What can decide about the future of the firm is whether it cares about the development of the possessed human resources. Undertaking activities with regard to personnel development by enterprises proves both good financial and economic standing, because such activities are expensive, and the competences of the managers. Conducting activities related to employee development is beneficial not so much for the customers of the firm, but also for its employees. Professional experience and competences gained while working for a given business can be useful for the employee if he or she lost the job. Therefore, any developmental activities for employees are well perceived by them and publicised among their relatives and not only. Publicising data about the development of the possessed human resources at the organisation's website or in any other way build a positive image of a given employer. Investing in personnel development proves that the enterprise managers invest in their future and have funds for that, which provides good prospects for the following periods of functioning. It is important to the interested parties how the firm develops its employees and what costs are allocated to that. Obtaining relevant information from a given firm is not always easy. It can be obtained indirectly from individual employees and from the firms participating in the development of given employees.

A lot of analysts analysing employer brand considers whether in employee development the development of all or only some employees is taken care of and what amounts of money and instruments are used for that. For younger candidates, called Millennials<sup>2</sup> it is important whether the organisation finances or co-finances university studies, post-graduate studies, MBA studies or various types of training, co-called "hard" skills training in individual task areas, as well as so-called soft skills training, related to coaching and mentoring. If the first type aims at extending the existing knowledge and skills and gaining new knowledge and new skills by the trained employee, the other one is more focused on changes in behaviours and shaping the proper attitudes

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<sup>2</sup> A broad overview of the literature of the subject concerning the research into the features of the Y-generation, co-called Millennials, is included in the publication Wojtaszczyk (2012), whereas the characteristics of the Y-generation employee in the publication (Piwowar-Sulej, 2009).



of the trainee. As A. Dolot (2015) observes “It seems that in the context of development, particular attention should be paid to the element of changing behaviours and the motivation factor, which are of key significance in the situation of the necessity to make an effort to work to improve oneself, which are inseparably related to development and keeping up with changes. Employee development is extremely difficult or sometimes even impossible, when the employee himself or herself does not want to make any changes in his or her behaviour”.

Positive employer branding can be built also thanks to realized conception organizations branded talent developers which were proposed by J. Younger and N. Smallwood (2007). The researchers proposed:

1. Branded talent developers see employee development as a key element of strategy.
2. They emphasize “growth from within”.
3. They are clear about the employee competencies and qualities that matter.
4. They are relentless recruiters.
5. They have well-developed career architectures.
6. They are passionate about training.

Table 3. At, through and away from work

Intervention methods											
	A C T I O N L E A R N I N G	C O U N T I N G	M E N T O R I N G	I N T E R N A T I O N A L A S S I G N M E N T	S H A R E D O W N I N G	S E C O N D M E N T	R E F O R M I N G P R A C T I C E	E-I E A R N I N G P A C K A G E	B U I L D I N G	D E V E L O P M E N T C E N T R E	C O L L E G E E/ U N I V E R S I T Y C O U R S E
Away from work								x		x	x
At work					x			x	x		
Through work	x	x	x	x		x	x				

Source: (Stewart & Rigg, 2011).

7. They are demanding performance managers.
8. They take management coaching and mentoring extremely seriously.
9. They understand the positive power of alumni.

Positive employer branding build development of competency workers which were realization by training firms. You can see this by analysing the information contained on the websites of companies training on the trainees their organization owned and recommendations. No less important for the company's image as an employer information about how a company cares about the development of employee talent and what applies in this matter solutions. J. Stewart and C. Rigg (2011) propose use to methods of talent development in perspective away from work, at work, through work (Tab. 3).

J. Kopeć presents results of research about talent development in opinion specialists personnel department, which in practice realize talents development programmes. Usefulness of technics talent development come from specialists opinions (Tab. 4).

Table 4. Usefulness technics talent development in specialists opinions

<b>Technics talent development</b>	<b>Scale 1-5</b>
Interpersonal training	4.17
mentoring	4.07
coaching	3.96
Training of negotiations	3.74
conferences	3.33
Play role	3.14
Job rotation	2.93
e-learning	2.89
lecture	2.89
Managers game	2.77
Computer simulation	2.50

Source: (Kopeć, 2014).

An analysis of the development of human resources in an organisation is particularly studied by those who would like to work in given firms and are aware of possessing competences at high level. Candidates for a job in such organisations pay attention both to the quantity and the quality of developmental activities and to the opportunities for the development of their own career in a specific organisation. In small firms, due to the size of employment and a small number of management levels, career opportunities can occur with the development of the organisation in terms of the number of employees. On the other hand, personnel development implemented by the organisation via training and displacement is definitely possible and arises both from the belief of the firm managers in the development of their subordinates, expediency, and the financial abilities of the enterprise. As A. Suchodolski (2006) notes: "The activities included in the stage of the implementation of the employee development process are:

- enabling employees to satisfy the needs for self-fulfilment,
- improving employees' qualifications,
- displacements of employees".

For people interested in given organisation it is important whether in its operations and procedures the firm uses personal controlling, including controlling of human resources development (Zajac, 2014). Conducting this type of activities indicates that the enterprise plans and controls developmental

activities for employees, thus, we can say that it behaves rationally about personnel development. The conclusions arising from the analysis of the performance of ratios, norms, standards established within controlling of human resources development, applied for the next periods of time can improve future developmental activities for employees. For an employee it can be a signal that the firm cares about his or her development and thus it can influence the employee's positive internal employer brand.

In many cases the quality of developmental activities conducted by the firm for its employees is a result of the existing organisational culture and the considerations of the managers within that scope, and influences what this culture will be like in the future. Personnel developmental activities can concern the formation of attitudes, behaviours, cooperation with others, sharing knowledge, ways of communicating with customers and colleagues, etc., and thus modify the organisational culture of the firm in the future. For many individuals interested in working for a given firm and also for its employees the organisational culture implemented in it is an important determinant of employer brand (Bukowska, 2009).

Personnel development activities in a given organisation should be conducted permanently and from time to time improved with the help of experts or external companies. Such firms conducting training or using personnel consultancy in personnel development advertise at their websites that a given firm uses or has used its services. Owing to this information employer brand analysts can figure out whether the firm uses personnel development services and whose services they are, which may influence their view of the brand.

## 4. Conclusion

The undergoing demographic changes and political changes connected with immigration and emigration of many young people have convinced managers to pay more attention than before to the problem of attracting and retaining talented employees. Therefore, the importance of the employer branding concept has increased. The article mentions a broad variety of tools which applied in practice build a positive employer brand. Special attention was paid to the activities related to the development of human resources in an organisation. It was suggested that firms should take care of employee trainings in so-called "soft" and "hard" skills, as well as employee displacement. Moreover, analyses related to controlling of human resources development should be conducted, and within employee development there should be cooperation with experts and external companies. The practical application of activities related to human resources development in an organisation can contribute to the improvement of employer brand.

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# Chapter 27

## **Effects of Competency Assessment System of the Management Staff in Terms of Business Management System<sup>1</sup>**

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*Małgorzata Tyrańska*

### **1. Introduction**

From many years, the issue of assessing competences of management staff is the subject of theoretical and practical applications.

The managerial competences, as a dynamic structure, are changing. However, the direction of these changes may not always be positive and determines their progress. The competences may also become outdated, indicating in such a way a negative process of changes. The competent managers contribute to the success of the enterprise, which is understood as the creation and consolidation of the value for customers, the return on invested capital, the increase in the value for shareholders in the long-term. On the other side, the lack of competences of managers resulting from ignorance, lack of experience in business management causes inefficiency in their operations, which results either in a failure to take the right decision at the right time or to give a consent to the implementation of misguided investments. The lack of competences of managers causes also a fear of losing workplace and connected with it, risk aversion. The expression of that is associated with the tendency for the conservative actions, the choice of well-proven and safe solutions, the avoidance of difficulties, the experiment with new products, and the adoption of new ideas in order to minimize the negative (difficult to predict) effects of decisions. Overcoming the indicated barrier, in other words, the limitation and elimination of the competence gap, may occur through the development, implementation and systematic application of the assessment system of competences of management staff.

The aim of the elaboration is to present the results of own research devoted to the identification of the effects of applying the assessment system of competences of management staff in the context of functioning the enterprise management system. In order to achieve that objective, the functions

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and principles of the application of the assessment system of competences of management staff were described, the methodological assumptions of own research were given, and their results were presented<sup>2</sup>.

## **2. The functions and principles of applying the assessment system of competences of management staff**

In spite of the indications of many researchers that the competences are crucial for the effective functioning of both the employees and the whole organization, there is no compatibility and equivalence concerning the understanding of the essence of that conceptual category. It seems that the differences in approach in defining competences appear due to (Tyrańska, 2015, pp. 19-48):

- the complexity of the nature of the discussed conceptual category which consists of various elements, such as personality traits, qualifications, experience, responsibility, skills, attitudes, behaviour,
- the versatility which considers their sense on the basis of various scientific disciplines, such as law (formal aspect), sociology (cultural aspect), psychology (functional aspect), education (shaping aspect), phraseology (realizing aspect), management (behavioural aspect),
- the differences in identifying and dimensioning the surveyed category because they can be examined either from the perspective of the employee or the workplace, they are presented in general or detailed ways, and they are analyzed at the level of the employees or the organization, so-called competence-based perspective.

Nevertheless, it is certain that working as a manager is associated with the possibility to exercise power, influence on others, have distinguished rights, interdisciplinary skills, and great commitment. The knowledge of features of the work of management staff constitutes a basis for defining the essence of managerial competences. Mansfield assumes that the competences are the basic feature of a manager who effectively functions (Mansfield, 1999, p. 24). Gholipur, Mahmoodi, Jandaghi, Fardmanesh add that managerial competences include the features and capabilities of managers leading to increase their effectiveness in the workplace (Gholipur, Mahmoodi, Jandaghi & Fardmanesh, 2012, p. 506; Śmigieliska, 2014, pp. 195-202). Similarly, Oleksyn defines the managerial competences. He believes that they are connected with the ability to manage efficiently, effectively and ethically (Oleksyn, 2006, p. 21). The managerial competences are also understood as a certain range of powers of attorney and rights to work, which are entitled to those who have the required qualifications and ability to bear responsibility. Skills constitute the basis of the skills of managers (*Encyklopedia...*, 1981, p. 220; Holstain-Beck, 1996, p. 2). In turn, Nogalski and Śniadecki (1998, p. 127) emphasize that the managerial competences create closely integrated skills: conceptual, organizational, technical, administrative and interpersonal. The managerial competences are the result of general knowledge and skills assimilated, mastered and applied in practice by the manager to solve problems in the organization.

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<sup>2</sup> The results of the research presented in the elaboration are based on own research. Its main purpose was to diagnose the degree of fulfilled functions by the assessment systems of competences of management staff employed in the surveyed enterprises (Tyrańska, 2015, pp. 143-221).

With reference to the definition of “managerial competences” described in literature and the review of various concepts of the structure of competences of management staff, there can be indicated that managerial competences are understood as a set of manager’s traits, including his personality, knowledge, skills, attitudes, experience and responsibility that remain in cause-effect relation with manager’s behaviour referring to deciding on a proper and ethical management.

The discrepancies between required and existing level of competences of management staff (so-called competency gap) may constitute a significant barrier to enterprise development, and hinder the achievement of its current tasks. Overcoming this barrier, through the identification and assessment of the level of competences of management staff and the indication of directions and ways of their improvement, constitutes the essence of the problem and the subject of the publication, which seems to be important both from the point of view of modern management theory and from practice of business management.

Therefore, the assessment system of competences of management staff should be understood as a set of interrelated principles and tools evaluating the level of competences of management staff. Such a broad approach referring to the objective of the assessment of managerial competences provides: the development of appropriate criteria and assessment methods taking into account on the one hand, core competences and business strategy, and on the other hand, the area of management and the place of managerial position in the organizational structure of the enterprise; the link between the results of individual assessment of manager and the assessment of activities of directed links of organization, as well as the entire organization. The assumptive approach of the assessment of competences of management staff combining static assessment with dynamic assessment of competences of management staff is realized by many entities on the basis of 360-degree model. As a result, the proposed assessment system of competences of management staff enriches instruments to diagnose and motivate management staff and to control the effectiveness of organization management.

The proposed assessment system of competences of management staff was based on the universal principles of the assessment process specified by Poczowski (2007, p. 230). Therefore, the catalogue of principles of the assessment system of competences of management staff includes the following rules of conduct:

- the principle of systemic nature according to which, particular elements of the assessment system should be consistent with each other, and the whole assessment system should be incorporated into the process of human resource management,
- the principle of regularity according to which, the assessment should be permanent,
- the principle of universality indicating that all managers in the enterprise are the subject of assessment,
- the principle of flexibility assuming adjustment of criteria and assessment methods (e.g. lists and competency profiles) to the area of management, the place of managerial position in the organizational structure of the enterprise, and the objectives of assessment,
- the principle of concreteness according to which, the assessment criteria should be clear, measurable, and related to the area of management and the place of managerial position in the organizational structure of the enterprise,
- the principle of transparency according to which, the assessed management staff should be familiar with objectives, criteria and procedure of the assessment,
- the principle of simplicity according to which, the applied assessment system should be understandable to all entities involved in the assessment process.



The main function of the assessment system of competences of management staff is the evaluation of competences of management staff focusing on the efficiency of the enterprise and its development. On the other hand, partial functions of the first-degree assessment system of competences of management staff create a complementary arrangement of the following functions: formalization, diagnostic and motivation. Their systematic execution determines expected attitudes and behaviour from managers (Tyrańska, 2015, pp. 59-65).

The formalization function of the assessment system of competences of management staff is aimed at stabilizing principles of personnel policy in the organization by ensuring adherence to rules and procedural requirements referring to managers' assessment in the form of prepared and updated rules concerning the assessment of managers' competences. This feature also covers IT support for the implementation of assessment process referring to competences of management staff.

The implementation of the diagnostic function leads to the identification of the competence gap among assessed managers by updating competency profiles, which are developed for managerial positions, and assessing the real level of competences of a particular manager.

In turn, the motivation function of the assessment system of competences of management staff concentrates on developing ethical and pro-effective attitudes and behaviours of managers, which determine the improvement of economic performance of the enterprise. Within this function, the manager receives feedback about positive and negative aspects concerning the performance of tasks done by him. It constitutes the basis for modifying height of the movable part of remuneration and enables planning of career development. In addition, the results of assessment of competences of management staff are used to make personnel decisions, such as recruitment, demotion, exemption of the manager.

### 3. The research assumptions

The aim of the presented results of research was to identify the effects of applying the assessment system of competences of management staff in the context of enterprise management system.

In particular, the answers to the following research questions should be found:

- What is the scope of applying the assessment system of competences of management staff?
- What criteria are used in the process of the assessment system of competences of management staff?
- What is the usefulness of the assessment system of competences of management staff for personnel decisions?
- What activities are undertaken by the assessed management staff as a result of the assessment?
- What are the noticeable effects of applying the assessment system of competences of management staff?

The respondents of the conducted research consist of managers that run enterprises and HR managers of the surveyed organizations. The conducted research had regional range. The research included medium and large enterprises located in south-eastern Poland, operating in various industries in Lesser Poland Voivodeship, Silesian Voivodeship, Subcarpathian Voivodeship. In the research, small enterprises were omitted due to the limited number of hierarchical levels and management positions, and the lack of formalization of HR processes in that size of enterprises (Tyrańska, 2011, pp. 75-86).

In order to collect data, the method of direct interview was applied. A questionnaire consisted of two parts. The first part contained questions aimed at identifying the surveyed economic organizations. The second part of questions were aimed at diagnosing the assessment systems

of competences of management staff. The research was conducted in the period between October 2011 and November 2013. In total, the research included 205 enterprises. However, as a result of data reduction involving the rejection of questionnaires that were incompletely filled, for further analysis, 197 correctly completed questionnaires were classified.

## 4. The results of own research

The identification of effects concerning the application of the assessment system of competences of management staff in the context of enterprise management system in the surveyed enterprises was held in cross-section evaluation of the following criteria:

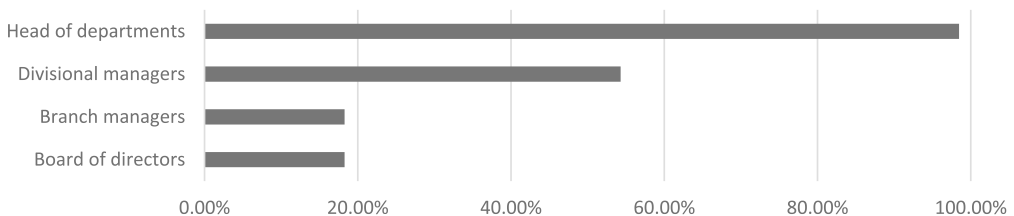
- the scope of applying the assessment system of competences of management staff in the surveyed enterprises,
- the applied criteria concerning the assessment of competences of management staff,
- the usefulness of the assessment system of competences of management staff for personnel decisions,
- the activities undertaken by the assessed management staff as a result of the assessment,
- the effects of applying the assessment system of competences of management staff.

It should be emphasized that the implementation of these criteria also highlights the compliance of the principle of systemic nature to the full extent in the development of the assessment system of competences of management staff. According to this principle, particular elements of the assessment system are mutually consistent with each other, and the whole process of assessment is incorporated into human resources management system. In addition, it provides support for enterprise management system.

### 4.1. The scope of applying the assessment system of competences of management staff

The following types of assessed entities were distinguished in the research: board of directors, divisional managers, branch managers, head of departments (Fig. 1).

Figure 1. The scope of applying the assessment system of competences of management staff in the surveyed enterprises



Source: own elaboration.

The analysis of the collected data showed that around 100% of the surveyed enterprises is assessed at lower level of management – head of departments. In the case of approximately

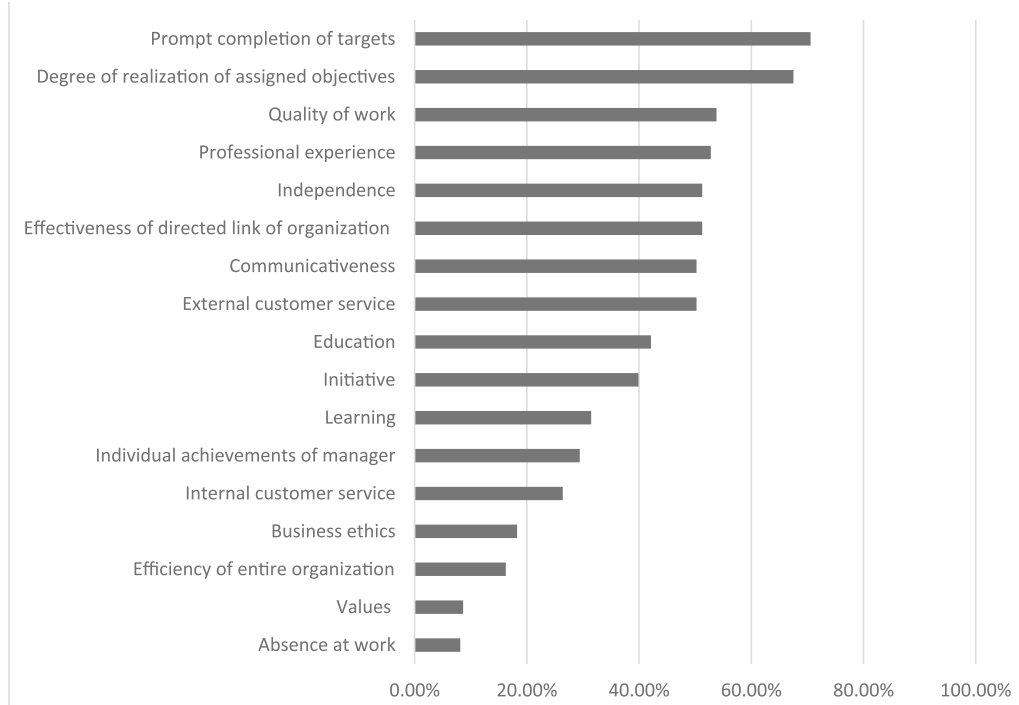
54% of the surveyed enterprises, divisional managers representing middle level of management are assessed. In turn, branch managers and board of directors (the highest level of management) are assessed only in the case of 18% of the surveyed enterprises.

#### 4.2. The applied criteria concerning the assessment of competences of management staff

For the purpose of the research, four groups of criteria concerning the assessment of competences with examples were distinguished. Namely, the following criteria were indicated (Fig. 2):

- qualifying criteria: education, professional experience,
- efficiency criteria: degree of realization of assigned objectives, effectiveness of directed link of organization, efficiency of entire organization, prompt completion of targets, quality of work, individual achievements of manager,
- behavioural criteria: absence at work, business ethics, external customer service, internal customer service,
- personality criteria: initiative, values, independence, communicativeness, learning.

Figure 2. The applied criteria concerning the assessment of managerial competences in the surveyed enterprises

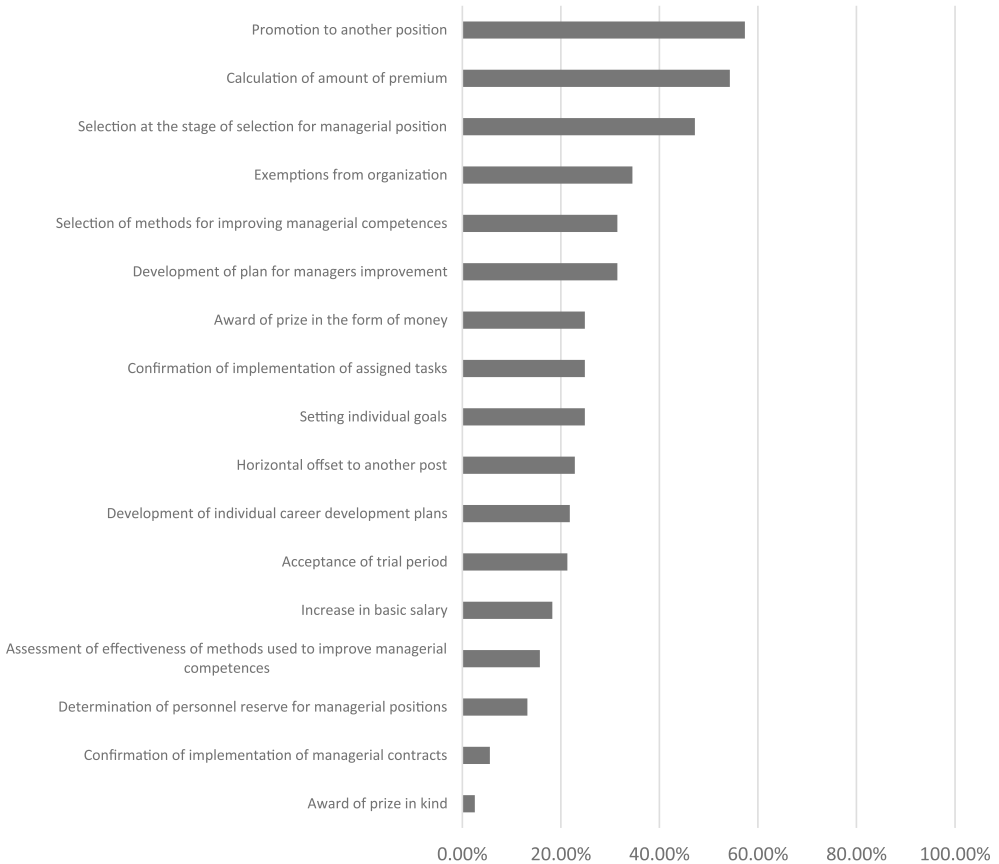


Source: own elaboration.

The conducted analyses depicted five criteria of the assessment of competences of management staff that are the most frequently applied in the surveyed enterprises, such as: degree of realization of assigned objectives (68%), professional experience (53%), prompt completion of targets (71%), quality of work (54%), effectiveness of directed link of organization (52%). According to this results, it can be indicated that efficiency criteria dominate in the assessment, and qualifying criteria are of secondary importance (Fig. 2).

In turn, the least frequently applied criteria concerning the assessment of competences of management staff in the surveyed enterprises are criteria, such as: absence at work (8%), the most important values for a particular organization (8%), business ethics (18%), the level of service of internal customer (26%). Moreover, such a comprehensive assessment criterion, like the level of efficiency of entire organization (16%) is also used rarely in the surveyed enterprises.

Figure 3. The personnel decisions undertaken on the basis of the results of the assessment of competences of management staff in the surveyed enterprises



Source: own elaboration.

### 4.3. The usefulness of the assessment system of competences of management staff for personnel decisions

The conducted analyses of collected data helped to determine the type of undertaken personnel decisions on the basis of the results of the assessment process of competences of management staff (Fig. 3).

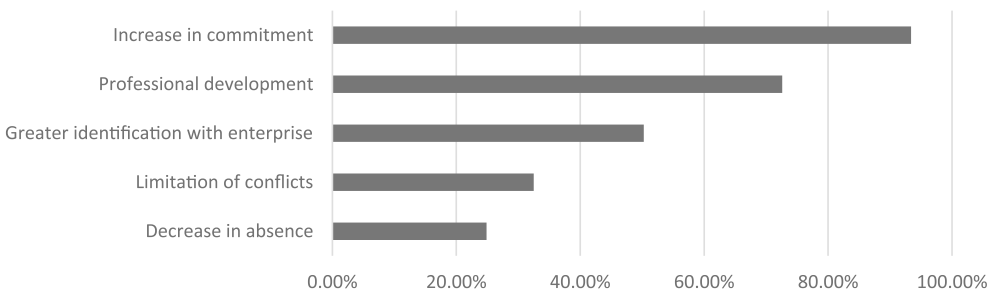
The analysis of data presented on Figure 3 indicates that basing on the results of the assessment process of competences of management staff, in 57% of the surveyed enterprises decisions concerning promotion of assessed managers to another positions are undertaken. Moreover, basing on the results of the assessment, the surveyed enterprises most frequently undertake decisions about the amount of the premium granted to the manager. This situation applies to 54% of the surveyed enterprises. The results of the assessment of competences of management staff constitute the basis for selecting candidates for managerial position. This type of personnel decision is appropriate for 47% of the surveyed enterprises. Besides that, in 35% of the surveyed enterprises the most radical decision to dismiss the manager is undertaken on the basis of a fixed level of competences.

Rarely, basing on the results of the assessment process of competences of management staff in the surveyed enterprises awards of prize in kind are granted (2%), implementation of managerial contracts is approved (6%), personnel reserves for managerial positions are determined (13%), and effectiveness of methods used to improve managerial competences is assessed (16%).

### 4.4. The activities undertaken by the assessed management staff as a result of the assessment

Adherence to the principle of systemic nature in the assessment process of competences occurs also when the results of the assessment have impact on attitudes of assessed managers. The determined signs of behaviours of the assessed management staff in the surveyed enterprises are presented on Figure 4.

Figure 4. The behaviours of the management staff that are the results of the assessment of competences in the surveyed enterprises



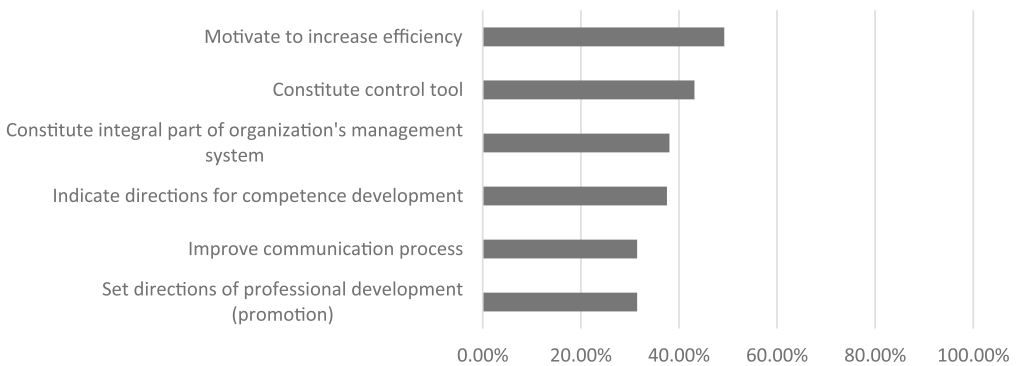
Source: own elaboration.

In more than 90% of the surveyed enterprises, the effect of applying the assessment system of competences of management staff concerned increase in commitment of assessed managers in their performance of work. It is reflected by improving the management system, developing innovations, preparing project to new strategy, opening new branches. In addition, respondents from over 70% of the surveyed enterprises noticed the activities undertaken by managers in the development of their competences. In turn, in more than 50% of the surveyed enterprises, a greater identification of management staff with the enterprise is visible. A smaller percentage of the surveyed enterprises notice decrease in absence (25%) and limitation of conflicts (33%) as the result of conducted assessment of competences of management staff.

#### 4.5. The effects of the applying the assessment system of competences of management staff

In almost 50% of the surveyed enterprises, respondents noted that the results of the assessment system of competences of management staff motivates assessed entities to increase efficiency (Fig. 5).

Figure 5. The effects of applying the assessment system of competences of management staff in the surveyed enterprises



Source: own elaboration.

In 43% of the assessed enterprises, the assessment system of competences of management staff constitutes control tool of effectiveness. The assessment system of competences of management staff applied in 38% of the surveyed enterprises supports process of setting targets for particular managerial positions.

Moreover, the influence of the assessment system of competences of management staff on improving communication process is noticeable in 31% of the surveyed enterprises. It was also determined that for 37% of the surveyed enterprises the assessment system of competences of management staff is a tool used to indicate directions for competence development of assessed managers. In turn, in the case of 32% of the surveyed enterprises, the assessment system of competences of management staff is used to set directions of professional development. According to the respondents representing about 40% of the surveyed enterprises, the assessment system of competences of management staff constitutes an integral part of organization's management system.

## 5. Conclusion

The situation identified as the result of research indicates that in the case of the surveyed enterprises the efficiency criteria has dominant significance in the assessment of competences of management staff. The qualifying, behavioural and personality criteria represent marginal significance. It should be emphasized that the model state occurs when the assessment process is based on four groups of criteria: qualifying, efficiency, behavioural, and personality, which simultaneously are adjusted to the type and level of management area. There should exist managerial position and the assessed management staff should participate in selecting criteria. The application of clear, measurable, and work-related assessment criteria of competences decides also to follow the next universal principle of assessment, namely it prejudices respecting the principle of concreteness in the assessment process.

The state established in the course of the conducted research determines a situation in which, on the one hand, there is limited use of the results of the assessment of competences of management staff in the process of undertaking personnel decisions, while on the other hand, the management staff does not have the incentive to engage at the highest level its competence potential during conducted tasks as it does not have to take into account the consequences of personnel decisions.

The causes of this situation should be attributed to non-compliance with the principle of systemic nature in the assessment process of competences of management staff. According to this principle, particular elements of the assessment system of competences of management staff should be consistent with each other, and the whole assessment system should be incorporated into the process of human resource management. The results of research have revealed that managers are not informed about the results of the assessment of competences. The management staff that is deprived feedback concerning positive and negative aspects of conducted tasks does not modify its attitudes and behaviours toward pro-efficiency directions, which would determine the improvement of economic results of those enterprises. Only in some of the surveyed enterprises, the results of the assessment of managerial competences constitute the starting point to modify the amount of the premium, plan career development, recruit, degrade, and exempt managers.

On this basis, it can be concluded that only in those few cases of the surveyed enterprises, the assessment system of competences of management staff constitutes a centrum of conducted personnel policy, which is realized according to principles proper to competency management system.

It is also recommended in the surveyed enterprises to make the central tool for the implementation of personnel policy from the assessment system of competences of management staff. The integration of the assessment system of competences of management staff with the controlling system or with the performance management is also advisable. Taking advantage of their supreme functionality, which is focused on linking a strategy with its operational activities, it can be concluded that a comprehensive management system can be created. Since financial and operational planning, through reporting, it leads to a measurable assessment of the performance of individual managers, and all these activities are carried out with the support of the IT system.

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# Chapter 28

## **Competency Assessment with the Help of Assessment and Development Center Methods<sup>1</sup>**

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*Anna Dolot*

### **1. Introduction**

Competencies are held in high regard in the field of human resources management, both in literature and in practice. Their use is noticeable in the whole range of fields pertaining to human resources management: from recruitment and selection of appropriate employees, through the process of their training, appraisal, development, motivating and reimbursement. The issue of appraisal, though defined as a separate personal function, overlaps with other fields: recruitment and selection, and widely-understood development. Therefore, a question arises how to perform competency assessment in these fields. The aim of the article is to present and discuss two methods of competency assessment: Assessment and Development Center.

### **2. Competencies and chosen issues corresponding to them**

D. McClelland was the first scholar who used the term “competency”. He linked competencies with activity, completing particular tasks and their outcome (McClelland, 1973, p. 7). One of the first definitions of competency is attributed to R. Boyatzis. In 1982, he stated that competency includes such elements as motives, features, capabilities, self-image or social roles and used knowledge (Boyatzis, 1982, p. 20). In his opinion, professional competency represents the potential, an ability to perform something. An individual set of competencies reflects the capabilities of a person – competencies are identified with qualities of an employee who really does a good job.

Numerous definitions of competency include different elements in its characteristics. Apart from the most frequently chosen elements, i.e. knowledge, capabilities and attitude (Yuvaraj,

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2011, p. 6; Hornby & Thomas, 1989, p. 53), scholars also add motivation (Jia & Fan, 2008, p. 109), self-assessment (Spencer & Spencer, 1993, pp. 10-11), intellectual abilities (Gupta & Roos, 2001, p. 301), self-concept (Hooghiemstra, 1992, p. 28), state of one's health, intrinsic motivation or predispositions (Oleksyn, 2006, p. 25). Competency is not a homogenous concept but it consists of various elements (Tyrańska, 2015, p. 24).

However, analysing competencies from the point of view of employees' behaviour seems to be crucial and groundbreaking. In 1996, C. Lévy-Leboyer (1997, pp. 19-26) claimed that "competencies refer to integrated use of one's abilities, personality features, together with acquired knowledge and capabilities, in order to complete a complex mission within the framework of a given enterprise". Moreover, she thinks that competencies are rooted in behaviours discernible in performing a given job or activity, and that they are reflected in behaviours which contribute to professional success on the occupied position. The author expresses an opinion that competencies depend on organisational environment in which they were shaped and used. She writes that competencies are defined sets of knowledge and capabilities elements, typical behaviours, standard procedures, ways of thinking which can be implemented without any learning. Thus, depending on a situation, an employee "here and now" is able to use their resources, initiating certain behaviours whose outcome is an appropriately completed task.

Defining competencies through the prism of employees' behaviour, especially in difficult situations not dependent on them, seems to direct the process of competency assessment towards observations of employees' behavior in professional situations.

When it comes to competency assessment, it is worth analysing one of competency characteristics, that is its measurability. Although the opinions on this issue are divided, many specialists think that competencies can be evaluated and measured. One of the first opinions considering this issue reads as follows: competencies constitute a set of factors influencing each other: knowledge, capabilities and attitude, which correlate with work outcomes, can be measured and assessed, and can be also developed via training and development (McLagan 1989, p. 70).

Competency measurability is promoted by different scholars: Zbiegień-Maciąg (2006, pp. 171-174) Szczesna and Rostkowski (2004, p. 44). Other specialists go further by suggesting precise and practical methods of assessing employees' competencies (Czekaj, 2005, pp. 5-16; Ziębicki, 2009, pp. 304-309). However, it is worth analysing the debate led by R. Walkowiak. He emphasises the fact that many definitions of competencies include the term "personality", which is, as he explains, a set of mental (personality) features on one hand, and a system built out of an individual's attitude, beliefs, motives and needs on the other hand (Walkowiak, 2008, p. 31). Numerous interpretations of this term and the fact that competencies are defined with the help of different components by different scholars (not psychologists by profession) may lead to inaccurate and imprecise competency measurement. The author also emphasises that each component (ingredient) might have a changeable direction and intensity in time, which researchers find difficult to capture. What is more, the other problem derives from a cause and effect character of relations between particular competency components. For example, recently acquired knowledge might modify one's attitude, which in turn influences behaviour change. There might be numerous relations and the difficulty lies in predicting their maximum number and defining which variables are necessary and which are sufficient. Thus, the author defines knowledge as a necessary but insufficient variable as it does not guarantee success on its own. A research challenge includes first of all difficulties in noticing (predicting) these variables, defining and, finally, measuring them.

The abovementioned doubts do not change the fact that both literature and practice are familiar with the methods whose aim is to measure and assess competencies. Competency assessment is performed at different stages of human resources management in a given organisation: from a recruitment and selection process to a complex process of employee development. The methods which serve candidate and employee competency assessment are called Assessment and Development Center. Taking into consideration the character of competencies, their reflection in employee behaviour and debates on their measurability in the psychological context, certainly the assessment quality depends on the quality of methods used. Assessment and Development Center Methods seem to address the abovementioned issues concerning competency assessment in a complex way.

### **3. The character of Assessment and Development Center Methods**

Chronologically speaking, Assessment Center Method (AC) was created and used first. Most authors trace the origin of AC back to the use of simulation methods to identify leadership potential in the German army before 1939 (Iles, 1992, p. 79). Assessment Centres were established by selection boards of the British Ministry of War, which, since 1942, were occupied with the selection of officers (Woodruffe, 2003, p. 16). Using traditional selection methods (conversations geared to examine the candidate's education and military service achievements), they rejected some soldiers with real potential. The new system consisted of group work, objective selection tests and individual talks. As it brought about positive effects, it was introduced in the whole army. In the United States, Assessment Centres flourished in a private sector. The method was used for the first time by a psychologist D. Bray in AT&T company, in 1956 (Bray, 1964, pp. 225-234; Bray et al., 1974). Development Center Method (DC) also called a development centre evolved from AC. Although it was similar in preparation and practice, it adopted a different aim.

What are the elements that both methods have in common? AC and DC can be defined by their general goal (emphasising the word "general"): obtaining the best description of current and potential competencies linked with performing certain tasks or occupying a given position (Woodruffe, 2003, p. 12). Both methods present a multidimensional assessment process during which candidates are watched by a group of objective, trained judges (also called assessors). The organisation of AC/CD helps to collect in standardised conditions information on knowledge, capabilities and attitudes of scrutinised employees and their developmental potential (Wąsowska-Bąk et al., 2012, pp. 11-12). Employees assessed by AD/CD take part in a series of exercises/ tasks whose main goal is to simulate tasks, especially demanding ones, performed at one's workplace.

What is the difference between AC and DC? This is a particular goal of each method. Though both methods assess competencies, in case of AC this assessment serves candidate selection (most frequently it is a candidate for a particular position). When it comes to DC, it assesses a given employee's strengths and development areas in their current or future position (e.g. the one that he shall occupy once he is promoted). It means that the AC procedure chooses one or a few best candidates for a given position. Thus, their selection is the outcome. The DC procedure provides all employees with extensive feedback on their professional potential – strengths and development areas, often defining recommended activities (e.g. training) aiming at one's development. In this case, the aim is to assess all employees' potential and to define their development plan.

## 4. Specificity of competency assessment in AC and DC

AC and DC methods are based on the abovementioned assumption that competency assessment can be performed via employees' behaviour observation in their professional environment. The simulation of professional situations is characteristic of these methods. It brings many benefits: speeds the assessment process as employees perform some tasks during the procedure lasting from a few hours up to 1-2 days and assessors have an opportunity to observe employees' behaviour in a range of difficult situations (which could normally occur within a few days or even weeks). This gives the method a character of complex assessment, especially in the areas which need such assessment.

However, there are numerous factors which influence the effectiveness of AC/DC. Fitzgerald and Quaintance (1982, pp. 9-21), in a survey of AC used in state and local government, found that AC may vary in a number of different ways. AC may differ, for example, in the number and type of exercises used, the number of competencies evaluated (from 5 to 27), the length and content of assessor training, and the method used for evaluating candidates and for reaching team consensus on candidates. The abovementioned elements deserve to be analysed in detail.

Specialists stress that there is really no typical or universal way that AC is set up or conducted (Thornton & Rupp, 2006, p. 5). However, one can try to put in order tasks used both in AC and DC:

- exercises in pairs – role play in which an observed and assessed participant holds a conversation with the so-called actor (who e.g. plays the role of a unmotivated subordinate, or a demanding, claim-driven client). The actor's role depends on how difficult conversations held by the observed employee at his workplace are. It shall be emphasised that each actor facing a given participant plays the same role, according to the same scenario. It ensures more credibility in the assessment of particular participants' behavior,
- exercises in groups – consist in solving certain organisational problems in a group of observed participants, in taking part in discussions and/or presentations. In this type of exercise the method evaluates not only new ideas but also interpersonal and communication skills, and group-work abilities,
- individual exercises – consist in individual completion of certain tasks, e.g. providing written solutions to problems or completing self-evaluation sheets. A typical individual exercise is the so-called *In basket*, *In tray* exercise where a participant deals with different documents that he would face on a given professional position,
- extensive interviews – geared to examine past events during which a given participant had an opportunity to show behaviour pointing at a particular competency.

The key assumption which decides in favour of reliable competency assessment during the process of AC/DC is a careful selection of exercises reflecting situations at one's workplace. Using exercises not having anything in common with professional reality (which happens in professional practice) decreases the predictability of these methods and constitutes serious negligence. It means that the AC/DC preparation and performance procedure shall include first of all the stage of one's workplace analysis.

The next methodological assumption is assessing each competency in at least two exercises (Woodruffe, 2003, p. 121). This author emphasises that if certain aspects are more important in relation to a given workplace, they shall be measured three or even four times.

AC/DC assume that each participant in each exercise is observed by minimum two assessors<sup>2</sup>. In this place, it is worth explaining the role and tasks of assessors who have substantial influence on the competency assessment process. First of all, they take part in training, during which they become familiar with the character, goals and role of AC/DC, the character and role of the assessment process, content of particular exercises<sup>3</sup>, competencies assessed, behaviours indicative of particular competencies (that is expected behaviours which prove a given competency), evaluation scale, cooperation rules, session timetable. The assessors' task is difficult and they bear a sizeable responsibility for the effectiveness of these methods. Thus, the literature describes activities which shall make their task less difficult: limiting the number of assessed dimensions (Gaugler & Thornton, 1989, pp. 611-618), using behavioral checklists (Reilly et al., 1990, pp. 71-84), or increasing the length of assessor training (Dugan, 1988, pp. 743-748). Assessors' tasks consist in: observing the participants of AC/DC, making notes, comparing the behaviours observed with the indicative ones, providing final grades. After the AC/DC session, assessors meet and evaluate the participants together. Their final grades are the result of a discussion based on substantive arguments and a consensus.

It shall be emphasised that both the quantitative (in points) and qualitative (description of particular behaviour observed during exercises) competency assessment constitutes a strong point of both methods, especially for DC participants who obtain extensive feedback once the procedure is completed. Due to such a lot of work contributed by all people preparing and performing AC/DC, the competency assessment process plays both an evaluative and a developmental role. Undoubtedly, a very precious feature of both methods is higher objectivity of participant assessment. As a result, the participants of both AC and DC may experience the feeling of justice and appreciate the accuracy of assessment performed.

While using AC/DC, one should be aware of the limitations of these methods. The fact of simulating professional situations and participants' awareness of being observed and assessed lets us doubt if behaviours displayed by AC/DC participants would reflect behaviours displayed in real situations. It should be born in mind that both methods are time-consuming in preparation and performance, engaging may people representing different departments and organisational levels. As a result, they are also regarded as expensive ones. It could be interesting to conduct research comparing costs and benefits of using both methods, especially in the context of limited resources devoted to areas concerning human resources management and low awareness of their importance in Polish circumstances.

## **5. Conclusion**

Although both Assessment and Development Center Methods serve the purpose of competency assessment, are similar in preparation and performance, they have fundamentally different goals: the first one selects employees, the latter one evaluates their potential. There are numerous

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<sup>2</sup> It does not mean that the proportion of assessors and participants is 1:1 (which might happen in case of DC). However, a situation in which each assessor evaluates all session participants shall be avoided. From the point of view of process dynamics, it is a demanding task and might substantially decrease the effectiveness of this method due to erroneous evaluations of a given assessor.

<sup>3</sup> In practice, at least some assessors are also the authors of particular exercises, or even the whole AC/DC procedure.

criteria which should be observed to create conditions for appropriate and reliable competency assessment with the help of these methods. It seems though that the extensiveness and complexity of these methods shall be offset by their benefits, that is appropriate employee selection and care about the direction of their development.

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# Chapter 29

## **Types of Outlays and Effects of Methods of Personal Risk Diagnosis<sup>1</sup>**

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*Justyna Dudek*

### **1. Introduction**

Personal risk should pose a significant elements of human resources management, regarding the fact that it is related to employed workers, whose decisions and undertaken actions may exert certain negative influence on the assumed objectives, both in the personal and other spheres of activity. Therefore, there is a necessity to implement actions and apply proper methods that allow identification, analysis and evaluation of personal risk. A source of methods and techniques possible for application in personal risk evaluation is the PN-EN 31010:2010 standard. Application of methods specified in the standards for personal risk diagnosis is related to the necessity of incurring certain outlays, differentiated with regard to a given method. Results obtained from particular methods will not be identical as well. A proposal for typology of outlays and effects from application of the personal risk assessment method were developed for that purpose. Particular outlays and effects were also ascribed to separate methods and techniques that can be applied in personal risk diagnosis. The obtained results allowed differentiation of those methods that are characterized with the greatest (according to the author) level of effectiveness. Realization of the work's objectives was preceded with characteristics of the personal risk and effectiveness notions.

### **2. Personal risk characteristics**

An attempt to define the notion of personal risk was undertaken by numerous national and foreign scientists/specialists, dealing with human resources management themes. According to M. Tyrańska, personal risk “is determined by the level of changeability or uncertainty of achievement of a result assumed by a personal decision, and it may be treated as a threat for quantitative and qualitative development of a company” (Tyrańska, 2007, p. 161). While R. Rutka

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<sup>1</sup> The work poses a fragment of a developed doctoral dissertation.

and M. Czerska (2006, p. 201) determine personal risk as “a function of probability of occurrence of a negative effect as a result of undertaken personal decisions (both subjective as well as forced with conditions), and the scale of adverse effects of this event for proper organizational functioning”. It is also defined as “a risk of financial losses that result from human imperfectness (errors arising from deficiencies in knowledge, proper predispositions, but also from employees breaking law or internal regulations on purpose), as well as imperfections related to processes of their management” (Bochniarz & Gugala, 2005, pp. 97-98). According to E. N. Bułanowa (2008, p. 8), personal risk poses “a measurement of danger for deviation of the actual workers functioning level from the value that corresponds to the organizational objectives, [...] this danger results from ineffective operations in the scope of personnel management”. According to a German author – L. Kloti (2008, p. 47) – personal risk is “a sum of all unexpected results coming from violation of standards (Deliktrisiko), the risk of “going out” (Austrisrisiko), motivational risk (Motivationsrisiko), overburden risk (Engpassrisiko) and the adaptation, mismatch risk (Angpassungrisiko)”. While analyzing particular definitions, a conclusion may be drawn that personal risk can pose a source of losses for an organization both in the material sphere (financial costs), and within a non-material field (loss of knowledge, failure to achieve assumed objectives, a drop in employees’ motivation).

### 3. The notion of effectiveness

Interpretation of effectiveness is presented in available literature of the subject in an object-oriented or a system-oriented scope. Effectiveness in an object-oriented scope is expressed in organizational operation efficacy, i.e. The degree of assumed objective realization and management rationality. Rationality of undertaken decisions is based on the principle of economy (in other words: the principle of rational management), which encompasses two basic formulas: the effectiveness formula (achievement of maximum effects with determine/permanent outlays), saving formula (achievement of particular effects with a simultaneous struggle for minimization of incurred outlays). Interpretation of the effectiveness essence in the object-oriented approach takes place within a “triad”: objectives – effect – outlays. While in case of the systemic approach, effectiveness is expressed in a given organization’s ability to fight uncertainty resulting from the environment. It is also based on organizational shaping of environmental conditions in such a manner that they support the organization, and on the ability to acquire resources from the surroundings, and utilize them skilfully. Interpretation of effectiveness within a systemic approach is possible within the “triad”: outlays at the entrance to the system – transformation processes – effects at the exit from the system (Bielski, 1997, pp. 103-112). The objective-oriented approach requires quantification of organizational objectives, what in case of qualitative goals is hard or impossible to achieve. This condition has become a foundation for criticism of this approach and propagation of the systemic perspective. In this approach, organizations are treated as separate systems that strive for autonomy (both internal and external), but also integrity with the surroundings. Their objective is to strengthen their positions in relation to other organizations that function in parallel (Pawłowski, 2007, p. 33). In order to approximate the notion of effectiveness, Table 1 presents its selected definitions.

Table 1. Selected definitions of effectiveness

Author	The notion of effectiveness
E. Niedzielski (2011, p. 20)	“a desired condition is to combine effectiveness and economy with profitability. As it is possible to act effectively but not economically, and it is possible to do harm effectively and economically, or act to the benefit”
R. Walkowiak (2011, p. 29)	“effectiveness should be referred to efficacy of actions, [...] effective actions will have an attribute of efficiency only when they are characterized with effectiveness, benefit and economy”
G. Osbert-Pociecha (2007, pp. 337-349)	“an economic category that poses a criterion for evaluation of operations undertaken by an organization as a while, or its particular spheres, [...] belongs to qualities that decide about the organizational character, condition its operation and determine its development”
M. Walczak (2007, pp. 222-223)	“the ability of effective realization of assumed objectives of economic activities, with preservation of the principles of rational management”
M. M. Helms (2006, p. 211)	“effectiveness is connected with doing things in a proper manner, while efficacy regards doing proper things”
ISO 9000:2006	“a relationship between achieved results and exploited resources”

Source: own study based on selected authors.

#### 4. Effects and outlays of application of the personal risk diagnosis method

Diagnosis of a widely understood risk, also including the personal risk, should be carried out with application of properly selected methods and techniques. Selection of those methods is conditioned with numerous factors, both internal and external, which include, among others, material, financial resources and intellectual capital. Each method listed in the PN-EN 31010:2010 standard, which can be used for evaluation of personal risk, requires provision of the mentioned resources to various degrees. There was an attempt made to list the outlays necessary to be incurred in case of application of the personal risk assessment method, and a proposal for typology of those outlays was developed. A similar procedure of conduct was applied in relation to effects that can be obtained from personal risk assessment with utilization of those methods.

Outlays within an effectiveness account are broadly comprehended as outlays, resources and costs. The outlay expressed in natural units means consumption of labor and property resources of an organization. Outlays expressed in monetary units are called costs. In literature of the subject, an outlay is understood as an amount of a certain elements of organizational assets at a given moment (Dąbrowski, 2012, pp. 34-35). Table 2 presents a proposal for outlays that are necessary in case of application of the personal risk diagnosis methods/techniques.

Table 2. A proposal for a typology of outlays incurred in case of personal risk diagnosis methods and techniques

Criterion	A type of outlays
Time devoted to diagnosis of personal risk	<ul style="list-style-type: none"> <li>– very long</li> <li>– long</li> <li>– average</li> <li>– short</li> <li>– very short</li> </ul>
Source of information for diagnosis	<ul style="list-style-type: none"> <li>– internal</li> <li>– external</li> <li>– internal and external</li> </ul>
The number of persons involved in diagnosis	<ul style="list-style-type: none"> <li>– a single worker</li> <li>– a team of workers (experts)</li> </ul>
Methods for acquisition of data for a diagnosis	<ul style="list-style-type: none"> <li>– an analysis of historical data</li> <li>– an analysis of current data</li> <li>– performance of experiments</li> <li>– creation of tools for data acquisition</li> </ul>
Types of financial outlays	<ul style="list-style-type: none"> <li>– purchase of devices</li> <li>– purchase of software</li> <li>– purchase of materials</li> <li>– purchase of professional literature</li> <li>– renting a room</li> <li>– remuneration for experts that carry out the diagnosis</li> </ul>
Necessary components of human capital	<ul style="list-style-type: none"> <li>– experience of a researcher</li> <li>– expert knowledge of a researchers</li> <li>– researcher’s creativity</li> <li>– researcher’s analytical skills</li> <li>– synthesizing abilities</li> <li>– researcher’s level of motivation</li> <li>– appreciating the significance of diagnosis</li> <li>– a positive attitude towards diagnosis</li> </ul>
Elevation of the qualifications level	<ul style="list-style-type: none"> <li>– internal training of employees</li> <li>– external training of employees</li> </ul>

Source: own study.

J. Dąbrowski (2012, p. 37) defines the effects as “total results from operational activity, which can be positive and negative, and which are reflected in the enterprise’s records, or influence operations of other entities, are of an economic but also social, spatial or ecological dimension”. In turn, R. Matwiejczuk interprets the notion of effects as results of purposeful action, which are not necessarily effective. According to that author, the effects should be related to various aspects of organizational management, under a condition that these are results of a purposeful operation. They should also consider environmental influence on the organization (Matwiejczyk, 2006, p. 82). Table 3 presents a proposal for a typology of results obtained from application of the personal risk diagnosis method.

Table 3. A proposal for a typology of effects in case of personal risk diagnosis methods and techniques

Criterion	Types of effects
Stages of personal risk diagnosis	<ul style="list-style-type: none"> <li>– identification</li> <li>– analysis</li> <li>– assessment</li> <li>– combination of the above</li> </ul>
Measurability	<ul style="list-style-type: none"> <li>– a risk level specified in a quantitative manner</li> <li>– a risk level specified in a qualitative (descriptive) manner</li> <li>– a risk level specified in a quantitative-qualitative manner</li> </ul>
The number of personal risk spheres	<ul style="list-style-type: none"> <li>– covering holistic personal risk</li> <li>– covering selective personal risk</li> </ul>
Significance of personal risk for an organization	<ul style="list-style-type: none"> <li>– high significance of personal risk</li> <li>– moderate significance of personal risk</li> <li>– low significance of personal risk</li> </ul>
Subject of diagnosis	<ul style="list-style-type: none"> <li>– assessment of applied solutions</li> <li>– assessment of new, innovative proposals for solutions</li> <li>– combination of the above</li> </ul>
Time from obtaining the results to their application	<ul style="list-style-type: none"> <li>– immediately</li> <li>– after a certain time</li> </ul>
Type of the obtained result	<ul style="list-style-type: none"> <li>– a list of threats (causes) related to risk</li> <li>– development of recommendations that reduce the probability of threat occurrence</li> <li>– a list of consequences with personal risk</li> <li>– development of recommendations that reduce the size of consequences</li> <li>– scenarios for the course of events related to the personnel</li> <li>– development of preventive actions</li> <li>– response plans in risky situations</li> <li>– verification of recommendations</li> <li>– combination of the above</li> </ul>
Quality of the obtained result	<ul style="list-style-type: none"> <li>– objective risk assessment, based on factual data</li> <li>– subjective risk assessment based on a researcher's opinion</li> <li>– combination of a subjective and objective assessment</li> </ul>
The manner for documenting the results	<ul style="list-style-type: none"> <li>– detailed records of the results</li> <li>– fragmentary records of the results</li> </ul>
Flexibility of personal risk diagnosis realization	<ul style="list-style-type: none"> <li>– the course of diagnosis depends on the researcher</li> <li>– a strictly specified course of risk diagnosis, according to procedures</li> </ul>
Usability of results	<ul style="list-style-type: none"> <li>– “single use” results from risk assessment</li> <li>– “multiple use” results from risk assessment (results “recycling”)</li> </ul>
The scope of method application	<ul style="list-style-type: none"> <li>– a method applied on a single stage of personal risk management</li> <li>– a method applied on more than one, but not on every stage of personal risk management</li> <li>– a method applied on each stage of personal risk management</li> </ul>
Universality of results	<ul style="list-style-type: none"> <li>– applied only within the HR area</li> <li>– applied within various spheres of organizational operation</li> </ul>

Source: own study.











## 5. Classification of effects and outlays of application of the personal risk diagnosis method, according to assumed criteria

The PN-EN 31010:2010 standard lists 31 methods and techniques for risk evaluation. Analysis of literature of the subject and own deliberations allowed to specify those methods and techniques, which could be applied in personal risk diagnosis. A group of methods that are not useful during personal risk analysis and assessment includes: evaluation of toxicity, preservation of reliability, an analysis of circuits, HAZOP method, HCCP method, an analysis of protection layers, Monte Carlo simulation, an analysis of root causes. The remaining methods are characterized with a differentiated level of outlays and effects, what results from the developed table 4 (related to outlays) and table 5 (related to effects).

An attempt was made on the basis of obtained results, to determine effectiveness of the listed methods and techniques for personal risk diagnosis. An analysis of those methods/techniques on the basis of literature of the subject, and classified outlays and results from application of the methods, allows to conclude that the most effective personal risk diagnosis methods are: preliminary hazard analysis (PHA), Dekphi method, FMEA method, Markov analysis and SWIFT method ("what if"). These methods require significant outlays but the obtained results pose a valuable source of information for the interested parties. Application of particular methods is conditioned by material and financial resources possessed by a given organization. Considerable significance is also ascribed to a size of an organization, realized personal policy and involvement of decision makers.

## 6. Conclusion

Personal risk is of considerable significance for proper operation of an organization. Selection of methods or techniques for this kind of risk diagnosis, in a given organization, depends on the size of outlays incurred for that purpose, and the scope of effects that can be obtained. The works includes a table that lists outlays that should be incurred, and results that can be obtained, in relation to all discussed methods applied in case of personal risk diagnosis. There was also an identification of methods that are most effective in personal risk diagnosis. The presented results from an effectiveness analysis and evaluation of the personal risk assessment methods may vary in terms of opinions expressed by experts in a given field This results from the fact that they were developed only on the basis of an analysis of available literature of the subject, and evaluated on the basis of selected typological criteria. A more accurate assessment can be made during field studies.

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# Chapter 30

## Personal Controlling as a Helpful Tool for Competence Management<sup>1</sup>

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*Piotr Zajac*

### 1. Introduction

The growing importance of knowledge in modern economic processes makes it rank personnel controlling in the enterprise increases. This process can also be combined with significant from the point of view of each organization management professional competence. In the turbulent environment of the organization it is conditioned by the success of its rational use of all available resources. Increasingly, it is pointed out that the deciding factors on the results of the economic organization of human resources. In these organizations the primary resource used to gain competitive advantage over other organizations is knowledge, which is located in many organizations, such as documents, procedures, regulations, books and databases. Note, however, that the main carrier in which it is, in and people are multiplied. Precisely for this reason, human resources is considered to be one of the key resources of modern organizations. The new tool allows you to specify the extent to which the objectives of the corporate strategy and human resources strategy and, if necessary, indicates the need for corrective action. Taking into account the information given on controlling personnel can be concluded that it is a tool whose use could improve the efficiency of management, very important from the point of view of economic changes and the associated process of competency management.

### 2. The nature and characteristics of personnel controlling

The employed personnel is treated as a strategic asset of an organization, whose skills and motivation have a growing influence on economic results. In spite of that, managers who take decisions in the field of human resources management, have incomplete information about the changes in the employment structure, the incurred costs of labor, effectiveness of activities and the efficiency of personnel decisions taken. The lack of full information about human resources

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is also noticeable in case of external stakeholders, such as investors, clients and cooperatives. The existing information gap may be filled by the usage of a new management tool, which is personnel controlling. The new tool allows you to assess the extent to which the targets of the company strategy and human resources strategy have been realized, and additionally if necessary, indicates the necessity to undertake corrective actions. Taking into the consideration the provided information concerning personnel controlling, one can state that it is a tool which usage may influence the increase of management effectiveness; which is vital in the view of undergoing economic changes and the associated processes of globalization.

The concept of controlling derives from the United States, where at the end of the 19<sup>th</sup> century, there was created a post of a company controller for the first time. The controlling developed during the years of the financial crisis, when the creation of a unit managing and controlling the company activities became a necessity. In the 50s and 60s of the 20<sup>th</sup> century, controlling appeared all over Western Europe, especially in Germany, France and Switzerland. In present times, controlling is an integral part of modern management systems in a majority of West-European companies.

The way of understanding controlling depends, among others, on the size of a company, its organization culture, internal transformations and changes in the surroundings. Discrepancies in interpreting the concept of controlling stem, among others, from the fact that the term comes from the word “control”, which has a lot of meanings in English. The concept of controlling should be distinguished from the term “control”, in a sense that it is one of the management functions which involves comparing the assigned and the achieved values. For controlling means a support system in the process of strategic and operational management of the company, through the coordination the planning and control as well as through securing the information indispensable for taking decisions (Pocztowski, 1994, p. 6).

Table 1. Comparison of a controlling function with a traditional function of control

<b>Distinction criterion</b>	<b>Traditional control</b>	<b>Controlling</b>
Connection with planning	Formal relationship-respecting plans	Formal and active relationship-co-authoring of plans and procedures
Approach to information system	Using the existing information	Co-authoring of information system
Orientation in time	Future-oriented-the assessment of what has happened	Future-oriented-predicting
Understanding range	More narrow understanding	Wider understanding
The place in the organizational structure	Cells which do not have hierarchal and functional connections	Committees and task teams with flexible staff and methods of operation, coordinated by a specialist controller
Characteristics of operation	Identifying mistakes, applying for their correction, looking for the guilty ones, imposing fines, requesting organizational and personal changes	Advising, supervision, coordination, methodical help, suggesting solutions, prevention, inspiration

Source: own elaboration based on (Stabryła, 2000, p. 321; Kowalczyk, 2002, p. 232; Sekuła, 1999, pp. 16-17; Grudzewski, Zach & Zabielska, 2001, p. 2).

It is apparent from Table 1, that one cannot equate controlling with a traditional control. Controlling is a much wider concept than control, and it is also much widely used. Through the usage of numerous measures and indicators, it gives a possibility to manage a company efficiently.

Controlling in the area of human resources management is an integral part of the controlling as a concept of an organization management and is referred to as personnel controlling. When talking about the human resources management, what is meant is a defined concept of people management which can be characterized by the following assumptions (Pocztowski, 1994, p. 6):

- people are the most valuable organization asset, a key to its success,
- the objective of the management of human resources is their adjustment to the company missions and targets,
- the politics in the area of human resources is an integral part of the company politics and is shaped on the base of the company culture,
- there is happening a decentralization of a personal function – a line manager’s eligibilities are increasing,
- the relationships between the management and individual workers have a priority over the relationships between the management and trade unions,
- the management of human resources blends in with the concept of a modern company – not only does it react to changes in the surroundings but also consciously shapes the mentioned company surroundings, perceived as a peculiar culture creature gathering the collectivities of people cooperating in order to achieve individual aims and identifying with their company.

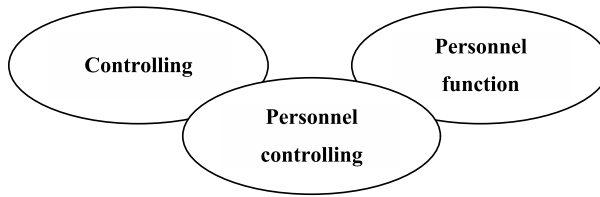
Personnel controlling is a sort of “an early warning system” (Pocztowski, 1998, p. 33), which task is timely recognition and identification of phenomena both inside and outside the company. This allows you to avoid or minimize being surprised by suddenly emerging threats; it also allows you to use appearing opportunities. Early warning systems are information systems, which consist of a set of quantitative indicators relating to the signals capable of being expressed quantitatively, as well as of qualitative indicators, used for signals defined descriptively.

Personnel controlling in a company fulfills two basic functions. The first one is an informative function, which task is to gather, process and prepare information valid in the process of taking personnel decisions. The second function of controlling is a steering function, which involves coordination of plans and other personal projects, as well as controlling them on regular basis. The importance of personnel controlling is decided not only by functions that they have to fulfill but also by a more and more highlighted role of human capital, as a valid competitive factor of modern companies. By introducing personnel controlling, one can obtain a possibility to coordinate planning operations better, to record individual components of human capital and to record it not only as costs, but also as assets. Creating the value in the area of a personal function cannot be limited only to reducing the costs of labor, but it should also use the so-called “effect of human resources lever”, which is an increase of labor productivity through increasing the value of the numerator, and not by decreasing the denominator in reflecting indicators. The productivity increase obtained in this way is much more permanent than the one created as a result of operations aimed at reducing labor costs (Pocztowski & Purgał-Popiela, 2004, p. 181).

The range of personnel controlling depends on the needs and the kind of business activities of a given company. Specific solutions of personnel problems are a result of a functional controlling development and the way a personnel function is performed (Fig. 1).



Figure 1. Personnel controlling as a result of a development of a personnel function and function controlling



Source: (Pocztowski & Purgał-Popieła, 2004, p. 183).

Assuming the model approach, one can distinguish three main areas of using personnel controlling (Pocztowski & Purgał-Popieła, 2004, p. 182):

- employment,
- the system of a personnel function,
- internal and external factors which have an influence on employment and the personnel function.

The employment is analyzed as an object influenced by personnel decisions. These decisions are aimed at shaping the size of employment in terms of quantitative and qualitative features which are in compliance with the main target of the company. It consists of:

- the status and the structure of employment,
- labor conditions and labor relationships,
- labor costs,
- the use of time of work,
- employees' repositioning.

The system of personnel function consists of:

- a strategy of human resources management,
- personnel processes,
- the structure of entities involved in the processes of creating value in the area of the personnel function and the devices used by them.

The research of the personnel strategy should cover both its internal integrity and the compliance of specific elements within the comprehensive strategy of human resources management, as well as the compliance with the paramount business strategy and other business strategies of an organization. Controlling should also cover the very same creation process, implementation and supervision of strategic programs within the personnel function.

The aim of the personnel process controlling in the company is to increase their performance. The main personnel processes in the company are:

- shaping the level and the structure of employment (which includes workforce planning, development of procedures for the recruitment and staffing of specific positions, the introduction and adaptation of new employees, horizontal and vertical promotions as well as employees' outplacement),
- performance management (developing the processes connected with shaping behaviors and attitudes that affect work performance and interpersonal communication, establishing the principles of remuneration, development and implementation of the employees' evaluation system),

- human capital development ( identification of needs for conducting schoolings and employee's trainings, shaping career paths and planning professional careers, the identification of verification methods for training processes),
- personnel matters administration.

Since the management of personnel takes place in specific conditions, which have a major impact on the strategies implemented, current tasks as well as on processes and techniques used, the task of controlling is to harmonize all the factors that create an internal environment of the HR function, as well as the external environment. The environment of the internal HR function is made up from, apart from the business strategy, organization structure and organization culture, stakeholders, working in different enterprise cells, including production or logistics. They are internal clients, creating a demand for services provided by the HR function. On the other hand, the environment of the external HR function is made up from stakeholders operating outside the company, especially by the actors of the labor market and the factors of the macro-environment with technical, economic, legal, demographic, socio-cultural and ecological features (Pocztowski, 2003, p. 51).

The primary objective of personnel controlling is to increase profitability, efficiency and the effectiveness in the area of HR management. The remaining objectives of the personnel controlling are (Sikorski, 2001, p. 50):

- a close connection of the personnel department activities with all the entrepreneurship through proper coordination activities,
- taking care of the transparency of the personnel cost structure and its constituent factors,
- a demonstration of the impact of the implemented personnel policy on the processes of decision-making and economic performance of the company,
- an indication of the results of the realization of objectives and tasks faced by HR in other areas of functioning for managing a company as a whole.

The objectives of personnel controlling are defined in two ways – either as “passive” or as “active” ones (Nowak, 2004, p. 177). What is understood by passive objectives of personnel controlling is detecting “bottlenecks” in a company or fulfilling a role of an early warning function. Active objectives of personnel controlling, however, are about an optimal use of abilities embedded in the possessed human resources and shaping them in a such a way that the value and the success of a company is multiplied.

In case of the human resources management, detecting “bottlenecks” in the company may refer to (Sierpińska & Niedbała, 2003, p. 352):

- changes in workers' productivity,
- changes in the size and structure of the labor costs,
- working time waste,
- changes in the size and the employment structure and workers' qualifications,
- accident rate changes,
- human relations,
- the system of workers' assessment and awarding.

The effectiveness of personnel controlling, used as a tool supporting the human resources management depends on the way it is organized, so it depends on (Pocztowski & Purgał-Popiela, 2004, p. 189):

- defining tasks and competences of people performing it,
- assigning the controlling activities to a proper organization cell,
- the place the mentioned cell takes in the organization structure of the business.

The most important tasks of a controller within a personnel function of modern businesses are:

- the coordination of human resources planning,
- supervising the realization of projects within the human resources management,
- the measurement and analysis of employment and workers' turnover,
- counseling on human resources for managers and supervisors in the company.

To make it possible for a controller to effectively carry out their assigned duties, s/he should be given autonomy and the following resources of knowledge: the awareness of company core values, focus on the future, the ability to think in terms of cause and effect and the ability to combine short-and long-term objectives. The way the controlling tasks are assigned to a specific organization cell depends on how much a company is developed as well as on its size and the industry it belongs to. The most often, the personnel controlling is placed in the finance or human resources departments.

### 3. Management of professional competencies

Modern companies, regardless of their size, location or industry affiliation have to face many new challenges in the context of which the following should be mentioned: globalization, taking advantage of opportunities created by new technologies, achieving profitability through growth, creating of intellectual capital as a source of a competitive advantage and the necessity for action in a changing environment (Ulrich, 1997, pp. 126-127). Organizations which want to meet these challenges, cannot compete using traditional factors such as costs, modern technologies, production and distribution systems and product characteristics, but should reach for factors of an organizational nature, such as an operating speed, flexibility to change, an ability to learn quickly and high competences of employees. The model of challenges for personal controlling, and thus for tools that the human resources management connected with it, is shown in Figure 2.

Figure 2. Challenges for personal controlling



Source: own elaboration based on (Pocztowski, 2008, p. 39).

The need to develop the discussed factors gives an opportunity to raise an important role of an HR function of an enterprise, as well as of the management tool supporting the discussed function – which is personal controlling and assigning them the basic rank in an organization desiring to operate in new economic conditions.

Traditional human resources management is more and more often supported by the aspects of employees' competence management. In many organizations and entrepreneurs, competence management is becoming more and more popular – mainly because of the fact that the success of a business depends on many resources: financial ones, raw materials, owned techniques and technologies and information but most of all – on the employed workers.

Managing employees' competencies aims at building a management system, which aims at guaranteeing development and strengthening of the company position on the market by the realization of a policy of creating and developing defined competences required by the company (Ziębicki, 2011, p. 26).

The following may be listed as aims of competency management:

- adjusting employees' competences to changes and to an increasing flexibility of markets, which often call for a need of re-qualifying of a worker or for changing the workplace,
- guaranteeing, maintaining and development of employees' abilities to do a given job,
- achieving a high level of competitiveness and effectiveness,
- guaranteeing high employee competencies for certain workers, which guarantee higher quality of work (Oleksyn, 2006, p. 37).

A particularly important function of competence management is to identify the competencies required for a given position. The competencies defined in this way help the recruitment department to find suitable candidates for specific positions and are extremely helpful in evaluating employees and determining the path of their professional development. In the described approach, we can see gaps between the competencies held by employees and competencies required for a given position. The analysis of the competencies held by employees is very important for the company, due to the possibility of developing potential abilities and employees' competencies in such a way that they will bring benefits to the organization.

What is also crucial is a division of competence management into levels. T. Oleksyn has distinguished six levels of competency management (2006, p. 38).

The first most basic level is an individual level – each person individually, with varying degrees of success, can manage their own competencies; each person should strive for self-improvement and the increase of their own competencies, not relying solely on the employer in this matter.

The next level refers to an organization, in which these are the employers or managers on their behalf who are interested in determining required competencies in a given enterprise, their provision and their development. An important aspect of this level of competency management is attracting and retaining employees with a competence profile corresponding the organization.

The next level is a local level, in which counties and municipalities realizing plans for social development are also involved in the process of competency management, mainly due to their oversight in terms of culture and education.

The fourth level is a regional level, which in our country means the level of a voivodeship. Voivodeships are largely responsible for the activities of universities and colleges in their area, and these in turn are responsible for teaching a certain range of competencies to their graduates.

The next level of competence management is a national level, where the most important role is played by the education system, which primarily serves the science, developing talents, bringing up, career guidance and job-search assistance.

The last level of competence management is an international level. Here, what is mostly included are international human rights respected by almost all the countries in the world; which are connected – among others – with a right to choose your job freely, right to education and the labor protection.

Issues related to the competencies in organizations form competence structures. Competence models in organizations are sets of the most significant and the most important competencies from the point of view of the company. Competencies within the models are grouped and assigned to specific positions in the organization. Defined and position assigned competencies clearly stipulate the key behaviours that workers should portray in order to achieve the best results on a specific work position. Competence models are the tool that guarantees purpose, consistency and precision in undertaken activities in the field of human resources management – among others – in activities such as selecting employees, evaluating them as well as in training and development – due to that, these models greatly affect the organization efficiency. Enterprises create their competence structure in different ways, depending on their own needs. Very often, however, they are presented by means of diagrams which clearly show how the competency structure is shaped in a given organization.

## 4. Conclusion

The implementation of a competence management system in an organization has many advantages, including the systematization of labour structures, the creation of a database of competencies owned by the organization, the facilitation of an objective assessment of workers, the facilitation of creating of incentive schemes for employees and an increase of employees' motivation to improve their competencies. It is not, however, a system without errors. One should remember though that a system basing on competency stimulation is a good factor to obtain a competitive advantage on the labour market; it also helps to create a fair remuneration system in an organization.

A properly designed and adequately used competence management system in an organization may bring a lot of benefits to the company.

Due to that, the personal controlling has objectives; among which are:

- competence building corresponding to the development strategy adopted by the company through extensive training and development activities for employees,
- retention and attracting to work in the company the most valuable and talented employees,
- a continuous improvement of work efficiency and maximum utilization of workers' skills and knowledge,
- mastering of incentive systems and creating conditions for the implementation of tasks at an expected level,
- strengthening the role of the line management,
- building a pro-innovation organization culture,
- creating an image of the company as a particularly valued and responsible employer in the labor market.

Consistent implementation of planned goals gradually brings benefits to the company in a form of increased labour efficiency as well as innovation and involvement of employees around the company's goals.

Basing on the presented considerations, it can be concluded that the discussed tool, i.e. personal controlling, can be used both within all the enterprise, as well as within its individual organizational units. One can expect that in the near future, personal controlling will be developed and used by a growing number of enterprises and will become a part of the basic tools used in the management of human resources, also in the framework of the promoted process of competence management.

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# Chapter 31

## **Management of Human Resources Commitment in Public Hospital Using Tools Adapted from Business Sector**

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*Piotr Lenik*

### **1. Introduction**

In theoretical considerations as well as in commonly presented views, there is a prevailing belief in the unsatisfactory performance of the public sector. If we compare its functioning to the private sector in terms of professionalism, approach to customers as well as efficiency, the result will fall mostly in favour of the latter group. Without a doubt, human resources of specific organizations within the public sector, particularly in the area of services, have a dominant influence on their image. It is employees, including managers at all levels, who have a significant impact on the general public perception of the widely understood public sphere.

One of the sectors in Poland particularly exposed to negative opinions from the public regarding the lack of a professional approach to the customer (patient) is health care. However, it should be noted that the assessment of the healthcare system effectiveness in Poland is quite problematic. On the one hand, something that cannot remain unnoticed is the progress that has been made since 1989, both in the diagnostic methods and techniques as well as in the investment field – including purchases of modern equipment. On the other hand the health care system is often criticized because of the unsatisfactory quality of customer service. In this regard, there is often a requirement for the need to increase involvement of medical staff or individual professional groups representing them. It is true for both – participation management at hospitals and other health care units as well as creating positive relationships with patients. The quality of service is rather difficult to assess from the point of view of the patient because of the widely understood underfunding of health care facilities. According to the Ministry of Health, at the end of 2014 independent public health care facilities payables amounted to nearly two billion zlotys (*Ministerstwo Zdrowia*. 2016). One of the factors influencing the unfavourable financial situation, especially of numerous hospitals, include underestimation of the number of medical procedures performed, unchanged for several years calculations of basic conversion point for the work of hospital wards as well as not fully controlled process of the contract agreements execution with the National Health Fund. The problem that is here is called overspending, which results from exceeding the limits granted in each



range of benefits. On the national level it comes up to the average of 1.8-2.0 billion zlotys extra cost annually (*Ministerstwo Zdrowia*. 2016).

Another important problem, which is generally not analyzed, is insufficient involvement of medical managing staff in the strategic approach to management, including the need for rational resources and effective cost management. This problem is especially present in public entities, which operate across the full spectrum of services, including those highly unprofitable ones – unlike private entities.

Therefore, it seems reasonable to adapt the tools used include in the business sector, towards the medical staff, including those in charge of hospital wards. These tools are aimed at strengthening the commitment, improving the performance of individual wards and eventually, by doing this – refining the financial result of the whole hospital. It is crucial to take action, that would help to enhance the organizational commitment of employees, including medical staff.

The aim of this study is to present tools for raising the level of involvement of medical personnel in public hospitals. Used here are examples of actions taken in a particular provincial general hospital, which were connected with examining the level of staff commitment, the MBO concept and the use of the control card to monitor the contract performance monthly. The research method adopted here is a retrospective analysis of the case because of the proprietary and innovative way of using implemented tools, adapted by the author of the article in order to create proeffective attitudes of medical staff managed by him in the provincial general hospital. The implementation of this method started in 2013 and has been used since then, with annual adjustment of individual tools.

## **2. Study of the hospital medical staff engagement**

Managing the engagement of employees is an approach based on taking into account the impact of staff being involved in actions for the organization, its development policy and efficiency. The literature on this topic takes different approaches into account. But it is possible to group these approaches in three main areas (components) involvement as an emotional attachment, as a consequence of the anticipated costs and as an obligation (Meyer & Allen, 1991, pp. 61-89). Involvement in the first area is understood here as the emotional (affective) commitment, and its distinctive feature is that people with its high level identify themselves with the organization, they engage in it and are happy to be a part of the organization. The second area of engagement is understood as a result of the perception of the employee's costs if they left the organization. It then becomes a tendency to get involved in activities for the organization. This kind of engagement is based on recognizing the possible financial consequences if not performing a specific task (a component perceived as a lack of alternatives).

In the third area, commitment is treated as a conviction of an individual that they have certain obligations towards the organization (the normative component). The commitment of this type can also be defined as normative pressure to act in accordance with the objectives of the organization.

This concept has given rise to multi-dimensional models of organizational commitment. Among the areas of research in this topic there are a few points that are particularly worth mentioning: the impact of engagement on the results of the organization (Harter, Schmidt & Keyes, 2003, pp. 205-244), the level of turnover and employee satisfaction (Harter, Schmidt & Hayes, 2002, pp. 268-279) as well as the overall level of job satisfaction (*Gallup*, 2016).

The questionnaire covering all basic professional groups was used in the studied hospital in order to do research into the management staff involvement. It used a five-step Likert scale

Table 1. Evaluation (self-evaluation) of hospital staff involvement according to individual professional groups – selected data

Question	Staff group																
	Doctors			Other higher medical staff			Nurses and midwives			Other medium medical staff			Administration and maintenance			Overall	
	M	SD		M	SD		M	SD		M	SD		M	SD		M	SD
1. I get involved in my duties	4.9	0.3		5.0	0.0		4.9	0.4		4.9	0.2		4.7	0.5		4.8	0.4
2. The employees of my unit get involved in their duties	4.3	0.6		4.1	0.7		4.6	0.6		4.7	0.6		4.3	0.8		4.5	0.7
3. The employees of other units in the company get involved in their duties	3.6	0.5		3.7	0.8		3.9	0.8		3.9	0.8		3.7	0.9		3.8	0.8
4. I don't like it when someone doesn't get involved in their duties	4.7	0.6		4.6	0.7		4.5	0.9		4.5	1.0		4.3	1.2		4.5	0.9
5. I react when I see that someone is not involved in their duties	4.0	1.1		3.7	0.8		3.8	0.8		3.3	1.3		3.6	0.9		3.7	1.0
6. My salary compared to other professional groups within the company is proportional to the scope of duties	3.1	0.9		1.8	1.5		1.9	1.1		1.6	1.0		1.8	1.0		2.0	1.1
7. My salary compared to other employees in the same post group within the company is proportional to the scope of duties	3.5	0.9		2.1	1.6		2.4	1.3		2.1	1.2		2.3	1.3		2.5	1.3
8. My immediate supervisor sufficiently informs me what is expected from me at work	4.4	0.8		4.6	0.7		4.2	1.0		4.4	0.7		4.0	1.1		4.2	0.9
9. My immediate supervisor sufficiently informs me what are the current goals set for my unit	4.4	0.9		4.2	0.8		4.1	1.0		4.3	0.6		3.9	1.2		4.1	1.0
10. My immediate supervisor sufficiently informs me what are the current goals set for the whole company	4.2	0.8		4.3	0.7		3.8	1.0		3.9	1.0		3.7	1.1		3.9	1.0
11. My immediate supervisor sufficiently informs me what are the tasks and expectations for my unit on the part of the management	4.3	0.7		4.4	0.7		3.9	1.0		3.6	1.3		3.8	1.1		3.9	1.1
12. I'm interested in the future of my company	4.5	0.6		4.5	0.7		4.3	0.8		4.6	0.6		4.3	0.8		4.4	0.8

Source: own research.

and consisted of twenty-two questions on the characteristics of the industry as well as the nature of organizational culture of a particular level. The results of the study in terms of the average value assessment *M* (on a scale from 1 – “I definitely don’t agree” to 5 – “I strongly agree”) and standard deviation *SD* are presented in Table 1.

The results can be used for improving the management of staff commitment, but the fact that all the respondents were hospital employees has to be absolutely taken into account. This means that the assessment of the personal involvement level, other employees, as well as various environmental factors as subjective judgments, should be treated with some wariness.

### **3. Building the involvement of medical personnel using the Management by Objectives concept**

In Poland health care managers had a continuant discussion for many years, whether this sector should ever have managers that don’t come from the medical community (Karniej & Wójtowicz, 2013, pp. 177-178). It is currently a dominant belief that the most important involvement criterion for a hospital manager should be professionalism and managerial competence (Nęcki & Kęsy, 2013, p. 25). Hence, more and more hospitals are managed by managers who are not at the same time doctors. On the other hand, medical decision-making areas (hospital departments) are still managed by physicians, which is natural.

From this point of view, it is appropriate that managers of individual units have more managerial approach to their organization. In this approach, it is important to distinct the priority indicators of particular functioning areas in hospitals. They are associated primarily with the improvement of the operating profit result in the area of medical activity – rational spending within hospital wards. The concept of management by objectives together with the increase of commitment and managerial competence (Kęsy, 2013, p. 134) perfectly fits the presented thesis.

The primary way to implement the concept of MBO in a public hospital is to assign a set of indicators to individual organizational sectors, and make their managers (including deputy directors) responsible for the realization of the objectives. As the implemented solutions were getting more sophistication, with time objectives were established for middle and the lowest level management, including the heads and managers of hospital wards.

At the same time, control cards were created for the needs of individual departments. They enabled to monitor monthly, quarterly, semi-annual and annual limits for the performed contract. In this specific example, a general model was implemented for all centres of responsibility, defining the course of the centre line for the level of performance of the contract at the end of each quarter: the first quarter – 35% of the limit value of the contract, the second quarter – 60% of the limit value of the contract, the third quarter – 80% of the limit of the contract value, the fourth quarter – 100% of the limit value of the contract. The upper control line for the end of the calendar year was set at 103%, while the lower line of control – at 99%. However, in the case of departments executing unlimited health services, instead of upper control line, there is an additional warning line to monitor the execution of contract from a cost perspective (overspending cost).

The percentages for each centre of responsibility are individually calculated into quota values (PLN) and point values, in accordance with the limit granted by the National Health Fund. Therefore the managers (heads) of departments receive the cards, which take into account the limits

(point and quota) to be completed by the wards each month. The control cards were constructed in the form of graphs, consisting of the following main lines:

- LC – central line – means the execution of the contract, in accordance with the value determined by the National Health Fund,
- The GLK – the top control line – means the allowable overspending maximum within the limits of safety,
- DLK – the bottom control line – means the allowable non-performance minimum within the limits of safety.

Monitoring the contract performance is entrusted to a specialized organizational section responsible for overseeing the medical services. At the same time the supervision of the current cost monitoring is given to the appropriate controlling unit. The measurement is done on a monthly basis, or, in the case of periodic exceeding the control line – up to two times a month.

Table 2. Size of medical procedure overspending in 2009-2015

Parameter	2009	2010	2011	2012	Control card implementation	2013	2014	2015
The share of overspending in the contract value (%)	3.0	1.9	7.0	5.8		0.6	0.7	0.7

Source: Internal materials – developed under the leadership of the author.

In the case of exceeding the GLK or DLK threshold by a particular centre of responsibility, a specialized monitoring unit notifies the heads/managers of the relevant organizational units. After obtaining specific information from the appropriate cooperating units on the causes of deviations, they can take the necessary steps to restore the level of the contract execution in accordance with the value determined by the National Health Fund. The functioning monitoring tools are connected, through the objectives cards for individual managers, with a system of periodic cash prizes. In the case of managers/heads of hospital wards, these don't only depend on the financial results of a specific centre of responsibility, but also on the performance of the limits defined in the control cards.

### 4. Conclusion

From the first application of presented here solutions in 2013, despite the need for annual correction and improvement of the tools, numerous changes have been observed in the audited entity. They are: reduction of non-performance and overspending, more purposeful than before shifting between the limits within the department and between departments, increase of the contract value within the calendar year, greater rationality of costs in the area of material usage, increase in the proportion of procedures described in hospital wards as life-saving, increase in the awareness of the management and medical staff in the area of operational and tactical management. The influence of the used tools on the size overspending is presented in Table 2.

In addition to these effects, it should be noted that the respondent hospital has had the best financial result of all the general public hospitals in the province for the third year in a row. This

is even more noteworthy that in 2011 the hospital had the worst financial result among this type of hospitals in the region.

Therefore, it appears to be expedient for health care entities to implement the solutions that could have a positive impact – on the one hand on increasing the involvement of medical personnel, including managers, on the other hand – on improving economic efficiency.

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# Chapter 32

## **Internal Public Relations as a Tool Supporting the Management of Employees with Disabilities**

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*Monika Trętko*

### **1. Introduction**

The beginnings of public relations demonstrate that the focus of an organisation was, above all, public opinion. All activities aiming to improve the organisation's image were directed outside the company, towards the media, clients or legislative institutions (Goban-Klas, 1997, pp. 36-55). But the objectives of public relations cannot be reached without the participation of a group of employees who make an important communication channel between the company and its environment. No group may exist without communication, i.e. conveying messages and interpreting them well among the group members. An efficient system of communication in an organisation makes the foundation for its effective functioning. It enables a free flow of information, ensures order in mutual relations between the organisation members and between its other components and enables effective solving of organisational problems (Sobkowiak, 1997, pp. 15-20). The aims of internal public relations are thus focused on creating the right atmosphere at work. According to the studies of the needs of employees with disabilities, what they desire the most is good atmosphere at the workplace. It becomes one of the major factors motivating them to work effectively (Bińczycki & Trętko, 2015, p. 17).

Communication inside an organisation, just like all other ways of communication, may adopt different forms. Communication between an employee and employer in a company is usually formal or informal (Szymańska, 2004, p. 27). Formal communication is characterised by the following qualities (Żbikowska, 2015, p. 2):

- possibility to express diverse opinions, which depend on the culture of the organisation (meetings, an employee magazine),
- closeness of top management (a conversation between an employee and CEO),
- priority to internal communication, which means that employees have priority in obtaining information,
- clarity of expression,
- friendly tone (respect),
- sense of humour.

In companies which employ persons with disabilities formal communication is usually based on ethical values and standards included in the code of ethics applied (Wójcik, 2015, pp. 120-130).

Informal communication, on the other hand, occurs as gossip, which cannot be avoided, but its impact should be limited. The most effective method of eliminating gossip is creating a good network of information, i.e. full access to information (Żbikowska, 2015, p. 3).

Thus, it should be emphasized that communication at the workplace performs a number of functions, including those related to information, motivation and control, as well as an emotive function (Sobkowiak, 1997, pp. 11-12), and through them it becomes an important element of leadership.

## 2. Internal communication tools

At present, there is an increasing need to carry out opinion surveys among employees. The studies from Hawthorne conducted so far show that when employees are aware that they are the focus of studies and researchers continue to be present at a company, their work effectiveness and willingness to cooperate increases. (Martyniak, 2001, pp. 73-74). Internal communication studies in a company play an important role as they make it possible to collect opinions about the company among employees, which increases their motivation. If employees know that the board takes actions on the basis of the information collected from them, the entire communication process becomes more credible. And when it becomes fully credible, communication will be a true profit generating tool (Mounter, 1996, p. 35). Good communication is an important motivating factor. It may be compared to a glue which binds the groups in a company together giving them the feeling of pride from the work for the company and encouraging them to invest greater efforts in what they do in order to beat the competition (Mounter, 1996, p. 34). In this way communication shapes employee satisfaction. An employee who feels satisfied with work and appreciated communicates positive information about the company outside, which is why the activities focused on employees, i.e. internal publicity of the organisation, play such an important role. These activities are called internal public relations (Budzyński, 1998, p. 81). The foundation for internal public relations is appropriate personnel management, i.e. the activities that may be included in human relations. But the expectations and needs of employees are also fulfilled using those tools of public relations which, above all, focus on communication methods (Tab. 1).

Table 1. Communication instruments and tools used in internal public relations

<b>Methods and techniques used in internal public relations</b>		
<b>Formal communication</b>		<b>Informal communication</b>
Communication by means of internal media	Facilitating a bilateral communication flow	Communication by organising events
<ul style="list-style-type: none"> <li>• information boards</li> <li>• employee magazines</li> <li>• company broadcasting system and television,</li> <li>• the Internet and e-mail</li> <li>• irregular publications</li> </ul>	<ul style="list-style-type: none"> <li>• meetings – direct conversations</li> <li>• consultation hours for the board</li> <li>• informal visits of employees at workplaces made by management</li> <li>• idea boxes</li> <li>• confidence man</li> </ul>	<ul style="list-style-type: none"> <li>• integration events</li> <li>• family events</li> <li>• training</li> <li>• encouraging physical activity</li> <li>• celebrating holidays</li> </ul>

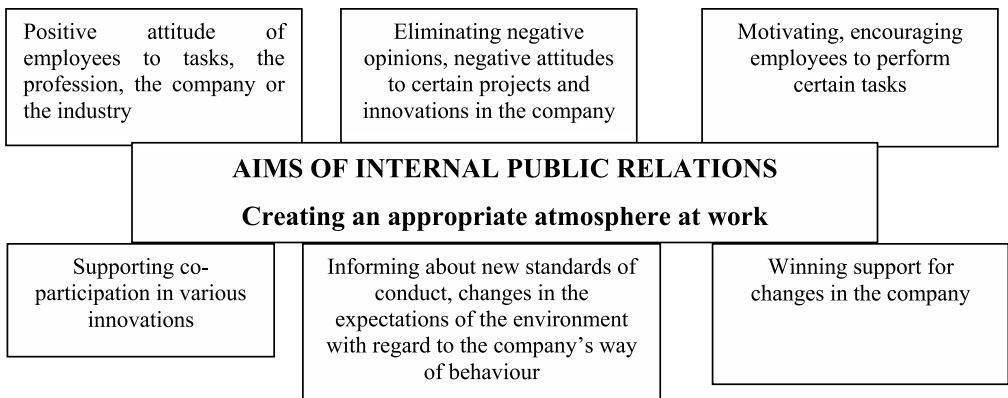
Source: own elaboration based on (Żbikowska, 2015; Budzynski, 1998).

The most effective form of internal communication includes internal meetings with employees and direct conversations. Direct conversations were addressed by an American sociologist, James Warchester, in his studies (of 1986), which indicated that good perception of a company was dependent only in 1% on a well-organised advertising campaign, while in as much as 22% it was determined by direct contact with the employees of a given company (Wójcik, 2015, p. 97). Consultation hours of the board are a form of direct conversations. They create the closeness of top management. Another approach may be “managing through walking”. It shows employees that their CEO is interested in them and their work. Yet another tool is an information board which should be up to date, accurate, tidy and, what is the most important, put up in a visible place. Employee magazines may be designed for the entire company or just a given group of employees. Such a magazine may not be a propaganda tool for the board, but it should be a forum of communication for each employee. If the communication system works well, then idea boxes do not exist. If there is no system of this kind, then it is recommended to put idea boxes in place, as a variety of interesting information may be collected using them (Żbikowska, 2015, pp. 3-4).

The organisation management process should include and take advantage of various forms of informal communication (Potocki, 2001, p. 35). Informal meetings should not be mandatory. They should be prepared taking into account ethical values. The best way is to organize them during working hours, although it is not necessary. When managers devote their free time to meetings with employees and their families, subordinates realise that they are respected and their role in the functioning of the company is appreciated. Social events for employees become more important if the employer hires people with various levels of physical ability as their purpose is, above all, to integrate the team. In this way the authority of supervisors is strengthened and bilateral communication may be established.

In order to achieve the aims of internal public relations (Fig. 1), communication should occur on various levels, i.e. from the level of management to the executive level and vice versa as well as on the horizontal level in the organisation, i.e. between individual departments (Cenker, 2007, pp. 31-32).

Figure 1. Aims of internal public relations



Source: (Cenker, 2007).



### 3. Communication as an important element in managing employees with disabilities

Managing human resources in enterprises that employ persons with disabilities requires considering their special needs as well as the difficulties of non-disabled employees in shaping mutual relations. It is thus required to develop effective internal communication that will make it possible to find out about diverse needs of employees. Moreover, it will contribute to good atmosphere at work, which is extremely important for disabled employees as well as the motivation of employees to work effectively.

For persons with disabilities, the sheer possibility and awareness of this benefit is extremely important. Additionally, an employer may make work become motivation in itself, employees performing it should acquire valuable experience, learn from it as much as possible and understand the tasks they perform. At present, many enterprises that offer work to persons with disabilities are learning organisations, i.e. they increase the competencies of their employees, who may acquire new knowledge and skills (Brilman, 2000, p. 413). There are companies that have managed to overcome a financial crisis and gain significant profits thanks to changing their profile into a learning organisation. Although it did not employ persons with disabilities, BP Oil is an example which should be referred to here because of the special nature of this organisation.

In 1992 BP had to transform itself from the company where work was treated as a way to make a living into the company where knowledge and understanding of the work performed was the fundamental motivation. In order to achieve it, it was necessary to change the company habits from those characterised by discretion (information is power, so you have to guard it) to more open ones (sharing information and comparing it is a natural phenomenon). It was necessary to open communication channels between managers and personnel. The process of changes in communication was successively influenced by three fundamental factors, which included:

- the *OPEN* programme whose name was made of the first letters of the following objectives of the programme: *openness, personal impact, empowerment and networking*,
- the results of a global study focused on attitudes in which BP asked its employees how they would like to receive information about their own work and the company and they answered “from the boss”,
- technology and e-mail may only be used as a component of the communication process, not as its only tool (Mounter, 1996, pp. 37-41).

BP Oil summary included a survey on the most effective ways of communication and practical tips:

- use “face to face” method in direct management as the major communication method (if necessary, ask for training),
- employ specialists in communication at the beginning and throughout the process – they will help you identify information, communicate it to the target recipients and get feedback from them,
- explain the principles of effective communication to the personnel and prepare a model of communicating information,
- define and announce positive changes that will be the result of appropriate communication,
- coordinate the time of communication with employees in various teams in order to avoid the demoralising rumours spread before the formal declaration,
- do not speculate – it leads to greater uncertainty among employees,

- ensure sufficient time for people to express themselves regardless of the subject and allow them to express their opinions freely,
- communicate with employees in a clear, honest and consistent way, do not avoid touchy subjects; to the contrary, speak openly about all problems (Mounter, 1996, p. 49).

The case of BP Oil emphasises how important it is to select the right way of communication, which should be adjusted to the specific situation and the effects that the recipient wants to achieve through communication (Szymańska, 2004, p. 29).

The basis for internal communication in a company employing persons with disabilities is a code of ethics because the attitude of an employer to disabled persons has, among others, an ethical dimension, thus becoming a part of corporate business responsibility (Baruk, 2009, pp. 11-17). Therefore, the importance of ethics in public relations should be emphasised as it is the quality that distinguishes this activity among social communication systems. It may be a component of contemporary definitions of public relations, including some American ones, which consider ethical and accurate ways of communication the constitutive features of public relations (Wójcik, 2015, p. 112).

Concern for the highest standards of work, including the attitude of the company management to disabled employees, was presented in the example code of ethics below, which was developed and implemented at Comarch S.A. (Filek, 2011, pp. 7-20) (Tab. 2).

Table 2. Ethical values and standards according to the provisions of the code of ethics at Comarch S.A.

The highest ethical standards	The Comarch Capital Group is convinced about the importance of complying with regulations, legal provisions and procedures in its practice, following the ethical standards it has set for itself. As a leader on the IT market in Central and Eastern Europe Comarch feels obliged to promote ethics and wants to join the world leaders in the areas of corporate responsibility, respecting human rights and environmental protection. Responsibility for achieving this aim rests on all Comarch employees.
The values upheld by the Comarch Capital Group	Both in internal and external relations with its stakeholders, Comarch upholds universal values promoting fairness, hard work and conscientiousness in performing the tasks assigned, quality and innovation as the aims set in an individual's own work, open collaboration for the common good, building and maintaining trust among employees and business partners as well as respect, understanding and assistance, regardless of the position or diverse views held.
Concern for the highest standards of work	The Comarch Capital Group adheres to the prohibition of discrimination because of race, social status, ethnic background, religion, handicap, disability, gender, sexual orientation, association or political membership, age or marital status. It guarantees the freedom of convictions, conscience and religion as well as the freedom of opinion and expression. The Comarch Capital Group promotes team work free of any prejudice and intentionally derives strength and values resulting from the diversity of its employees. In exchange, it spares no effort to ensure its employees equitable remuneration paid regularly, a possibility of development, interesting and ambitious challenges and very good conditions of work. The Comarch Capital Group protects the copyrights of its employees and respects intellectual property, supports the prohibition of the labour of children below 15 years of age, forced labour, corporal punishment, mental or physical coercion and verbal abuse as well as the prohibition of sexual harassment and considers its workplace free of such practices.

No tolerance for corruption, fair competition	The Comarch Capital Group complies with the rules of fair competition, prevention of bribery, illegal payments and corruption. The employees of Comarch Capital Group are committed to avoid the activities leading to the conflict of interest or accepting or offering gifts as part of the business and trade activity carried out. It is forbidden to pay or offer bribes or illegal benefits to public administration employees or political party members in order to make or maintain a transaction. Comarch employees may not derive or help anyone to derive any benefits from the opportunities that may arise as a result of using information or a position in the company.
How the provisions of the code of ethics are implemented and enforced	The problems related to the interpretation of the Code of Ethics are resolved by the Ethics Officer appointed by the Board. Comarch employees are encouraged to report any comments and modifications related to the contents of this Code of Ethics. The responsibilities of the Ethics Officer include supporting employees in respecting the Code of Ethics, promoting the idea of the Code of Ethics within the company, updating the contents of the Code of Ethics and taking appropriate actions to respond to the current problems of employees related to the ethical aspects of the business activities undertaken by them. The employees of the Comarch Capital Group may expect assistance and support from the Ethics Officer with regard to the enquiries reported by them by e-mail.

Source: (Bińczycki, 2013).

## 4. Conclusion

Effective communication makes it possible to adjust the style of management in a company which employs persons with disabilities. A good communicator listens to what employees have to say and treats listening as the fundamental tool of his or her work. The rules of a good interview according to E. Mayo, developed in the course of studies carried out at Western Electric Company in Hawthorne (Martyniak, 1996, p. 149), emphasise listening as the most important aspect. While listening, one may create a mental image of the interlocutor's introductory characteristics and adjust it during the conversation (Martyniak, 2001, pp. 73-74). Studies play an important role in enterprises because they make it possible to collect feedback and opinions, thus fulfilling the major conditions of effective communication. Communication with employees also plays a motivational function because the mere fact that the studies are carried out often communicates it to the employees that they are important and the board values their opinions (Żbikowska, 2015, p. 4). In companies employing persons with disabilities the role of studies increases, because they provide information about the needs of employees with disabilities. They also equip employers with the knowledge on how to effectively manage disability at the workplace, which is essential as managing disabled employees requires taking their special needs on board. Moreover, the major aim of internal public relations is creating an appropriate atmosphere at work. The studies of the needs of persons with disabilities show that a good atmosphere at the workplace is the most important aspect for them, more important than remuneration or flexible working hours (Bińczycki & Trętko, 2015, p. 17). Both formal and informal forms of communication should be constantly improved as communication is an essential component of leadership (Mounter, 1996, p. 42).

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## **PART IV**

# **MANAGING ENTERPRISE RESOURCES – PRACTICAL ASPECTS BASED ON THE MULTISECTORAL PERSPECTIVE**





# Chapter 33

## **Implementation of the HR Function in an Organization – Case Study**

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*Barbara Czerniachowicz*

### **1. Introduction**

Continuity and turbulence of changes in the environment of organizations make them transform into entities with complex operating procedures, where the primary asset are employees with their knowledge, competence and talent, and also created and used by them non-material resources (such as organizational knowledge, organizational culture, know how, brand reputation, technology, relationships etc.). This contributes to continuous evolution of concepts and management methods, organizational forms in contemporary organizations. In companies there is the need for continuous learning and adapting to new market conditions associated with the need to respond to economic, technological, social or cultural changes. Organizations are trying to create an optimal model of organization and management and build core competencies and best working conditions for its employees. Building a learning organization entails many transformations inside the unit, the realization of strategic objectives based on the formulated vision, determination and competency needs of current and future activities of the company and also require employees to learn and share knowledge, continuing professional development and improvement, commitment to work and loyalty. Human capital management in today's strategic enterprises should be a homogeneous and coherent concept, because it is associated with the most precious of the capital – that is human beings. Employees with their personal and collective effort contribute to the realization of all the goals established by organizational unit, and the impact on building a competitive advantage (Czerniachowicz, 2016, pp. 17-29).

The aim of this paper is to present the selected aspects of the implementation of the HR function in the Organization AB. The Corporation AB is the first among all carriers in Europe, and its strategic goal is to become a world leader in transportation of people and goods. It operates on transportation and logistics market in more than 130 countries. The contemporary Organization AB, in order to remain competitive, challenges its employees to meet their needs for learning, explore the knowledge and to change along with the changing environment. The direction of these changes is determined by the assumption that the condition of individual development is a continuous learning process fulfilled by acquiring new knowledge through action, making mistakes and experimentation. In shaping a learning organization, and finally an intelligent one, a very



important role is played by the activities in the field of HR, and the implemented personnel strategy should be consistent with the strategy of the economic entity (Bojewska & Sołek-Borowska, 2016, pp. 145-150).

The core activity of the Organization AB are passenger transportation services – in Germany providing services to more than 5.5 million customers daily and each day transporting 607,000 tons of cargo by rail. All operators from the Corporation group transport approximately 330 million tons of goods within the transportation and logistics of goods and road transport amounts to about 99 million in Europe. The corporation transports about 12 million people daily by rail and bus across Europe. The most important fact is that the Organization AB implements a multi-dimensional strategy as a systemic way of realizing its vision. The strategic objective of the Organization AB is to become a global leader in the market in which it operates and was set out for an 8-year perspective. The current strategy of the Corporation AB is to win public acceptance of its projects and gain sustainable and competitive advantage.

## **2. The evolution of the HR function in companies**

The growing importance of the issue of human capital management is also shown by the change in the approach to the HR function in an organization from a purely operational, through managerial to strategic function. All issues relating to HR function are widely considered and differently presented in the literature. In recent years, it can be seen high popularity of the concept of human capital management – Human Resources Management. There is a shift from the function of administering the personnel to treating the HR function as a full-fledged business management. Therefore, analyzing the human capital management, not only operational but also strategic aspect is taken into account. The concept of HRM is one of the contemporary concepts, which clearly highlights the role of the human factor, and activities for social progress. It draws attention to the problems of organizational culture, relationships, productivity, employee involvement in the affairs of the company, as well as providing employees with good working conditions, opportunities for education and development (Lis et al., 2014, pp. 11-31).

In the literature there are many concepts of human capital management in the enterprise. These models show different approaches to workforce management with regard to the assumptions, expectations, recommendations, and management roles within the organization. There has been a change in the way we see a company's competitiveness and determination of the impact of human resources on achieving competitive advantage in particular models (Armstrong, 2000, pp. 51-58).

In a traditional model the attention is paid to the quantitative results of the work (efficiency), motivational aspect of wages and monitoring staff. This model is characterized by treating people as objects, dominated by administrative methods including high bureaucratization. The company does not appreciate its human resources, does not treat them as strategic potential, and hence cannot build sustainable and competitive advantage.

The model of relationships shifts its focus to non-material forms of motivation of human resources and a radical change in the relationship between a manager and an employee. One may notice a change in the approach to human resources, which is reflected in the creation of appropriate and satisfactory working conditions for all employees, which in turn influences their

performance. This is the basis to recognize the need for competitiveness of the company and determine the competitive position on the market.

Noteworthy is the model of human capital development, referring to the economic theory of human capital. According to this concept, the employee is part of the capital, which can be measured as other elements of the capital. The work, therefore, is a cost factor that should be minimized, but also a major element in the development of the organization. Therefore, investing in the potential of employees is treated not as a cost but as an investment raising the value of the company in a competitive environment. It is, therefore, a very important element in building a sustainable competitive advantage in the market (Jamka, 2011, pp. 107-109).

The principal features of the concept of human capital management distinguishing it from the previous approaches to the HR function within the organization are as follows: a strategic approach to the problem, treating employees as intellectual potential, individualization of labor relations, the creation of organizational culture, decentralization of personnel decisions, the introduction and development of employee participation (Antczak, 2014, pp. 11-31).

The model of human capital management highlights a strong relationship between the human resources policy with the organization's strategy and comprehensive approach to problems concerning workforce management. Employees are a strategic resource of development, and its management is as important as strategy formulation and management of other resources in the organization. The company is focused on long-term development of employees and creating an innovative climate in the company (Czerniachowicz & Wiczorek-Szymańska, 2011, pp. 191-192).

### **3. The implementation of HR programs in the corporation**

To obtain the status of the best employer in the European market and then also on a global market the corporation implements an appropriately designed HR program as one of its strategic objectives. This program is focused on attracting and keeping best employees, who are characterized by commitment, teamwork ability and high competence. Among the objectives of the HR program are:

- an increase in the attractiveness of entities from a group of corporations as employers, which is associated with an appropriate marketing campaign reinforcing the image and brand recognition in the labor market,
- raising employee satisfaction with work, and thus satisfaction of customers and partners (of all stakeholders of the organization),
- providing demographic liquidity and loyalty of current employees – through appropriate working conditions, incentive systems, opportunities for professional development – consistent with the individual stages of development of employees, and consequently having a stable team satisfied with work.

To implement the key objectives of the HR program are defined the main activities related to the operation of the program of strategic workforce planning, which aims to implement management by a continuous monitoring of fluctuation, employee turnover, identification of key employees, verification of needs or appropriate staffing. The key point is also talent acquisition associated with full responsibility towards newly hired employees and offers of trainings on customer service, strategic thinking, and development of interpersonal skills or courses connected with both work independence and team work. In the Corporations there is available full information

about internship and employment opportunities, cooperation with other entities, including schools and national and foreign universities. An important aspect is also professional development dealt with by an external organizational unit sharing the capital (e.g. it has 70 training centers, 720 trainers, 70 consultants, 20 psychologists, offer more than 1,500 courses of a very diverse range etc.). The organization focuses on building a strong organizational culture, which is the focal point of the strategy, and is based on mutual respect, high motivation, commitment and satisfaction of employees of the organization. Multiculturalism and management optimization are also crucial aspects of the organization, and are associated with the introduction of cultural changes and their internationalization, by the creation of an international network and as platform to exchange ideas, share knowledge and build interdisciplinary teams to solve problems in the organization, including the HR area.

Significant activities leading to the implementation of the HR program also include the conditions of employment that are related to satisfactory remuneration and the use of multiple intangible stimuli, sense of employment security, combining the objectives of business with satisfying personal needs of employees.

Team learning in the analyzed Corporation takes place on two levels, within the Academy, focused on the development of compatible leadership with the organizational culture (Common Understanding of Leadership) and specialized training centers concentrated on the development of the necessary technical competence.

Founding the Academy in the Organization is supposed to meet the needs for development of professional qualifications as well as competence development of junior and senior management. At the same time the professional development of current and potential managers enables to provide systematic support in currently occupied positions, enriching employees with new knowledge and experience and preventing fluctuation of staff. The programs within the Academy address the needs of the entire organization, individual teams and employees, taking into account changes in the environment.

The main objective of training centers is to develop professional competence. They offer:

- managerial programs – primarily related to the management of the infrastructure and fixed assets, operational management, logistics and intermodal development of logistics systems,
- specialized programs – targeted at specific groups of professionals,
- programs related to social competence (including interpersonal skills).

Training centers provide talent development in organizations where employees improve their skills needed to perform tasks in currently occupied work positions and to perform tasks of corporations and taking different roles in the future. The implementation of high standards of management, procedures aimed at learning and continuous professional development of individual employees, learning teams and the whole organization, results in having managers with appropriate, tailored to the needs competences, but also highly skilled workers of middle and lower level.

The Corporation introduces new programs to look for talents and to stimulate them properly and to increase the competence of all employees. For instance, it implements an internship program called “Chance Plus”, which invites both students and professionals from other companies or from other countries. Such an internship, depending on the specialty, can take up to 24 months, and beneficiaries are matched up to jobs and still trained (combining a theory and practice), and the offered jobs are adapted to their interests or career development prospects. The Organization AB under the program has already trained about 12,000 people and 94% of participants received a job after the internship.

Personal mastery is shaped based on the process of acquiring talent, including the implementation of programs, internships and scholarship, talent development programs, individual professional development, as well as scientific cooperation with universities.

Systematic and individual paths of development allow employees to shape their career development in a planned, clear and transparent manner. Employees are given the opportunity to plan the successive stages of his career, and modify them. What is important is also a continuous dialogue of superiors with their subordinates, as well as some flexibility in the approach to the changing needs and expectations of both employees and the organization. The corporation places on the intranet all the necessary information related to professional development, available training programs and other new initiatives in the field of HR and about alternative career paths. In the context of gaining personal mastery, highly talented employees may also be invited to carry out research programs in cooperation with universities.

#### **4. The incentive system in the organization**

The Corporation has built a rewarding incentive system that includes a salary higher than the national average, and in order to encourage workers' long-term employment offers them the prospect of combining personal development needs of employees with the requirements of the Organization, in every phase of their professional and private life. It also offers a range of intangible incentive instruments, which include various types of social benefits.

The priorities set out in the Organization in relation to the main objective of the 2020 Strategy "Top Employers" are:

- job security,
- job continuity,
- family,
- life balance,
- social benefits.

The Corporation pursues a policy of protecting the workplace, hence if a particular workplace is terminated, or employees due to health reasons is not be able to do the job, human resources department will try to transfer them to another position or create a new job.

For the Corporation a family is another priority in the hierarchy of values, because the organizational culture strongly promotes the unity of the family and a career as a coherent whole, the balance of forces on the one hand, giving the joy of being with the family, and on the other hand, realizing oneself in professional life. The Corporation offers a number of options encouraging a healthy balance between family and professional life. Whenever it is possible, employees can benefit from flexible working hours, work from home, and even the service helping them to find a nursery or a kindergarten. The guiding idea of the whole program for the balance and a healthy lifestyle is the motto that a happy employee is a satisfied customer, and services at a better level.

A benefits package for employees of the Corporation is offered by cooperating organizations, namely by major social partners providing insurance, banking, sports or social services. The organization, in collaboration with external partners, offers its employees various kinds of forms of health insurance, child care or elderly care, or sports activities, integration and so on.

Each of the companies and cells of the Corporation has greater flexibility and opportunity to plan a system of working hours which in turn translates into a greater ability to meet the wishes

of employees and adjust working hours to their private life. Since 2012, the management of the Corporation has enabled its managers to take study leaves in order to get better qualifications, fresh look and development of their internal needs. Study leaves are financed by the employer and may last up to six months. During the leave, the organization helps employees to find childcare or reserves a place in one of its own nurseries.

In 2012, the Corporation developed a program of preventive health care focused on older workers, called CLARA (Clever und Aktiv Richtung Alter), as appreciated are all the employees and long-term employment means that workers are a source of knowledge, competence and professional experience. The program combines three key aspects of health promotion: information on health and aging, sports courses and exercises and mental training. The management of the Corporation believes that the promotion of health and healthy lifestyle significantly contributes to employee satisfaction, and improves the image of the company as an employer overcoming the problems of demographic change. To better promote healthy living, it has created a wide range of information leaflets and websites, including rules on healthy eating, courses to help smokers get rid of the addiction and all other addictions. The organization also works with various sports groups – on the websites of the Corporation you can find a list of cooperating clubs.

Employees and their families, with the help of support staff can use psychological services in stressful situations, both professional and personal. By being a family-friendly company the Corporation also means helping its employees in solving problems with the older generation. The organization works with an organization called “Arbeiterwohlfahrt” – a social organization dedicated to the care for elderly people.

Moreover, since 2013, senior managers have had the ability to use the BahnCard100, allowing for any train rides throughout the country. But all employees can use the rental bicycles belonging to the Corporation “Call a Bike”. By doing that the Organization wants to promote environment-friendly means of transport as an alternative to a car.

## 5. Conclusion

The concept of HRM is a complex and dynamic set of decisions, methods and techniques for determining the activity of the employed, shaping their commitment to work and affecting the whole organization. In the company it is important to invest in employee development, to provide decent work conditions, fair evaluation, motivation system, career system, and a sense of security for key employees. The analyzed Corporation is implementing the program “Common understanding of leadership”, which is focused on strengthening the quality of leadership. The implemented incentive system is strongly tied with the assessment of employee satisfaction, as one of the strategic objectives is directed to increase employee involvement in work.

The program in the field of HR implemented in the Corporation focuses on attracting and retaining qualified employees, concentrates on teamwork and is characterized by a high level of motivation, commitment and loyalty. Organizational culture is based on the values of “dialogue and feedback” and it reinforces the openness, trust and constructive criticism. It motivates employees to networking, direct communication using a platform called ‘Smart Learning & Learning Management’. HR programs are aimed at a constant search for talents through internship programs, fellowships, developing talents of already employed workers and individual professional development programs. It is important that individual professional development of employees

in the Corporation is consistent with the stages of their development, so that the organization can provide its key employees an attractive job throughout their professional lives.

If the Corporation remains committed to its strategy of providing good working conditions with comprehensive incentive system, in appropriate organizational culture and respecting the preferences of employees with regard to their professional development, it is highly likely to have loyal employees. Attractive motivational tools tailored to the needs of employees appear crucial. As a result, the organization will win the loyalty of stable and key employees.

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# Chapter 34

## **Rationale for Innovation Activities in E-commerce in Terms of Transaction Costs as Exemplified by Home Furnishing Industry in Poland<sup>1</sup>**

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*Jarosław Plichta*

### **1. Introduction**

Until quite recently, Internet commerce used to be the domain of small size and low price products, including digital products. Increased trust of online buyers as well as the emergence of new Internet users is the reason why products of periodic consumption as well as those that are selectable and have higher unit prices have become the subject of e-commerce. More and more frequently, luxury brand products can be purchased online, e.g. on [www.zalando.com](http://www.zalando.com). Good examples of products that were not predestined for online sales until recently are home furnishing accessories, in particular furniture. Although the share of traditional trade in this sector is still large in many countries, the share of online sales is steadily growing and it is now approaching 14% in Poland. This channel for sales and communication has a lot of advantages, but it has some obstacles as well. Those include limitations, for example, related to product characteristics (size or likelihood of damage during transportation), the logistics system and the range of additional services required in this industry, e.g. moving the furniture into a room. However, the greatest obstacles are the purchasing conditions related to information about the products, completion of the transaction and customers' trust associated therewith. This causes a number of transaction costs to the sellers but also to the buyers. Transaction costs reduce the operating efficiency and are a stimulus to innovation in this area. While innovation in the production of home furnishing accessories has progressed in Poland for many years, e.g. in the case of one of the most modern custom-made kitchen furniture production lines in Europe in [meble.pl](http://meble.pl), in the field of market innovation, especially e-commerce, there is an ample space for innovation. Innovation triggers increased competitiveness. This paper presents the main factors affecting e-commerce innovation in the home furnishing industry from the perspective of transaction costs.

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## 2. Characteristics of home furnishing trade in Poland

In many industries, e-commerce has become the key channel for communication and sales of products, goods and services. In such product categories as books, music, electronics and even clothing, the share of sales implemented via Internet channel and traditional direct (phone) channel is over 30% of total sales executed in a given category. Nevertheless, online sales are steadily increasing and it is estimated that by the end of 2020, they will amount to ca. PLN 50 billion (PMR, 2014, p. 12).

Table 1. Groups of products ever purchased by the respondent via the Internet in Poland (%) in 2012-2014

Categories of products/services	2012	2013	2014
Clothing and footwear	62%	67%	68%
Consumer electronics and household appliances	59%	60%	57%
Books	54%	55%	47%
Automotive parts, cars, etc.	53%	50%	46%
Trips, hotels, bus and ariplane tickets, etc.	39%	44%	43%
<b>DIY and furniture</b>	<b>37%</b>	<b>44%</b>	<b>38%</b>
Cosmetics and household chemicals	38%	41%	36%

Source: (*Rynek wyposażenia wnętrz w Polsce*, 2014, p. 89).

More and more frequently, traditionally operating trade companies that base their business model on a traditional network of commercial facilities often develop under franchise agreements. The development of online sales usually occurs in the categories of fast-moving consumer goods and in highly competitive industries offering products with simply identifiable traits, e.g. consumer electronics. In those areas, the Internet causes a movement of purchases from traditional stores to their online counterparts. Moreover, a practice used by consumers, involving getting acquainted with particular goods in traditional stores and purchasing them online, has forced many sellers to change their strategy into entering into online systems or offering sales via different channels (multichannel or, increasingly often, omnichannel). A slightly different situation concerns the home and garden sector, including furniture and accessories. Although e-commerce is also present here, it develops at a rate that is slower than in other sectors. While it is estimated that ca. 1,500 business entities in Poland offer online sales of such goods, few of them can compete with traditional chain stores (PMR, 2014, p. 72).

Research conducted for many years, inter alia by PMR, has confirmed the fact that people in Poland buy products via e-commerce more and more frequently, including home furnishing articles. It also causes a slight decrease in stores selling this range of products. According to the Central Statistical Office, there are ca. 8,000 stores offering furniture and lighting equipment in Poland and within the whole industry, there are ca. 20,000 sellers of broadly understood home furnishing products. In part, this proves the occurrence of fragmentation of this sector, which is quite typical for the entire retail trade in Poland. This includes chain stores or stores owned by manufacturers but also those operating under franchise agreements. These account for ca. 10-15% of the total number of stores selling home furnishing items. However, due to the size of some of such stores, 10 largest ones have nearly 50% of market share. Building chains and consolidation of companies

based on franchise agreements do not occur here as fast as in other industries. Some entities, such as Home&You, withdraw from franchise for the benefit of their own sales facilities. As shown in the report on franchising in Poland for 2015 (*Raport o franczyzie w Polsce*) by PROFIT system, the number of franchise chains in the home and garden sector has slightly declined within the last two years. In 2011, as many as 52 chains operated in Poland, and in the subsequent years, this number decreased one by one each year. Also, the number of franchise stores dropped – from 2257 to 2078. Still, such brands as IKEA, BRW, Agata Meble or Jysk conduct their sales mainly via traditional chain stores. So far, sales via the Internet represent over 13% of sales of furniture and accessories in Poland. On the other hand, the sales growth in this case is much more dynamic (mean increase by ca. 13% annually) than in the case of traditional sales. Undoubtedly, online purchases may involve a number of problems on the part of buyers as well as manufacturers and traders, which cause transaction costs higher than in other industries. On the other hand, the dominance of manufacturers (Poland is the world's 4<sup>th</sup> largest manufacturer and exporter of furniture), a large share of exports and often manufacturing or sales orientation have not been incentives to market innovations in the marketing area. Due to modern technologies, a large possibility for innovation emerges in this sector. Currently, the value of the home furnishing market in Poland amounts to ca. PLN 13 billion, with furniture accounting for 40% of sales value. It should be emphasised that the share of IKEA alone in the Polish market is over 10%. In comparison, the value of worldwide sales of that brand is at the level of EUR 31.9 billion. The sales structure in terms of distribution channels is as follows:

- Specialty stores – 38.8%,
- DIY chains – 25.2%,
- Other stores and facilities – 12.9%,
- The Internet – 13.3%,
- Hypermarket chains – 9.9%.

The market is dominated by specialty chains, such as the aforementioned IKEA or BlackRed-White (BRW), Agata, Bodzio and Jysk. The second group consists of hypermarkets as well as home and garden (DIY) stores, such as Castorama and OBI. However, the number of stores does not go hand-in-hand with revenues. Although IKEA does not have the largest number of stores, they are the biggest in Poland and thus, they represent the largest share of sales in this industry.

Table 2. The largest traders in the home furnishing industry in terms of the number of stores

Name of the entity	Number of stores in 2014
Bodzio	330
Firanki.pl, Belviso, Strefa Niskich Cen	225
Jysk	187
Komfort	100
Fachowiec	110
Meble VOX	100
Home&You	110
Abra	100
Meblik	78
Majster Plus	75

Source: (PMR, 2015, p. 72).

The above ranking confirms the fact that in terms of category, the largest share of sales is represented by kitchen furniture and accessories:

- Furniture – 42%,
- Kitchenware and tableware – 15.6%,
- Home textiles – 15.4%,
- Floors and flooring panels – 10.1%,
- Sanitary equipment – 8.2%,
- Lighting equipment – 8.2%,
- Carpet and vinyl flooring – 3.3%.

The internet channel is more and more often chosen by manufacturers and trade companies, which is motivated by an increasing group of active Internet users and the growing popularity of online purchases (Tab. 3). The growing share of mobile devices is also significant e.g. smartphones and tablets, which are used not only for web browsing (currently, over 30% instances of accessing web pages is implemented via mobile devices), but also more and more often for purchasing home furnishing items.

Table 3. Comparison of the dynamics of online retail sales of home furnishing with the dynamics of the entire home furnishing retail sector in Poland (%) in 2011-2019, status and forecasts

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Internet channel of the home furnishing sector	11.8%	10.3%	7.8%	10.9%	13.0%	12.8%	12.6%	11.8%	11.2%
Entire home furnishing sector	-5.2%	1.3%	-6.5%	1.8%	4.2%	3.6%	4.5%	3.8%	3.7%

Source: (PMR, 2014, p. 89).

### 3. Rationale for the impact of transaction costs on innovation

Within NIE (New Institutional Economics), which integrates a number of streams and theories, such theories as transaction cost theory (TCT), agency theory (AT) and property rights theory (PRT) come to the fore. The achievements of NIE point to the important role of non-manufacturing costs in economic processes, which gives the highest significance to the processes of exchange and management. This led to the development of concepts initiated by the forerunners of institutional economics and enriching them with new elements without sacrificing the achievements of neoclassical economics. In TCT, which is deeply embedded in the social exchange theory, the microeconomic aspect is emphasised, whereas attempts at aggregation, e.g. by D. C. North, have a quite limited predictive value. In the analysis of exchange processes, AT and PRT are also significant. Especially the latter is of key importance in exchange processes. The establishment and transfer of property rights and the consequences resulting therefrom are the direct causes of the creation of costs in the economy and society. Not without reason, the main institutional issues included in the political system are related to the problems of property rights, individuals, groups and the whole society. This also applies to the principles on which the exchange of material goods as well as other values is carried out. In TCT, economic processes are analysed

from the level of individual transactions by giving them a more general nature, e.g. combining the structures of classical, neoclassical or relational contracts. Transaction costs are formed at different levels and stages of exchange processes, from market exchange between independent entities to the hierarchical structure of a company. According to, among others, O. E. Williamson, the level of transaction costs depends on factors affecting the transactions, namely the specificity of investment in various assets, uncertainty and frequency of transactions (Williamson, 1998). In addition, assumptions are adopted about the existence of information asymmetry and opportunism of the entities participating in the exchange. Transaction costs may appear before (*ex ante*) and after the transaction (*ex post*). Their sources are behavioural, relating to the properties of the entities conducting the exchange, and they are associated with informational processes of identification, acquisition, collection, processing and transferring of information (Plichta, 2012, p. 106). Transaction costs are mainly related to decision-making processes, which are dependent on information resources and the behaviour of other entities. In information processes, the properties of the object of the exchange have a major function. The less the parties of the transaction know about the properties of the objects of the exchange, the greater the likelihood of mistakes in decision-making and inefficiency (Plichta, 2009, p. 43). The problem of decision-making and the costs related therewith applies both to individual entities and organisations. Within the structure of a company, there are a number of transaction costs, including management costs associated with planning, creating, improving the organisational structure or obtaining the resources necessary in the transformation process, which provide the possibility of ex-post reduction of the costs of coordination and control of activities. The same applies to the processes of market exchange. It occurs when the transaction costs of such an exchange are lower than the exchange within the hierarchical structure of a company. Activities of independent entities are aimed at achieving greater operational efficiency by optimising production costs and transaction costs as the total costs of operations. The market is characterised by incomplete information, which causes uncertainty in market transactions. Market transaction costs are primarily related to the costs of information and negotiation (Richter & Furubotn, 2003, p. 59).

On the basis of the assumptions concerning transaction costs of market exchange, the level of transaction costs results from the uncertainty, specificity of resources and frequency of transactions. Hence the growing tendency to vertical integration if the transaction costs of market exchange are higher than the costs of coordination within the hierarchical structure of a company. The growing specificity of transactions causes adaptation problems with ex post transactions on one hand and an increasing dependence of the parties as well as behavioural uncertainty on the other (Jost, 2001, p. 54). The mutual dependence of the parties is operationalised by transaction quasi-rents, which are the basis for comparative choices between alternatives (first best, second best) concerning the methods of organisation and execution of the transaction. Transaction rents increase with the growing specificity of transactions and dependence between the partners defined by the scope of specific transactions. In the case of high specificity of investment of one party to the transaction, an expectation of obtaining a high quasi-rent at the expense of the other party appears.

A bilateral dependence between the parties to a transaction is characteristic of highly specific investments from both partners, and a unilateral dependence occurs in the case of disproportion of the investments between the partners. An asymmetry of specific investments causes a situation when the partner who has a larger scale of such investments feels less dependent, although is more prone to opportunistic behaviour and will usually aspire to take over the quasi-rent from the other partner. In this situation, vertical integration is a way to avoid the threat of a hold-up problem

(Plichta, 2011, p. 238). In the case of symmetric and specific transactions carried out by both parties, increasing the specificity causes growing dependence and willingness to cooperate to ensure the quasi-rent. Such a situation strengthens the exchange based on market mechanism. In this case, vertical integration makes it impossible to implement the rents and it can cause additional costs of internal coordination, which is evidenced by the results of empirical research (Jost, 2001, p. 302). According to O. E. Williamson, the specificity of investments is the key factor triggering the mechanisms that cause the formation of transaction costs. Behavioural uncertainty is directly dependent on the completeness of contracts and information asymmetry. Indirectly, it also depends on the unpredictability of ambient conditions. The impact of ambient factors occurs both at the level of the sequence of internal processes in a company (internal environment), conditioned by the specificity of the process of value creation at the level of basic functions (supply, manufacture, sale), and at the level of interaction between the basic and supporting functions, such as research, development or finances. Referring to the classification of company environment as proximal and distal, known from management sciences, interactions can occur between the structure of one company and the structure of another company (a competitor, supplier, customer) or consumers. In such cases, it is called behavioural uncertainty which essentially stems from the behaviour of other entities taking part directly or indirectly in the transaction process. The problem of uncertainty of behaviour arising from the environment can be further applied to the theory of indirect exchange, where the exchange mechanism functions and develops as a result of awareness of the existence of indirect links and structures without direct links to the structure of a company. Nevertheless, the effects of the processes of manufacture and direct exchange are received by the participants of the exchange network, whose behaviour is very difficult or, in most cases, impossible to predict due to the costs and physical capabilities of the monitoring (searching) process. Thus, the process of managing such relationships is done by stimulating the behaviour through a system of marketing communication defined in the nomenclature of transaction costs as signalling (Plichta, 2009). However, it is not only one-way communication but a developed system of interaction between a company and entities participating directly or indirectly in the exchange process, e.g. by influencing opinion leaders.

The impact of uncertainty stemming from the company environment on the processes of vertical integration is dependent on the symmetry of specific resources of the transaction. In the case of asymmetrical transactions taking place in highly uncertain environments, there is an increased risk of opportunistic attitudes and behaviours, which are difficult to detect due to a large asymmetry of information. The environmental uncertainty rises, but in the case of symmetrical transactions, the tendency to cooperative behaviour increases due to a greater frequency of transactions and thus greater knowledge about the possibility to implement a cooperative rent. Therefore, in the first case, a high uncertainty and asymmetry of the transaction are conducive to vertical integration (hierarchical exchange), whereas in the other, with symmetrical transactions and high uncertainty, the tendency towards market coordination increases (Jost, 2001, p. 161).

The tendency to vertical integration rises if at a high frequency of transactions, the partners remain in unilateral relations when faced with high environmental uncertainty. The effective border between the market and the hierarchy is achieved when during the transition from market exchange to hierarchical exchange, the coordination cost savings through internalisation of transaction costs are equal to 0.

The resources of given entities are important elements in shaping the relationship between such entities. A resource approach, popular in management studies, is based on the assumption that

the creation of an organisation equipped with an appropriate combination of tangible and intangible assets can give a strategic ability to obtain a competitive or strategic rent. This rent is higher if the resources are difficult to imitate and have low substitutability. This is the so-called Ricardian rent resulting from the advantage obtained due to knowledge based on the heterogeneity of resources. In turn, Schumpeterian rent refers to knowledge resources generated due to innovation processes and self-learning of the organisation, or the so-called dynamic capabilities. If the transaction costs of market exchange and within a hierarchical management structure are the same and both rents are higher in the case of the hierarchical exchange, the tendency to vertical integration increases.

Table 4. Advantage of resources and innovation capacity vs. effectiveness of vertical integration processes

		<b>Ricardian rent RR</b>	
		Advantage of resources (+)	Advantage of resources (-)
<b>Schumpeterian rent (SR)</b>	Innovation capacity (+)	(1) Hierarchy: ( $\neg SR + \neg RR > 0$ )	(2a) Hierarchy: ( $\neg SR - \neg RR > 0$ ) (2b) Rynek: ( $\neg SR - \neg RR < 0$ )
	Innovation capacity (-)	(3a) Hierarchy: ( $\neg RR - \neg SR > 0$ ) (3b) Market: ( $\neg RR - \neg SR < 0$ )	(4) Market: ( $-\neg RR - \neg SR < 0$ )

Source: own elaboration based on (Jost 2001, p. 162).

- (1) Vertical integration occurs through the selection and combination of resources, as the company has both valuable resources as well as large innovation capacity. Hierarchical management is most effective in terms of transaction costs.
- (2) Vertical integration occurs if the SR rent is higher than the RR rent resulting from a combination of resources. Otherwise, market coordination is a more effective solution.
- (3) Vertical integration occurs if the RR rent is not compensated by the SR rent. Low rents resulting from the integration can be substituted with market coordination.
- (4) Because one of the partners implements a SR rent and the other – RR rent, they have a tendency to cooperation coordinated by market exchange.

#### 4. Determinants of innovation in the trade of home furnishing from the perspective of transaction costs

The home furnishing trade market is a typical example of the existence of mechanisms in which transaction costs have a major impact on the behaviour and, consequently, market structure. The data presented above, concerning the situation in this industry in Poland, reveal considerable fragmentation of entities on one hand and, on the other, several leading companies that have almost a half of the market share. An increase in the competition among the largest companies as well as searching for own strategies by smaller companies should be expected. As already shown, transaction costs affecting the effectiveness of the exchange affect the situation and the characteristics

of the entities present on the market as well as the specificity of the objects of transactions and the institutional environment in which such processes take place. A number of factors triggering innovation mechanisms and offering an opportunity to increase the competitiveness and raise the quality of the offer can be pointed out, namely:

- considerable fragmentation of the market in terms of entities, which is largely associated with customers' preferences regarding the purchase of these types of articles via stationary trade. Therefore, location near potential customers is crucial,
- very large variety of products, those produced by domestic entities as well as imported ones, creates a situation of high opacity, and thus high information asymmetry,
- lack of standardised product labelling rules, e.g. by EAN codes, which would allow for easier identification of the product, manufacturer and origin. This causes the existence of multiple limited products in the market with different origin,
- low tendency to cooperation and integration or association and forming purchasing and distribution groups. For this reason, capital expenditures and capitalisation of small entities are low and the distance from large ones increases every year,
- despite the existence of regulations on the protection of intellectual property, many products are imitated in terms of design, copied and sold either as own products or with acceptance from the buyers as cheaper copies of branded products. This results in lower return on sales of original products due to short product life cycles and low motivation to invest in innovation and design,
- the market policy of manufacturers, especially those who earn on exports involving push strategy and injecting their products via different communication channels without a specific unambiguous policy towards their intermediaries. This results in price wars and reducing the profitability of commercial companies,
- dependence of Polish manufacturers exporting their products to foreign customers is the reason why no marketing orientation has been developed by the majority of entities. Only a few companies conduct a thoughtful and long-term marketing strategy (e.g. VOX, KLER, Szynaka Meble or AGATA Meble),
- dominance of aesthetic attitudes among buyers of furniture, focused on the purchase of uniform, practical and cheap furniture. This is also related to low income level and differentiation of preferences in this regard,
- low activity of manufacturers in the field of online distribution channel and fragmentation of e-commerce in terms of home furnishing products (according to PMR estimates, there are more than 1500 entities) are the reason why traditional distribution channels based on stationary selling points dominate in the sales structure,
- low trust among entities in the value chain is the reason why transaction costs are higher than in other countries. Transaction costs are related to meeting deadlines for payments, an unambiguous policy of manufacturers towards various intermediaries, selling products under other names by trade companies without the knowledge of manufacturers, consumer behaviour overusing the product return policy in e-commerce, which poses a risk of loss on the part of suppliers, etc.,
- the level of courier and forwarding services supporting e-commerce, especially with regard to the handling of fragile goods and still small range of additional services, e.g. delivery at non-standard hours or provision of a service involving bringing the goods into the apartment.

From the point of view of the main entities involved in transactions in the home furnishing industry, namely the manufacturers, distributors and purchasers, the ability to implement a strategic rent and innovation rent is essential. The division of methods of exchange coordination depending

on the implemented rent, presented in table 4, allows us to determine the impact of innovation on the behaviour of entities in the field of integration and competition. Companies that implement a strategic rent due to a combination of resources and have the ability to innovation create a situation conducive to vertical integration and coordination within the framework of integrated management structures, e.g. IKEA or BRW (field 1). Similar process will occur in the case of a company having intellectual resources that allow it to obtain a surplus Schumpeterian rent over Ricardian rent implemented by another partner. Good example here is the activity of e-commerce companies that are more innovative due to the tools that they possess as well as building lasting relationships with customers through brand loyalty and a new method for communication and product distribution (field 2). Manufacturing and trade companies that obtain higher gains from a strategic rent despite their innovation capacity will be reluctant to integration and will choose market coordination. This is a typical example of small and average trade and manufacturing companies that introduce innovations either with a delay, usually when influenced by leaders, or play the role of contractors performing specific sub-tasks for other entities, e.g. furniture manufacturing or selling products of a given supplier or manufacturer. Innovation capacity can be developed in the area of customer relations but usually it does not compensate the gap in resources that would allow for implementing a strategic rent (field 3). Market exchange is usually preferred in the absence of a possibility to implement rents by both parties. In such a case, there are no grounds for vertical integration.

## **5. Conclusion**

Innovative activities in e-commerce in the home furnishing industry can create an advantage both in vertical and horizontal market systems. Proper selection and combination of resources within a company can ensure the implementation of a strategic rent, and activities as well as investments in innovation create an incentive to integration. A difference in potential created in that way forms a unilateral system favouring opportunistic behaviour. Activities in the field of e-commerce aimed at increasing innovation may refer to:

- development and implementation of new methods of sale and communication with the customer involving the selection of channels depending on the groups of purchasers (the so-called multichannel) and using various channels for communication with the same group of purchasers (the so-called omnichannel),
- product presentation using the orbitview technique, allowing for watching the product in three dimensions via the Internet,
- offering online stores to customers and photographs of products in 3D technology for architects to enable the creation of arrangements via interior design software,
- building and managing relations with customers based on marketing automatization technology and CRM integrated with analytical systems used in e-commerce,
- creating affiliation programs with partners in distribution and promotion channels based on the pooling of resources and creating a better offer for purchasers (integration in the process of value creation),
- introduction of institutional innovations built on uniform and transparent rules of cooperation and competition based on trust (Plichta & Plichta, 2013, p. 40),
- designing online stores based on a grid concept with more responsive operation than traditional web pages.



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# Chapter 35

## **Human Resources in the Methodology of Project Management in Public Institutions – Krakow and Poznan City Halls – A Case Study<sup>1</sup>**

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*Donata Adler, Beata Palis*

### **1. Introduction**

Managing human resources involved in a project constitutes at present a challenge for local government units, which results from continuously increasing requirements and expectations within the area of their current and project activity. The purpose of this article is to illustrate the significance of the efficient management of personnel involved in projects in public institutions for the achievement of effects of their implementation. As for the shaping of a strategy of managing human resources of a project in public institutions, it is important to introduce a system of project management on the basis of an appropriately selected methodology. This article covers basic concepts regarding projects, project management, the management of personnel as well as the system of project management. The existing standards have been examined. The analysis of the issue in question was carried out on the example of the Krakow and Poznan City Halls. A hypothesis was postulated that the human resources have very important role in the methodology of the project management in the public institution. The process of managing the personnel of a project is determined by the accepted in a given institution methodology of project management. In order to confirm the hypothesis the following research methods have been applied: analysis of the literature on the subject, analysis of documents, questionnaire form, participant observation. This article refers to the system of project management and the methodology implemented in the selected case study.

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## 2. Managing projects in public administration in theoretical terms

In the literature on the subject one may come across various approaches to project management. According to the definition by the Project Management Institute, the project management can formally be defined in the following way: “Application of knowledge, skills, tools and techniques to project activities to meet the project requirements” (Project Management Institute, 2008, as cited in: Wysocki, 2013, p. 68). Another definition reads: “Project management is an orderly and reasonable approach which takes advantage of an appropriate involvement of a client in order to provide the results that he expects, which corresponds with the expected added business value”. According to A. Stabryła (2006, p. 35), the term project management “refers to the knowledge and practical activity, which is represented by 1) the realization of managerial functions in preliminary stages and during the preparation of the project documentation in a given enterprise as well as in the implementation stage; 2) defined professional specialization regarding the management of the process of the content-related solution to project tasks”.

Two formulas of project management may be distinguished. One of them refers to the managerial pragmatic approach, i.e. the performance of economic-managerial tasks related to the design-implementation process, scheduling, budgeting, analyzing efficiency of undertakings, coordinating and controlling implementation. The other formula regards the content-related supervision over project development and implementation. Project management also deals with two orientations regarding the range of implementations. One of them is about project management with regard to individual undertakings which are of particular significance, whereas the other formula concerns project management at the level of an enterprise, an organization, public institutions, local governments, with regard to any kind of activity (Stabryła, 2006, pp. 34-35).

“Management through projects” is another concept, and this term concerns “the idea of expansion of the area of project management implementation onto internal problems of enterprises and institutions, subjects of local government, etc.” (Stabryła, 2006, p. 35). Management through projects is a modern system of management which refers to the development and improvement of an enterprise or an institution, and above all emphasizes strategic thinking. An enterprise which possesses a “project managed” organization is oriented towards process and task management. The basis of process management is composed of complex project tasks which possess the structure of a process involving both the personnel assigned to the project as well as all the necessary organizational units (Stabryła, 2006, p. 36).

According to Lewis, project management consists in “planning, scheduling and controlling activities determined in a project in order to achieve a defined result level, costs determined within a time frame for a given scope of works and at the same time an efficient and effective application of available resources” (as cited in: Charette, Mitchell & Mazur, 2004, p. 12). The system of project management, however, is defined as: “a sequence of codependent and coordinated subsystems, which comprise controlling, planning, information, methodology, culture, organization and human resources” (Charette et al., 2004, p. 13).

In the literature on the subject one may find a number of definitions of a project. Selected definitions are presented below in Table 1.

Table 1. Definition overview

No.	Authors	Definitions
1.	J.P. Lewis (as cited in: Charette et al., 2004, p. 11)	A project is a unique task which has a defined beginning and end, clearly determined goals, scope of activity and (as a rule) determined budget.
2.	J.M. Juran (as cited in: Charette et al., 2004, p. 11)	A project is a problem for which a solution has been planned.
3.	Project Management Institute (Charette et al., 2004, p. 11)	A project is a temporary undertaking in order to create a unique product or service.
4.	R.K. Wysocki (2013, p. 48)	A project is a sequence of unique, complex and correlated tasks which have a common goal, and which are scheduled for realization within a specified period of time and without exceeding a specified budget in accordance with the assumed requirements.
5.	A. Stabryła (2006, p. 30)	The concept of a project is derived from the Latin word <i>proiectus</i> , which signifies 'a move forward'. It should, therefore, be interpreted as an illustration of a description of how to solve a particular task (problem) which is to be handled in the future.
6.	R. Lundin & A. Soderholm (1995, pp. 437-455)	Projects are nominally finite activities, with low levels of repetition, carried out by temporary organizations.
7.	Maylor H., Vidgen R., Carver S. (2008, pp. 15-26)	Projects are key processes in modern operations.

Source: own elaboration.

On the basis of the analysis of various definitions of a project, one may summarize its characteristic features, which are as follows:

- a temporary nature of the undertaking which has a beginning and an end,
- a unique nature of the undertaking, which results in the creation of a product or a service,
- presence of differences between the existing and the desired situation which is referred to as a problem, and which is supposed to be solved by the realization of a project (Charette et al., 2004, p. 11).

According to A. Stabryła, the majority of projects, however, share typical characteristics and are repeatable, although they also demonstrate original nature. He defines the concept of a project both from a broad and narrow perspectives:

- according to the narrow meaning, a project is:
  - 1) a model whose task is to improve the efficiency of a particular object of system,
  - 2) an innovative solution which makes it possible to realize an undertaking which constitutes an investment, operational or also public task.
- according to the broad meaning, a project is a complex undertaking which comprises such elements as: identification study, models, documentation concerning performance characteristics and material effects.

However, a project in a public institution may be defined as: a realization of a public task whose purpose is to implement and also achieve particular objectives and indicators, frequently of a social character, aiming above all at an economic development of a given region, and also at raising the quality of the performed services or realizing other public tasks. A project in public administration often demonstrates innovative and unique characters. In the course of time, however, some of its elements may assume a cyclical nature.

A project in a public institution, also referred to as “a public project”, is realized by units of public administration, or with their participation, and also involves public funds. E.g. in Australia only projects significant for the development of the country are eligible for public support (Gasik, 2014, p. 31). According to Gasik (2014, p. 32) up to the present time no coherent model of the realization of public projects has been developed

The system of project management may be considered taking into account various points of view: those of project managers, project personnel and also the whole institution.

Project management, including in public institutions, is above all the management of human resources involved in a project. A skillful personnel management may determine the success of a project. However, it does not constitute a decisive factor, since the main aspect related to the human factor as far as the project realization is concerned is the responsibility of the whole organization which creates the project management system accounting for project personnel motivational aspects. The abilities of a project manager are of course particularly important, however they frequently are not decisive as managers function in the structure of a project management system on which they frequently have no influence. However, the human factor as well as employee skills and qualifications constitute a basis of the system of project management, and they are its important component. Therefore, it is particularly important to adequately prepare people for project management. The project manager plays the key role, and should possess the following competences (Charette, 2004, p. 28):

- conducting negotiations with people or institutions financing a project, with members of working teams, with clients and suppliers,
- building a team in an appropriate way,
- exercising leadership, determining the project direction, achieving goals through heading the project team,
- communicating,
- motivating the project team,
- organizing,
- decision making,
- solving conflicts.

The management of project teams involves, above all, the realization of a certain social role, i.e. managerial functions within the project in an organization. The person that assumes this function is referred to as the manager of the project team, and this role is decisively related to the necessity of shaping and motivating the behaviors of the project team members, so that they reinforce the realization of the project goals (Szałkowski & Bukowska, 2005, p. 6). In order to successfully realize a project, one needs above all “an intellectual human effort and human resourcefulness, which will make it possible to solve the problem encompassed by the project. That is because the human factor is a very special resource” (Crozier, 1993, p. 17). The management of human resources in an organization, and thus in a project, is a strategic, uniform and coherent method of leading people (or a project team, in the case of a project) who with their own effort contribute to the realization of organization/project goals, and in this way strengthen their competitive advantage (Dołhasz, Fudaliński, Kosala & Smutek, 2009, p. 182). As far as projects are concerned, the effort of these people permits to achieve project goals, and also to realize project indicators or to create particular products. At the organization level, managers are above all supposed to take care of their subordinates and activities in the area of selection, training, mutual relations, and also development (Armstrong, 1998, pp. 14-15, as cited in: Dołhasz et al., 2009, p. 182).

However, from the point of view of the project realization, an organization requires that a project manager should be able to skillfully lead a project team, focusing above all on the successful result of its realization. This function is related, among others, to: delegating tasks, making decisions, solving problems and conflicts, motivating members of the project team, monitoring deadlines, emphasizing particular activities, controlling.

It should be noted that the man is the most important element of the project realization, or a representative of the work factor in the project, and decides about the success of the whole project in cooperation with co-workers (Szałkowski, Miś & Piechnik-Kurdziel, 1996, p. 7).

When it comes to issues related to personnel management, including project team management, it might be particularly important in public institutions to get acquainted with employees' opinions regarding the working system of project management. That is because an analysis of such opinions not only is of informative value, but may also constitute an element of internal public relations, which enables employees to take part in the decision making process in the areas which are important for them, such as project management (Bieryło, 2002, p. 47). At present time it is important to confront the challenges presented by the market economy and the related competition, so a team of people is of decisive significance also in the area of project management. Public institutions, in order to assure a long-term success also in the area of the realization of public projects, should implement an appropriate strategy of human resources management also in this aspect (Bieryło, 2002, p. 48). The realization of projects also involves a creation of an appropriate policy in the area of human resources management. Members of a project team constitute the most precious factor of the project, and it is of key significance when it comes to its success or the achievement of the expected results. According to J. Penc (2006, p. 109), in the concept of new management one "emphasizes the importance of development and of maintaining cooperation and harmony between the people involved". The concept of "liberation management" signifies a new character of cooperation relationships, a creation of an intelligent organization also in the area of projects, its improvement thanks to the creative efforts of the people involved as well as making use of their potential in order to achieve project goals, and thus an efficient operation of the whole organization (Stoner, Freeman & Gilbert, 1997, p. 67). However, according to P. Drucker, the thing that an enterprise or an organization needs is "a principle of management which permits a full development of individual human forces and responsibility, and at the same time which imposes a common direction of a feeling of perspective and efforts, assures team work, and harmonizes individual goals with the common good" (Drucker, 1994, p. 154, as cited in: Penc, 2006, p. 109).

The importance of project personnel management as well as problems related to its occurring in public institutions have been noticed and focused upon in this work. It includes a presentation and an analysis of the systems of project management realized at the Krakow City Hall and Poznan City Hall.

### **3. Project management system at the Krakow City Hall and Poznan City Hall – a case study**

The accomplishment of tasks through a project system is at present one of the modern tools applied to achieve the goals of an organization. In administration, however, the specific nature of the realized projects is different due to a different kind of tasks. That results from the fact that

it is additionally limited by constraints of a public-law character. In public administration the selection and implementation of an appropriate methodology of project management in order to create a successful system of management in this area have become very important (Dębogórska-Rusak, 2013, p. 36). The implementation of the System of Project Management at the Krakow City Hall is directly related to the Quality Management System accepted in 2006, and therefore also to the acceptance of the quality policy in accordance with the norm ISO 9001. The system was implemented within the frame of the project “Development of System of Public Administration Management” co-financed from the European Union funds within the European Social Fund. The quality policy guarantees a continuous improvement of the Quality Management System, and hence in 2012 one implemented a new structure of processes consisting of 7 management processes, 6 realization processes and 4 supporting ones. The process “Project management” belongs to the group of management processes.

Since 2011 the Project Management System at the Krakow City Hall has been in operation based on the PMI standard (Project Management Institute). The process encompasses the following phases: initiating, planning, realizing and monitoring of projects until they are closed. This refers to all the projects at the Krakow City Hall, which: were planned for a period longer than half a year, concern activities performed by more than one department, and also projects co-financed from external funds and which are of a one-time and not cyclical nature. Therefore, all activities at the Krakow City Hall which are realized as projects must be proceeded in accordance with the accepted methodology. Within the methodology, one prepared a detailed documentation which was described in the process, training sessions, coaching for project managers as well as managers in charge of particular organizational units. A new function dedicated to the Project Management System was created in the Department of Organization and Supervision, and its responsibilities include supervision and realization of projects (with the use of the Enterprise Project Server IT tool) as well as preparing reports for the highest management level (Dębogórska-Rusak, 2013, p. 37).

Moreover, it is worth noting that within the Krakow City Hall there is the European Funds Office, which constitutes an important support for the projects which are financed from external funds. The Main Steering Committee, which was set up by the President of the City of Krakow in the Decree No 1765/2012 of 28 June 2012, plays a special role in the Project Management System. The principal functions of the Committee are: making decisions which exceed the competences of steering committees of particular projects, analyzing cause-and-effect relationships between realized projects, determining priorities of project tasks in every year at the stage of budget creation, coordinating human resources of projects, periodical reviewing of project realizations with the participation of Steering Committees and Project Managers. The Main Steering Committee is made up of: the City Hall Manager as well as these members: Director of IT Department and General Auditor. However, it seems that the Director of the European Funds Office should also be included in these structures since the projects which are financed from external sources constitute the main segment of the project portfolio of the Krakow City Hall. According to Marta Nowak, the City Hall Manager and the Chairperson of the Main Steering Committee: “the system of project management at the Krakow City Hall is a modern tool of managing the project portfolio in public administration, which makes it possible to: see and coordinate the project resources at the level of the whole organization, have an impact on the way in which projects are realized as well as manage their quality and risk on a global scale”.

However, at the Poznan City Hall it is the Office for Projects Coordination and the Revitalization of the City that is in charge of project management. According to the Organizational Regulations

which constitute an attachment to the Decree no 4/2016 of 1 March 2016, the Office initiates and coordinates activities related to the acquisition of European Union funds for the realization of City tasks. Moreover, it develops standards in the area of project management, conducts consultancy activities, monitors the process of project realization, and also supports project management. It helps departments to prepare and realize projects on the basis of the assumed methodology, hence it plays the role of the Office for Projects Support. Above all, it is the coordinator within the strategic process of the management of the development of the City of Poznan through projects with the budget planning extended over a number of years as far as projects management is concerned.

The methodology of project management at the Poznan City Hall was implemented by the President of the City of Poznan in the Decree No 359/2011/P of 14 June 2011 regarding the strategic management of the development of the City of Poznan, which was altered by the President of the City of Poznan in the Decree No 753/2015/P of 9 November 2015. The attachment to the Decree is titled *Methodology of project management*, and it defines the basic principles and techniques recommended for implementation in project management. The purpose of this document is to support people who are related to the broadly understood realization of projects at the Poznan City Hall as well as municipal organizational units within the area of the implementation of particular elements of the accepted project management methodology which is based on the Prince 2 guidelines. The document contains the definition of a project as: “range of activities realized in order to create a unique product, service or result, which are limited in time, i.e. have a clearly defined beginning and end. A project has clearly defined and measurable goals”. Also project features have been defined as:

- “defined and measurable products and results of a project,
- an adequate set of activities necessary to create products,
- finite and defined time of the realization of defined activities,
- a determined set of resources necessary to perform activities and deliver products and results”.

This methodology refers to project management and may be implemented in any kind of project undertakings, and in particular in infrastructural, organizational, IT, social, telecommunications, and marketing ones. Therefore, depending on the needs, it may be applied to carry out various undertakings which are realized for the City of Poznan by the Poznan City Hall and its subordinated units. In the accepted “Methodology” projects are realized within the process called *the project life cycle*. This process has been divided into four phases which follow one another: initiating, planning, realizing and monitoring (divided into smaller managerial stages) as well as closing. Five levels of project management have been distinguished within “Methodology”, i.e.:

- of the President of the City of Poznan – accepting the choice of a balanced portfolio of projects,
- of the Strategy of the Development of the City of Poznan – monitoring by the Steering committee of the whole portfolio of projects and recommending projects to be launched as well as activities and solutions concerning the portfolio/projects to the President of the City of Poznan,
- of a promoter of the program of strategic monitoring and conducting by the Deputy President and the Secretary of the City of the current evaluation of project portfolios realized in subordinated Strategic Programs as well as evaluating undertaken activities,



- of a strategic program/content – related department – management of a project portfolio of a strategic program by the chairperson of the strategic program, as well as management of projects assigned to a department by the department director (not assigned to any strategic program),
- of a project – management by the project manager, at the operational level, of the project assigned to him/her.

## 4. Conclusion

The applied Project Management System is of principal importance for the management of human resources of a project in public administration units. Both the Krakow City Hall and the Poznan City Hall implemented methodologies of project management to order processes related to the realization of projects of a different nature. Although they differ from each other when it comes to the structure and procedure, a clear conclusion can be drawn that it is an efficient tool serving the purpose of coordinating the possessed resources, including human resources.

The analysis of the case study presented in this article gives rise to a number of reflections. Public institutions, in order to motivate employees to create and realize projects in strategies of personnel management as well as systems of project management should take into consideration an introduction of the following elements:

- making a better assessment of an employee with regard to the participation in the realization of projects,
- taking into account the participation of employees in the realization of projects as criteria for potential promotions or pay rises,
- extending the system of training not only to include project managers, but also members of the project team, which is of particular importance for the reason of an increase in the competences of these people.

Moreover, attention should be drawn to the fact that from the point of view of the development of a region it may become significant to also include municipal units, and not only municipal offices, into the project management system. This is because such an activity will lead to an increase in professionalism and a development of competences of a majority of the personnel in public institutions, which will positively influence the quality of realized projects. This may also result in an increase in the number of city projects, and thus increase a city's income.

The system of project management should account for and be correlated with the procedures which are applied in the area of European Union project management since, otherwise, it constitutes an additional work burden for Managers realizing European Union projects.

The presented case study is continued as own research works addressed to project managers. To summarize, the respondents' opinions indicating that methodology should be more elastic and be a reflection of the current reality should be considered as food for thought because the dynamics of projects are different. Summing up the presented case study, it should be concluded that the issues which the respondents noticed seem to be compatible with R. K. Wysocki's words (2013, p. 67), so particularly important for the management of project personnel: "Designing, adapting and realizing models of cycles of project management are based on changeable characteristics of a project and constitute a foundation for an efficient project management. Do not impose the processes and procedures which will stifle the creativity of the whole team and its particular members! You had better create an atmosphere conducive to creative behaviors".

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# Chapter 36

## **Managing Human Resources Involved in a Project in Public Institutions as Exemplified by Project Management System at Krakow and Poznan City Halls – own Research Report<sup>1</sup>**

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*Donata Adler, Beata Paliś*

### **1. Introduction**

This article refers to the issues dealt with in the paper (Adler & Paliś, 2016) concerning the management of a project team in public institutions. It constitutes a continuation of research in this area on the example of the Krakow and Poznan City Halls. The Project Management Systems applied at the Krakow City Hall and Poznan City Hall require the application of a defined strategy of personnel management. The Authors emphasize that an appropriate organization, motivation as well as selection of a project team translates into the quality of the results of an undertaking.

Own research works have been carried out to illustrate the importance of successful management of the personnel involved in projects in public institutions for the achievement of the effects of their realization. The hypothesis has been postulated that personnel management constitutes a significant segment of project management, which is of key importance for the achievement of the assumed project realization. The main determinants accepted in the research are: the number of the members of the project team, profiling appropriate functions in the team and their realization in the course of the undertaking, the degree of employees' motivation.

### **2. Managing human resources involved in a project as a research object – a review of the literature on the subject**

Conducting own research was preceded by a review of existing empirical experiments in this area of science of both global and national significance. One carried out an extensive analysis

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of the issue of the man in an organization against the background of social sciences: philosophy, economics, management sciences (Adler, 2015, pp. 199-207). The theoretical frames of the research were based on a series of project definitions, project management (Project Management Institute, 2008, as cited in: Wysocki, 2013, p. 68), human resources management, which were presented in detail by Adler, Paliś (Chapter 35) (Drucker, 1994; Penc, 2006; Stabryła, 2006; Szałkowski et al., 1996; Adler & Paliś, 2016). At present the strategies of human resources management are formed and examined in the context of the globalization environment (Sekova & Durian, 2006, pp. 293-300).

The conducted research encompassed four areas of project management indicated by

Trocki, Gruca, Ogonek (2003, pp. 32-33): functional, institutional, personal and methodical. The human factor in a project has already been examined since the 80s, when Pinto, Slevin, and Prescott indicated in their research works that it does not correlate with achieving project goals (Müller & Jugdev, 2012, pp. 757-775). This was the first one out of the four phases of research which were mentioned in the literature on this subject. The second one (the 80s and the 90s), the third one (the period between 1990 and 2000), and the fourth one (since the year 2000 until now), which encompasses the research works taking place at present, including the ones discussed in this paper – the so-called period of the 21<sup>st</sup> century (Müller & Jugdev, 2012, pp. 757-775). This issue was examined by Belou (1998), who also criticized Prescott's thesis and presented the development of this direction in successive theories on project management. Over the years, the personal area of a project has been gaining in importance, until the current perspective where the person of the leader and members as well as team work are considered to be crucial for the achievement of success of an undertaking (Belassi & Tukel, 1996, pp. 141-52; Huemann et al., 2007, pp. 315-323). This thesis has been accounted for in the research works discussed in the article.

As far as the Polish scientific output is concerned, the model of successful project management in the light of empirical studies was examined by Haffer (2013, pp. 107-117). The techniques of human resources management in a project are discussed by Strojny, Baran, Kłos and Klimczak (2015, p. 99 and the following). The public sector was analyzed, among others, by Krajewska-Nieckarz (2015, pp. 83-98), who took into consideration the question of the impact of the human factor on the success and risk of project undertakings; Wodecka-Hyjek (2012, pp. 429-443), who emphasized the fact that public institutions face challenges similar to the ones faced by business units; Bińczycki (2012, pp. 309-315), who examined the administrative function of human resources management.

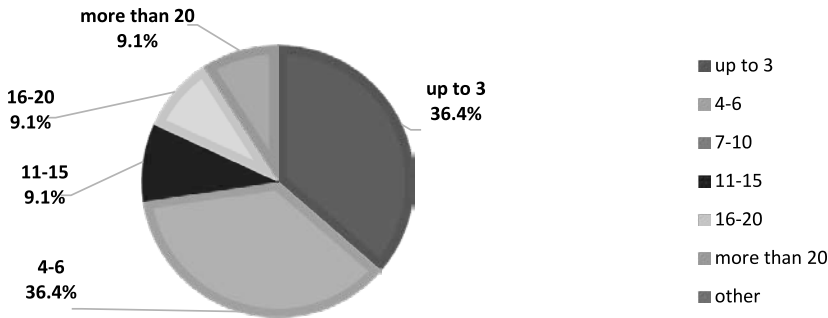
Belou and Gauvreau (2004, pp. 1-11), analyzing the influence of human resources management on the success of a project, indicated the importance of such factors as: motivation, competences, experience, involvement. Wronka (2013, pp. 593-605) draws a similar conclusion from the example of social undertakings. Issues related to managerial competences in public institutions were analyzed by Boyne (2002, pp. 97-122); Bozeman and Kingsley (1998, pp. 109-118) as well as Jałocha, Krane, Ekambaram and Prawelska-Skrzypek (2014, pp. 247-256). Wirick (2009) stressed the importance of the specific nature of challenges which managers have to face in this sector: a limited impact on the decisions which concern the selection of the members and methods of team work, the motivational system, rewarding adequate to the work performance. These criteria have been accounted for in the research works carried out at the Krakow and Poznan City Halls, which are discussed below.

### 3. Managing human resources involved in a project at the Krakow City Hall and Poznan City Hall – own research

The research works were carried out in the period February-May 2016. They covered the Krakow City Hall (further referred to as UMK) as well as the Poznan City Hall (further referred to as UMP). In order to elaborate the issue the following research methods have been applied: studies of the literature on the subject, case studies, participant observations, analyses of documents, and questionnaire forms. The methodologies of the Project Management Systems in these institutions have been discussed in the article refers to case study (Adler & Paliś, 2016; Decree no 1765/2012; Decree no 4/2016). In total 22 respondents took part in the survey research, people employed at UMK and UMP, managers of current and completed projects. At UMK 16 out of 20 managers supplied answers. In the research one applied open-ended, close-ended, and cafeteria questions as well as a grading scale. One observed willingness to share own views and to supply exhaustive opinions in the case of open-ended questions.

At the beginning, the general information concerning managed projects was analyzed. And so, a decisive majority of project managers were in charge of 1 to 5 projects in total (86.4% of indications) during the course of their professional careers in various institutions and organizations. The decisive majority of the projects which they managed involved teams consisting of a small number of members: 36.4% of them consisted of between 1 and 3 people, and likewise in the case of projects involving between 4 and 6 people (Fig. 1).

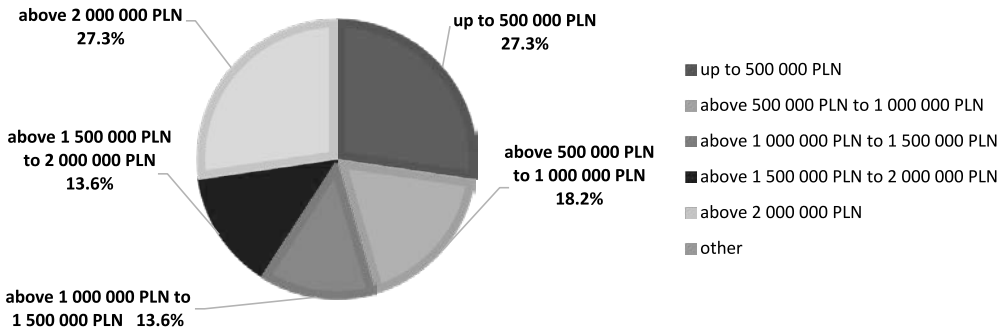
Figure 1. Number of members in the supervised project team



Source: own study.

The value of a project, whether currently being realized or already completed, was another analyzed category. As illustrated in Figure 2, projects of the lowest or the highest value constitute a majority – 27.3% of the projects are of up to 500,000 PLN, and 27.3% of the undertakings represent the value of over 2,000,000 PLN.

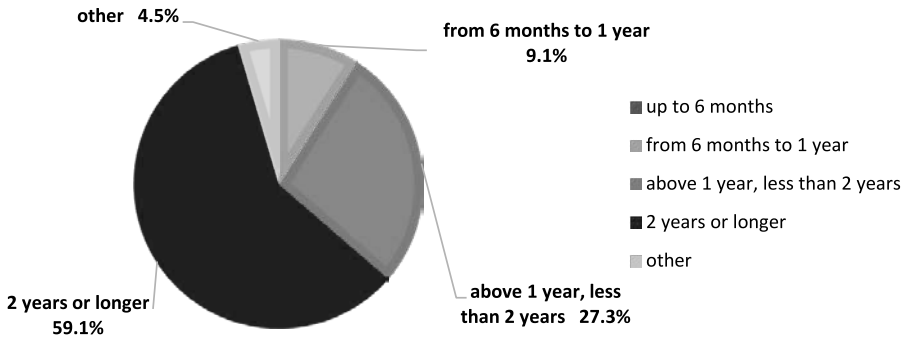
Figure 2. Value of project



Source: own study.

Projects carried out in public administration are mainly long-term undertakings – 63.6% of the analyzed projects last 2 years or longer (the ‘other’ category also includes projects lasting longer than 2 years), and 27.3% – longer than 1 year but shorter than 2 years (Fig. 3).

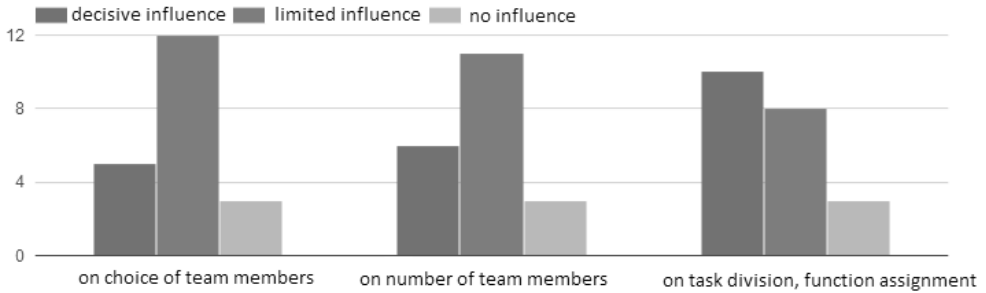
Figure 3. Duration of project



Source: own study.

While considering the personal aspect of the work of supervised teams, the issues related to the role of the project manager in administration, management, and leadership as well as the way in which the project and the team are managed, as compared to the background of the whole unit, are important. According to the respondents, they had a decisive influence mainly on the division of tasks and on the functions assigned in the team. The majority of them only had a limited impact on the choice and the number of team members (Fig. 4).

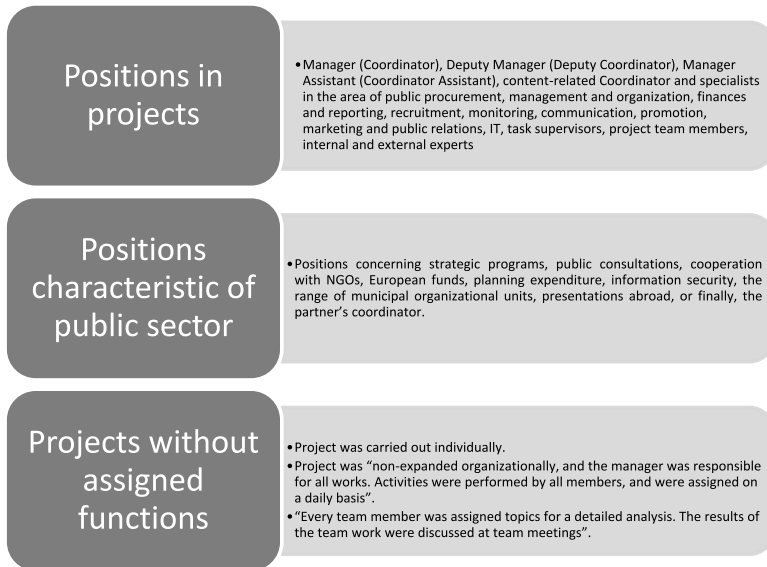
Figure 4. Project Manager’s impact on particular project elements



Source: own study.

The respondents at UMP, who had no decisive influence on project management, indicated that decisions were taken by the direct supervisor, a project partner, the Chairperson of the Steering Committee. “Since the team was of an interdisciplinary character, and decisions taken by the direct supervisor exerted a bigger influence on the involvement of some employees – sometimes the project goals were given a lower priority”, according to one of the respondents. To continue the quotation: “My role was to indicate organizational units which take part in the project. The managers of these units (departments) decided which of their employees may support the work of a team with their knowledge and skills.”

Figure 5. Functions in project teams; style and characteristics of work in teams without assigned functions



Source: own elaboration.



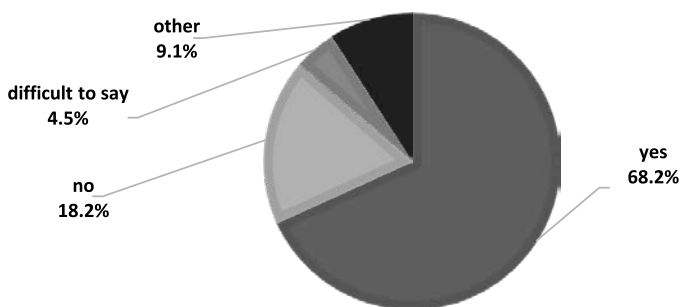
A vast majority of the Managers involved in the research, amounting to as many as 81.8%, indicated that the members of their teams had profiled functions as far as the responsibility in the team and assigned tasks were concerned. All of the Managers in question at UMP describe their projects as the ones with roles assigned to particular team members. At UMK one is also in charge of projects in which there are no profiled functions, hence it is important to explain the style and characteristics of the work in such teams (Fig. 5).

More than a half (63.6%) of projects are realized with the dominance of team work, as the principal method of team members' work. The majority are also of the opinion that such a form of work is better than performing tasks on an individual basis. They justify this with a better information flow in a team, an option of substitution in the case of absence, complementing one another both in the area of knowledge and skills, a better motivation for work. It is worth noting that 18.2% apply the style of work "one person assigned to one task", and the same percentage implement mixed styles. This depends on the needs, the nature of the task, the level of complexity, the project specific character, and also the personality of coworkers. In 72.7% of the analyzed projects there were cases of substitution for particular people in the case of absences, leaves, etc. 85% of the respondents assess the process of delegating tasks within their projects as successful and very effective.

### 3.1. Motivation – determinant of successful realization of goals by a team

Motivation constitutes the next important factor for the analysis of the personal function in supervised projects. An overwhelming majority of respondents are of the opinion that the number of project team members was sufficient for the realization of tasks (Fig. 6). According to one of UMK representatives, "it depends on the kind of a project, its duration, the level of the complexity of realized tasks and the budget limit".

Figure 6. In your opinion, is/was the number of project team members sufficient?

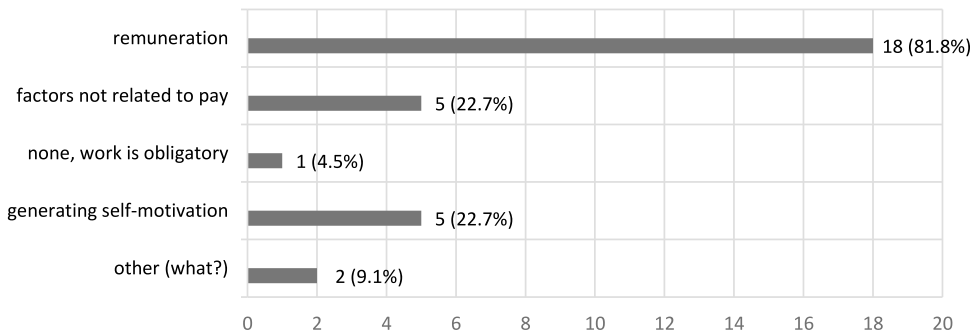


Source: own study.

Moreover, 36.4% of the Managers involved in this research rated the average value of motivation in the team, on a five-point grading scale, as high, and 27.3% as very high, but it must be remembered that the majority of the lower grades were given to teams working at UMK. The main indicated sources of motivation were: remuneration (81.8%), factors not related

to pay (22.7%), and generating self-motivation (22.7%) (Fig. 7, 8). 4.5% of the opinions, which claimed that there are no motivating factors, were supplied by UMK respondents. At UMP some of the indicated factors not related to pay included “presentations of developed solutions during official meetings – a positive self-presentation”, integration training sessions for team members. Managers at UMK listed, among factors not related to pay, the fact that employees’ ideas and opinions were taken into consideration, decisions were consulted and agreed with the staff, public thanksgiving, brainstorming, team work. The awareness and conviction that the implementation of a project should improve the quality of work and data are considered motivating. “For a small number of employees, who however are crucial for the success of a project, the most important motivation was the opportunity to work in a Project Team of an innovative project and the implementation of organizational changes that they were convinced were necessary”, according to a respondent. “The other important factors included the attitude of the UMK management, support from supervisors, willingness to test oneself in a difficult project”.

Figure 7. What tools were applied by you/your team in order to increase employees’ motivation?



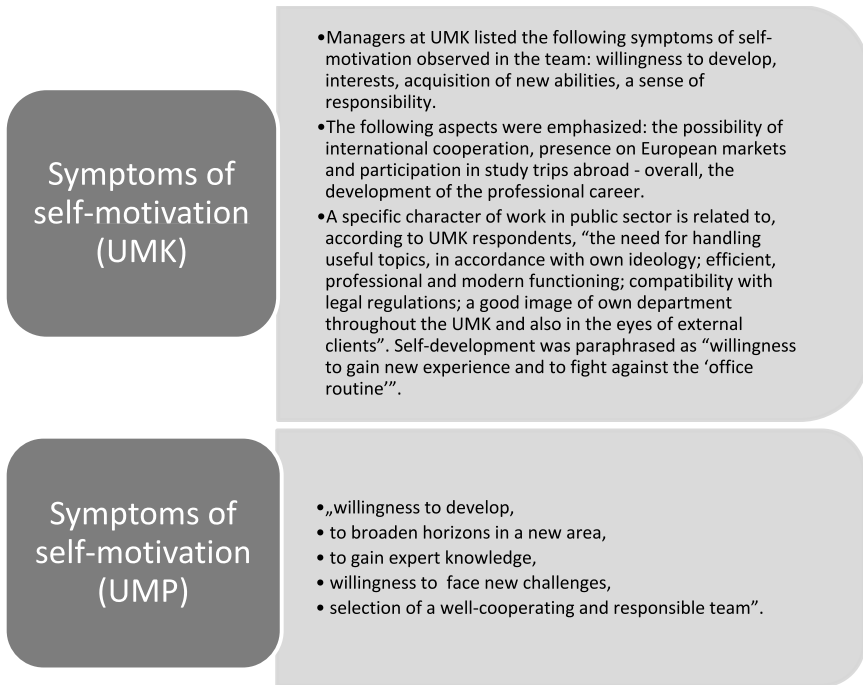
Source: own study.

Among the measurable professional benefits related to the Manager’s and particular team members’ participation in a project, 77.3% indicate the development of competences, and only 9.1% mention a promotion or a pay rise (Fig. 9). Other factors were as follows: 13.6% of all the examined indicated the bonus added to the salary for the duration of a project, and such an opinion was shared by both UMK and UMP employees. The participation of the manager and team members is included in the employee appraisal, which is carried out by the City Hall in the case of 61.9% of the examined.

### 3.2. Information and conflict management in a project team

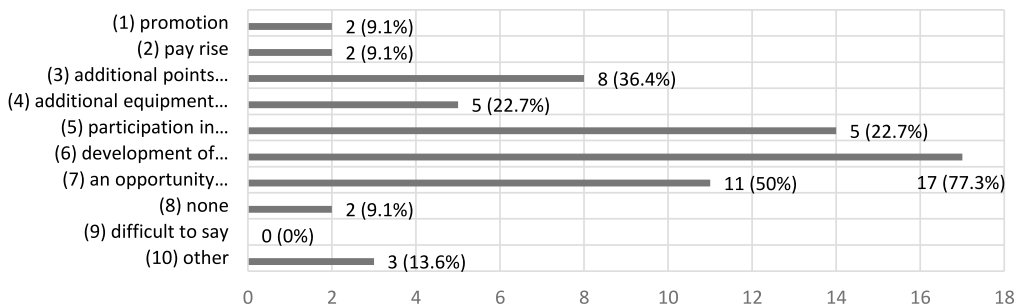
According to P. Motyl (2014, pp. 143-142) when it comes to project personnel management, like in any other organization, a clear and problem-free communication is of particular importance. Project team members should take steps towards an open and smooth flow of information within the structure of the project. In the area of project management it is also necessary to obtain support

Figure 8. Symptoms of self-motivation at UMK and UMP



Source: own elaboration.

Figure 9. What measurable professional benefits are related to the Manager's and particular team members' participation in a project?

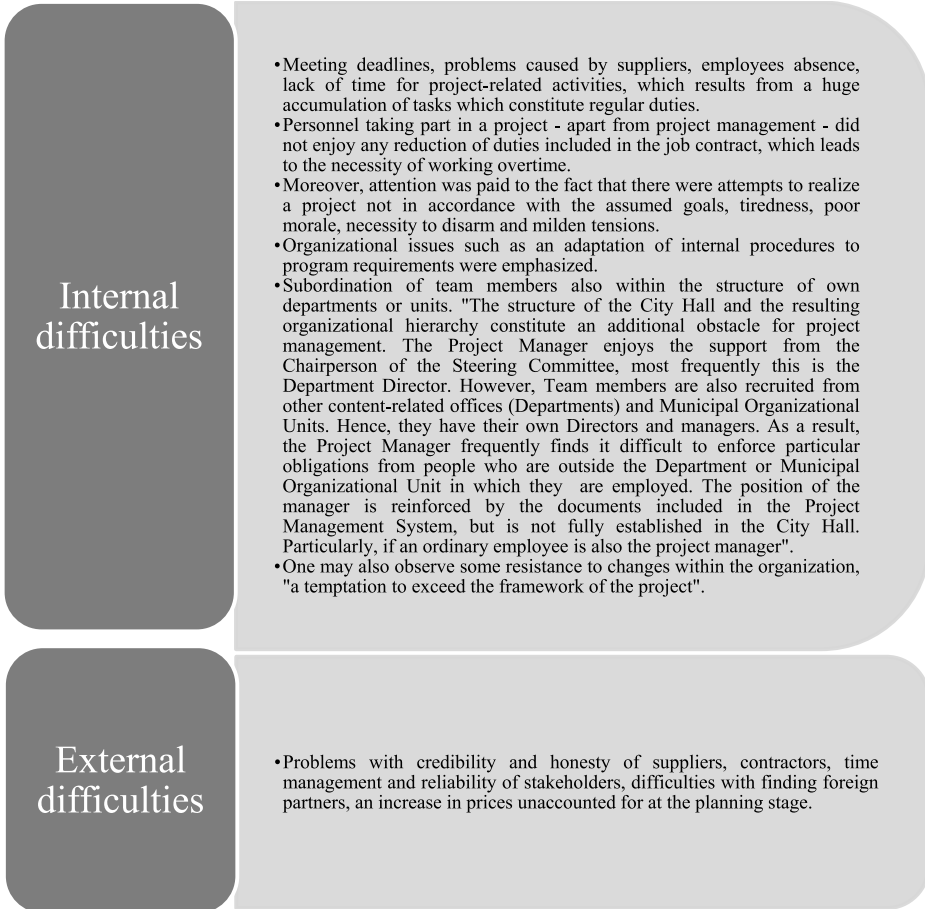


On the scale successively: promotion, pay rise, additional points in employee appraisal, additional equipment: a laptop, a mobile phone, participation in additional training sessions and conferences, development of competences, an opportunity to obtain additional references, none, difficult to say, other.

Source: own study.

from the highest level of management, among others organizational support, making key-strategic decisions, or support concerning the issue of conflict handling.

Figure 10. Internal and external difficulties for project management



Source: own elaboration.

In the described institutions more than a half of the respondents evaluated the communication in the team as good. The basic listed communication tools in teams are as follows: electronic mail, telephone, meetings, presentations, teleconferences, a system of communication enhancement (an IT application), official correspondence, project documentation. Moreover, new technologies were also implemented for communication – a shared google disc, a messenger group.

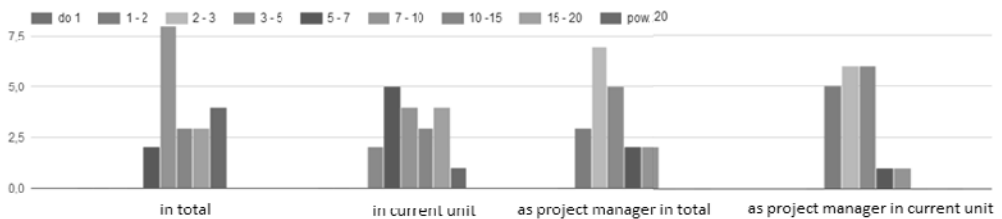
47.6% of respondents gave a positive answer to the question whether there appeared difficulties in the area of project personnel management during the project realization (Fig. 10). 80.9% of the examined indicate that conflict situations took place very rarely, and they were seldom

solved within the team. It was the project manager, the director or the steering committee who ultimately solved the conflicts. Merely 23.8% of the respondents notice an impact of external factors which make project personnel management more difficult (Fig. 10).

### 3.3. Competences of project manager in public administration

Appropriate competences, abilities and experience are crucial for an effective and successful project management. In the majority of cases project managers at UMK and UMP have been working as project managers in the current unit between 2 and 5 years (Fig. 11).

Figure 11. Years of service of project managers



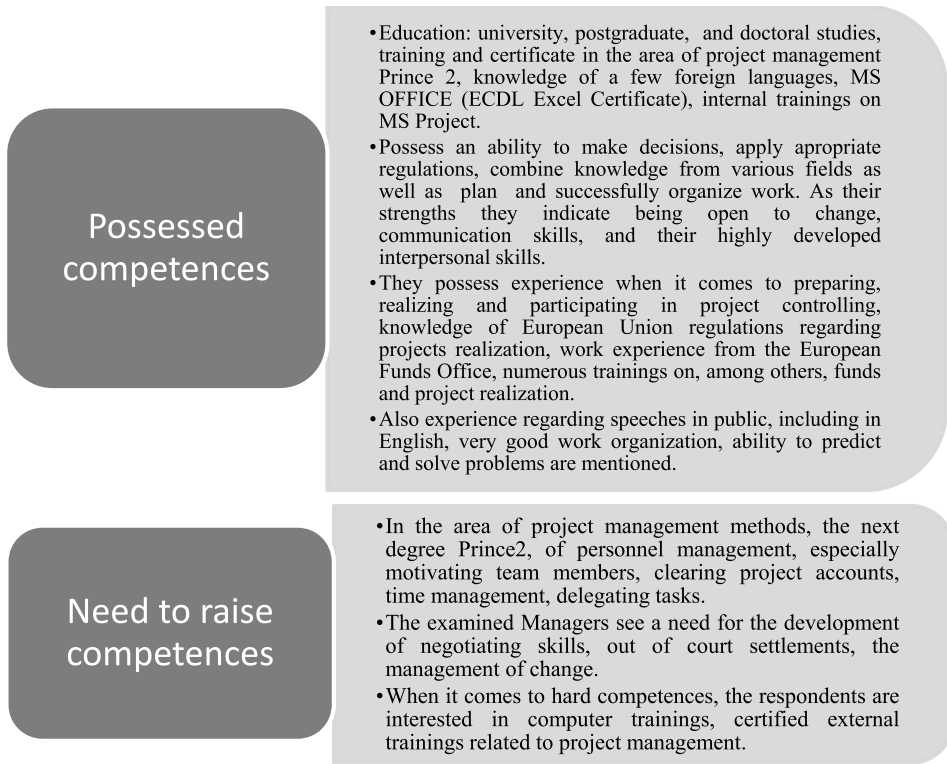
Source: own study.

These people possess a number of competences confirmed by certificates, hard and soft ones (Fig. 12). The respondents indicate that, with regard to the personnel and project management, they would like to additionally raise their competences in some areas (Fig. 12). The specific nature of projects in public administration gives rise to a reflection of “how to effectively and successfully manage a project having numerous other tasks outside the project for realization at the same time? How to effectively motivate team members having only limited budget for additional pay and no possibility to ensure their career advancement?”

### 3.4. Methodology of the Project Management System in public sector as seen by project managers

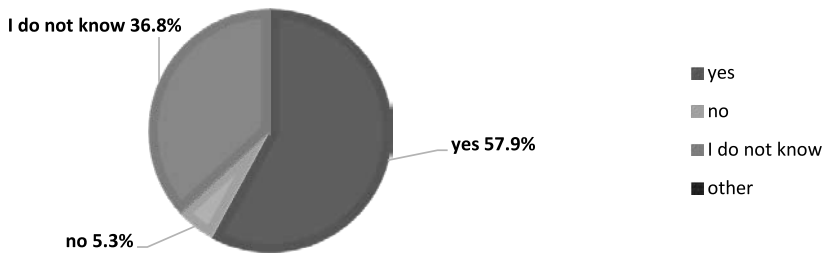
Projects in the analyzed public units were carried out on the basis of the Project Management System Prince 2 as well as on the basis of the PMI Standard (Project Management Institute), which was extensively discussed in the paper of Adler and Pališ (2016). 42.1% of the examined people have a high opinion of this system of methodology, and the same percentage of respondents evaluate it as average. This evaluation accounts for the difficulties which project Managers observe during its implementation, beginning with the inconsistencies with European Union projects (particularly the non-investment ones), which are realized in the project system. The methodology applied within a unit not always precisely accounts for the project management method in the area of a given EU program within which the project was realized. Moreover, the respondents notice a necessity for the introduction of changes in the areas of the motivational system, experiences exchange, monitoring, updating the electronic system in the range of information on sources of financing.

Figure 12. Competences of project managers – possessed and indicated as areas for development



Source: own elaboration

Figure 13. Would you be favorable to changes in methodology?



Source: own study.

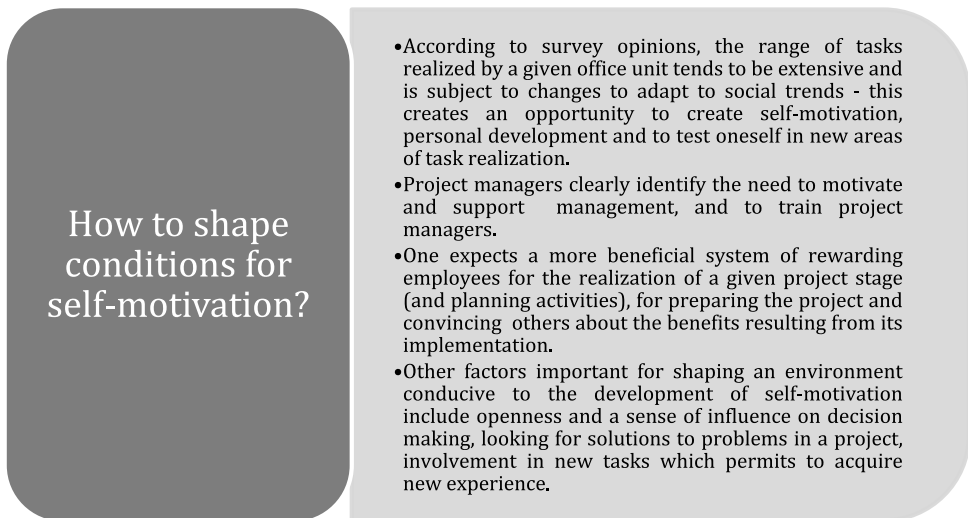
Summarizing, the opinion that there is a necessity for the system to be better adjusted to the way in which local government units function seems justifiable.

Project managers clearly define the need for the implementation of organizational framework and basic methodology of project management in an organization. In spite of this, there have been opinions that question the sense of the application of this tool (Fig. 13). On the one hand, methodology “in a way tries to order and standardize issues related to the realization of projects in a public office” and, on the other hand, it is perceived as “an additional work that needs to be done”.

### 3.5. Shaping conditions for self-motivation

In order to shape an appropriate personnel policy in the conducted projects, it is important to create conditions which positively influence self-motivation. These conditions were rated by the respondents as “rather average”, and the respondents proposed a number of changes to this issue (Fig. 14).

Figure 14. How to shape conditions for self-motivation?



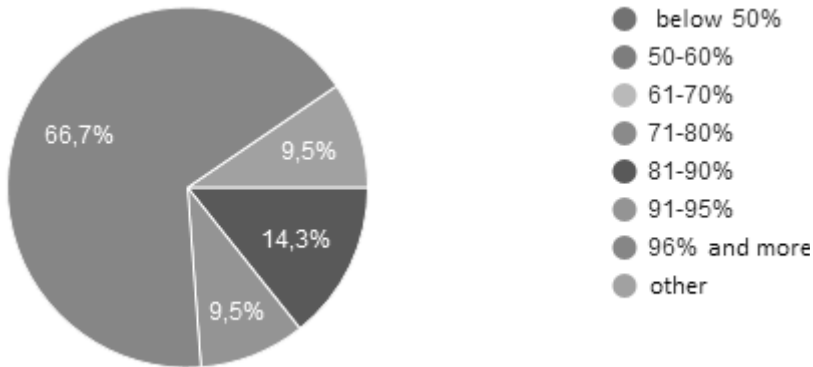
Source: own elaboration.

The participation of the project manager and members is included in the employee appraisal, which is carried out by the City Hall in the case of 61.9% of the examined. It should be emphasized that 85.7% of the examined are of the opinion that it should be. As pointed out by the people who manage projects: “The participation in a project constitutes an additional workload of an employee who has to perform regular duties and additionally take part in a project. Project managers underline the fact that “if employees knew that the participation in projects is directly related to the employee appraisal, they would be more willing to take up new duties”. In particular, when a project realization requires a massive time involvement, this would enhance employees’

motivation to realize projects and the number of projects would be increased, which, as a consequence, would positively translate into the income of the city.

However, it should be emphasized that the analyzed projects are characterized by a very high degree of the realization of planned goals (Fig. 15).

Figure 15. Rate of indicators realization in the last completed project



Source: own study.

The above chart indicates that the rates in most of the projects reached 96% or more.

#### 4. Conclusion

The hypothesis postulated in these research works claims that personnel management constitutes an important segment of project management, which is of key importance for the achievement of project realization goals. One can draw final conclusions on the basis of the conducted research works.

The key question in the conducted research works was to indicate the most important abilities that the role of a project manager requires. The most frequent answers pointed out professional experience, work experience at a similar position, many years of service in a public office. It is important to possess both content-related competences (including a good knowledge of languages in the area of international projects) and personality traits, such as openness to others, responsibility, determination to achieve goals, authority, involvement. The compatibility with the research mentioned at the beginning – Belou, Gauvreau (2004, pp. 1-11), Wronka (2013, pp. 593-605) – is easily visible. An efficient project Manager, according to the respondents, should possess the abilities of personnel management, work with the team, crisis management, efficiency of action, skillful organization of work for themselves and others.

The areas in which the respondents see the need for changes have been indicated in the research. Firstly, employees are overloaded with work as, apart from tasks performed within a project, they are obliged to realize their regular tasks as specified in their job contracts. The main issue here is the motivation of team members, either through financial bonuses or through a limitation of other duties, a division of functions, a larger number of project team members. Secondly, the data supplied by the respondents lead to a conclusion that public administration units do not



take advantage of the European Union funds which are addressed to projects personnel in this sector, which would enhance the motivation of the employees. Requiring extensive abilities in the scale of a given organization does not correspond with an adequate competence- and performance-related remuneration, although additional external funds are available. This problem is highlighted in the empirical research works in the literature on the subject. For instance, according to Wirick (2009), who has been cited above, public institutions are not result-oriented and there is a discrepancy between results and remuneration. Thirdly, the implementation of projects which are financed externally creates an opportunity to effectively make use of the employee pay motivational system, which should translate into measurable benefits that the region obtains from project realization. Fourthly, the structure of the public office and the resulting organizational subordination, which influence the work of a project team, constitute an additional difficulty in the area of project management in a public office. However, in order to shape conditions for the self-motivation of a project personnel it would be of particular importance to increase every time the evaluation of the employees engaged in the realization of projects.

The conducted research works lead to the final conclusion that personnel management constitutes a significant segment of projects management, which is of key importance for the achievement of the project realization goals. The implemented methodologies of projects management are of particular significance in this respect. However, an on-going verification of their functional efficiency is necessary for their successful implementation. In order to become an appropriate support in the area of personnel management, these systems should be modified on the basis of the carried out monitoring, exchanged experiences and research works conducted among projects managers.

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# Chapter 37

## **Forms of Promotion of Enterprises of Tourist Attractions as Exemplified by Bochnia Salt Mine**

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*Małgorzata Goryczka*

### **1. Introduction**

There are many companies on the tourist market whose aim is to fulfil the needs of the society and to maximize profits. However, in order for tourist companies to be able to achieve their goals they should be able to properly present their offer on the market so that tourists can notice them while doing research.

The aim of this article is to show forms of promotion that are used by the companies. These forms are aimed at attracting tourist attention to the offer and so draw the tourists towards the company and increase its competitiveness against other tourist attraction companies.

The theoretical look comprises the analysis of the secondary data obtained at the Bochnia Salt Mine, which is aimed at verification of the theoretical section referring to promotional activity of a tourist attraction company. The research was conducted among tourists visiting the Salt Mine in the period from May to December 2015.

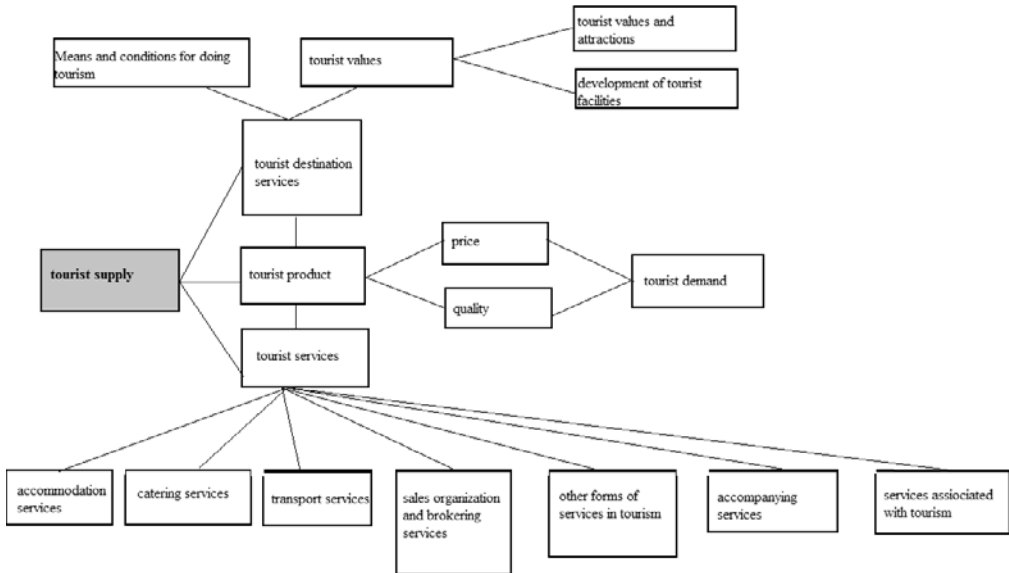
### **2. Tourist attraction companies and their characteristics**

There are many entities of tourist supply managing tourism.

The supply on the tourist market surpasses demand and price. It clearly indicates elements of tourist destination, wide range of tourist services and the tourist product created (Panasiuk, 2014, p. 110). A significant role for the supply on tourist market is played by region and competitiveness of the companies.

The offers of the companies in the field of tourism prove continuous development of the market regardless of its economic situation. Globalization also strives to cause positive influence on tourist market. Tourists often travel larger distances to visit tourist attractions in niche segments of the market (Bednarczyk & Wach, 2004, pp. 105-107). Nowadays, travelling is simpler thanks to development of electronics, which contributes to more vivid development of the market.

Figure 1. Objective structure of tourist market



Source: (Panasiuk, 2014, p. 110).

The tourist market may be characterized in two approaches: the objective approach covering demand, supply, offers and terms of sale as well as the subjective approach. The further section of the article is devoted to the presentation of the supply side of the tourist market.

Taking into account the title of this article, it should be pointed out that tourist companies are tourist attractions. The term of a tourist attraction is a complex one. It highlights the tourist values of a region, its environment, surroundings and the needs of tourists. The needs are varied and dependent on the preferences of the tourists, their education and way of spending their free time.

### 3. Promotion

In the 21<sup>st</sup> century all entities in the market compete for their customer with the use of various forms of promotion, which is a method of communication between the company and the market. The process of communication is aimed at transmission of information. Nowadays, the information technologies have become helpful in the field of expansion on the market. Companies send information to their possible customers and may encourage them to purchase the offer or product and to provide feedback and sometimes help us reach almost undiscovered places and improve online hotel booking through the online hotel booking system. Correct transmission of information may encourage the tourist to provide feedback.

Promotion is also often seen as having two types: functional and instrumental. The functional aspect is always an action persuading future customers to purchase the product or service. But the instrumental aspect covers all means of maintaining the promotion mix form (Rapacz, 1998,

p. 159). They include advertisement, Public Relations, sales promotion, direct marketing and personal sales.

Advertising is one of the most popular tools of promotion. It is present in television, press, radio, on posters, billboards, the internet. Its purpose is i.a. to bring out in the customer the need to purchase the product, to make the customer remember the product thanks to frequent repetition of the advertisement (Kruczek & Walas, 2004, p. 35).

Public Relations is creation, promotion and maintenance of positive image of the company (Panasiuk, 2013, p. 179) by organizing special events, developing official statements related to the company, press materials with visible brand logo of the company. It also popularizes the company in the media with the use of press articles or short video clips creating a positive image of the company.

Sales promotion directs the proposed promotion of the company towards organizing contests, lotteries, providing tourist information through products.

Direct marketing draws the attention of tourists towards the company by organizing temporary discounts e.g. in ticket prices, discounts on products on offer so that the activities increase the sales and caused positive image in the eyes of the recipient and so that the customer continues to purchase the goods of the company.

Personal sales is a promotion tool focused on direct contact with the tourist and presenting the company with one's own attitude (Kruczek & Walas, 2004, p. 67).

Implementing the set tasks in the form of encouraging tourists to take advantage of the offer leads to increase in demand of services or purchase of product.

In the era of globalization, apart from the marketing tools listed above, internet is a tool that thrives. It connects a great number of people and allows transmitted information to reach a huge group of people practically anywhere in the world at once. Especially when the companies operate in niche segments of the tourist market (Wielki, 2000, pp. 94-98). Today the internet has become one of the most important means of promoting a company not only in the country but also internationally. Any company may easily reach a potential recipient through a wide range of tools available.

Apart from obtaining new recipients through the internet, companies may conclude agreements on cooperation with international companies all over the world.

Social media are a popular online tool which includes various social media websites such as blogs, instant messengers and other. Thanks to them information transmitted by tourist companies reaches a wide audience.

Today, the most popular websites are Facebook, local news websites, multimedia websites such as YouTube, City Placement, Tweeter.

Facebook, which was created in 2004, enables its users to communicate with their friends and with the companies having their fanpages there. Users like a fanpage of a company and get the news about the company, its new products, offers and services. Also, thanks to viral marketing users can promote the company by voluntarily recommending it to friends. Companies can also develop their public image. Apart from managing a fanpage, they can use an informal method of promotion such as word-of-mouth marketing, which means making some "noise" around the company (Niemczyk, 2016, p. 144). Tourist companies can publish their news, advertisements, promotion video clips and new offers on local news websites.

YouTube is one of many websites where users can publish their films regardless of their quality and resolution. This form of promotion is also used by tourist companies for publishing

their advertising video clips and initiating marketing activities. YouTube is a way to present one's own company all over the world since a video clip may be viewed by any person interested, and the website shows the number of views (Niemyzyk, 2016, p. 144).

City Placement is a form of promoting a tourist company, a town, region or country by publishing materials about it in a film, TV series, TV programme, radio programme, computer game and such. Company promotion included in the plot adds reliability to the message (Gębarowski, 2012, p. 115).

Tourist fairs are a common form of tourist promotion, which is often used both by destinations and the private sector. They seem to have become less significant yet are still frequently organized and visited by tourists and companies that are not directly linked to tourist services. Fairs provide an opportunity to promote a company, present its offer and new products, increase competitiveness and establish contacts between tour operators and tourist companies thus providing opportunity to increase the attractiveness of the offer (Kruczek & Walas, 2004, pp. 114-115).

In order to increase the development of a company through promotion, companies should introduce control. All actions encouraging tourists to become keen on the company should be examined in the area of effectiveness of the actions. Companies shall take them as two levels: internal analysis and external analysis.

Internal analysis examines risks and opportunities coming from the suppliers and from the surroundings. And external analysis examines external sphere in the company, calculates chances of the human resources and the way of managing the capital (Rapacz, 1998, p. 173).

## **4. Promotional activities of the Bochnia Salt Mine**

### **4.1. Summary of information about the Mine**

The Salt Mine in Bochnia started functioning as a mining enterprise in ca. 1248. It was a source of enormous profits. In 1368 King Kasimir the Great issued a document called Statut Żupny (Salt Mining Statute), which established organizational and legal rules of selling salt. The oldest mine shafts here are Sutoris and Gazaris. A famous legend of a ring of St Kinga is linked to the Bochnia Salt Mine and the Sutoris shaft. The 15<sup>th</sup> and the 16<sup>th</sup> century were a time of increased development of the mine, when new shafts: Regis, Bochneris and Campi were created. In 1981 the mine was listed in the register of historical monuments.

The enterprise has operated as a tourist attraction since the 1990s and it welcomes 150 000 tourists every year, and the number is growing.

The Bochnia Salt Mine has been influencing the town history, development, economy and the development of the local industry and community throughout its whole period of operation. It combines tradition and modernity. Tourists can visit two different routes: the tourist route and the historical route. The Mine in Bochnia is the only one in Poland offering an underground boat crossing and other attractions such as: the underground rail, the longest slide of 140m linking two levels of the mine, a multimedia exhibition presenting the history of salt extraction, miners' work and some of the history of Poland.

The Bochnia Salt Mine is a unique place valued by event organizers. There are sports events (Judo Tournament, Relay Race, National Shooting Tournament, Jiu Jitsu Tournament, National Competition of Free Flying Models), integration events, parties, trainings, conferences and other

special events such as the Christmas Midnight Mass, blessing food at Easter, New Year's Eve, winter and summer holidays and other<sup>1</sup>.

On the 23 June 2003, by the decision of the UNESCO World Heritage Commission, the Bochnia Salt Mine was entered on the prestigious world famous list<sup>2</sup>.

## 4.2. Forms of promotion of the Bochnia Salt Mine

Based on the information and unofficial research performed by the Bochnia Salt Mine within the period from May to December 2015 and taking into account the theoretical side of the forms of promotion of the tourist enterprise certain forms of promotion applied at the Salt Mine may be indicated. The research referred to many aspects, i.a. forms of promotion of the Mine.

Table 1. How did you find out about Salt Mine?

The mine website	24%
Other online material	9%
Television	2%
Radio	1%
Press	2%
Recommendation by friend or relative	63%

Source: results of an unofficial survey conducted by the Salt Mine in 2015.

Surely, a large portion of the communication was transmitted through social media. A significant role is played by an informal form of promotion – word-of-mouth marketing – as 63% of the respondents chose that answer. Word-of-mouth marketing may take place with the use of Facebook. Another form that encourages tourists to visit the mine is the extensive website. 24% of the respondents indicated it as a source of information and basis for their decision to arrive to the mine. Other forms of promotion used by the mine are online materials and as it may be suspected also the local social websites. This option was selected as the most effective by 9% of the tourists. The last forms deemed by the respondents as the most effective were press – 2% and television channels – 2% as well as radio programmes – 1%.

Apart from the aforementioned, the Salt Mines also takes part in specialized tourist fairs where they promote their products and invite to visit the underground corridors, and present their advertising material at the events organized locally by the Town of Bochnia.

<sup>1</sup> Read more: *Kopalnia dawniej i dziś*. Retrieved on 30/05/2016, from <http://kopalnia-bochnia.pl/okopalni/historia/>.

<sup>2</sup> Read more: *Nagrody i certyfikaty*. Retrieved on 30/05/2016, from <http://kopalnia-bochnia.pl/okopalni/nagrodycertyfikaty/>.



## 5. Conclusion

In light of the analysis presented, the following conclusions may be established. In order to find new customers, the Salt Mine will continue its promotion with the use of informal methods such as word-of-mouth marketing and tourist fairs. These means of promotion have so far brought the biggest benefits to the company.

Also the effects of globalization that, as it may be stated, cause enormous influence on the tourist market placing it in the world economy business and contribute to continuous development of the tourist attraction company – the Bochnia Salt Mine. This is evidenced by numerous visits of foreign tourists, who obtained the information on the offer and tourist attractions at the website of the company. Markets open to international cooperation also contribute to higher quality of the company by its continuous improvement.

This is due to the fact that these methods of promotion are currently the most successful and bring the biggest profit. The Mine is open to continuous change because of the needs of the customers and to new forms of promotion that are constantly improved. The internet provides new ways for companies wishing to promote themselves on the market. Based on that it has been found that the aim of the article has been reached. The Bochnia Salt Mine runs varied promotional activities and modern forms of promotion.

Observation of the market and its dynamics allows to believe that new forms of promotion will be tested at the Salt Mine. Also the vastness of the matter shall be the object of the author's further studies.

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# Chapter 38

## Age as a Factor of Polish Tourists Behavior Differentiation During Foreign Travel

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*Jadwiga Berbeka, Krzysztof Borodako, Michał Rudnicki*

### 1. Introduction

Tourism plays an important role in the life of every human being, because it allows to (referring to Maslow's hierarchy) keep a good physical condition (physiology), reach intellectual development (cognitive and cultural needs), meet spiritual and mental needs, as well as to achieve a sense of self-realization (by developing their own interests and passions, e.g. sports). Tourism is closely interconnected with consumers behavior, as it is a socio-economic phenomenon, the essence of which is taking a trip to meet tourist's needs (Hudson, 1999, p. 37).

Behavior of tourists on the market, also defined as tourists behavior (Żabińska, 1994, p. 29), is determined by various factors affecting individual tourist choices. The multiplicity of determinants and their changeability in time make academics conduct permanent research to be up to date and to supply the market entities with knowledge about consumers.

Many approaches to behavior determinants lead to many classification of these factors (Kotler, 1994; Swarbrooke & Horner, 2007). The age of traveling people is indicated in the literature (among others) as one of the basic of them (Middleton, 1996). It appears nearly in each classification, regardless of the adopted criteria of division (Bosiacki, 1987, p. 154; Wodejko, 1997, pp. 60-76; Nowakowska, 1989, pp. 32-41). Slight differences are perceived only in the naming of the main category to which belongs the age of consumers e.g. in Kotler's (1994, p. 161) classification the age is listed among the personal factors, in the scheme made by A. Dąbrowska (2006, p. 119) has been included to the socio-demographic factors and in the division proposed by E. Kieźel (2000, p. 6) to the non-economic determinants. The importance of the age of traveling people has been also confirmed by numerous studies undertaken in tourism, where it constitutes one of the basic variables differentiating consumer behavior. On the other hand, in some types of tourism (for example cultural, adventure, sustainable) tourists' age is less important than their involvement, attitude and passion.

Noticeable changes in the behavior of the various tourists generations require constant monitoring to identify changing trends in the tourism market and the ways of adaptation to it by different age groups. The purpose of this article is an assessment of the differentiation of Polish tourists behavior while traveling abroad caused by the age. The main research questions were as follow:

Which decisions – referring to travel abroad – are influenced by tourists' age?

In what aspects tourists behavior is differentiated by the age?

The paper consists of theoretical part, where the literature review on consumer behavior on tourism market is presented. A particular attention is paid to the age and its influence on the consumer behavior. In the second part a brief description of the research methodology is put forward. The last section has an empirical character, the results of research are discussed and conclusions are formulated.

## **2. Consumer behavior on tourism market – literature review**

In the service economy, which includes travel and tourism, understanding consumer behaviors is a critical issue to offer the most desired product, to effectively communicate with potential consumers as well as to produce successful marketing strategies. It is especially highlighted in the concept of Service Dominant Logic (Lush & Vargo, 2006), where a consumer is said to co-create a product value at the moment of consumption.

Consumer behavior comprises processes involved when individuals or groups select, purchase, use or dispose of products (material, services, ideas or experiences) to satisfy needs and desires (Solomon et al., 2006, p. 6). Consumer behavior on tourism market can be defined as a process consisting of mention above activities undertaken in leisure time, comprising the temporary change of the place of residence (Berbeka, Niemczyk & Makówka, 2008, p. 10).

Tourists behavior on contemporary market are significantly differentiated and they are changing so fast (Berbeka, 2016, pp. 43-46) that they need constant monitoring and investigation.

Travel decisions and leisure engagements are influenced by many factors which are critical concepts that must be explored and explained by academics and market entities. The aims of research are either cognitive or/and practical.

Analyzing determinants of travel behavior two types of determinants should be mentioned. First, factors which determine undertaking a holiday, and consecutively, factors influencing the type of trip to be undertaken, if the first set of factors will allow a holiday to be taken (Swarbrooke & Horner, 2007, p. 67). The type of trip chosen by an individual encounters a great number of choices, which need to be taken into consideration, like: a destination, data of the trip, the mode of travel to be used, an accompanying person or a group, the type of accommodation, activities undertaken by the tourist whilst on holiday, amount of money spent on the trip, etc. (Swarbrooke & Horner, 2007 p. 67). These many factors can be subdivided in so called personal factors, which are any factors that are connected with the tourist himself or external factors which are shaped outside the tourist. J. Swarbrooke and S. Horner (2007, pp. 63-64) have come up with two models presenting personal and external factors. Personal ones consist of four groups of determinants: Circumstances, Knowledge, Attitude and Perception, Experiences. External determinants comprise: Views of friends and relatives; The Marketing activities of the tourism industry; The influence of the media; Society-wide, political, economic, social and technological factors at national level and Political, economic social and technological factors at global level.

There are many classification of factors influencing consumers behavior in the literature. One of the most popular is the Kotler's typology; he distinguishes 4 groups of factors: psychological, personal (including age), social and cultural (Kotler, 1994, p. 161). They fit pretty well to tourists behavior.

One of well-known Polish researcher S. Wodejko (1997, pp. 60-76) presented his classification based on WTO framework. He distinguished 3 groups of determinants:

- economic (national economy, incomes and prices),
- socio-psychological (leisure time, demographic factors (including age), industrial factors, urban factors, cultural and motivational factors),
- supply side (tourism policy, transport and accommodation infrastructure and travel offices).

Often cited in the literature is the factors' division into internal and external (Pizam & Mansfield, 2000, p. 14). In such a dual approach it can be pointed out also Crampon's model (1979) dividing travel motivational determinants into: psychological (push) factors and physical (pull) attributes.

Furthermore, within literature one will find widely accepted factors influencing the decision making process. The literature classifies and structures these factors in different ways. For example Koudelka (1979, p. 29) divides them into inner and outer factors, or external and internal factors as described above, furthermore they are distinguished to three basic categories: personal, psychological and social factors, and also the cultural factor which is regarded as the independent determinant. Furthermore, there is a next group of factors which is often referred to as the situational factors, these are factors that deal with the environment and specific circumstances of the concrete decision making situation. More specifically, personal factors are those referred to the ones unique for each consumer. Demographic data like age, sex, occupational and economic status, personality and self – consciousness can be found here (Horská & Sparke, 2007).

### **3. Age as a determinant of tourist behavior**

In recent decades, it has been observed a change in the age of tourists frequently traveling. Twenty years ago, young people (e.g. 19-24 years) were considered as the most active tourists, and now these are people aged 25-44. An increase in tourist activity is also noticeable among older people. Many factors influence these changes: particularly noteworthy are demographic factors, among which a special attention deserves the changing family model (change from 2+2 to 2+1 model), a growing percentage of married couples without children and singles, as well as later getting married. Moreover, it is highlighted in the literature that the age of tourists determines their market behavior, in particular: motivations of traveling, chosen transport and accommodation modes, forms of spending time during the trip and source of information about destinations and the way of information searching.

Analysis of different age groups leads to the identification of specific attitudes and behaviors relevant to the age group i.e. generation. In the literature, a generation is defined as a group of people in the same age, who, on a basis of a common historical and social circumstances, have similar attitudes, motivations and value systems (Griese, 1996). As noted by K. Mannheim – creator of the theory of generations – people are influenced by the environment, history and society (especially the important events that affect them directly), determining the conditions of life during their adolescence and personality development (Pilcher, 1994). According to the theory of generations they consist of people born in the corresponding period (a period of time). It is worth mentioning that each generation has a different beliefs, characteristics, interests and expectations, common to all of its representatives, which also has a substantial impact on tourist behavior.

Nowadays people represent six generations, as pointed in the Table 1. It should be emphasized that timeframe of the birth presented in the table are disputable (in literature one can meet other

time periods different from the above even by few years), there is a lack of consensus among researchers on the one agreed version of this division.

As it is stressed in the literature people creating the present generation X and Y are the most active tourists. For better understanding of characteristics of the generation, it is required an analysis of the socio-economic circumstances that have shaped the key features of each generation.

Table 1. The generation classification due to the date of birth

Generation name	Year of birth	Age range in 2016
The Greatest Generation	1901 – 1924	92 – 115 years
The Silent Generation	1925 – 1942	74 – 91 years
Baby Boomer Generation	1943 – 1960	56 – 73 years
Generation X	1961 – 1981	35 – 55 years
Generation Y – The Millennials	1982 – 2002	16 – 34 years
Generation Z	2003 – 2016	0 – 15 years

Source: own work based on (Pendergast, 2009).

People belonging to the X generation experienced life in a time of crisis of traditional institutions, the deep transformation of the social structure, the increasing role of consumption and the media in society and for individuals. Special attention is needed for the last feature: X generation is the first generation in the history brought up in the reality dominated deeply by the media. Times of Y generation it is time of rapid technological changes: a breakthrough in computerization and digitization, the creation of the Internet and the commercialization of numerous inventions and improvements. The great influence on generation Y have the information and communication technologies, the development of which contributed to the gap between generations higher than ever before in the history. Z generation is described as CCC: “connect, communicate, change”, which specify their attitude towards the word and others (Aniszewska, 2015).

## 4. Methodology

The aim of this article is an assessment of the differentiation of Polish tourists behavior while traveling abroad caused by the age. It should be noted that the presented results are a part of comprehensive research concerning changes in behavior of Polish tourists and their determinants in years 2006-2015. Research was conducted by the academics from the Department of Tourism at the Cracow University of Economics and the total results are published in the book (Berbeka et al., 2016).

The study was performed in summer months of 2015 with the use of a diagnostic survey. The sample size was 1,127 surveys, which allowed to obtain results burdened with an error not exceeding 3%. The survey was distributed both by interviewers (a direct survey) and by the Internet, using the program Remark Web Survey 5.0. The purposive and quota sampling was used, with 3 control variables: gender, age and a size of the place of residence.

Completed questionnaires were verified from the formal point of view. As the result, the final number of data to be analyzed was reduced and amounted to 1,046 correct records. From this the amount, 638 questionnaires of tourists traveling abroad were extracted and taken to the analysis.

The data base was created and data was analyzed using Statistica 9 and Microsoft Excel software. The descriptive statistic was performed. The analysis was carried out with the use of the correlation analysis and the Chi-square significance test variable due to the age of visitors. Results include only dependences, for which the level of probability test is  $p < 0.05$ .

## 5. Results

### 5.1. Respondents description

Within the investigated sample only a part of respondents declared holiday trips abroad (exclusively abroad or abroad and in Poland). Answers of these respondents, as mentioned in the methodology, were taken under consideration in further analysis. The first investigated feature of surveyees was their age.

Table 2. Sample description

	Number	Percent		Number	Percent
<b>Age, N = 638</b>			<b>Education, N = 636</b>		
15 – 24 year olds	61	9.58	higher	373	58.74
25 – 44 year olds	300	47.10	secondary	223	35.12
45 – 64 year olds	247	38.78	other	39	6.14
65 years and over	29	4.54	<b>Professional status. N = 636</b>		
			pupil	9	1.42
<b>Sex, N = 638</b>			student	59	9.29
woman	364	57.14	white collar worker	235	37.01
man	273	42.86	freelancer	64	10.08
<b>Place of living, N = 638</b>			manual worker	102	16.06
village	124	19.32	entrepreneur	110	17.32
small city	94	14.76	retired/ pensioner	31	4.88
mid-sized city	166	26.06	unemployed	5	0.79
big city	252	39.56	caring for the home	20	3.15

Source: own elaboration based on research.

Most people represented the age group between 25-44 years (47%) and slightly fewer people were older and placed themselves in the group of 45-64 year olds (38%) – Table 2. These two age groups together represented 85% of the whole sample spending holidays abroad. Almost 10% of respondents were young people aged 15-24 years. In the study women represented 57% of the sample. Most of those who spend holidays abroad live in big cities (40%) and in a mid-sized cities (26%). Almost one in five respondents declared villages as their place of residence (20%). The last two features of respondents relate to their education and professional status. In the case of education, 41% of respondents declared secondary or lower education, representing 10% of young people (under 24 years). When analyzing the professional status, 10% of surveyees declared to be students or pupils. Most respondents stated to be white collar workers (37%), followed by entrepreneurs (17%) and manual workers (16%) – Table 2.

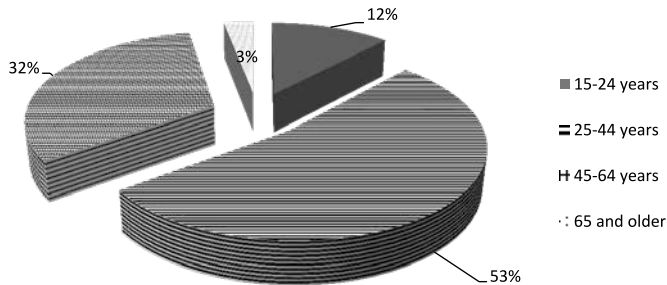
**5.2. Consumer behavior – research results**

Only statistically significant results are presented in the paper. One of investigated issue was a problem of using the Internet for searching for travel offers. The analysis of the importance of the respondents’ age was carried out from two perspectives. The first one was the age structure of people who use the Internet for this purpose and the second one was the structure of persons within age groups using or not using the Internet.

Among the respondents, more than half of those using the Internet to search for travel offers were people 25-44 years old, so generation Y and partly X. In the second place we should mention older people – 45-64 year olds, with the share of 32%. The results of research in this area confirm a general opinion that a very large share of those using the Internet are young people aged 25-44 years (persons planning individual trips or journeys with families) – Figure 1.

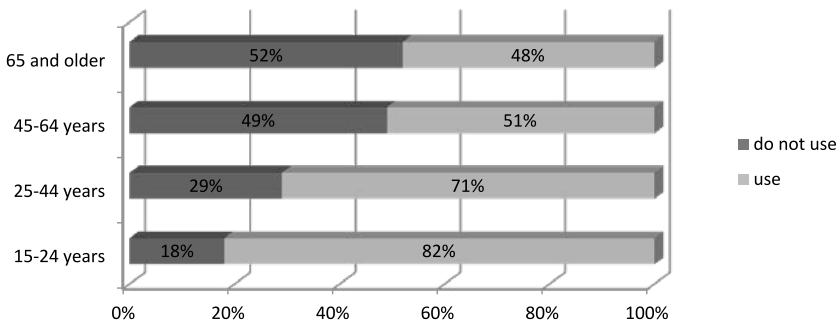
Another perspective of the research was to investigate the differentiation within each age group. In the age groups, adapted in the study, it can be noticed that a percentage of the respondents using the Internet decreases with age. Most people who declared using the Internet were young people, i.e. 15-24 year olds (82%). The next age group (25-44 years old) represents the use of the Internet at the level of 71%, and then at 51% and 48% respectively – Figure 2.

Figure 1. The age structure of people using the Internet to search for travel offers



Source: own elaboration based on research.

Figure 2. The structure of people of different ages using the Internet to search for travel offers

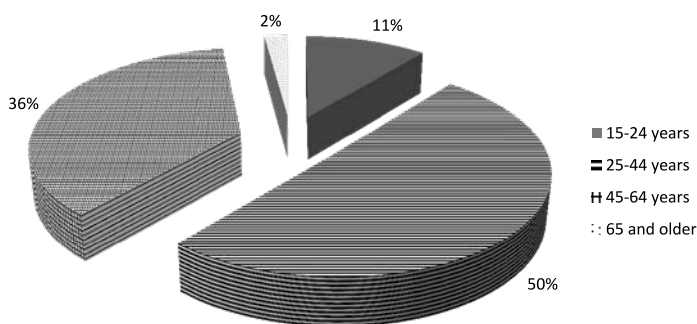


Source: own elaboration based on research.

Three other aspects of the research were devoted to understanding the factors determining the choice of leisure travel abroad in summer or winter. Three of the factors showed statistical significance, i.e. climate, health and religious considerations. The results of the study in terms of a share of the age structure of persons who indicated the factor and the structure of choice in a particular age group are presented below.

Most respondents (50%) indicated climate as a key factor in decision-making when choosing a destination abroad (25-44 year olds). Subsequently, elderly people (above 65) or aged 45-64 years (36%) rarely considered this factor – Figure 3.

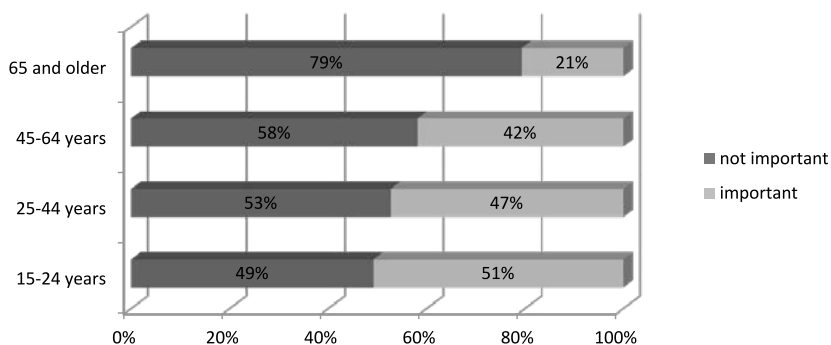
Figure 3. The age structure of respondents selecting destinations abroad regarding climate



Source: own elaboration based on research.

When analyzing the importance of the climate factor in different age groups, it can be seen that with the respondents' age climate aspects play an increasingly smaller role in selecting travels abroad. The youngest people (15-24 years old), in more than half of the cases (51%), indicated this factor as important. In the case of the oldest respondents (over 64 years), one of five indicated this factor – Figure 4.

Figure 4. The structure of people of age groups indicating climate as the key factor of selecting destinations abroad

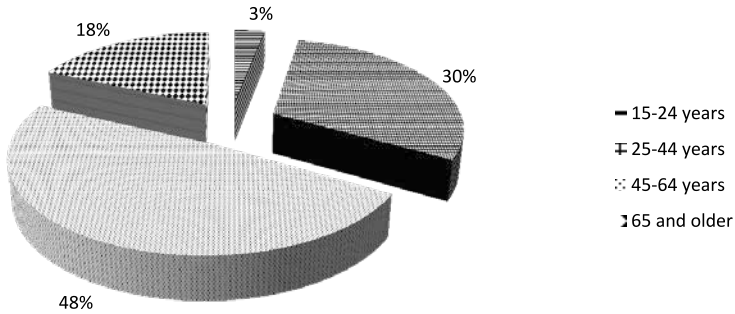


Source: own elaboration based on research.



While getting older people recognize the importance of their health and, as the results of this study show, this factor is taken into account in planning foreign travels. In the investigated group, nearly half of the respondents (48%) indicated health as a very important factor (in the case of people aged 45-64). Almost one third of the respondents indicating this factor were younger – between 25-44. While every fifth surveyed person indicating the importance of this factor represented the age group above 64 years – Figure 5.

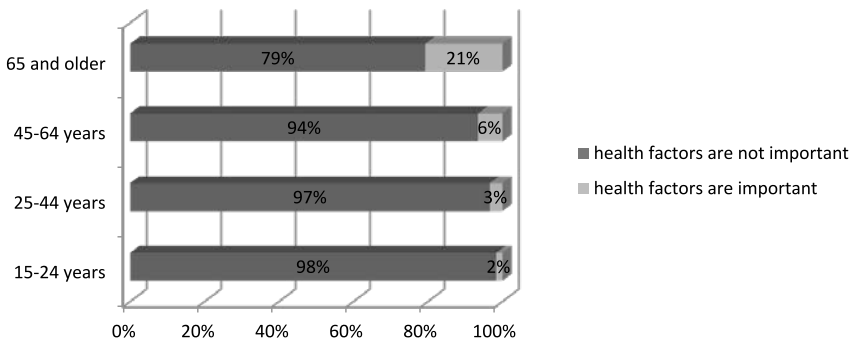
Figure 5. The age structure of respondents selecting destination abroad regarding health



Source: own elaboration based on research.

The results of research regarding the structure of health importance in different age groups are very meaningful. In this case, it is clearly evident that the importance of health aspects is growing with the respondents' age. As regards the youngest respondents (15-24 years old) only 2% of them selected health factors, while in the older age groups this percentage grew up to 3% and 6%, and even as much as 21% in the group of the oldest respondents – Figure 6.

Figure 6. The structure of people of age groups indicating health as a key factor when selecting destinations abroad

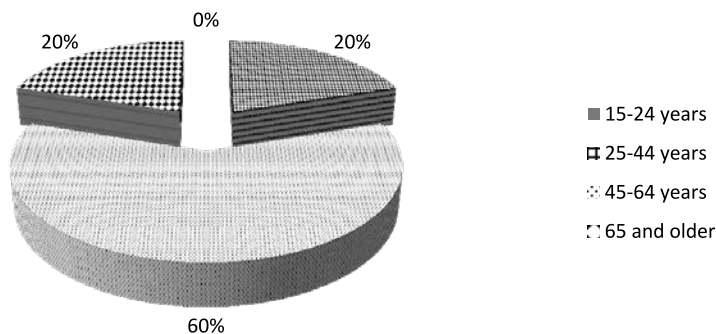


Source: own elaboration based on research.

The final factor considered in the research were religion considered in decision concerning foreign travels. In the analyzed sample the largest percentage of people paying attention to this

aspect were people aged 45-64 years (60%) and there was nobody considering such a factor in the youngest age group (15-24 years). The other two age groups showed the same share – one fifth pointed to religious considerations among people aged 25-44 and over 64 years – Figure 7.

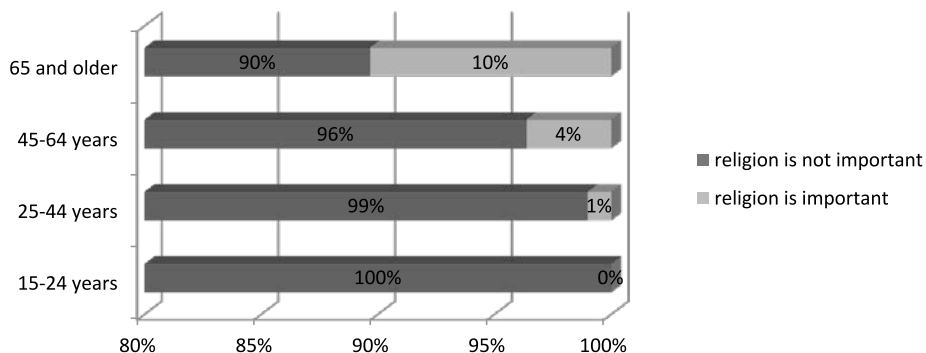
Figure 7. The age structure of respondents selecting destinations abroad considering religion



Source: own elaboration based on research.

Although the percentage of people indicating a religious factor was predominant in the group of middle-aged respondents (45-64 years), within this age group only one of ten declared this factor. The share was even smaller in the younger age groups – 4% and 1%, respectively.

Figure 8. The structure of people of age groups indicating religion as a key factor when selecting destinations abroad



Source: own elaboration based on research.

These results may highlight two phenomena: on the one hand, with age, people pay more attention to religious issues and deepen their faith through visiting holy places and learning their history, and on the other hand, the youngest generation is less interested in religion. Certainly foreign travels (holidays) during the summer or winter seasons are determined by many different factors and the underlying importance of these factors determine the final choice of the travel destination (Fig. 8).

## 8. Conclusion

Consumer behavior has always been – to some extent – determined by the age of buyers. Similar patterns can also be seen on the tourism market. It seems that the generation gap influences some forms of recreation, the choice of specific destinations and preferred means of transport. In this study, based on a sample of over six hundred respondents leaving Poland in summer or winter, it was observed a statistically significant correlation of age with several variables. And so, a significant group of young people aged 15-24 years, so representatives of generation Y (82%) uses very often the Internet to search for tourist offers, in contrast to older people (only 48% of the sample). When considering climate while choosing a tourist destination, in the case of young people, more than half declares this factor, while only one in five of older persons (over 64 years) takes the climate into account. The reverse structure can be seen in the case of such factors as health and religion. In both cases, the elderly dominate – 21% of them indicated considering health factors (as opposed to 2% of the young people). Religious aspects are taken into consideration by 10% of older people compared to the absence of such a declaration on the part of the youngest people in the study sample.

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# Chapter 39

## **Tourism Aspects of the Healthy Lifestyle of the Poles (Based on the Results of a Questionnaire Survey)**

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*Renata Seweryn, Agata Niemczyk*

### **1. Introduction**

One of the most important factors determining the health condition of a contemporary man is their lifestyle, in other words, everyday behaviour, habits and activity. Amongst them one may find proper nutrition, the ability to reduce stress, and physical activity. The latter is an inseparable part of each human life resulting from inherent needs of the organism. The average physical efficiency is unfortunately so low that it is enough to perform everyday tasks to feel tired and fed up. Physical activity increases this efficiency which helps the organism develop, proliferate and be healthy. Considering the fact that social and economic growth is followed by the gradual increase in free time amount, the way people spend it should also have a significant impact on the lifestyle. Therefore, physical activity should be undertaken not only every day but also during holiday outside the place of residence. However, it is not everybody that appreciates the benefits of active tourism.

The purpose of the article is to find how much and what kind of active forms of spending leisure time are popular with the Poles. The results of the questionnaire survey conducted in 2015 by the team of the Chair of Tourism of the Cracow University of Economics constitute the empirical basis of the compilation. What was identified on their basis is social and demographic features of the members of the Polish society who pursue active tourism during domestic and foreign trips. Statistical analyses were preceded by the consideration of the possibilities of using active leisure as a tool for well-being, keeping fit and mentally healthy.

### **2. The essence and components of a healthy lifestyle**

Human health is determined by many different factors. Mostly it depends on the individuals themselves, that is on their behavior, decisions and choices and how they enjoy the value of health (Wysocki & Miller, 2003). Considering the fact that everyday activity (composed of certain patterns

of thinking, activities and behavior and their motivation) is considered as lifestyle (Decrop, 1999, pp. 106-107), it might be concluded that it is the lifestyle per se that determines the health condition. In other words, by choosing the behavior and the general philosophy of living, the individual creates their own model of lifestyle and thus strengthens or weakens their health. It is said that the impact of lifestyle on health equals about 60% (Hodañ, 2002).

Unfortunately, the contemporary man, according to Fromm, spends time doing things he is not interested in, among people who are not interesting for him, producing things which he hardly cares about. However, when he does not produce, he consumes. He is like a “permanent infant with open mouth” accepting passively anything the anti-boredom industry offers – cigarettes, beverages, cinema, television, sports, readings etc. (Fromm, 2000, pp. 53-54). One of the most characteristic and yet pathological features of the contemporary man is passivity which leads to burdening the nervous system, mental dysfunctions, internal imbalance and deterioration of health. In addition, more and more frequently a thesis that anyone can achieve success is promoted, as nowadays it is not considered the measure of the level of abilities, but the current state of possibilities – and they might be developed and enhanced (Hill, 2001). The pursuit of success is burdened with high costs – alongside pride, there might be disappointment, frustration and destructive stress connected with loneliness and the fact that life has “slipped through the fingers”. Very often these are serious health problems that force people to give a second thought to that pursuit. If one adds the detachment of the contemporary man from the natural conditions of existence (also in terms of natural environment) and their limited physical activity, it becomes obvious that deliberate actions altering the bad habits and preferences, i.e. connected with at least a correction if not adoption of a completely healthy lifestyle become extremely significant.

### **3. Physical activity as an element of a healthy lifestyle**

A healthy lifestyle, which allows preventing the diseases of civilization, means pursuing activities which aim at increasing the potential of health and are combined with the striving for elimination of behavior putting the health at risk. It is composed of the elements like physical activity, proper nutrition, hygienic relation between work and rest (including sleep), condition of the natural environment, abstinent behavior, avoidance of stimulants, ability to manage stress, elimination of aggression and life optimism (Karski, 1999). Vast opportunities of affecting the health are seen particularly in physical activity and two kinds of motivation for pursuing this activity. The first is intrinsic motivation whose stimulus is the need e.g. to rest and relax, improve the health, physical and mental condition, emotions and impressions, new experiences, knowledge, abilities or social interaction (Walker et al., 2001; Skar et al., 2008; Galloway, 2010; Egli et al., 2011). The other is extrinsic motivation whose stimulus is awards and appreciation from others. In case of both motivations a great role in choosing a particular activity is played by the role models (including family members, peers, celebrities) who share their passion and experience. A special role is played by parents, who themselves often have bad habits and do not really understand or underestimate their harmful effects. What is more, frequently families show the tendency to separate positions according to generations in terms of active leisure activities, and pursuing physical activity together is still quite unpopular (Marcinkowski, 2009, pp. 11-12). Nevertheless, the consequence of physical effort is not only benefit for health in the form of long-term upswing of wellbeing and better stress management, but also social benefit, due to higher

engagement of an individual in socializing and opportunities to meet new people and maintain existing contacts (Lift et al., 2011). Economic aspects cannot be neglected – a healthy, rested, relaxed person is more efficient, engaged and motivated to work, which translates into achieving success in different fields of their professional and economic activity.

#### **4. The place of tourism in a healthy lifestyle**

One of the most appreciated values in the modern civilization affecting people's personality and determining the standard of living is free time. Its amount is treated as an indicator of not only the wealth of the society, but also the development of culture or even the level of health (Napierała & Dmitruk, 2008). It seems to be the consequence of the fact that people participate in cultural and social life, rest, revitalize and practice leisure activities in their free time (Baker et al., 2000; Marcus & Forsyth, 2009, p. 63; Sallis et al., 2003, p. 298). Realization of these functions is possible not only in the regular place of residence, but also away, i.e. during a tourist trip pursued in free time (Niemczyk & Seweryn, 2011, p. 464). Amongst many forms of tourism, in terms of health aspects, those connected with movement, effort and development of psycho-physical skills deserve attention, namely qualified and active tourism. The first requires special physical and theoretical preparations and particular technical skills and qualifications, usually confirmed by an appropriate document. On the other hand, active tourism as other active forms of leisure tourism is the kind of tourist movement which might be pursued by anyone (Seweryn, 2008, pp. 182-183). It is rather the way of living than one chosen discipline, as this term refers to many different forms of practicing it (Buckley, 2006, pp. 35-40). Thus, one may choose those which are not cost-intensive and do not require any special preparations or high fitness level. It is important that during the trip leisure or hobby activities are pursued voluntarily, without any pressure and economic motives with the use of physical effort in covering the distance (Mazurski, 2006, p. 31). It is worth adding that active tourism satisfies not only the need for physical activity, but also the change in the lifestyle and habitat, contact with nature, it builds strong will, teaches consequence in realizing specific goals, overcoming own weaknesses, looking at yourself with distance and self-awareness. However, not everybody notices its multiple positive consequences.

#### **5. Forms of active tourism popular with the Poles**

According to the research conducted among the students of two Krakow universities, the youth most often pursue forms of active tourism like: mountaineering (over 17% declarations), lowland tourism and cycling (over 14%), in the winter also skiing and snowboarding (over 9%). If there were no barriers (financial, time, health, etc.), young people would participate in underwater tourism (over 16% declarations), survival and motor boating (over 12%), hiking (over 11%), sailing (over 10%) and horseback riding (over 9%), which mean forms of quite high risk level and involving more emotions (Alejziak, 2015, p. 15).

Nearly analogical conclusions were drawn from the research of AWF (Academy of Physical Education) students in Katowice. The most popular forms of active tourism pursued by them were the following: mountaineering (54.04% declarations) and lowland tourism (34.85%), skiing and snowboarding (24.24% and 20.20% respectively) and cycling (21.71%). Moreover, the research



allowed the statement that active forms of tourism movement are more often pursued by women (72.1%) than men (56.2%) (Tomik, 2013, pp. 13-14).

Another research conducted also among students of two Krakow universities shows that women prefer such forms of physical activity as: walking (over 96%), swimming (88%), dancing (over 81%), cycling (over 69%), gymnastics and fitness (over 63%) and skiing (over 34%); on the other hand men – walking (over 89%), swimming (over 82%), running (over 74%), cycling and playing football (over 68%), gym exercises (over 42%) and skiing (over 21%) (Lipecki & Ziarkowski, 2014, pp. 69-70).

## 6. Research methods

In the light of presented considerations the following research questions were addressed:

1. *What are the most popular forms of physical activity during a tourist stay (domestic and abroad) with the Poles?*
2. *If and which socio-demographic features differentiate physical activity of the Poles during a tourist trip?*

The answers to the above questions were obtained on the basis of the structural indicators and pertinent non-parameter tests, i.e. *U* Mann-Whitney test and Chi-square Pearson test. The results of a questionnaire survey carried out in 2015<sup>1</sup> on the sample of 1046 persons constituted the empirical basis of the study. The analyzed population was mainly represented by: women (over 58%), persons aged from 25 to 64 years (25-44 years – about 45%; 45-64 years – nearly 39%), graduates of universities (over 50%), coming from the towns with the population of over 200,000 inhabitants (nearly 32%), white-collar workers (about 34%), respondents of the average financial status (the average income in the household of PLN 2001-3000 – over 26%; the average income in the household of PLN 3001-4000 – nearly 24%).

Data gathered from the study allowed the conclusion that walking as a form of spending leisure time was more often declared by tourist pursuing domestic trips (47%) than international trips (42%); similarly to hiking (43% vs. 17%). Amongst many forms of active leisure during the domestic trips cycling was the most popular (35%), and the least popular – sailing, kayaking and surfing (mere 10%). It is worth noticing that as much as 28% of respondents declared idleness during the domestic trips. In case of international trips, it was swimming that occurred to be the most popular form of active leisure (44%), and both hiking and sailing, kayaking and surfing – the least popular (both 14% respectively). Pursuing no physical activity in case of international trips was declared by 30% of respondents, i.e. more than in case of domestic trips.

The analyses based on the statistical tests were conducted in order to study the impact of such features as age, education, gender and professional status on the forms of physical activity during the tourist trips of the Poles. Pertinent calculations allowed proving significant impact

<sup>1</sup> Diagnostic survey was conducted as part of statutory studies of the Chamber of Tourism of the Cracow University of Economics – topic no. 024/WZ-KT/01/2015/S/5024 entitled *Zmiany zachowań turystycznych Polaków i ich uwarunkowań w latach 2006-2015*, manager: prof. UEK dr hab. J. Berbeka, team members: J. Berbeka, Z. Borek, K. Borodako, K. Lipecki, A. Niemczyk, M. Rudnicki, J. Sala, R. Seweryn, D. Ziarkowski. In 2015 CAWI interviews and F2F direct interviews were carried out, with the use of the author's questionnaire survey. More on the research method in (Berbeka, 2016, pp. 91-96).

of socio-demographic variables on a higher number of the forms of activity pursued during domestic trips than during the international trips. Detailed data in this respect are presented in Table 1. The conclusion they lead to is that the age and professional status differentiate significantly nearly all physical activities of the Poles pursued during the domestic trip. No such dependency was observed only in case of sailing, kayaking and surfing and other, not listed in the questionnaire. In case of international trips, the form differentiated by the highest number of socio-demographic variables occurred to be sailing, kayaking and surfing. It was only the professional status that did not determine this form of activity. It is worth noticing that the idleness during the domestic trips was influenced by all the socio-demographic features included in the analysis, and in case of the international trips – it was only the gender.

Due to the editorial requirements relating to the size of the article, only some of the above forms of activities differentiated by the socio-demographic features were presented below. Those determined by the highest number thereof were selected for more detailed description. Therefore, in terms of domestic trips, one may find more details about running and mountain climbing (Tab. 1). Both forms occurred to be the most characteristic of the people at the early working-age (25-44 years). People at the late working-age (45-64 years) much more often declared the lack of such activity (Fig. 1).

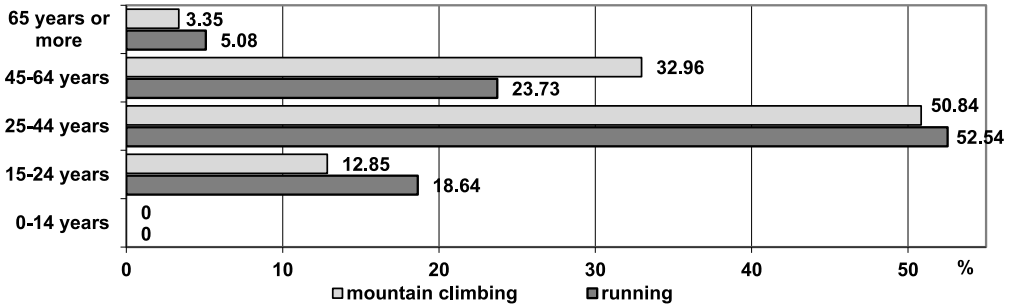
Table 1. The value of probability test *p* for the dependency between the forms of active leisure during the tourist trips of the Poles and their socio-demographic features

Forms of active leisure during tourist trip	Test probability <i>p</i>	Demographic and social features			
		Age	Gender	Education	Professional status
Walks	DT	<b>0.00142</b>	<b>0.0030</b>	0.16356	<b>0.00459</b>
	IT	0.546042	0.7911	0.723298	0.71445
Hiking	DT	<b>0.00031</b>	0.25144	<b>0.005056</b>	<b>0.00008</b>
	IT	0.45122	<b>0.00487</b>	0.619023	0.65001
Cycling	DT	<b>0.00003</b>	0.26114	0.388601	<b>0.00067</b>
	IT	<b>0.01357</b>	0.40256	0.126064	0.31788
Running	DT	<b>0.00000</b>	<b>0.02783</b>	<b>0.004732</b>	<b>0.00291</b>
	IT	0.13512	0.05082	<b>0.034443</b>	0.56283
Swimming, diving	DT	<b>0.00000</b>	0.43527	0.752197	<b>0.00735</b>
	IT	<b>0.00009</b>	0.90710	0.459783	0.06987
Sailing, kayaking, surfing	DT	0.07124	<b>0.02296</b>	0.095589	0.16788
	IT	<b>0.03180</b>	<b>0.02232</b>	<b>0.001679</b>	0.08779
Mountain climbing	DT	<b>0.00048</b>	<b>0.01999</b>	<b>0.007725</b>	<b>0.00006</b>
	IT	0.39584	0.13782	0.817267	0.85162
Skiing	DT	<b>0.00041</b>	<b>0.00092</b>	0.087755	<b>0.01756</b>
	IT	0.43515	<b>0.00020</b>	0.226582	<b>0.04805</b>
Other	DT	0.41991	0.41056	0.870253	0.74363
	IT	0.05285	0.83901	<b>0.043377</b>	0.97011
No leisure activities	DT	<b>0.00000</b>	<b>0.03031</b>	<b>0.000356</b>	<b>0.00000</b>
	IT	0.088761	<b>0.03369</b>	0.119777	0.36849

Statistically significant differences were marked in **bold**. DT refers to domestic tourism, and IT refers to international tourism

Source: own research.

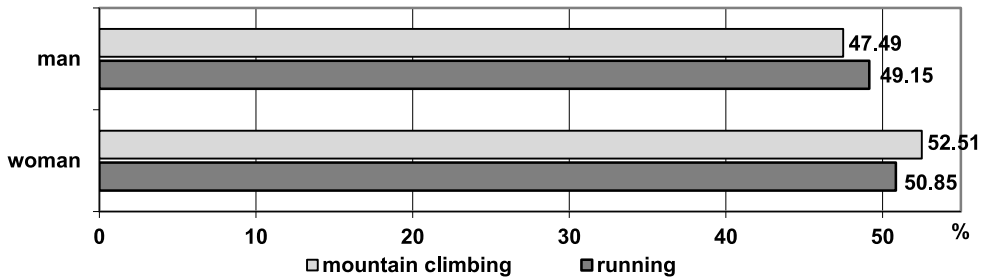
Figure 1. Running, mountain climbing vs. respondents' age



Source: own work.

Running and mountain climbing were more often indicated by women than by men (Fig. 2), which should highlight their higher susceptibility to practicing this kind of sports. It is worth noticing that according to the published data these are more often young women and older men than older women and young men that practice running (*Jak biegają Polacy?...*, 2012).

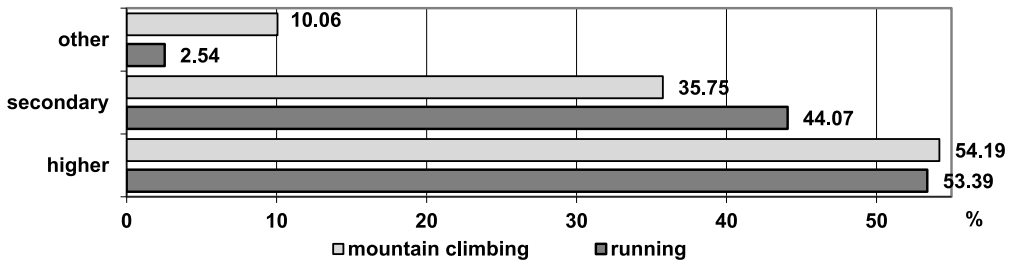
Figure 2. Running, mountain climbing vs. respondents' gender



Source: own work.

The research also allowed proving a significant impact of education on running and mountain climbing. One can observe that the higher the education level is, the more frequent are the declarations of participation in this kind of activity (Fig. 3).

Figure 3. Running, mountain climbing vs. respondents' education

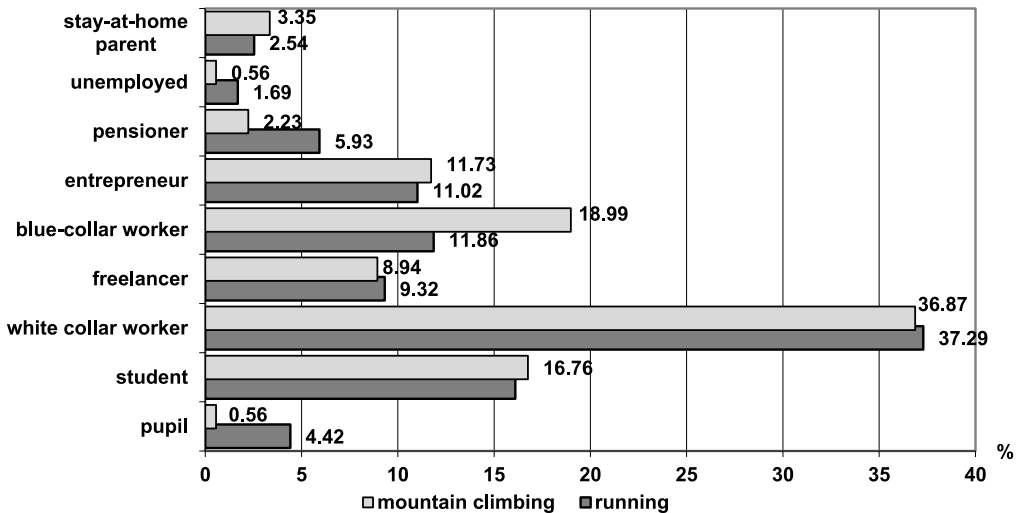


Source: own work.

The professional status also differentiated the number of declarations relating to running and mountain climbing practiced during domestic trips. It was observed that these activities were characteristic of working people (mostly among white-collar workers), contrary to the people living on social benefits, such as unemployed, pupils, etc. (Fig. 4).

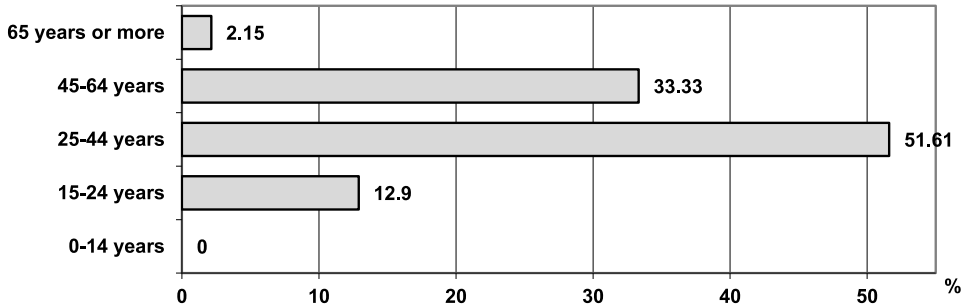
On the other hand, analyzing the physical activity during international trips it is observed that sailing, kayaking and surfing were differentiated by the highest number of demographic and social features – three out of four, including age. The empirical data compiled in Figure 5 allow the conclusion that this form of activity was characteristic of early working-age population.

Figure 4. Running, mountain climbing vs. respondents' professional status



Source: own work.

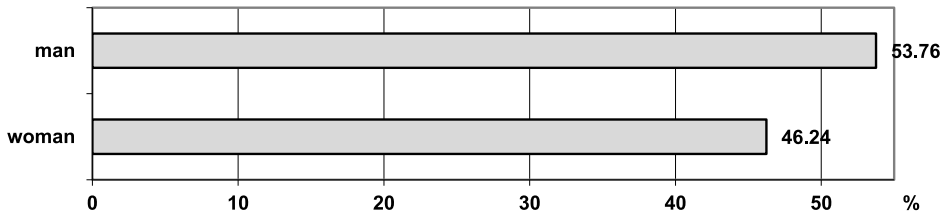
Figure 5. Sailing, kayaking and surfing vs. respondents' age



Source: own work.

Men more often than women indicated sailing, kayaking and surfing as a form of leisure activity during trips abroad (Fig. 6). Unlike in case of running and mountain climbing during the domestic tourist trips – declared by women the most often.

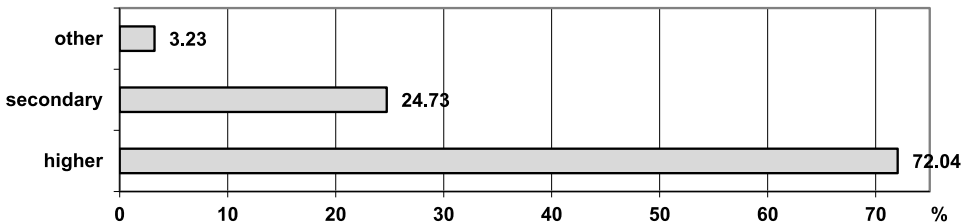
Figure 6. Sailing, kayaking and surfing vs. respondents' gender



Source: own work.

Sailing, kayaking and surfing is the physical activity characteristic of the tourists with higher education during trips abroad (Fig. 7).

Figure 7. Sailing, kayaking and surfing vs. respondents' education



Source: own work.

As much as  $\frac{3}{4}$  of the Poles who graduated from universities indicated this form of spending free time.

## 7. Conclusion

In the days of antiquity Aristotle said that immobility is the worst enemy of a human because it leads to many harmful changes in their body and has negative impact on the health, which is confirmed by the existence of numerous diseases caused by low physical activity (Bielski, 1996). However movement, which is essential, is only one out of many elements of a lifestyle which contributes to health maintenance.

Answering the question about how much and what kind of active forms of holiday leisure are popular with the Poles, it should be concluded that active leisure during domestic trips was declared by as many as 3/4 of respondents, and during international trips – by over 2/3. It is a good sign for the future of the healthy lifestyle of the Poles. If the cycling was most often reported during domestic trips, swimming – during international. It was proven that socio-demographic features have significant impact on the choice of the kind of active leisure of the Poles, most frequently – the age.

The market of active forms of spending leisure time should be observed, a fortiori as the orientation of the society is striving for being fit. It has become a trend realized nearly on daily basis, i.e. in the place of residence. Nonetheless, it is worth noticing that it is more and more often moved outside the everyday environment, i.e. to tourist trips. Thus it shall be interesting to recognize future changes in this area.

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# Chapter 40

## Work-Family Conflict Among Hotel Employees: Empirical Investigation of Its Antecedents and Job Outcomes

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Aleksandra Grobelna

### 1. Introduction

Labor intensive employees are an integral component of the hospitality product (AlBattat & Som, 2013, p. 62) and play a significant role in linking organizations with their guests (Karatepe et al., 2006, p. 547). However, although hotel employees play a significant role in providing guests with outstanding service experience, it is well recognized that particularly those in frontline positions are among organization's members that have long working hours, irregular/inflexible work schedules, night/evening shifts, are susceptible to excessive and often conflicting job demands, etc. (see Chiang et al., 2010, p. 25; Karatepe, 2008, p. 238; Karatepe, 2011, p. 10; Karatepe & Kilic, 2007, p. 239; Karatepe & Uludag, 2008a, p. 30, 39; Mohamed, 2015, p. 11; Wan et al., 2014, p. 1; Wong & Ko, 2009, p. 195; Zhao & Ghiselli, 2016, p. 308). In such circumstances, unsurprisingly, they have difficulties successfully managing their work and family roles, and although they are expected to balance the demands of their work and non-work lives, their participation in both roles is truly difficult to converge and often results in conflict (Karatepe & Kilic, 2007, p. 238) leading to many negative consequences in job performance, job satisfaction, organizational commitment, turnover intentions, etc. (Karatepe, 2008, p. 244; Namasivayam & Zhao, 2007, p. 1213). Not surprisingly, work-family conflict has become one of the critical concerns facing today's management (Rout & Omiko, 2007, p. 30) and is much investigated in today's organizational behavior research (Carlson et al., 2000, p. 250).

However, although many empirical studies have been conducted, still very little is known about the antecedents and consequences of *work-family conflict* in the hospitality management literature (Karatepe, 2008, p. 254; Karatepe & Kilic, 2007, p. 239). Moreover, previous research has examined *work-family conflict* in different national and cultural contexts, e.g. in Jordan (Karatepe & Baddar, 2006; Karatepe, 2009), Northern Cyprus (Karatepe & Kilic, 2007; Karatepe & Uludag, 2007), Turkey (Karatepe & Sokmen, 2006; Yavas et al., 2008), India (Namasivayam & Zhao, 2007), Nigeria (Karatepe & Magaji, 2008; Karatepe, 2011), Albania (Karatepe, 2010) and China (Zhao et al., 2011; Zhao & Ghiselli, 2016) and to the best of the author's knowledge, studies exploring



*work-family conflict* in the Polish hospitality industry are strongly limited, if any. Thus, extension of the research stream to antecedents and outcomes of *work-family conflict* in other societies may lead to richer insights into the issue in the hospitality research and management literature.

Therefore, the purpose of the study is to identify selected antecedents and job outcomes of *work-family conflict*, taking the case of hotel employees from Northern Poland. The research problem is seeking the answer to the questions what kind of job demands can be significant precursors of *work-family conflict*? and to what extent the *work-family conflict* may affect attitudes and behavioral intentions of hotel employees towards work?

Based on above, the results of this study should have implications for both theory and practice, extending the management literature by applying the *work-family conflict* theory in the context of the hospitality industry, including case from Northern Poland.

## 2. Theoretical framework

It is said that when heavy requirements prevent employees from fulfilling family responsibilities, an employee may have negative feelings towards work (Zhao et al., 2011, p. 47). Time and energy required to cope with excessive demands of hospitality jobs may limit the time and energy employees devote to their family/social obligations. Therefore, employees, particularly in the hospitality setting, “are susceptible to conflicts in the work-family interface” (Karatepe, 2008, p. 238).

However, apart from the specific nature of hospitality jobs, also selected trends of the labor market such as changes in dual-earning and single-parent families (Karatepe, 2011, p. 11), increasing numbers of working mothers (Frone et al., 1997, p. 145), a growing number of generation Y employees, who value a work-life balance (*Motywacje Młodych*, 2015, p. 5; Park & Gursay, 2012, pp. 1196-1197) and expect a higher quality of personal life outside the work (Kozłowski, 2012, p. 24), may increase problems in successfully managing work and family roles, particularly in labor intensive hospitality industry. Thus above-mentioned social and demographic challenges should be also of great concern for hospitality practitioners and underline the necessity for research activity in the field of *work-family conflict*.

Following Greenhaus and Beutell (1985, p. 77), work-family conflict can be defined as “a form of interrole conflict in which the role pressures from the work and family domains are mutually incompatible in some respect”. In other words, engaging in one role (e.g. the work role) interferes with engaging in the other one (e.g. the family role) (Namasivayam & Zhao 2007, p. 1212), which may have a negative impact on employee’s work situation (Ryan et al., 2015, p. 10).

Based on the above definition, work-family conflict may occur in two directions, i.e. family-work conflict, when family can interfere with work, and work-family conflict when work may interfere with family (Bellavia & Frone, 2005, p. 115). Both *work-family conflict* and family-work conflict have been empirically proved as being two distinct constructs (Bellavia & Frone, 2005, p. 115) with positive reciprocal relationships (Frone et al., 1992, p. 74).

However, it is underlined that *work-family conflict* has been dominantly studied by most researchers investigating the work-family interface, on a common premise that individuals are more likely to experience *work-family conflict* than family-work conflict (Ryan et al., 2015, p. 11).

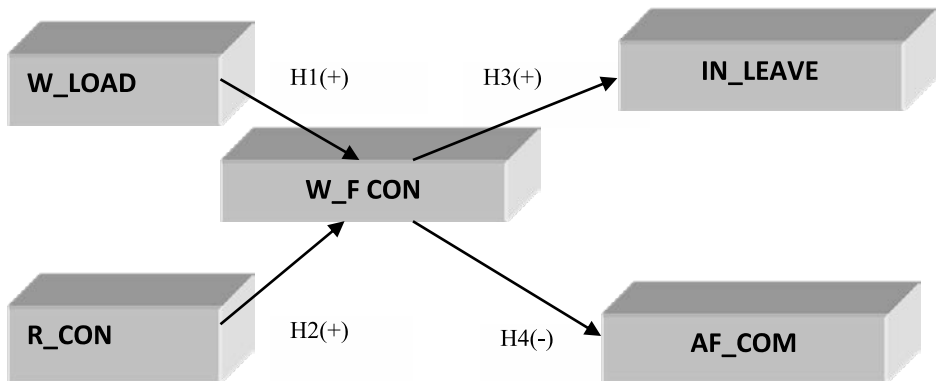
Thus, in this study the *work-family conflict* (W\_F CON), defined as “a form of interrole conflict in which the general demands of time devoted to, and strain created by the job interfere with

performing family-related responsibilities” (Netemeyer, Boles & McMurrian, 1996, p. 401) is used to present the concept that working in the hospitality industry and facing high job demands may influence employees’ family live and result in negative job outcomes.

### 3. Research model and hypotheses development

More specifically, this study develops and tests a research model where the impact of job demands such as workload and role conflict on *work-family conflict* is investigated, and its consequences for critical job outcomes, such as affective organizational commitment and turnover intentions are analyzed (Fig. 1). The research value of this conceptual model, may result from the fact, that to the best of author’s knowledge, it is the only attempt to measure simultaneously relationships among the proposed study constructs using data from hotel employees in Poland.

Figure 1. Research model



Note: W\_LOAD (Workload); R\_CON (Role conflict);

W\_F CON (Work–family conflict);

IN\_LEAVE (Intention to leave);

AF\_COM (Affective commitment)

Source: own work.

The above-mentioned relationships were analyzed based on theoretical framework of the Conservation of Resources (COR) Theory, that posits that people seek to acquire, retain and protect certain resources defined as “those objects, personal characteristics, conditions, or energies that are valued in their own right, or that are valued because they act as conduits to the achievement or protection of valued resource” (Hobfoll, 2001, p. 339). Both perceived and actual loss of resources or lack of gain may be sufficient to produce stress (Hobfoll, 1989, p. 516), which in turn may have serious dysfunctional impact on employees and their organization (Ross, 1997, p. 42). According to the COR theory and following previous work (e.g. Yavas et al., 2008, p. 11; Karatepe & Kilic, 2007, p. 240; Karatepe & Uludag, 2007, p. 647), hotel employees are likely to lose their resources while juggling work and family roles, which may lead to certain negative behavioral and attitudinal outcomes.

### 3.1. Antecedents of work-family conflict

Among different demands of work facing hospitality employees, excessive workload and role stress are particularly emphasized (Karatepe & Uludag, 2008a, p. 30; Karatepe & Uludag, 2008b, p. 111; Faulkner & Patiar, 1997, p. 109; King & Garey, 1997, pp. 55-56; Hwang et al., 2014, p. 71; Karatepe & Karadas, 2012, p. 615).

Real-time of customers service, labor intensity and physically demanding nature of service interactions with guests seem to be facts of life in the hospitality setting. Under these circumstances, an additional tendency for peaks in demand (Faulkner & Patiar, 1997, p. 112), strict deadlines (Mohamed, 2015, p. 11) and chronic labor shortages compounded with a high rate of employee turnover (Faulkner & Patiar, 1997, p. 112) increase employees' exposure to workload, defined as "the sheer volume of work required of an employee" (Spector & Jex, 1998, p. 358).

Thus as Wong and Lin (2007, p. 728) emphasized, "(...) when workload or time demand diminishes employees' time and energy, their willingness for leisure activities during nonwork times will most likely reduce and lessen their opportunity to gather with family or friends". Therefore, the following hypothesis is proposed:

H1: Workload experience is positively related to hotel employees' work-family conflict.

Role conflict, as one of the major components of role stress, occurs when individuals receive incompatible demands from different sources (e.g. managers, colleagues, customers) (Karatepe & Sokmen, 2005, p. 256) and are unable to satisfy all job demands at the same time (Karatepe & Uludag, 2008b, p. 111).

Although hotel employees are expected to deal with a variety of customers' requests, they have to take a great effort to meet different demands immediately and effectively, what finally may limit their resources, such as *time and energy*, that should be devoted to the family roles. This imbalance may lead to conflict between work and family life. As proved in previous studies (e.g. Fu & Shaffer, 2001) role conflict may influence work interference with family (WIF) conflict. Therefore, the following hypothesis is proposed:

H2: Role conflict is positively related to hotel employees' work-family conflict.

### 3.2. Consequences of work-family conflict

Work-family conflict is indicated among chronic job demands that exhaust employees' physical and mental resources (Karatepe et al., 2014, p. 15). As the COR theory posits, if employees are unable to cope with difficulties stemming from the work-family conflict, they may think of changing their situation to preserve their limited resources. Therefore, an intention to leave the current organization is likely to occur (Yavas et al., 2008, p. 12; Karatepe & Uludag, 2007, p. 651). As Wong and Ko (2009) indicated, "(...) no one expects to enjoy a career that provides them with insufficient time for their personal life, family and friends", thus if employees feel that their work-life is not balanced they can leave the job seeking the "quality of life" (p. 196).

Therefore based on the above the following hypothesis is proposed:

H3: Work-conflict is positively related to hotel employees' intention to leave.

Affective commitment is related to the strength of a persons' emotional attachment to an organization (Karatepe et al., 2014, p. 14). Employees with high affective organizational commitment identify with, involve in, and enjoy their membership in organization (Allen & Meyer, 1990,

p. 2) behaving to the best interest of it (Namasivayam & Zhao, 2007, p. 1215). Researchers have identified that if hotel employees are satisfied with their jobs, they are more affectively committed to their organization (e.g. Karatepe & Kilic, 2007, p. 247; Karatepe & Uludag, 2007, p. 659; Yang, 2010, p. 615), which, in turn, diminishes their intention to leave (e.g. Karatepe & Uludag, 2007, p. 659; Yang, 2010, p. 615; Karatepe & Magaji, 2008, p. 408).

Not surprisingly, that when individuals perceive their organization to be lower in the work-family conflict, they may also be more likely to develop stronger attitudinal bonds with their organization (Namasivayam & Zhao, 2007, p. 1217). However, difficulties experienced by contact employees in balancing the demands of their multiple roles can affect their commitment (Yavas et al., 2008, p. 8). The COR theory provides strong support for this relationship, as juggling with work and family roles may result in loss of resources, diminishing employees' affective commitment (Karatepe & Uludag, 2007, p. 650), hence it particularly calls for empirical research in hospitality setting. Therefore, the following hypothesis is formulated:

H4: Work-conflict is negatively related to hotel employees' affective commitment.

## **4. Method**

### **4.1. Setting and data collection procedure**

The study hypotheses were tested among all contact employees working in 6 hotels located in the Pomeranian Voivodeship (Northern Poland) who agreed to participate in this study. A total of 229 self-administrated questionnaires were distributed to hotel employees who have frequent and direct contact with customers. All questionnaires were distributed to hotels in a pack with a cover letter and return envelopes. Employees were informed that the research was conducted only for academic purposes, and that their participation in this study was voluntary, anonymous and confidential. Finally, 142 valid questionnaires were collected and analyzed in this study, creating a response rate of 62.01%. The majority of the study respondents were female (71.8%). Over half of the participants (58.4%) were under 30 years old, 24% were between the ages of 31-40, the remaining ones (17.6%) were older than 40 years. With respect to education, 52.1% of the respondents had secondary school and almost 36.6% participants declared a higher level of education. The rest of the investigated group (11.3%) indicated primary or vocational education. Most of the study participants had working experience in the industry of no longer than 5 years (54.9%), 26.8% had been working in the hospitality industry between 6 and 10 years, and the rest (18.3%) had more than 10 years of working experience. A majority of study participants (76.1%) had been in a relationship with partners or were married having their family life.

### **4.2. Measurement**

The scale items applied in this study were taken from different sources in the relevant literature. Moreover they have already been applied in hospitality research in other countries, what gives an opportunity to compare the findings in the context of different social and cultural backgrounds.

Work-family conflict (W\_F CON) was measured using five items in line with Karatepe and Kilic (2007) and Karatepe and Sokmen (2006) who based on Netemeyer et al. (1996) and Boles

et al. (2001) and measured work-family conflict among frontline hotel employees in Northern Cyprus and Turkey respectively.

To measure the role conflict (R\_CON), 8 items from Rizzo et al. (1970) were applied. The items from Rizzo et al. (1970) have also been broadly adopted in a number of previous studies conducted among hotel employees (e.g. Kim et al., 2009; Karatepe & Uludag, 2008b; Yang, 2010).

Workload (W\_LOAD) was measured using a five-item scale developed by Spector and Jex (1998). These five statements referring to quantitative workload have been applied in prior empirical research in the hospitality setting (e.g. Kim et al., 2007).

Affective organizational commitment (AF\_COM) was measured using five items (5) from Mowday, Steers and Porter (1979) adopted in line with Karatepe et al. (2014), who used these statements in their research among front-line hotel employees in Northern Cyprus.

Intention to leave (IN\_LEAVE) was assessed via a three-item (3) scale, adapted in line with Karatepe et al. (2006), who based on Boshoff and Allen (2000) and adapted these items to measure intention to leave among employees in Northern Cyprus hotels.

Responses to all items were scored on five-point scales, ranging from “1 = strongly disagree” to “5 = strongly agree”, except workload, where items were rated on a five-point scale ranging from “1 = never” to “5 = always”. The survey instrument was originally prepared in English and then translated into Polish via the back-translation method. The pilot test confirmed a good understanding of the scale items.

This study used a two-step procedure suggested by Anderson and Gerbing (1988). In the first step, the measurement model parameters using the confirmatory factor analysis (CFA) were estimated, and then the structural model was assessed to test the study hypotheses. It is underlined that SEM helps research to be more precise in both the specification of hypotheses and the operationalization of constructs and has been applied in many studies, including survey and cross-sectional research (Bagozzi & Yi, 2012).

Because this study used self-reports to collect the data, it was susceptible to a common-method variance bias (Namasivayam & Zhao, 2007, p. 1221). Therefore, a combination of Lindell and Whitney's test and Harman's one-factor analysis has been applied (Lindell & Whitney, 2001; Podsakoff et al., 2003). The study used IBM SPSS Statistics 23 for descriptive statistical analysis and R version 3.2.4 package lavaan 0.5-20 was used for confirmatory factor analysis and structural equation modeling (Rosseel, 2012).

## 5. Results

### 5.1. Measurement results

All measures were subjected to a confirmatory factor analysis. Based on the initial results of CFA, all items with loadings lower than 0.5 (e.g. Chiang & Hsieh, 2012, p. 184; Lee & Ok, 2012, p. 1105) or possible cross-loading (e.g. Jang & George, 2012, p. 592) were removed. This practice has also been observed in many previous studies and is undertaken for the scale purification (e.g. Karatepe & Bektashi, 2008, p. 523; Karatepe & Ngeche, 2012, p. 451). Although the results of the CFA for the five-factor model demonstrated not enough satisfactory fit (e.g.  $\chi^2 = 530.748$ ;  $df = 220$ ;  $p < 0.001$ ;  $\chi^2/df$  (the normed *chi*-square) = 2.41; GFI (Goodness of Fit Index) = 0.77; NFI (Normed Fit Index) = 0.77; NNFI (Non-normed Fit Index) = 0.83; CFI (Comparative

Fit Index) = 0.85; RMR (Root Mean Square Residual) = 0.09), the magnitudes of the standardized loadings ranged from 0.56 to 0.89, and all t-values were significant ( $t > 2.00$ ). Additionally, 16 items of 23 had loadings above 0.7. Therefore, following the previous studies, particularly those where model fit statistics were also unsatisfactory enough (e.g. Karatepe & Magaji, 2008, p. 403; Karatepe & Olugbade, 2009, p. 508; Karatepe & Bekteshi, 2008, p. 523), it can be said that the magnitudes of the loadings with their satisfactory t-values provide evidence for the issue of convergent validity (Anderson & Gerbing, 1988).

Cronbach's alpha was used to ascertain internal consistency of the items (Bagozzi & Yi, 2012). As seen in Table 1, all values were above the commonly accepted cut-off point of 0.70, indicating an acceptable level of internal reliability of the study constructs. Additionally, other indicators of measurement validation were assessed in this study. These were composite scale reliability (CR) and average variance extracted (AVE). The CR values were in the range of 0.81 (AF\_COM) to 0.92 (W\_F CON) and were higher than the cut-off level of 0.7 (see Zhao et al., 2011, p. 50; Lee & Ok, 2012, p. 1106), whereas AVE values ranged from 0.52 (R\_CON) to 0.72 (IN\_LEAVE) being higher than the recommended value of 0.5 (Fornell & Larcker, 1981; Karatepe, 2006, p. 79).

To summarize, the above results provide support for the reliability and convergent validity of the study measurement scale. In accordance with discriminant validity, the square correlation of any two constructs in this study was lower than the AVEs of each construct, which supports discriminant validity of the measurement scale and means that each study construct shares more variance with its measures than it shares with other constructs (Fornell & Larcker, 1981; Lee & Ok, 2012, p. 1106).

Table 1. Descriptive statistics of the study variables

	1.	2.	3.	4.	5.	M	SD	Alpha	AVE
W_LOAD (1)	1					3.08	0.84	0.85	0.54
R_CON (2)	-0.100	1				2.63	0.86	0.87	0.53
W_F CON (3)	0.288*	0.306*	1			2.89	0.97	0.92	0.70
IN_LEAVE (4)	0.133	0.349*	0.701*	1		2.22	1.02	0.88	0.72
AF_COM (5)	0.030	-0.095	-0.263*	-0.700*	1	3.86	0.74	0.80	0.52

Note: W\_LOAD (Workload); R\_CON (Role Conflict);

W\_F CON (Work-family Conflict);

IN\_LEAVE (Intention to leave);

AF\_COM (Affective commitment);

\* $p < 0.01$ .

Source: own work.

The majority of the correlations were significant and ranged from -0.263 (affective commitment and work-family conflict) to 0.701 (work-family conflict and intention to leave).

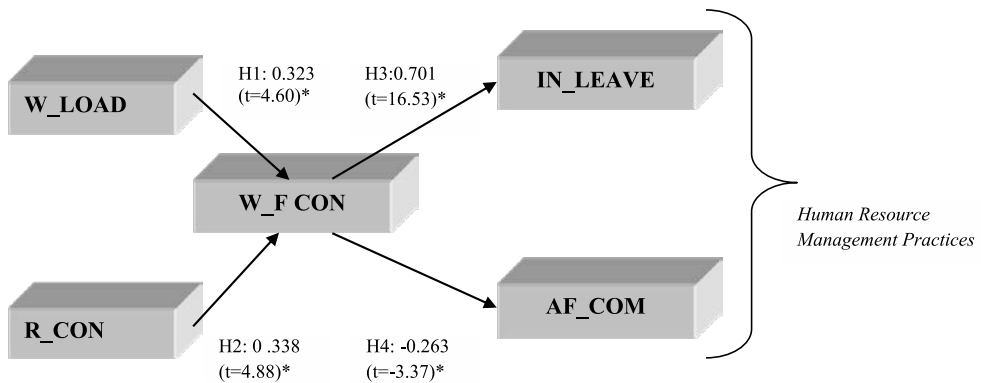
As data in this study were collected through the self-report questionnaires, common method bias (CMB) may occur. To assess CMB, Harman's one-factor test (Podsakoff & Organ, 1986; Podsakoff et al., 2003) was employed. The principal component analysis was used in the test with all variables in the model. Both using the Varimax rotation and without the rotation a share of variance explained by one factor amounts to 24%, showing no evidence of the common method bias. Additionally, assessment concerning CMB was conducted using the marker-variable technique (Lindell & Whitney, 2001). The Common Marker Variable technique suggests that there

is no significant common method bias in the data, since the calculated variance (25.2%) is below 50%. Therefore, based on the applied tests, CMB is not problematic in this study.

## 5.2. Hypotheses testing

The hypothesized relationships were tested in R version 3.2.4 package lavaan 0.5-20 using path analysis. According to the empirical results, the model fits the data relatively well ( $\chi^2$  13.880;  $df = 4$ ;  $p = 0.008$ ;  $\chi^2/df = 3.47$ ;  $GFI = 0.96$ ;  $NFI = 0.95$ ;  $NNFI = 0.91$ ;  $CFI = 0.96$ ;  $RMR = 0.05$ ). All hypothesized structural paths were statistically significant in the predicted directions (Fig. 2).

Figure 2. Path results of the research model



Note: Numbers in parentheses are t-statistics;

\* $p < 0.001$ ; W\_LOAD (Workload);

R\_CON (Role conflict); W\_F CON (Work-family conflict);

IN\_LEAVE (Intention to leave);

AF\_COM (Affective commitment).

Source: own work.

Hypothesis 1 (H1), predicting that W\_LOAD is positively related to W\_F CON, is supported by the empirical evidence. Results of the path analysis showed that W\_LOAD significantly and positively relates to W\_F CON.

Hypothesis 2 (H2) refers to a positive relationship of R\_CON with W\_F CON. The results of path analysis demonstrated that this hypothesized relationship was supported.

Hypothesis 3 (H3) suggested that W\_F CON exerts a significant and positive impact on IN\_LEAVE. The path estimate was consistent with this prediction and supported by empirical data.

It was also hypothesized that W\_F CON negatively affected AF\_COM. The results showed that W\_F CON had a significant negative relationship with AF\_COM, thus supporting hypothesis 4 (H4).

Summing up, W\_LOAD and R\_CON appeared to be both significant and positive predictors of W\_F CON in this study. W\_F CON in turn, increased employees' leaving intention and decreased their AF\_COM to the hotel organization. It confirms that for W\_F CON in this study, antecedents and outcomes may exist in the originating domain of the conflict (work).

Results of prior research also proved positive relationships between W\_F CON and IN\_LEAVE in the hotel setting (e.g. Karatepe & Uludag, 2008a, p. 37; Karatepe & Sokmen, 2006, p. 264; Karatepe & Kilic, 2007, p. 247; Karatepe & Magaji, 2008, p. 407). However, a negative relationship between W\_F CON and AF\_COM, didn't get empirically support in some prior research in hospitality setting (e.g. Karatepe & Magaji, 2008, p. 407; Karatepe & Uludag, 2007, p. 659); thus this study extended the findings regarding to job outcomes of *work-family* conflict in the hospitality management literature and contribute to their better understanding in the context of hospitality work.

Both W\_LOAD and R\_CON jointly explained 19.6% of the variance in work-life conflict, whereas W\_F CON explained 49.2% and 6.9% of the variance in intention to leave and affective organizational commitment, respectively.

## **6. Discussion and implications**

The findings of this study contribute to knowledge development in the context of work-family interference in hospitality management literature and support managers in focusing on work-life balance issues in the hotel workplace.

Results of the study confirmed that workload and role conflict significantly and positively influence the respondents' work-family conflict, which exerts a harmful impact on affective organizational commitment and leads to turnover intentions. Thus mitigating *work-family conflict* should be perceived as an effective employee retention strategy, which seems critical in the context of high employee turnover in hospitality business (Gobelna, 2015).

Managers should help their employees to balance their work and family responsibilities by offering them a policy of open doors, extra trainings (e.g. time management training) and counseling sessions on how to deal effectively with their work duties. Moreover, a good management system should offer flexible scheduling, more job autonomy and choices to deal with excessive demands, and to balance work and family responsibilities effectively. Cooperation between departments supporting smooth handover of duties to leave work on time (Wong & Ko, 2009, p. 199) is also important, as it may help employees to plan their non-work activities more adequately and help them to enjoy higher quality of their family/social lives. Finally, employees should be provided with a variety of family-related benefits, family leaves, childcare, and other work-life balance programs (Wong & Ko, 2009, p. 196). However, hospitality managers need to be aware that the "one-size-fits-all" strategy may be ineffective; therefore, it is vital to know and understand employees' familial backgrounds; only then may well-designed, "family-friendly" programs work well at a satisfactory level.

## **7. Conclusion**

The findings of this study should be interpreted within the context of several limitations.

*First.* This research examined only several hotels from the Pomeranian Voivodeship that agreed to participate in the study, so a possibility to generalize the results is limited. Therefore, future research should investigate proposed relationships with both larger samples and different hospitality settings.



*Second.* It could be beneficial for future research to use data from multiple sources to minimize the potential threat of CMB (Karatepe, 2011, p. 15).

*Third.* Because of the cross-sectional nature of the data, it is impossible to infer casual relationships among the study variables (Tromp & Blomme, 2012, p. 1219). Thus, future research should use a longitudinal research design (Karatepe, 2008, p. 257).

Reassuring, being perceived as the first representatives of the whole firm, service employees, particularly those in contact positions in hotels, are critical in both ensuring the quality of service delivery and in providing guests with unique service experience. However, employees' attachment to the organization and their decision whether to stay or not in the organization may be seriously influenced by *work-family conflict* which they are likely to experience. Therefore, attempts should be made to provide supportive work environment in which employees can feel that they work and family roles can be successfully balanced.

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