Management Sciences in Kazakhstan and in Poland at the Beginning of the 21st Century Perspectives for Development and Cooperation
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Preface

Globalization of business activities and development of the information-based society set new challenges towards various fields of science, including economy and management sciences. A noticeable increase in the importance of management sciences results from deepening processes of internationalization in the world economy, blurring organizational boundaries and more and more frequent regional and global economic crises. Management under the new economic conditions forces the need for a new look at economic processes, integrating achievements of various disciplines and scientific centers. These premises indicate the need for development of the international scientific cooperation, focused on exchange of thoughts and experiences related to management and functioning of companies and institutions under global economic conditions.

This monograph is a result of the cooperation between the Gumilyov Eurasian National University (GENU) in Astana and the Cracow University of Economics. It contains results of scientific research presented at the international scientific conference organized by the Department of International Management of the Cracow University of Economics and the Gumilyov Eurasian National University in Astana under the auspices of the Committee of Organization and Management Sciences of the Polish Academy of Sciences and Their Excellencies Ambassadors of the Republic of Poland in Kazakhstan and the embassy of the Republic of Kazakhstan in Poland. The honorary patronage over the conference was taken also by Their Magnificences Rectors of the two universities.

The monograph consists of three, thematically organized parts, according to the degree of detail of the issues being analyzed.

The first part is dedicated to the selected issues of socio-economic policy and managing the economies of Kazakhstan and Poland. In the first place, key problems of the socio-economic development of Kazakhstan were presented, describing economic aspects in the development of logistics and regional transport, development aspects of the retirement system, principles and conditions of the Kazakh regional policy, prospects of growth of the tourist services market as well as conditions and the special character of the contemporary agricultural market in Kazakhstan. Then, basic aspects of managing socio-economic development were presented, showing the special character and importance of safety in the power sector, the importance of cooperation between science and business practice in managing local and regional development, the need for managing cooperation relations of local government organizations and NGOs, increase in the importance of the sector of services and risk in social insurance as well as the role of the state in the economy, and education in sustainable economic growth.
The second part of the paper, presenting conditions and contemporary management concepts in business activities, begins with a review of research and practical experiences of the Polish management science. The further part presents the evolution of Polish Corporate Governance models and their implications for developing countries, solutions in corporate supervision from the perspective of modernization of the Kazakh economy, legal aspects of lobbying activities in the US and EU, legal regulations, contemporary models of business activities with particular focus on clusters as sustainable organizations, the concept of shaping business models under conditions of changes and discontinuities and the meta-concept of agile enterprise. Presented were changes in the paradigm of competitiveness, globalization and management of diversity, the model of sensual leader as well as consistency and logic of the system of values as an element of competence in strategic business management, epistemological aspects of the organizational culture. Attention was paid to the meaning of postmodernist approach to the issues of managing organizations operating under the conditions of complexity as well as the conditions of the Polish companies' operations on eastern markets in the days of intensified global crisis phenomena.

The third part is dedicated to methodological aspects of organizational resource management. At the beginning, the concept of corporate ownership and efficiency of intellectual capital was presented on the example of Polish companies, and then management of information in Kazakh companies was characterized. Two subsequent papers are related to information management stream; the first one shows the application of knowledge bank in the SYNAT project implementation and the second one presents methodological aspects of analyzing information needs of the company. The characteristics of attitude to work presented from the perspective of qualitative and theoretical approach and practical aspects of managerial education in a non-profit organization are interesting depictions of the selected human resource management problems. This part of the monograph ends with papers presenting contemporary legal and social conditions of safety of the brand in Poland and strategic importance of the brand in activities of companies. This part ends with a discussion on such a modern logical successor of capital as Inon.

It is right to cherish hope that the subject matter presented in the monograph will be the point of reference for new reflections, investigations, polemics and analyses, as well as a critical discussion on the role of management sciences in the socio-economic development of Poland and Kazakhstan.

Scientific editors
Manage System Sciences in Kazakhstan and in Poland
Chapter 1
Management in Macroeconomic Perspective
Economic Aspects of Development of the Regional Transport and Logistics Complexes of Kazakhstan

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Abstract

Analyzing the state transport system in Kazakhstan and the existing traffic flows, the authors concluded that the regional transport policy should be directed to the joint development of transport and logistics infrastructure. It is proposed actions to implement this provision.

Article

Being a key element of regional infrastructure, transport, ensures the integrity of the development of a diversified economy in the country. The former mechanism is well-established planning policy between all modes of transport. With changes in ownership to replace rigid hierarchical model comes a new mechanism, which laid the basis for commercial relations and market principles, taking into account the economic interests of all stakeholders involved in the process of delivery of cargo (shippers and consignees, transport companies for transportation, loading and service companies and unloading operations, shipping companies, etc.). Economic transformation, based on the partition of property, forced in a different way to treat the issues of supply, production, transportation and distribution. In the market conditions are considered as complex control systems, where all elements are in fact interrelated and are working towards one goal - timely, high quality, in the required volumes of cargo delivery to the effective functioning and development of national economy (Galaburda et al., 2002).
In order to overcome existing negative trends in the socio-economic development in recent years and provide a new round of growth of productive forces, it is necessary (Simonov, 2004):
- To carry out large upfront costs for the development of production and transportation facilities, this will undoubtedly provide a quick payback and high efficiency of non-recurring costs;
- The solution of socio-economic problems of regional development should be the main strategic direction and subject to special state investment, pricing, taxation, transportation, structural, regional and social policy.

In the last decade of socio-economic development of regions of Kazakhstan carried out under the following major trends:
- Uneven and considerable differentiation of socio-economic development of regions;
- The growth in trade ahead of economic development;
- Expanding volume, geography and types of transport, in particular, greatly expanded the Kazakh market of container transportation;
- An increase of mutual trade between the countries of the CIS (Commonwealth of Independent States) and abroad;
- Increase in problems with a capacity of transport corridors;
- Low competitiveness of regions in their development.

These developments highlight the creation of regional transport and logistics systems (RTLS) and clusters with the further transformation of them into a single integrated national transport and logistics system (TLS).

International experience shows that in recent integration processes occur mainly in the form of interstate and transnational makrologistichesky systems (MLS). Such a path of integration into the global community is the most effective. Formation of a national MLS will bring a new level of infrastructure development and to strengthen domestic inter-regional ties, which will serve as a catalyst for further economic growth.

Improving the competitiveness of the regions of Kazakhstan is largely dependent on the rational distribution of productive forces, the effective use of transport sector, improvement of transport and economic links regions. Of paramount importance is the problem of forming a support network of transport and development of transport and logistics infrastructure in Kazakhstan.

This is due, first, that has not yet formed a model of the spatial organization of the country, interconnected with the regional design, branch circuits use the most important natural resources and infrastructure, in particular, transport and logistics infrastructure. Second, there are no tools (mechanisms) coordinate the interests of neighboring administrative units (provinces, districts, towns and villages), trans-regional processes.

The role of transport and communications infrastructure is essential to realizing the new challenges of positioning the country and its regions in the world economic system, forming the framework of economic space and the settlement system of the country. The state, according to experts, there is no clear program for
the development of terminal and logistics facilities. Each region solves its own problems.

One of the most acute problems in the field of transport infrastructure development in Kazakhstan are administrative barriers and the duration of the licensing procedures by the appropriate regulatory agencies at the state borders in the implementation of terminal traffic (Kenjebayeva, 2007; Construction of industrial and logistics center, 2007).

Summarizing the analysis of problems, you can draw the following conclusions:

- Imperfection of the system, terminal and logistics complexes, except for the transport hub of Almaty. Creation of logistic centers is random. As a result - they have virtually no effect on the quality of transport services;
- Limited range of services of transport and logistics center, narrow range of customers, not their output on the main lines of transportation corridors, and sometimes on the rail network. Public participation in the development of transport and logistics complex is difficult because the creation of the complexes at the expense of private investment and supported by regional authorities. And the latter is often no clear understanding of the perspectives and objectives of the development of such facilities nationwide.

The isolated work of transport and logistics center cannot ensure the effective development of intermodal transport and investment, as evidenced by international experience. The process of creating logistics centers are often without regard to the overall plans for the development of the regions. An example is the transport hub Almaty. At the Almaty region, and now accounts for about 47% of the traffic volume of import and about 18% - export cargo. This region is overloaded transit traffic. And the other regions do not receive the money they could earn only by a competent logistics cargo management;
- Lack of understanding by the officials of the essence and importance of logistics processes. In our opinion, competent government policy in the sphere of transport logistics must improve on this situation, if the foundation created by TLS just put the territorial-administrative unit in Kazakhstan. For example, we have five major economic regions (southern, northern, western, eastern and central). They have become the main logistics centers, among which you can build transportation corridors.

It is for such a scheme is necessary to develop Kazakhstan's transport and logistics network. Today in Almaty region is formed of transport and logistics system.

World practice of establishing a regional center of transportation logistics is as follows: 40% - the state capital, 60% - the capital of private structures. But we are not rushing to private traders and government officials still have not realized their benefits from participation in this process.

Create a full TLS, according to the president of the association "Loginvest" T.Prokofeva, helps to reduce transportation costs by 7 - 20%. Fall by a third the cost of loading and unloading. And the cost of storage of material resources and finished products can be completely reduced to zero (Prokofeva, 2002).
However, further development of transport and communication infrastructure to facilitate the implementation of national projects for the creation and development of clusters in the regions of the country and considered in terms of addressing the following key tasks:
- provide the shortest and the sustainable yield of domestic producers to foreign and domestic markets with a reduction in transport costs in the cost structure of the economy;
- provision of internal integration, which opens access to the territories and their people to sources of socio-economic growth;
- the most efficient use of transit potential in conjunction with the decision of issues of integration of the country and its regions to outside markets;
- transformation of the country's major transportation hubs in the trade and logistics centers serving the entire Central Asian region.

The current situation in the territorial development of the country is characterized as strong and weak points (Table 1). Nevertheless, there is the potential to become a major transport and logistics hub.

In this connection special importance is the implementation of Territorial Development Strategy of Kazakhstan till 2015.

The main priority is to improve regional competitiveness through the introduction of mechanisms of cluster development, organization and mobilization of domestic resources.

In this context, more promising for Kazakhstan in the present conditions is a network model of territorial and economic organization, characterized by flexible specialization and the ability to innovate, based on the mobilization of resources across the network using the cluster approach.

As international experience shows, the network model will provide greater stability of the national economy, as its driving force, especially in non-region, will be small and medium-sized enterprises, providing involvement in economic processes over a wide range of economic subjects.

Consequently, one of the most effective mechanisms for the network model is the creation of regional clusters, in particular, transport and logistics. Regional clusters will be created around those areas of activity, in which regions specialize and cover not only the boundaries of existing administrative-territorial units, but the borders of neighboring areas, areas.

In our opinion, one of the problems of transport and logistics cluster (TLC) is to coordinate the efforts of government agencies, transportation companies, manufacturers in the formation of effective schemes to promote products and services to markets. The efforts of communities and areas within regions, as well as some areas will not only focus on building their own clusters, but also participate in regional clusters formed. Based on this model is organized regions, successfully incorporated into a system of global and regional exchanges of goods, finance, labor, technology and information (such as Almaty and Almaty region adjacent areas), which determines their competitiveness.

In Kazakhstan, in the presence of multimodal transport and containerization of cargo transshipments many also address the main objectives of transport - the
acceleration of goods movement and reduce associated costs. New types of logistics services (freight forwarding services, sorting and packaging of goods, services, storage of goods in stock, etc.) make it possible to significantly improve the quality of delivery of cargo and passengers.

Table 1. Analysis of the situation in the territorial development of Kazakhstan

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Opportunities</th>
<th>Threats (risks)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• a network of transport and communication</td>
<td>• remoteness from major world commodity markets;</td>
<td>• become a nodal integrator of intracountry economic relations, the center of attraction of capital and investment;</td>
<td>• the possible disintegration of economic space by combining underdeveloped transport and communication networks of various kinds of external magnet for regional territorial and economic systems (many more infrastructure projects are aimed at ensuring the transit of the economy and provide a common economic space of the country);</td>
</tr>
<tr>
<td>• Noah infrastructure covering the whole country;</td>
<td>• railways and roads of the country characterized by low bandwidth;</td>
<td>• an important link, the first transcontinental bridge the economic interaction of European, Asia-Pacific and South Asian economies;</td>
<td>• Competition from neighboring states to form a region of east-west trans-Eurasian trade, economic and transport and communication corridors, as well as from major cities in neighboring states to build cities in the country - regional centers of international integration.</td>
</tr>
<tr>
<td>• Roads and railways are included in the international transport corridors;</td>
<td>• due to intensive wear and destruction of about 30% of the network of public roads in need of major repairs, 75% does not meet current standards for strength and evenness.</td>
<td>• Ensure the construction and operation of transportation routes.</td>
<td></td>
</tr>
<tr>
<td>• Use of Aktau seaport as an international transport hub;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• availability of the information superhighway, connecting all regions of the country's fiber-optic communication lines.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: The Strategy of Territorial Development of Kazakhstan up to 2015 year

Therefore, using the principles of economic regionalization, based on the production and transport of generality, we can identify five economic regions with their inherent transport network, forming the basis of local TLS.

For each economic region, the role of each component of the local TLS varies depending on the level of transport development, geographical conditions, the extent of traffic.
Southern region of Kazakhstan - the most developed and inhabited by some of the republic, which is home to about 45% of the population. Arriving by rail and road freight main (25%) is deposited and sent to other parts of the country. In Almaty, there are large railway hub, an international airport, intercity bus, carpool, the system of distribution storage bases, depots open and closed storage, wholesale trade database of food and nonfood products.

TLC serves the region are located the main production of energy, building materials, metal and wood processing, food processing industry. The presence of large deposits of phosphate and uranium ore, and various mineral resources generates an annual flow of goods.

The basic scheme of transport - logistical services: road, rail + road, air.

Almaty hub is a central element in the formation of core transport and logistics network of the country.

Northern region - the only region that has transport facilities with a high density of railways and roads, respectively, 6.53 and 39.5 km per 1,000 sq km territory. The share of consignments of about 43%. The region covers 21% of the country, is home to 25% of the population. Reconstructed values of the international highway Astana-Kokshetau. Northern Railway Trans-Asian Railway is a "gateway" to the incoming traffic from Siberia and China. Transport network is also a navigable Irtyskh River from the marina part of the Pavlodar and Petropavlovsk Ishim.

West region - one of the major industrial areas of the country, covering 27% of its territory. There are enterprises of oil and gas industry, natural gas pipelines Zhanaozen-Aktou-Makat - Russia or Zhanaozen-Chelkar-Chelyabinsk.

The area has an extended network of rail and car. Transport network is also the Ural River and the port of Aktau.

TLC of the region represented a major transportation hub - the seaport of Aktau, serving coming from the Caspian region and other regions of the republic cargo.

Applicants to the Ural River cargo sent from Atyrau on the road. Transshipment bases located in Makat, Beineu.

Eastern Region - TLC of the area is associated with maintenance of copper and gold mining companies, coal mine. The transport network is represented by the Irtyskh River to the wharves in Ust-Kamenogorsk, Semey, roads of national importance: a) Maikapshagai - Ust-Kamenogorsk - Semey - Pavlodar - Omsk with the release of the second trans-European corridor, b) Ust-Kamenogorsk - Almaty, Taldykorgan, c) Karaganda - Semey - Barnaul.

Central Region - one of the major industrial regions of the republic, takes about 16% of the territory and 19% of the population. The transport network is represented by rail and road.

One of the basic principles of organization of the local transportation system (LTS) is the relationship with main transport systems. Regional issues define the boundaries of the organization LTS implemented on the basis of transport costs or the aggregate expenditures. The main objectives of LTS to be solved at the micro level, at the level of economic area, the following: development
of optimal schemes for the delivery of material resources, the optimal allocation of points of accumulation of goods, distribution of traffic between major freight carriers, interaction and coordination of operations between transport modes.

In this regard, each LTS, under certain conditions can be arranged in the transport and logistics. In each LTS allocated transport and distribution units, on the basis of which may subsequently be formed logistics centers (LC). These are towns Temirtau and Shahty. In the process of transformation of the LTS in the logistics are embedding it in the RTLS.

Our analysis of the existing inter-regional and intra-regional transport and economic links, the main directions of export-import and transit can identify potential freight traffic patterns from other regions of Kazakhstan and their distribution over the links of the distribution network (International logistics centers / units in Central Asia, 2009; Transport Strategy of Kazakhstan until 2015 year, 2006).

As seen from Table 2, the import of goods into the Republic is made from different regions of the country, mostly from northern and southern regions. The structure is dominated by petroleum imports (up to 60%), ferrous metals and metal products, construction materials (15%). Significant share of machinery and equipment, manufactured goods and foodstuffs. In the export structure is dominated by coal (56%), oil (25%), forest (6%) and other goods (12%). Most of the exported goods should be in the country and abroad (oil, metals, coal, grain, etc.).

Table 2. Distribution of cargo (export, import, transit) in the Republic of Kazakhstan by aggregate points (in percentage of total)

<table>
<thead>
<tr>
<th>The direction of origin of goods across regions</th>
<th>Total, %</th>
<th>Including</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Southern</td>
</tr>
<tr>
<td>Southern</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td>Western</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>Northern</td>
<td>46</td>
<td>31</td>
</tr>
<tr>
<td>Eastern</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>Central</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Data of Republic of Kazakhstan Agency on Statistics & The Strategy of Territorial Development of Kazakhstan up to 2015 year
Given the above, in our view, the regional transport policy should be directed primarily to the joint development of transport and logistics infrastructure:

1) The modernization and development of transport infrastructure. This means the integrated development of transport, the introduction of advanced technology and transportation and logistics services, corresponding to international standards. As an immediate action enterprises provide modernization and construction of major port facilities, terminals and logistics transportation and distribution centers in a multi-modal transport hubs, located in the area of attraction for international transport corridor (ITC).

2) The creation of organizational, economic, financial and legal mechanisms for attracting large investments required for the formation of the reference frame of the transport network. Given the enormity of the territory and remoteness from major leading role for rail transport, to which the task of forming a support rail grid based on a large scale implementation of a new transport construction. At the same time it is advisable to gradually develop the road network, river communications, marine and river ports, airports, pipelines, communications and telecommunications systems.

3) The establishment and development of logistics infrastructure (storage facilities, handling equipment, packaging, information technology, automation of transportation and logistics services, etc.).

Dedicated regional aspects and problems of transport services require complex theoretical study of questions of formation of the transport and logistics cluster.

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The Strategy of Territorial Development of Kazakhstan up to 2015 year [electronic resource]. - Mode of access:
Pressing Issues of Pension System Development in Kazakhstan

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Abstract

This article examines the current state and development of the pension system in Kazakhstan. The study author concluded that the main strategy of the pension sector in the country should be to properly manage their pension assets, in order to fulfill all its obligations to pensioners who reach retirement age at 20 - 30 years.

Keywords: Pension, Pension system, Kazakhstan, Pension Reform, Pension Security.

In 1998 Kazakhstan initiated a pension system reform. Analyzing the background it could be said that the pension reform was based on three key reasons:
- general demography situation, related to decreasing proportion of working population vs. the number of pensioners;
- urgency of the system, which would ensure each able to work person to decide on his/her pension provision in the future independently through compulsory and voluntary savings in the preferred pension fund, without relying on the state;
- need to stabilize the country economy and ensure its sustainable development through formation of internal institutional investors – pension funds.

Considering the international experience on establishing social security systems, the reform in Kazakhstan resulted in introduction of the so-called “three-pillar system”, which, at the first level, includes pension provision from the state budget, at the second and third levels – accumulation pension system, accordingly, with compulsory and voluntary contributions to accumulation pension funds.

On 20 June 1997 the Law “On Pension Provision in the Republic of Kazakhstan” was adopted, and starting from 1 January 1998 Kazakhstan introduced the accumulation pension system.

Today we could note that the accumulation pension system introduced in Kazakhstan succeeded and became an integral part of a multi-pillar pension
provision system. As the system of individual pension savings develops further, it will become more significant not only in pension provision of population, but in development of domestic investment market, appearance of new financial instruments, integration of financial markets, ensuring sustainable economy in the region as a whole.

Success of the accumulation pension system in Kazakhstan as well as its combination with existing pay-as-you-go (PAYGO) system calls great interest of other countries and in the first turn – CIS countries. Kazakhstan was the first CIS country to introduce accumulation pension system. Pension reform in Kazakhstan took place concurrently with such successfully developing countries of Eastern Europe as Hungary and Poland (Anderson et al., 1997).

The success of financial system establishment in Kazakhstan rests on its compliance with international principles and standards for the financial market functioning, which are acceptable and competitive economy.

The pension provision in Kazakhstan unites accumulation pension system, mainly oriented at working young and middle age population, and PAYGO pension system, oriented at elder people.

The principles of both pension systems are fundamentally different. Accumulation pension system has the following distinctive features (Anderson et al., 1997):

- compulsory contributions to the personal pension account in one of accumulation pension funds out of worker’s income;
- worker’s independent decision to select an accumulation pension fund;
- fulfilment of the contributor’s right for property in relation to pension savings, including the right for inheritance;
- growth of pension savings through investments;
- state guarantees to secure pension accumulations formed out of compulsory pension contributions;
- direct dependence of the pension amount on the amount of contributor’s pension accumulations at individual pension account.

PAYGO pension system has the following features (Anderson et al., 1997):

- lifelong pension provision under the state budget;
- state regulation of pension amount depending on the duration of the total number years served and of the income level of worker before retirement;
- payment of pension allowance from national budget with increase of the amount of pension allowance based on inflation level (indexation) and growing capacities of the state budget.

One might say the pension system of Kazakhstan foresees gradual transfer from social principle of generation’s solidarity to the principle of personal accumulations. At the same time, these both systems do not contradict but supplement each other.

It means that the same person will be getting pension allowance from the PAYGO and accumulation systems if he/she has worked not less than 6 months before 1 January 1998 and has pension accumulations in accumulation pension fund (APF). People retired before 1998 are not covered with the accumulation
pension system (except if they have voluntary pension savings in APF). People, who started working less than 6 months before 1 January 1998, will be getting pension only out of their savings in APF. Every person at the age of retirement may also count on monthly basic pension payment (so-called “demogrant”) from the state budget, regardless of pension availability from PAYGO or accumulation system (Marchenko, 1998).

At present, functioning of two pension systems allows balancing people’s and state’s interests related to gradual decrease of burden on state budget and transition to accumulation pension system.

According to the Law “On Pension Provision in the Republic of Kazakhstan” each employer should regularly transfer compulsory pension contributions to individual employee’s pension account, which the latter opened in one of APF. Employee independently selects APF and sings pension agreement.

Employer deducts monthly pension contributions out of employee’s income in amount of 10% (this amount is different for military men and people equated to them, who have served until 1 January 1998 in total less than 10 years and equal 20%) and pays to APF. The Law also provides the contributors with the right to make voluntary pension contributions in their own favor.

Changes and amendments to the Law “On Pension Provision in the Republic of Kazakhstan” introduced voluntary professional pension contributions since 1 January 2003 that could be paid by the contributors-employers to APF on their own initiative in favor of their employees as per the list of professions identified by the Government.

Employer transfers employee’s compulsory pension contributions to the State Centre for Pension Benefit Payments (SCPBP), which is under the Ministry of Labor and Social Protection of the Population of the RK. The centre personifies the compulsory pension contributions according to the employee’s social individual code (SIC) and transfers his/her contributions to those APF where the contributor has a signed pension agreement with the latest date.

Pension sector is an integrated part of financial market of Kazakhstan. Concept of Kazakhstan Financial Market Development for 2007-2012 determines that the further development of financial market of Kazakhstan in the context of the strategic goal on economy competitiveness improvement will be aimed at:
- improvement of sustainability and stability of financial sector and its institutions;
- improvement of quality and accessibility of financial services;
- formation of liquid stock market and its components;
- improvement of regulation standards for the financial sector;
- liberalization of financial sector in order to improve competition on the market of financial services.

At the same time, the mid-term basic goal and objectives of accumulation pension system include:
- building of APFs’ capacity on investment of pension assets;
- development of competition between APFs;
improvement of quality and accessibility of pension services for the whole population of Kazakhstan;
- ensuring safety of pension accumulations and further improvement of mechanisms on protection of rights of contributors and beneficiaries, system of pension payments and transfers;
- improvement of the efficiency for the system of compulsory pension payments.

Pension sector, like other financial market sectors, demonstrates some clear development trends.

Firstly, the pension legislation becomes more complicated and improved, causing growing demands towards APFs and management companies as well as their formation as professional financial institutions and largest institutional investors.

Secondly, APFs more and more compete for contributors, which finally should improve accessibility and quality of provided pension services.

Thirdly, the necessary growth of APFs and management companies’ capitalization takes place as well as the improvement of their personnel, technical and technological equipment with the purpose of reliable control, safety, pension accumulation growth through weighted investment policy and effective system of risk management.

Outlooks of further pension system development in Kazakhstan depend on how qualitatively and effectively will the State and professional participants of the pension market solve related pressing issues and problems.

Despite of the fact that important tasks and key measures identifying further accumulation pension system development in Kazakhstan are included into the basic state documents, their range is not wide enough or their systematic coverage of pressing issues of the accumulation pension system’ development is insufficient.

Measures development and proposed by the pension market participants, unfortunately, have not been yet fully reflected in the basic documents of the Government and FSA.

Let us consider the key problems of the pension system in the country.

Based on the many-year experience of APFs dealing with millions of contributors from different regions of the country, of different age and social requirements, we are in position to group the major contributor’s interests into the following three large blocks:

- investments – where the pension savings are invested, what is the rate for investment return and weather the contributor is able to realize his/her investment preferences;
- accumulation pension – based on the total savings what amount of pension may the contributor count on, weather the contributor might give preferences to different pension options and different payment schemes;
- services – what are the look-outs for increasing accessibility and quality of pension services.

Taking into account provisions set forth in the Kazakh pension legislation citizens of Kazakhstan can be classified into seven groups by sources of income
and risks peculiar to them. The first group comprises those who retired before 1998. Their income consists of only State pension benefits and in this sense it’s free of risk. The next age group, which is to retire before 2019, will be receiving state pension benefits in full sum along with payments from pension saving; the latter part of the income being exposed to risk. Beginning from 2020 the third category of employers will start retiring that will have insufficient work records to warrant them state pension benefits in full sum, and the share of state pension in their total income will be shrinking each year. Nevertheless, the losses will be offset by the growth of the cumulative component to which moderate, though annually increasing, risk can be ascribed. The forth group includes employees having no work record prior to 1998 and not entitled to state pension benefits.

Their income, exclusive of basic pension benefits, will be formed through payments from pension accounts and be exposed to high risk. The fifth group comprises individuals having no work record prior to 1998 and making no pension contributions. At retirement they could rely only on basic pension benefits and old-age allowance to be paid from the budget. From this point of view the risks regarding these individuals are born entirely by the State. Now, summarize the above in a table (Table 1) of income and risks (Nurseitova, 2007).

Table 1 – Pension income and risks

<table>
<thead>
<tr>
<th>Year of retirement</th>
<th>Year of birth</th>
<th>Working records prior to 1998</th>
<th>State pension benefits (funded from the budget)</th>
<th>Number of years under accumulative system (maximum)</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before 1998</td>
<td>M-before 1936 W-before 1941</td>
<td>More than sufficient M&gt;25 years W&gt;20 years</td>
<td>In full sum +additional percentage point up to 75% of 15 MCI</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Before 2019</td>
<td>M-1956 W-1961</td>
<td>sufficient M-25 years W-20 years</td>
<td>In full sum with no additional percentage points - 60% of 15 MCI (25 MCI beginning from 2008)</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>2020</td>
<td>M-1956 and later W-1962 and later</td>
<td>insufficient</td>
<td>Not in full sum; Decreasing every year by 2.4 % for man and 3% for women</td>
<td>23</td>
</tr>
<tr>
<td>4a</td>
<td>2038 and later</td>
<td>W 1980</td>
<td>No work records</td>
<td>No payments</td>
<td>40-43</td>
</tr>
<tr>
<td>4b</td>
<td>2043 and later</td>
<td>M-1980</td>
<td>No work records</td>
<td>No payments</td>
<td>45-48</td>
</tr>
<tr>
<td>5</td>
<td>M and W irrespectively of age</td>
<td>No work records</td>
<td>No payments</td>
<td>No participation</td>
<td>Risk born by the state</td>
</tr>
</tbody>
</table>
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At the present most retirees’ income consists of the assigned state pension benefits paid from the budget. Beginning from July 2005, a basic pension benefit at the expense of the budget was to be paid to every person achieving the retirement age regardless of work record and pension saving. Some people started receiving benefits from individual accumulated accounts.

During the next 30-35 years the share of the State component will be gradually decreasing while the accumulated part, on the contrary, be rising to entirely substitute the budget part with time. This process is shown in diagram form in Figure 1.

![Figure 1. Structure of pension benefits payments in 2005-2045](image)

It can be also shown that the amount of accumulations is more sensitive to the change in investment income rates rather that to growth of salary. As an example, the Table 2 gives the estimation of accumulations for 40 years. Increase of investment income rate for 1% results in a more rapid growth of accumulations compared to 1% increase of the salary. In other words, if it were possible to reach higher investment income, it would be probable to get a good replacement level with the moderate salary growth.

<table>
<thead>
<tr>
<th>Salary</th>
<th>Investment income</th>
<th>1%</th>
<th>2%</th>
<th>3%</th>
<th>4%</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>116,75</td>
<td>285,43</td>
<td>508,42</td>
<td>805,63</td>
<td>1204,86</td>
<td></td>
</tr>
<tr>
<td>2%</td>
<td>135,65</td>
<td>327,34</td>
<td>578,52</td>
<td>910,60</td>
<td>1353,28</td>
<td></td>
</tr>
<tr>
<td>3%</td>
<td>158,69</td>
<td>378,18</td>
<td>663,21</td>
<td>1036,80</td>
<td>1530,80</td>
<td></td>
</tr>
<tr>
<td>4%</td>
<td>186,91</td>
<td>440,23</td>
<td>766,10</td>
<td>1189,39</td>
<td>1744,37</td>
<td></td>
</tr>
<tr>
<td>5%</td>
<td>221,69</td>
<td>516,36</td>
<td>891,78</td>
<td>1374,93</td>
<td>2002,79</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 – Pension accumulations for 40 years
Success of pension provision depends on purposeful and timely actions of the state and pension market participants. As mentioned above, the major concerns of contributors could be grouped into three large blocks: (a) investments; (b) accumulation pension; (c) accessibility of pension services.

Considering, that many proposals are already foreseen in the basic documents of the Government and FSA, we present below the most important, in our opinion, recommendations, which focus on the solution of systematic development problems of accumulation pension system of Kazakhstan.

Regarding investment of pension savings:
- Undertake measures (including those proposed in the recommendations of the World Bank experts) on formation of realistic yield curve on the state securities of the RK, which should play the role of one of the basic indicators for identification of fare cost in attracting investors’ money for the wide range of debt financial instruments on the domestic market of Kazakhstan.
- Introduction of the right of contributors to chose between different investment portfolios, in order to consider individual preferences with respect to investment of pension savings, acceptance of investment risks and expectance of rate of investment return.

Regarding accumulation pension:
- Legislative introduction of a system of compulsory professional pension contributions, which employer pays in favor of employees in severe working conditions in order to form additional pension accumulations for this group of workers and increase their social protection level (without return to the system of privileged pensions by means of the state budget).
- Enlarging conditions for all employers in making voluntary professional pension contribution in favor of employees (not only in accordance with limited list of professions, approved by the Government of the RK) in order to solve general task on widening the coverage of population with accumulation pension system and getting closer to the optimal level of replacement ratio through sharing the responsibility for pension provision between the State, employee and employer.
- Introduction of the contributor to choose between different pension withdrawal schemes (pension plans) in order to take into consideration individual preferences for pension provision.

Regarding increasing accessibility and quality of pension services:
Implementation of measures, aimed at transition to the system of complex services for population with use of e-card (electronic ID-card), and, as one of its basic applications, to provision of e-pension services for citizens with remote access.
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Formation of Regional Policy in Kazakhstan

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Abstract

The article reviews formation of regional policy in Kazakhstan, which has principal meaning for such country as Kazakhstan. Elaboration and realization of the effective policy focused on spatial development is seamlessly connected with implementation of long-term and medium-term planning system, and, which is more important, with forecasting of social and economic development. In recent decades, innovative approaches to territorial and spatial planning led to new understanding of space organization and territorial arrangement, as well as to understanding of roles of strategies in sphere of territorial and spatial planning in the context of modern management.

Key notions: planning, social and economic development, spatial development, forecasting, territorial arrangement.

Kazakhstan as a member of USSR

Size of the territory, heterogeneity of conditions and multinational composition attach unique nature to complexity of economic reforms in Kazakhstan. Rich natural resources of the country are distributed very unevenly among regions. A consequence of seventy years-long era of Soviet planning was geographical location of settlements and the capital, which is often poorly connected with natural economic comparative advantages. An example is location of many settlements of the former Soviet Union and large amounts of capital investment in areas with unsuitable living conditions, economic efficiency of which is inherently low.

Restoration of Kazakhstan economy within Soviet Union began from transition to the NEP (New Economical Policy) in 1921. Unprecedented industrial crisis in the entire Soviet Union in the first half of the 20s led to the need to accelerate industrial development. In subsequent years, Kazakhstan deployed fast collectivization of agriculture and industrialization. Forceful industrialization of the
Chapter 1: Management in Macroeconomic Perspective

republic began in the late 1930s, which allowed turning Kazakhstan into a region with solid mining industry.

It was invested 2 billion rubles from the Soviet budget for the growth of industry in the period from 1928 to 1937. A substantial contribution was made in the prewar period, when it was built about 200 large industrial enterprises, including Chimkent lead plant, Balkhash copper-smelting plant, a coal facility in Karaganda, Turkestan-Siberian railway and etc. In the industrial development, Kazakhstan industry grew up thanks to evacuation of more than 400 plants and factories from the European part of USSR. Development of virgin lands caused the need to relocate to Kazakhstan hundreds of thousands of people from other republics and regions of the USSR. From 1960 to 1986, industrialization continued, large-scale enterprises were built in Almaty, Karaganda, Ekibastuz, Pavlodar, as well as energy facilities, railways and roads.

In the late 20s - early 30s, conduction of regional policy and implementation of industrialization in Kazakhstan has faced several challenges, and the most critical one was socio-economic backwardness of Kazakhstan’s population.

Industrial development of Kazakhstan in 1920-1940 caused large-scale socio-economic consequences. It includes transforming the republic from agrarian country into industrial-agrarian, growth of towns, growth of townspeople’s proportion within population of the republic, formation of the working class, especially, its domestic labor resources, beginning of establishment of engineering and technical middle class, as well as other socio-demographic changes in the population.

Thus, the results of regional policy and industrialization are evaluated ambiguously, since it was carried out by lowering standards of living.

In the 60s the country actively carried out economic reforms in the following areas:
- Changes in the structure of economic management, providing the industry transition to the branch-wise management principle of industrial enterprises;
- Changes in the planning system, assuming to adjust plans for the volumes of sold products, since the previous planning system was designed to achieve production growth by companies on the basis of gross output;
- Improvement of economic stimulation, providing changes in the pricing system and in the system of reward.

National economic growth was a continuation of industrialization, and its extension to all sectors of the economy. Industrialization processes during this period mainly had extensive character, which led to rise of labor shortages and caused a heavy demand for unskilled manual labor. Problems during industrial transformation of the economy in terms of forced industrialization began to grow.

Enterprises from different economy sectors, where revision of wholesale prices was implemented, began to adopt a new system of planning and economic stimulation. Revision in prices has improved the economic situation, and from 1968 all branches of industry became profitable. Growth of production socialization is an important factor in the implementation of the STP (scientific-
technical progress). Establishment of industrial unions fell on the beginning of the 1970s. Merging of enterprises took place without economic feasibility and economic interests of the merged groups, with emphasis on administrative influence.

The administrative-command system that covered the period of Soviet Union, creating a departmental monopoly, facilitated to competition stifling, price rise, lower quality of released products; it was focused on resolution of administrative tasks, but not on the economic ones, and that resulted in deterioration of living standards. Historical experience shows that the administrative-command system did not facilitate to ensuring of economic efficiency and development of technological progress.

In subsequent years of regional economic policy formation, emphasis has shifted from the administrative-command methods to the economic management methods, which provided change of quantitative indicators by the qualitative ones. The economy began to reform towards the intensive path of development. In the 1970s, emphasis was placed on the agro-industrial integration, stipulating conversion of agricultural labor into variety of industrial one. That was how the current and future regional economic policy was formed.

The period from the mid-60s to mid 80s began with rather bold reforms in the economy, but ended with growth of negative trends in all spheres of public life, stagnation in the economy and crisis of the socio-political system.

In the 70-80s, mineral resources of the country depleted more and more, proportion of modern enterprises with high technology production in Soviet economy was low. Excessive military burden fell on the national economy. There was no single monetary system. A radical restructuring of the economic system has begun.

Mid-80s are characterized by the fact that the road was opened to uncontrolled growth of prices and declining of real incomes, inflation and growth of external debt. Elimination of planned economy is related to this period.

Any country tends to implement a regional policy aimed at improving living standards, especially in backward regions. Kazakhstan is not an exception: regional policy of the country stipulates equal conditions and improvement of development level for depressed regions.

In the Soviet period, in order to level the socio-economic development, it was used grants for troubled regions, primarily, through centralized capital investments for development of various branches of material production and (or) non-production sphere. The funds were formed at the expense of resources from relatively rich regions and accumulated at each level of management in the relevant budget. Although this mechanism of redistribution played a certain positive role in development of problem regions, it did not allow carrying out an effective policy of self-financing and self-sufficiency, increasing dependence on the center and cultivating a welfare mentality of the population. In the Soviet period, and in the process of market reforms, regional policy was understood as all changes those were made for the development of regions, regardless of what level of power
carried out these changes. Accordingly, all changes in regions, as well as interregional economic relations, referred to the results of regional policy.

In June 1987, the concept of perestroika (rebuilding) as a transition to market economy was declared, which led to elimination of planned economic system for resource allocation.

Rebuilding of political and economic systems of Soviet Union ended up by destruction of economic system and the USSR.

Thus, the country has passed through several stages of development.

The next stage of development is characterized by separation of Kazakhstan from Soviet Union and beginning of transition to a market economy.

October 25, 1990, the Supreme Soviet of Kazakh SSR approved “Declaration of state independence of Kazakh SSR”. Acquisition of independence, in whole, speeded up democratic processes in Kazakhstan.

Kazakhstan is a sovereign, independent country, coming out to the world stage as a new independent subject of international relations. The past years for the republic were fundamentally important and fruitful for the formation of the young country and finding its niche in the global market.

Over the past twenty years, the republic has undergone many changes in all spheres of life.

**Independent Kazakhstan**

Industrial development of Kazakhstan preserved for many decades its production specialization, while under the influence of scientific and technological progress there was a constant adjustment of industrial structure and quality of technical staff. Functioning and development of industrial complex in Kazakhstan is an essential part of the more general problem: socio-economic development at different stages of its evolution. The main direction of development of the Republic of Kazakhstan in the short-term and long-term perspective is further industrialization on the basis of present stage of scientific and technological revolution that should provide a footing in social reproduction of highly industrialized system of productive forces, and create conditions for transition to postindustrial society. Achieving this goal is possible only by improving the competitiveness of Kazakhstan economy.

Throughout the years of independence, systematic economic reforms in Kazakhstan have passed three stages.

Stage 1. Transformation of economic relations, which is covering the period from 1992 to November 1993. During this period, the country's economy depended on decisions made in Russia; Kazakhstan government had virtually no leverage over macroeconomic policy.

Stage 2. November 1993 is characterized by introduction of national currency and formation of own macroeconomic policy. Legal and regulatory framework was created, which was regulating the relations in the field of taxation, budget and banking sectors, foreign trade activities, including attraction of foreign capital and customs affairs, market development and market infrastructure.
Implementation of strict anti-inflationary policy has allowed strengthening relatively the rate of national currency, to reduce the budget deficit, to stabilize and slightly revive production in a number of export-oriented sectors of industry. There was development of small and medium business, formation of healthy competitive environment. The basis of market infrastructure was formed, including a network of banks, investment and insurance companies, stock exchanges, accounting firms and other facilities designed to serve business entities. Shifts in the production structure of gross domestic product occurred due to the development of trade, financial and credit institutions and other institutions of market economy. There were trends for stabilization of production in some sectors of industry.

Thanks to development of the second stage, a foundation was laid for stabilization and formation of positive trends in the socio-economic processes of the national economy.

Stage 3. The period from 1998 to the present time is characterized by positive dynamics of key macroeconomic indicators, but, at the same time, international and Russian financial crisis of 1998-1999 had a negative impact on the ongoing development of Kazakhstan economy. There was expansion of the legal framework of economic processes, a number of program documents were approved promoting the most important sectors of economy, and steps were taken to approximate the economic environment to the standards of the developed market.

In 1997, President Nazarbayev announced the strategy of Kazakhstan development till 2030, which clearly identified main ideological direction of development for the long-term period. The strategy “Kazakhstan – 2030” became a conceptual, strategic and program document of the country, which served as a powerful push in the formation of Kazakhstan state ideology.

In the Strategy, it was attempted to comprehend and define the role of the government in solving of economic, social, political and ideological issues. Particular attention was paid to transformation of mass consciousness, with main emphasis on the younger generation, taking into account their high degree of adaptability to new conditions. Also, in the strategy it was laid the foundation of Kazakhstan’s national idea, which can be formulated as construction of independent, prosperous and politically stable country, based on national unity, social justice, and economic well-being of the population.

The Strategy “Kazakhstan – 2030” is a document that clearly outlined main directions of state policy, the ways and methods to achieve them, which made it possible to plan all actions of the authorities in the center and in the provinces, gave them a purposeful, systematic and consistent character. The most important thing is that the Strategy, to some extent, contributed to the mobilization and consolidation of Kazakhstan society.

Further President's Addresses to the people of Kazakhstan were in line with the Strategy “Kazakhstan - 2030”, contributing to the progressive achievement of main priorities of Kazakhstan.

In this context, a program document containing the most important ideological direction of the state for the medium term is the President’s Address
2006 “Kazakhstan's strategy of joining the world's 50 most competitive countries”, which presents an integral approach to the reform of economic, political and social institutions. The Address is a source of further formation and specification of the basic ideological vectors of Kazakhstan.

The strategy of joining the world's 50 most competitive countries is a program and core document for ideological work in all major directions of the state’s development for the medium term. In fact, covering all aspects of life in the country and taking into account global trends, this Strategy is the ideal foundation for national ideology. In addition, favorable economic situation at the present stage creates necessary conditions for further development of state ideology.

Kazakhstan is a member of the Commonwealth of Independent States (CIS), the United Nations (UN), Organization for Security and Cooperation in Europe (OSCE), the Coordinating Council of NATO, the NATO program "Partnership for Peace", the Economic Coordination Council. In February 1996 the State was assigned the status of observer country, in order to join the World Trade Organization (WTO). Kazakhstan also has observer status in the Organization of Petroleum Exporting Countries (OPEC). In 1994, the President, N.A. Nazarbayev, proposed to create Eurasian Union, instead of the CIS. However, other members of the CIS countries have not shown an active interest. In 1996, Kazakhstan signed quadrupartite Customs agreement with Kyrgyzstan, Russia and Belarus. The Republic signed several agreements with China on expansion of trade ties, on construction of trans-Asian pipeline and on border security. The latter was signed in 1996 by China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan. In 2000, Kazakhstan, Russia, Belarus, Kyrgyzstan and Tajikistan agreed on establishment of the Eurasian Economic Community, in order to promote efforts made so far in the field of economic cooperation, to harmonize trade tariffs and to create a free trade area within the Customs Union. From 1 January 2010, the single customs regime acts in three countries: Kazakhstan, Russia and Belarus.

In the Republic of Kazakhstan, one of the first among former Soviet republics, it started to carry out socio-economic structural transformation:

- Creation of a new pension system, focused on individualization of pension money of citizens in the system of accumulation funds;
- Improvement of market mechanisms in the field of housing and communal services, along with the development of state support system for low-income citizens;
- Stimulation of private sector development in the field of health and education, introduction of market mechanisms in these areas;
- Development of privatization and state property management processes;
- Development process of import substitution and supporting of domestic producers;
- Deepening reforms in the financial sector, aimed at further strengthening of banking sector and involvement of population’s money in the investment processes;
- Formation of the National fund allowing reducing the country's dependence on adverse changes of world market conjuncture;
- Formation of the tax system aimed at stimulating domestic producers and at the economic recovery.

The main priorities of regional policy in Kazakhstan at the present time are the directions to solve the major problems of regions and the requirements of territorial development. The aim of regional policy is striving to achieve greater economical effectiveness of regional development and maintenance of social justice in territorial development, improvement of quality of life.

Modern Kazakhstan is divided administratively into 14 provinces and 2 cities with republican status, including the capital, Astana. Regions differ in their geographic and socio-historical factors of development, in climatic conditions, including availability of certain natural resources, population density, availability and quality of labor resources, structure of production and etc.

Based on such indicators as per capita GDP, industrial production index, per capita investment in fixed assets, share of self-employed in total employment, and poverty level, it is possible to distinguish three groups of regions in Kazakhstan:

- Leading regions;
- Medium-regions;
- Less-developed regions.

Economic inequality of Kazakhstan regions is preserved, and only smoothing of imbalances may provide more favorable conditions for further development.

Thus, modern development is characterized by irregular and disproportionate development of regions, insufficient assistance to the most backward ones, weak inflow of investment into regions, insufficient provision of local people with jobs, high levels of internal migration and etc.; it is a number of factors that must be solved at the present time in regions.

It should consider that in global practice a policy of regional equalization of opportunities can never lead to a complete compliance of economic and social conditions. Therefore, almost every state strives to provide a relative rather than absolute equality of regions, and that is necessary to be considered during implementation of regional policy in Kazakhstan. In order to achieve such level of implementation of regional policy, it is necessary to solve the abovementioned constraints.

In the Presidential Address to the people of Kazakhstan “New Decade - New Economic Growth - New Opportunities of Kazakhstan”, January 2010, the prospects of Kazakhstan development till 2020 were defined. In the Address it was predetermined the transition to a new high-quality economic growth that will facilitate to formation of a nearly new image of the country. Post-crisis development model must provide Kazakhstan with access to foreign markets and its integration into regional and world economy as competitive country.

In the new decade, a base for qualitative growth of the country should be provided by economic and social development of regions on the basis of their forced industrialization. It will be promoted by the approved State program of
forced industrial and innovative development of the Republic of Kazakhstan (SPFIIID). Realization of SPFIIID will allow attracting of foreign investments for realization of large-scale investment projects in regions of Kazakhstan.

Growth of regional development should be based on initiative seeking by regions for additional ways and sources of development, as well as the full involvement of external material and financial resources. In this regard, problems of economic and social development of regions require new approaches to building-up not only intra-regional, but also republican and inter-regional relationships.

Currently, Industrialization Map and formed information base of investment projects includes 97 projects with the cost over 5 million US Dollars. The list of projects is completing and updating.

The new regional policy of Kazakhstan is destined to provide formation of economical growth centers.

Regional policy must provide economic development of the country in space-territorial aspect, as well as most rational distribution of productive forces and alignment of standards of living. Thus, the main objective of regional policy, generally, is smoothing the most critical social and economic disparities between different regions of the country.

A mean of regional policy implementation is applying the forecasting of territorial and regional socio-economic development. In order to achieve alignment in territorial-spatial dimension, it will be used as a tool the Forecast scheme of spatial development and population resettlement, as well as the Scheme of rational distribution of production capacity, which will allow balancing the resource and infrastructure security and the necessary government funding.

Formation of new growth points will allow using a variety of economic opportunities of regions and regional agglomeration effects, as well as the benefits of labor territorial division and regional economic cooperation.

The concept of regional policy for 2002-2006, which was implemented previously, was aimed at reducing of existing disparities between regions in the levels of socio-economic development, through implementation of investment projects, as well as through improvement of relations between central and local government authorities and support of development of small cities and remote depressed rural areas.

Then, the Strategy of territorial development of Kazakhstan till 2015 was approved, which focused not only on the alignment, but rather on the selection of leading regions and on its strengthening with economic and human resources, as a "locomotives" for the rest of the country. Thus, this strategy has increased the disparity in regional development and contributed to deepening the inequality between different regions of the country.

Regional policy of the state is constantly transforming. Previously, state administration bodies were guided by the principle of financial equalization of the territories through regulation of inter-budgetary relations. Then, the dependency approach was ruled out.
A guarantee of effective realization of regional policy is solving the problems of management system regulation between central and local government authorities.

Budget redistribution lies in the core of regional policy implementation, and the main goal of the new regional policy is to smooth economic inequality of regions. Currently, there is a strong imbalance in allocation of regional funds from the national budget: some regions receive more and other ones receive less. In addition, transfer of major part to the republican budget deprives regions of the necessary funds for development of socio-economic infrastructure. In this regard, it is observed that regions have high macro-economic indicators of development, but it does not reflect in increase of living standards and improvement of social infrastructure of regions.

The new concept demands greater self-sufficiency from regions, as well as initiative and activity in choosing of alternative funding sources. At the same time, the new regional policy will support less-developed regions to align economic inequality.

First of all, support is expected by the recipient regions, and also by the capital of Kazakhstan, Astana, which is dependent on direct investment. There is significant proportion of public services in Astana; and there is domination of private capital investment in Almaty. Almaty is the most favorable point for investment inflow due to favorable economic conditions, high population density, and favorable climatic conditions.

The new regional policy suggests that in post-crisis period the leading regions will form a powerful economic recovery zones. Thus, oil and gas areas of Western Kazakhstan (Atyrau and Mangistau provinces) are the most important regions for the country those can make a major contribution to the economy in post-crisis period.

Natural resources of the country are exhaustible, so their safe and effective use must create a basis for further development of the economy; it must solve the socio-economic problems and become the basis for the creation of its innovative component. Establishment in Kazakhstan of the Ministry of Oil and Gas RK in 2010 is the evidence of this.

At the same time, low population density, undeveloped village, weak development of the territory, except for the coast, undiversified industry - all of this worsen the situation in region during price fluctuations on market of hydrocarbons. Region becomes vulnerable, not less than regions with predominant sectors of coal and steel industries those found themselves moneyless. It should involve human resources for development of the provinces.

Cities with republican status, Astana and Almaty, are the largest cultural and financial centers of the country and the leaders in terms of socio-economic development.

Leading positions are provided by more modernized economy and dominance of the third sector, mainly, it is market sector in Almaty, or a high proportion of state non-market services in Astana. Large amount of labor is concentrated in Almaty, and there is developed transportation infrastructure.
The developed agglomeration of Almaty provides additional development (the population of Almaty agglomeration comprises 1.85 million people, including residents of suburb, about 500 thousand people). Astana is at the second place, with a lower concentration of personnel reserve, lower population density in suburban areas (agglomeration population of Astana is 760 thousand people, including 100 thousand of suburbanites), but Astana has great prospects of development as the new capital of Kazakhstan, and population of the capital’s agglomeration is constantly growing.

Thus, forced industrial-innovative development of Kazakhstan is based on development of three regions: oil and gas provinces in Western Kazakhstan, Astana and Almaty. Economy of Kazakhstan’s largest city and oil and gas regions during high prices for the “black gold” must make the expected powerful leap.

However, all regions of Kazakhstan are involved in SPFIID, the new concept demands activity from regions to improve socio-economic standards of living and development of economic growth centers, which is taken into account during development of regional development programs for the five-year period.

The Program for development of the territories is elaborated in order to implement the Strategic Plan of the Republic of Kazakhstan until 2020, the Forecast scheme for spatial development of the country and State programs (Picture 1).

Program for development of the territory consists of two components: part of analysis and planning part. The analytical component includes analysis of positive and negative aspects of region condition, analysis of socio-economic status of the territory, analysis of key problems, threats, risks, constraints and analysis of current state regulation policy for socio-economic development of the territory. Based on the analysis, possible scenarios of the territory development are formed, which aimed at achieving the objectives of senior documents; the main issues, trends and conditions are identified, and, finally, goals, target indicators of the problem are set.

Planning section includes target indicators and benchmarks, which were identified in the Strategic Plan for Development of Kazakhstan until 2020, in the forecast scheme of spatial development, in the government programs. It also includes objectives and measures to ensure achievement of the program for development of regions, as well as identification and agreement of interests of concerned parties in relation to the future of a certain territory and identification of necessary resources. In order to implement Strategic Plan of the Republic of Kazakhstan for the next ten years, the Ministry of Economic Development and Trade has formed a document, Strategy Map, which is coordinating strategic objectives and target indicators of the Strategic Plan by cascading them into appropriate goals, target indicators, tasks and performance indicators of lower-level documents of state planning System, including the program for development of the territories.
Targets and direct results indicators of the Program for development of the territory meet the following requirements:
- Comparability: it should be possible to compare target indicators in the trend for a series of years;
- Simplicity and clarity: target indicators should be understandable to users;
- Efficiency: in order to assess the achievement of target indicators, it is necessary to have sufficient information and technical resources;
- Completeness and complexity: target indicators should provide full and adequate description of all aspects of the territory functioning as a whole;
- Flexibility and adaptability: ability of target indicators to reflect all the changes at different stages of the territory development as a whole;
- Possibility to achieve and to measure;
- Presence of intermediate values in order to monitor and assess achievement of target performance indicators and results indicators.

In general, program for development of the territory consists of the following sections: “Analysis of current situation”, “Vision”, “Main directions, goals, tasks, target indicators, performance indicators and ways to achieve”, “Necessary resources”, “Management of the program”.
The program covers all the directions of socio-economic development of region; it will allow forming and developing the points of economic growth in region. It is aimed at phase-by-phase activities for development of regional economy and improvement of the quality and standard of living, ensuring stable employment. An integrated approach will allow considering rational and efficient use of natural resources and potential of region, along with implementation of projects in various sectors of the economy.

Program activities should solve the most critical economic problems of the province; it should effectively and successfully use production and infrastructure capacity and ensure its development.

The program for development of the territories stipulates implementation of investment projects and creation of new jobs. Thanks to its implementation, it will significantly strengthen economic potential of provinces, its regions, regional centers, maintaining positive trends and forcing solution of problems in the industrial sector. A region will be able to establish a base for transition to the objectives of a new five-year period. Development of new enterprises, modernization of existing ones and development of promising companies will allow providing the population with new jobs, and that will reflect in the improvement of material conditions of citizens and in reduction of migration flows to other more perspective regions.

Regional policy stipulates development of small and medium business. In accordance with the tasks set by the President, towards 2020 Kazakhstan must join the list of top 50 countries with favorable business climate.

The Program for development of the territories as a complex document stipulates cooperation and creation of conditions for development of small and medium business. Increase of small business enterprises’ share in Gross Regional Product will be supported by activities of the state program “Road Map of Business 2020”. Money allocated from the republican budget will be directed to rehabilitation of enterprises through subsidizing of interest rates on given credits and credits for new projects, partial guaranteeing of credits for new projects, development of industrial infrastructure, service support of business. It will continue to implement a joint program with JSC “SEDF” Damu” (Small Entrepreneurship Development Fund) for co-financing of business; and for the program “Business Advisor”, in order to teach people with entrepreneurial initiative, as well as existing entrepreneurs; for activation of micro-credit organizations and business incubators. This will be achieved through large-scale support of business, investment projects for SMEs, including opening of servicing companies around larger companies, development of roadside service along the ITC “Western Europe - Western China” and etc.

The President has defined a central element: accent on innovation. Innovative industrialization, as well as development of innovative human capital, should be the key factors that will ensure prosperity of the country in the future. Regions have all the prerequisites for this: a powerful industrial potential, transport and logistical potential, as well as scientific potential. On the systematic basis it introduces new facilities, expanding the range and developing new kinds of
products with the use of technological innovations and know-how. In the past three years, the share of innovative enterprises has been increased. There are measures outlined to stimulate innovation activities of enterprises and to introduce new technologies on these enterprises, and new products will appear.

In the coming decade, Kazakhstan will perform a new important mission on the world market, acting as a transcontinental bridge for economic interaction of European, Asia-Pacific and South Asian economies. In this regard, towards 2015 it should almost recreate transport communications complex, which should facilitate both to the efficient development of Kazakhstan's economy and to its integration into the international transport system.

In order to connect all regions of Kazakhstan with transport communications, it is planned to build six transportation corridors, primarily, road corridors and railway corridors. The most global transit project is ITC "Western Europe - Western China". International transport corridors cannot function effectively without production infrastructure. A new direction of investment activity in regions will be construction of terminals, temporary storage facilities, places for loading and unloading operations, information centers, logistics services and departments of banking and financial institutions, etc. An important task for small-sized and medium-sized business is to create a near-road infrastructure and to construct road service points that will be consistent with international standards. It includes hotels, camping, points of public catering, shopping and medical centers, gas stations, communication points and information services. Such complexes must be located at the distance not more than one hundred kilometers from each other.

Regional policy stipulates support of railway transport development. Promising direction of this development is transition to electrification. The portion of energy component in self-cost of the product during transportation will reduce; and ecological situation at the location of railway will improve. It is stipulated to modernize transport communications inside the provinces. It is not just a complex program for construction of interregional motor roads, but it is also for construction of infrastructure facilities as well, for establishment of transport-and-logistics centers, freight and passenger terminals, service stations and etc.

Forced industrialization and diversification of the economy demand new approaches and significant improvement of ecological condition. Restoration of ecological balance and stabilization of environment quality remains the main task in the system of natural management.

Investment projects must take into account the requirements to improve ecological condition of the territory, to reduce influence of industrial emissions on population health. It must include removal of historical pollution, reducing of production and consumption waste, as well as containment of existing pollution focuses and reduction of anthropogenic impact on the environment.

State policy for development of the territories also assumes strengthening of public-private partnership in all areas of economic and social development of regions.
From the above it follows that the system of regional management significantly increases the need for coordination between different levels of executive power.

Effective implementation of regional policy can be affected by the lack of continuity in regional policy due to substitution of region’s governors. There is a constant reshuffling of managers that hinders dynamic development of region. The period of adaptation and work in capacity of manager takes from 0.5 to 3 years. It is impossible to solve the problems of region within such a short period of time.

In global practice, goals of regional development coordination are implemented by certain organizational structures. In Kazakhstan, the central government agency in region has its own subordinate organization. But there is no special organization that is established for horizontal interaction (at the territory). In world practice, there are special committees that coordinate the activities of public authorities in region. Voluntary associations are established for the interaction between regions. Establishment and consolidation of the institutional structure would be crucial for effective implementation of regional policy.

Thus, the program for development of the territory, which is reflecting a modern regional policy that is developed by the local authorities of provinces and regions, cities of national and regional status and the capital. It will allow developing and diversifying the economy, creating new export-oriented production and industry of the future, as well as improving living standards and welfare of people.

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Perspectives of Development of the Tourist Service Market in the Republic of Kazakhstan

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Abstract

The problem of ensuring stable economic development of tourism in the Republic of Kazakhstan is closely connected with the search for optimal ways of effective use of tourism potential. The study showed that Kazakhstan has huge potential of tourist resources. The effectiveness of using them involves the creation of appropriate conditions and the concentration of public and private investment in the profitable tourism products according to international standards and requirements for maintenance of potential groups of tourists. Currently the effective infrastructure and tourism industry in the country are on the beginning of their establishing. Tourism in the Republic of Kazakhstan has not yet become an attractive investment sector of economy, its role is still quite low. Considering the problem in this industry, we should note the complete absence of scientific support of its development, because there is still no sufficient scientific institutions that would be responsible for integrated forecasting long-term development and territorial organization of tourism.

The condition of the tourism market in the Republic of Kazakhstan.

Over the last ten years by the government of the Republic of Kazakhstan was accepted a large number of decrees, the main aim of which is to create a highly modern and competitive tourist complex providing ample opportunities to satisfy local and foreign citizens needs in different tourist services.

Studying economic literature, there is no clear classification of services in the tourism sector. Services provided by tourism companies, as well as services in general - is the action of a particular use-value, expressed in a useful effect, which satisfies a particular human need. At the same moment, service can be provided either by the goods, or in the process of human labor.
The basic tourist services include: accommodation, medical treatment (medical services), nutrition, health and wellness. Additional services have a pretty wide range. These include: additional services not included in the list of basic services, transport, sightseeing, cultural and entertainment. Other related services include specific types of communication services, business services, providing souvenirs, bath and laundry, etc.

Generally to the market of tourist services was not given the important role of its possibilities in the cultural and spiritual development of population, strengthening interpersonal relationships, political, economic and cultural contacts. It is always significant to organize a public education, through the schools, training, developing and implementing measures to enhance the prestige of the tourist professions.

The evolution of tourism as a valuable sector of the economy, involves the implementation of radical changes in social consciousness and psychology. Considering the problems of this sector, it should be recognized complete lack of scientific support, because there are still no enough scientific institutions that would be responsible for forecasting of long-term development and territorial organization of tourism. Sporadic attempts to perform this task usually do not suggest a sufficient professional level, due primarily to the lack of an appropriate system of training for this sector of the economy. The best indicator of the development of tourism in the country accounted for 2007 (table 1).

The analyzed period is characterized by lower rates for 2009. Percent growth of visitors served by domestic tourism in the Republic of Kazakhstan from 2009 to 2011 is 55.1%, in 2011 served almost 67,286 more people. However, paying attention to the results by regions, should be mentioned that the decrease in the number of people served come in: Aktobe, Atyrau, Zhambyl, Kostanai and Eastern Kazakhstan. Higher rates are also noticeable in these areas in 2007 compared with 2009 and 2011.

Insufficient attention to the tourism industry has led to the fact that, analysing the tourism market there were considered only international tourism and travel services provided by travel agencies. In that case the domestic tourism wasn’t taken into account, which led to incomplete coverage of tourism within the country and national tourism. Held in the post-Soviet era policy of limits of international tourism has resulted that attention has been paid to mostly domestic tourism.
Table 1. Indicators of tourism development by regions in the Republic of Kazakhstan in 2007-2011.

<table>
<thead>
<tr>
<th>№</th>
<th>Regions</th>
<th>The number of visitors served by domestic tourism travel agencies (people)</th>
<th>2007</th>
<th>2009</th>
<th>2011</th>
<th>2011/2009 in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Republic of Kazakhstan</td>
<td></td>
<td>193122</td>
<td>122216</td>
<td>189502</td>
<td>155.1</td>
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<td>2</td>
<td>Akmolinskaya</td>
<td></td>
<td>25873</td>
<td>37716</td>
<td>65560</td>
<td>173.8</td>
</tr>
<tr>
<td>3</td>
<td>Aktubinskaya</td>
<td></td>
<td>551</td>
<td>368</td>
<td>366</td>
<td>99.5</td>
</tr>
<tr>
<td>4</td>
<td>Almatinskaya</td>
<td></td>
<td>22062</td>
<td>10323</td>
<td>15946</td>
<td>154.5</td>
</tr>
<tr>
<td>5</td>
<td>Atyrauskaya</td>
<td></td>
<td>567</td>
<td>750</td>
<td>554</td>
<td>73.8</td>
</tr>
<tr>
<td>6</td>
<td>Western Kazakhstan</td>
<td></td>
<td>336</td>
<td>21</td>
<td>330</td>
<td>1571.4</td>
</tr>
<tr>
<td>7</td>
<td>Zhambylskaya</td>
<td></td>
<td>2836</td>
<td>1163</td>
<td>1017</td>
<td>87.4</td>
</tr>
<tr>
<td>8</td>
<td>Karagandinskaya</td>
<td></td>
<td>4373</td>
<td>5530</td>
<td>6697</td>
<td>121.1</td>
</tr>
<tr>
<td>9</td>
<td>Kostanaiskaya</td>
<td></td>
<td>1857</td>
<td>2603</td>
<td>2086</td>
<td>80.1</td>
</tr>
<tr>
<td>10</td>
<td>Kyzylordnisksaya</td>
<td></td>
<td>1082</td>
<td>371</td>
<td>680</td>
<td>183.2</td>
</tr>
<tr>
<td>11</td>
<td>Mangistauskaya</td>
<td></td>
<td>2748</td>
<td>1686</td>
<td>5106</td>
<td>303</td>
</tr>
<tr>
<td>12</td>
<td>Southern Kazakhstan</td>
<td></td>
<td>1303</td>
<td>936</td>
<td>1635</td>
<td>174.6</td>
</tr>
<tr>
<td>13</td>
<td>Pavlodarskaya</td>
<td></td>
<td>4707</td>
<td>3682</td>
<td>6461</td>
<td>175.4</td>
</tr>
<tr>
<td>14</td>
<td>Northern Kazakhstan</td>
<td></td>
<td>5581</td>
<td>1777</td>
<td>2477</td>
<td>139.3</td>
</tr>
<tr>
<td>15</td>
<td>Eastern Kazakhstan</td>
<td></td>
<td>23743</td>
<td>17446</td>
<td>17081</td>
<td>97.9</td>
</tr>
<tr>
<td>16</td>
<td>Astana</td>
<td></td>
<td>27101</td>
<td>12954</td>
<td>15451</td>
<td>119.3</td>
</tr>
<tr>
<td>17</td>
<td>Almaty</td>
<td></td>
<td>30015</td>
<td>24890</td>
<td>48055</td>
<td>193</td>
</tr>
</tbody>
</table>

Source: own study, according to the statistic agency of the Republic of Kazakhstan, www.stat.kz.

Studying the actual development of market relations can be expected a gradual increase in demand of tourist services of Kazakhstan. It will be facilitated by such factors as the growth of solvent categories of the population, some changes in consumption patterns in favor of non-food goods and services, reorientation of the citizens in an active and healthy form of rest that depends on the level of real income. Taking into account the percentage of real income for April, 2011 and 2012. - it increased by only 1.7%. Exploring the income change in regions, it is worth to note that the largest decline was recorded in the Northern Kazakhstan, the highest figure on the other hand has Mangystau. Income used for consumption in the average per capita per month in the Republic of Kazakhstan in 2008, endured
nearly 20,000 tenge, but in 2011 there was an increase by 10,736 tenge. Compared to 2010 the index increased by only 6,314 tenge.

It is known that tourism is a huge source of foreign exchange earnings. The income from providing services in tourism organizations is distributed between the actual tourist organizations (domestic and foreign) and the government (taxes and fees). Currently the largest income related to the activities of tourism organizations creates outbound tourism - 77%.

Inbound tourism has great potential in generating income, though despite the small number of tourists arriving in Kazakhstan, in comparison with other countries, it constitutes 8-9% of income from the activities of tourism organizations. Earnings from tourist organizations activities in the country are 51% of the total income. It includes funds received by domestic tourism organizations, taxes and charges from tourism organizations presented in the country.

According to the 2011, Republic of Kazakhstan has the highest income from tourist organizations activities, which are working in the visiting area (about 62%), inbound tourism provides 24% of income, and domestic tourism constitutes 14% of revenue. Thus about 63% of income is amounted by in- and outbound tourism from non Commonwealth of Independent States (CIS) countries. 97% of their income the country receives in national currency and 3% - in foreign currency. All foreign exchange earnings come from inbound tourism.

Presently medium tourist companies (50 to 250 employees) represent only 6% of all tourist organizations. They account 28% of tourist traffic and 21% of income ($ 2.1 million). There are only 8 large tourist organizations in Kazakhstan, which work is focused only on such services as supporting visa, tours and other services that are not included in the price of the stay tour. These types of companies cover only 0.4% of tourist flow in Kazakhstan. The income from their activities is about $ 1.72 thousand (0.2% of the total income).

In order to protect the domestic market, in our opinion, it is necessary to develop and approve a number of anti-dumping measures, to simplify administrative formalities for tourists entering the country, particularly they are:

- studying of tourism potential in Kazakhstan and its place in the world’s tourism market;
- to develop safety tourism and hotline numbers services for tourists;
- to create research center, the aim of which is going to resolve problems in tourism sector;
- to equip the checkpoints by automated systems, that will reduce travel time for control and registration;
- to cancel consular fees. The fact is if about 100 tourists won’t visit the Kazakhstan, the loss is going to be about $ 100 million;
- to simplify getting visa procedure and try to reduce delays in its obtaining;
- allow the registration in companies – members of Kazakhstan tourist association (KTA);
- simplify customs formalities;
- to create marketing strategy to promote tourism product in the world market;
- to develop an investment program of tourism enterprises;
- to define perspectives of inbound and domestic tourism zone, and establish a register of tourist routes;
- to improve travel insurance in the country.

**Forecasting of the tourist service market development.**

According to the year 2011, the Republic of Kazakhstan received the highest income from of the tourist organizations working in outbound tourism (about 62%), inbound tourism provides 24% of income, and domestic tourism constitutes 14.0% of revenue, inbound tourism forms 24% of income and domestic tourism gives 14% of income. Thus about 63% of income comes from outbound and inbound tourism from non CIS countries. Nearly 97% of income in the Republic of Kazakhstan is received in the national currency, 3% - in foreign currency. All the currency earnings practically come from inbound tourism.

Comparison of forecasts shows that the tourists saturation limit amounts 1020 thousand people, and according to the "National Development Program of the tourism industry in the Republic of Kazakhstan" (“Program”) in 2013 this number will rise to 1510 thousand people, which means 490 thousand people excess, so the increase of the tourists flow, respectively, 8.8 million person-days per year.

**Table 2. Forecasted indicators of tourism development in the Republic of Kazakhstan.**

<table>
<thead>
<tr>
<th>№</th>
<th>Indicators</th>
<th>Forecasted indicator of tourist saturation in 2013</th>
<th>Forecasted indicator according to the “Program” in 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The number of tourists (in thousands), including:</td>
<td>1020</td>
<td>1510</td>
</tr>
<tr>
<td></td>
<td>- foreign tourists (in thousands)</td>
<td>153</td>
<td>154</td>
</tr>
<tr>
<td></td>
<td>- domestic tourists (in thousands)</td>
<td>867</td>
<td>1356</td>
</tr>
<tr>
<td>2</td>
<td>Tourists flow (in millions of people / days per year):</td>
<td>17,9</td>
<td>26,7</td>
</tr>
<tr>
<td></td>
<td>- the flow of foreign tourists</td>
<td>1,7</td>
<td>1,8</td>
</tr>
<tr>
<td></td>
<td>- the flow of domestic tourists</td>
<td>16,0</td>
<td>25,0</td>
</tr>
</tbody>
</table>

Source: own study, according to the data of Kazakhstan’s yearbook Tourism in the Republic of Kazakhstan.
Chapter 1: Management in Macroeconomic Perspective

According to the International Development Strategy of Kazakhstan's tourist industry, the potential tourist visiting Kazakhstan including residents and nonresidents will be in 2013-15,340,000 people, in 2015 – 17,550,000 people and in 2020 - 23.3 million people (table 2).

Table 3. Forecasted data of potential tourists flow to Kazakhstan in 2013-2020.

<table>
<thead>
<tr>
<th>№</th>
<th>Indicators</th>
<th>Forecast data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2013 г.</td>
</tr>
<tr>
<td>1</td>
<td>Europe</td>
<td>335000</td>
</tr>
<tr>
<td>2</td>
<td>Asia</td>
<td>238000</td>
</tr>
<tr>
<td>3</td>
<td>America</td>
<td>79000</td>
</tr>
<tr>
<td>4</td>
<td>Africa</td>
<td>18000</td>
</tr>
<tr>
<td>5</td>
<td>Total non CIS countries</td>
<td>760000</td>
</tr>
<tr>
<td>6</td>
<td>CIS</td>
<td>3800000</td>
</tr>
<tr>
<td>7</td>
<td>Total arrivals</td>
<td>4470000</td>
</tr>
<tr>
<td>8</td>
<td>Resident</td>
<td>5640000</td>
</tr>
<tr>
<td>9</td>
<td>Total trips</td>
<td>15340000</td>
</tr>
</tbody>
</table>

Source: own study, according to the data of Kazakhstan’s yearbook Tourism in the Republic of Kazakhstan.
Note: resident*- a visitor, who stayed overnight

As can be seen from table 3, the number of trips to Kazakhstan will increase from 2013 to 2020 by 1.5 times, including from Europe - by 1.5, Asia – 2.2 times, America – 1.2 and from the CIS countries - by 1.3 times.

Important role in tourism development of also plays an active image policy. According to experts from World trade organization (WTO), carrying out this policy will contribute the increase of inbound tourism by an average of 25% per year. Following this principle, the most of states, including those with highly developed industry, and a number of CIS countries are leading an aggressive image policy, the effectiveness of which proved by growth of income from tourism industry [ii]. With increasing of tourist’s flow, the aim of which is to rest, the need of spa services market development is going to rise too. In this regard, the comparative analysis of the forecasted indicators is showed below (table 4).
Table 4. The number of visitors, entering the Kazakhstan according to the aim of trip.

<table>
<thead>
<tr>
<th>№</th>
<th>Purpose of the visit (people)</th>
<th>Forecast data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2013 г.</td>
</tr>
<tr>
<td>1</td>
<td>Business</td>
<td>1020000</td>
</tr>
<tr>
<td>2</td>
<td>Visiting friends and relatives</td>
<td>2750000</td>
</tr>
<tr>
<td>3</td>
<td>Entertainment, recreation and rest</td>
<td>280000</td>
</tr>
<tr>
<td>4</td>
<td>Total entering</td>
<td>4050000</td>
</tr>
</tbody>
</table>

Source: own study, according to the data from KTA, http://www.kaztour-association.com/.

The data in table 4 shows that the main share in total number of entering Kazakhstan will take a trips, related to visiting relatives and friends - 63.9%, in second place are business travelers - 21.5% and the third is tourism – 14.6%. Increasing the number of trips will have a positive effect on sales growth in the tourism industry in Kazakhstan.

Growth in the number of visitors will require creating of 150 thousand work positions, as in tourism so in the accompanying industries, to meet its efficient development and create a supportive environment for potential tourists in the places of their residence. Forecast indicators of the dynamic of sales in the tourism industry of Kazakhstan for 2013-2020 years are listed in table 5.

Table 5. Prognosis sales volume in the tourism industry of the Republic of Kazakhstan ($ million)

<table>
<thead>
<tr>
<th>№</th>
<th>Indicators</th>
<th>Forecast data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2013 г.</td>
</tr>
<tr>
<td>1</td>
<td>Domestic tourism</td>
<td>600</td>
</tr>
<tr>
<td>2</td>
<td>CIS countries</td>
<td>840</td>
</tr>
<tr>
<td>3</td>
<td>Non CIS countries</td>
<td>600</td>
</tr>
<tr>
<td>4</td>
<td>Total</td>
<td>2040</td>
</tr>
</tbody>
</table>

Source: own study, according to the data from KTA, http://www.kaztour-association.com/.

As can be seen from table 5, it’s planned to increase sales of tourist services in 2020 to more than 3 times, by dint of developing of domestic tourism - 4 times, CIS countries - 2 times and countries outside the CIS - 4.4 times. Thus it is necessary to consider existing at this time segments of the European and Asian tourist markets, as if at least one of the following segments will not be formed in Kazakhstan, the work in these markets will be very difficult.

In this way, the development of Kazakhstan's tourist market is constrained by high taxes, complicated administrative formalities, lack of government support, imperfect visa supporting (the procedure of getting visa in Kazakhstan is much more expensive than not only in countries with well-developed tourist industry, but also than in Kyrgyzstan, Uzbekistan, Russian).
Conclusion

The next conclusions are received from the conducted research:
- currently, infrastructure and tourism industry is not yet fully functioning in Kazakhstan;
- the possibilities of domestic market of tourist services and tourist potential of the country are also not completely used;
- development of Kazakhstan’s tourism market does not sufficiently stimulate the creation of new workplaces;
- tourism industry has not yet become an attractive investment sector in Kazakhstan’s economy, inasmuch as the specific weight of tourism services in total services is less than 1-2%;
- the system of social tourism is in its early development stage.

At present the Republic of Kazakhstan has huge tourist potential and its effective use requires the creation of appropriate conditions and concentration of public and private investment in cost-effective tourist products conforming international standards and maintenance requirements of potential tourists. In this connection, to improve the quality of services, it is necessary to develop and implement national standards based on best international practices, to help the implementation of management systems standards, to identify probable needs in the workforce that will significantly increase the number of services.

It is assumed that in 2012-2015, the workforce need in the tourism industry is about 34 thousand people, including building specialties about 13 thousand people, tourism industry experts around 21 thousand people, and 1.2 thousand people (guides, interpreters, agents, maitre d’hotel, porters, hotel and restaurant workers) graduated from educational institutions. At the same time, staff deficit will be filled by the creation of new 4 high schools in the hotel (ESHA), implemented by the European Union TEMPUS program, a training management center and also folk school of crafts and trades (renovation) in Turkestan city in Southern Kazakhstan region, as well as two joint ventures with the Swiss Institute of International hotel Management companies / colleges in Astana and Almaty on the franchising system.

To achieve these objectives, the government should allocate funds, which will be carried out by and within the republican and local budgets, as well as other sources not prohibited by the laws of the Republic of Kazakhstan. According to our calculations for the mentioned period required 4280 billion, including:
- From the state budget: in 2012 - 17 billion tenge, in 2013. - 593 million tenge, in 2015 - 593 million tenge;
- From local budgets: 2012 - 49.7 million tenge, in 2013 - 331.1 million tenge;
- By investing: 4247 billion tenge.

Using these funds will give an opportunity to increase sales in tourist services more than 3 times in 2020, including developing of domestic tourism by 4 times, CIS countries - 2 times and countries outside the CIS – 4.4 times.
Bibliography:


Collection of acts of president and government of the Republic of Kazakhstan.


Development Particularities of Contemporary Wheat Market in Kazakhstan

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Abstract

Wheat production in Kazakhstan is an export-oriented industry. Home wheat market is an open one. Therefore, when modeling domestic grain market behavior, the state of world price for wheat should be taken into account. Inland production and home demand for wheat have nearly no impact on domestic price. At the same time, world price changes have a great influence on the state of wheat production in Kazakhstan, the author concludes.

Keywords: wheat, market, production, domestic price, world price, supply, demand, elasticity of demand, elasticity of supply, model.

Supply elasticity with respect to domestic prices

Wheat market situation in the economic meaning is determined by relation between demand and supply. In its turn, relation between demand and supply finds its expression in market price for wheat. And so, the price plays the key role when characterizing and assessing the wheat market behavior.

When selecting the chief factors that make the most significant influence on wheat domestic price shaping one should take into account the openness of home market and export-oriented feature of grain industry in Kazakhstan. Therefore, when modeling domestic grain market behavior and its key element – price, the dynamics of wheat world prices must be taken into consideration. In short, three factors determine the state of domestic wheat market: 1) grain world price; 2) domestic demand for the commodity; 3) the size of home wheat production.
Average rate of wheat production growth in Kazakhstan over the period of 1995 to 2010 made up 9,0%. Real price for the wheat also tended to increase: annual rate of growth makes up 1,8% on average.

Wheat market behavior forecasting can be implemented on the base of elasticity coefficients. In market behavior research demand elasticity with regard to price and supply elasticity with respect to price are most often used ones.

When using prices for different periods in economic calculations the factor of inflation should be taken into account. In other words, economic calculations must be based on real prices. Therefore, current price data should preliminarily be recalculated with the use of deflator (table 1).

Table 1. Initial data and interim calculations to determine demand and supply elasticity with regard to home price in wheat market in Kazakhstan.

<table>
<thead>
<tr>
<th>Year</th>
<th>Production, thousand ton</th>
<th>Domestic consumption, thousand tons</th>
<th>Current price, thousand tenge/ton</th>
<th>Annual inflation rate, %</th>
<th>Deflator (base year -1998)</th>
<th>Real price thousand tenge/ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>4746,0</td>
<td>2780,8</td>
<td>5,65</td>
<td>101,9</td>
<td>1,000</td>
<td>5,65</td>
</tr>
<tr>
<td>1999</td>
<td>11241,9</td>
<td>3153,2</td>
<td>6,04</td>
<td>117,8</td>
<td>1,178</td>
<td>5,13</td>
</tr>
<tr>
<td>2000</td>
<td>9073,5</td>
<td>3107,6</td>
<td>10,33</td>
<td>113,2</td>
<td>1,333</td>
<td>7,75</td>
</tr>
<tr>
<td>2001</td>
<td>12706,8</td>
<td>4031,3</td>
<td>10,86</td>
<td>108,4</td>
<td>1,446</td>
<td>7,51</td>
</tr>
<tr>
<td>2002</td>
<td>12700,0</td>
<td>7108,6</td>
<td>9,37</td>
<td>105,9</td>
<td>1,531</td>
<td>6,12</td>
</tr>
<tr>
<td>2003</td>
<td>11500,0</td>
<td>7582,2</td>
<td>14,44</td>
<td>106,4</td>
<td>1,629</td>
<td>8,87</td>
</tr>
<tr>
<td>2004</td>
<td>9900,0</td>
<td>7759,0</td>
<td>13,86</td>
<td>106,9</td>
<td>1,741</td>
<td>7,96</td>
</tr>
<tr>
<td>2005</td>
<td>11198,3</td>
<td>8571,2</td>
<td>12,09</td>
<td>107,6</td>
<td>1,873</td>
<td>6,45</td>
</tr>
<tr>
<td>2006</td>
<td>13460,5</td>
<td>8860,4</td>
<td>13,01</td>
<td>108,6</td>
<td>2,035</td>
<td>6,39</td>
</tr>
<tr>
<td>2007</td>
<td>16466,9</td>
<td>8800,5</td>
<td>21,73</td>
<td>110,8</td>
<td>2,254</td>
<td>9,64</td>
</tr>
<tr>
<td>2008</td>
<td>12538,2</td>
<td>9217,9</td>
<td>27,24</td>
<td>117,0</td>
<td>2,638</td>
<td>10,33</td>
</tr>
<tr>
<td>2009</td>
<td>17052,0</td>
<td>8943,7</td>
<td>19,34</td>
<td>107,3</td>
<td>2,830</td>
<td>6,83</td>
</tr>
<tr>
<td>2010</td>
<td>9638,4</td>
<td>8938,0</td>
<td>26,50</td>
<td>107,1</td>
<td>3,031</td>
<td>8,74</td>
</tr>
</tbody>
</table>

Source: Statistics Agency of RK
Further, in the table 2 there are shown the results of ranking home consumption and production on the base of price.

**Table 2. Wheat production and consumption ranked by the real price**

<table>
<thead>
<tr>
<th>№</th>
<th>Real price, thou. tenge/ton</th>
<th>Production, thou. tons</th>
<th>Domestic consumption, thou. tons</th>
<th>№</th>
<th>Real price, thou. tenge/ton</th>
<th>Production, thou. tons</th>
<th>Domestic consumption, thou. tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5,03</td>
<td>11241,9</td>
<td>3153,2</td>
<td>8</td>
<td>7,37</td>
<td>12706,8</td>
<td>4031,3</td>
</tr>
<tr>
<td>2</td>
<td>5,54</td>
<td>4746,0</td>
<td>2780,8</td>
<td>9</td>
<td>7,60</td>
<td>9073,5</td>
<td>3107,6</td>
</tr>
<tr>
<td>3</td>
<td>6,01</td>
<td>12700,0</td>
<td>7108,6</td>
<td>10</td>
<td>7,81</td>
<td>9900,0</td>
<td>7759,0</td>
</tr>
<tr>
<td>4</td>
<td>6,28</td>
<td>13460,5</td>
<td>8860,4</td>
<td>11</td>
<td>8,58</td>
<td>9638,4</td>
<td>8938,0</td>
</tr>
<tr>
<td>5</td>
<td>6,33</td>
<td>11198,3</td>
<td>8571,2</td>
<td>12</td>
<td>8,70</td>
<td>11500,0</td>
<td>7582,2</td>
</tr>
<tr>
<td>6</td>
<td>6,71</td>
<td>17052,0</td>
<td>8943,7</td>
<td>13</td>
<td>9,46</td>
<td>16466,9</td>
<td>8800,5</td>
</tr>
<tr>
<td>7</td>
<td>7,24</td>
<td>8955,0</td>
<td>5279,4</td>
<td>14</td>
<td>10,14</td>
<td>12538,2</td>
<td>9217,9</td>
</tr>
</tbody>
</table>

Source: Statistics Agency of RK

Wheat supply elasticity is calculated with use of the following formulae:

$$E_p^s = \frac{\Delta Q^s}{\Delta P}$$  \hspace{1cm} (1)

In so doing, comparative changes of supply \(\Delta Q^s\) and price \(\Delta P\) should be calculated relative to the average volume of supply and price respectively. Calculations for the period under investigation result in:

$$\Delta Q^s = \frac{Q_2^s - Q_1^s}{(Q_2^s + Q_1^s)/2} = \frac{11689 - 11872}{(11689 + 11872)/2} \approx 0,0; \hspace{1cm} (2)$$

$$\Delta P = \frac{P_2 - P_1}{(P_2 + P_1)/2} = \frac{8,69 - 6,30}{(8,69 + 6,30)/2} = 0,32; \hspace{1cm} (3)$$

Here, \(Q_1^s\) и \(Q_2^s\) - average value, respectively, in the first and second parts of supply volume time-series, ordered by price increase; \(P_1\) и \(P_2\) - average prices, respectively, in the first and second parts of price time-series, ordered by increase (table 2).
Then, coefficient of the wheat demand elasticity with respect to its real price equals to:

$$E^s_p = \frac{0,0}{0,32} \approx 0,0.$$ 

As it comes from the calculations, wheat supply in Kazakhstan market seems to be absolutely inelastic with regard to domestic price changes. So, price in domestic market has no impact on wheat production size.

**Supply elasticity with respect to world prices**

To assess the impact of world prices on wheat production in Kazakhstan, similar calculations should be done with regard to price changes in international markets (with use of data from table 3).

**Table 3. Price changes in international wheat markets (based on price for spring red wheat)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>111,0</td>
<td>1,000</td>
<td>111,0</td>
<td>2005</td>
<td>135,9</td>
<td>1,198</td>
<td>113,4</td>
</tr>
<tr>
<td>1999</td>
<td>97,2</td>
<td>1,022</td>
<td>95,1</td>
<td>2006</td>
<td>158,2</td>
<td>1,237</td>
<td>127,8</td>
</tr>
<tr>
<td>2000</td>
<td>98,8</td>
<td>1,056</td>
<td>93,5</td>
<td>2007</td>
<td>234,8</td>
<td>1,272</td>
<td>184,5</td>
</tr>
<tr>
<td>2001</td>
<td>106,8</td>
<td>1,086</td>
<td>98,3</td>
<td>2008</td>
<td>268,6</td>
<td>1,321</td>
<td>203,3</td>
</tr>
<tr>
<td>2002</td>
<td>129,8</td>
<td>1,104</td>
<td>117,6</td>
<td>2009</td>
<td>185,5</td>
<td>1,317</td>
<td>140,9</td>
</tr>
<tr>
<td>2003</td>
<td>137,5</td>
<td>1,129</td>
<td>121,8</td>
<td>2010</td>
<td>228,0</td>
<td>1,338</td>
<td>170,3</td>
</tr>
<tr>
<td>2004</td>
<td>145,3</td>
<td>1,159</td>
<td>125,4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: FAO; US Federal Reserve

Before assessing the wheat supply elasticity, production volumes has preliminarily been ranked with respect to international market prices. Calculations produce the following results:

$$\Delta Q^s = \frac{Q^s_2 - Q^s_1}{(Q^s_2 + Q^s_1)/2} = \frac{12937 - 10452}{(12934 + 10452)/2} \approx 0,21;$$  \hspace{1cm} \text{(4)}

$$\Delta P = \frac{P_2 - P_1}{(P_2 + P_1)/2} = \frac{153,4 - 107,3}{(153,4 + 107,3)/2} = 0,35;$$  \hspace{1cm} \text{(5)}
Elasticity coefficient is equivalent to 0.6. It means that international market price increase by one percent results in increase of domestic wheat production in Kazakhstan by 0.6% on average.

**Demand elasticity with respect to price**

Domestic wheat consumption grows despite the real and nominal prices in home market tend to increase. In the period of 1998 to 2010 average annual growth of domestic consumption made up 10-11%. Real price grew with average annual tempo of 3.7%. At the same time, domestic wheat consumption has a property of changing responsive to price changes in home market. This property can be traced on dynamics of chain indices of price and demand (ratio of current year level to previous year one). The indices of real domestic price, production, and consumption are shown in the table 4.

**Table 4. Indices of production, consumption, and real domestic price for wheat in Kazakhstan**

<table>
<thead>
<tr>
<th>Year</th>
<th>Production index</th>
<th>Consumption index</th>
<th>Domestic price index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>0.61</td>
<td>0.88</td>
<td>0.77</td>
</tr>
<tr>
<td>1999</td>
<td>2.19</td>
<td>1.13</td>
<td>0.92</td>
</tr>
<tr>
<td>2000</td>
<td>0.89</td>
<td>0.99</td>
<td>1.78</td>
</tr>
<tr>
<td>2001</td>
<td>1.40</td>
<td>1.30</td>
<td>1.10</td>
</tr>
<tr>
<td>2002</td>
<td>1.00</td>
<td>1.76</td>
<td>0.88</td>
</tr>
<tr>
<td>2003</td>
<td>0.91</td>
<td>1.07</td>
<td>1.53</td>
</tr>
<tr>
<td>2004</td>
<td>0.86</td>
<td>1.02</td>
<td>0.96</td>
</tr>
<tr>
<td>2005</td>
<td>1.13</td>
<td>1.10</td>
<td>0.87</td>
</tr>
<tr>
<td>2006</td>
<td>1.20</td>
<td>1.03</td>
<td>1.07</td>
</tr>
<tr>
<td>2007</td>
<td>1.22</td>
<td>0.99</td>
<td>1.64</td>
</tr>
<tr>
<td>2008</td>
<td>0.76</td>
<td>1.05</td>
<td>1.19</td>
</tr>
<tr>
<td>2009</td>
<td>1.36</td>
<td>0.97</td>
<td>0.77</td>
</tr>
<tr>
<td>2010</td>
<td>0.57</td>
<td>1.00</td>
<td>1.37</td>
</tr>
</tbody>
</table>

Source: Statistics Agency of RK
Correlation between price and consumption indices is negative and moderate and it’s coefficient equals to $-0.4$. That is, domestic wheat consumption decreases as price grows; and vice-versa, consumption grows up somewhat as price decreases.

Calculations of demand index elasticity with regard to price index are as follows:

\[
\Delta Q^D = \frac{Q_2^D - Q_1^D}{(Q_2^D + Q_1^D)/2} = \frac{1.06 - 1.15}{(1.06 + 1.15)/2} \approx -0.074; \quad (7)
\]

\[
\Delta P = \frac{P_2 - P_1}{(P_2 + P_1)/2} = \frac{1.06 - 0.86}{(1.06 + 0.86)/2} = 0.211; \quad (8)
\]

\[
E_P^D = \frac{\Delta Q^D}{\Delta P} = \frac{-0.074}{0.211} = -0.35. \quad (9)
\]

Thereby, price index growth by one percent leads to decrease of demand index by 0.35%. And, on the contrary, price index decrease by one percent results in demand index increase by 0.35%.

**Impact of world price on national market price**

Wheat production in Kazakhstan is traditionally export-oriented industry. And so, price move in domestic wheat market is determined rather by world price changes and - to less degree - by changes in domestic production and consumption.

Correlation between prices in domestic and international markets is quite strong; the coefficient of correlation makes up 0.76.

The following model is used to link home market price to world price:

\[
\ln P^{\text{int}} = b_0 + b_1 \ln P^w, \quad (10)
\]

where $P^{\text{int}}$ - price in domestic market;

$P^w$ - price in world market;

$b_0$, $b_1$ - parameters of the model.

To find the specific form of model (10) the data concerning real prices (in domestic and international markets) from table 2 and table 3 have been used. The model calibrated is as follows:

\[
\ln P^{\text{int}} = -0.899 + 0.597 \ln P^w \quad (11)
\]
Coefficient 0.597 at $\ln P^W$ in the equation (11) points out the following: price growth for wheat in international markets by one percent results in increase of price in domestic market by nearly 0.6%.

**Conclusion**

Wheat price in Kazakhstani domestic market is formed rather by state of international markets. That is, inland production and home demand for wheat have nearly no impact on domestic price.

At the same time, world price changes have a great influence on the state of wheat production in Kazakhstan. The growth of world price by one percent leads to the increase of wheat production in home grain industry by 0.6%.
Chapter 1:
Management in Macroeconomic Perspective
Security of Electrical Supply, Investments in the Power Sector and Regulation Processes

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Abstract

The purpose of the article is to identify and analyze the relations between security of electrical supply, investment projects and applied regulation instruments. The starting point for the discussion will be the thesis, according to which, in Poland, we are beyond the security of electrical supply and experience conditions of the lack of clear objectives concerning environmental protection. The applied regulation instruments become ineffective – they do not help to achieve the intended goals. At the end of the discussion, a postulate will be formulated for a change in the paradigm of regulation and verification of regulation procedures applied.

Key words: “power industry sector entities, national and local government authorities, economic and social aspects, effectiveness, risk, renewable energy sources”

Essence of security of electricity supply

In recent years, after a period of a relative peace, turmoil has intensified with regard to the possibilities to satisfy the demand by power systems. It applies, first for all, to the danger of stopping the supplies (in a given period) of electric power and gas. As a result, beliefs about a growing risk of the lack of energy supplies in a given period and place, security of electrical supply, have become the object of more and more intensive discussions conducted by scientists, businesspeople and politicians.

Security of electrical supply becomes the subject of special interest, it is defined, however, in different ways, taking into consideration various aspects. The general definition of security of electrical supply, accepted until now, is...
"the ability to satisfy, in market conditions, the demand for electric power, heat and gas in terms of quantity and quality, at the lowest price possible, resulting from the demand and the supply, observing terms of environmental protection".

The Union for the Co-ordination of Transmission of Electricity (UCTE) and the European Transmission System Operators (ETSO) refer to security of electrical supply from the point of view of technical operation of the power system. As a superior notion [4], the reliability of the system has been adopted, understood as its ability to supply recipients with the required quantity of power, with observance of specific standards. At the level of the transmission system and the distribution system, the measures of reliability may be, e.g.: frequency, duration, as well as the probability of pauses in supply, transmission or manufacturing capacity. Under the system reliability, two aspects are distinguished: adequacy as the ability of the system to supply power and of energy to cover the aggregated demand of recipients at any moment, taking into consideration planned and reasonably expected de-energizing of system elements (standards of quality and reliability) and security – as the ability of the electric power system to withstand sudden disturbances, such as short-circuit or unforeseen losses of system elements in consequence of emergency shutdowns, natural (technical) disasters or terrorist attacks.

Power Policy of Poland until 2030, adopted by the Council of Ministers on 4 January 2007, defines security of electrical supply as:
"(...) the condition of the economy allowing to cover current and prospective demand of recipients for fuel and energy, in a technically and economically reasonable manner, minimizing the adverse effects, in the energy sector, on the environment and the social life conditions" [Power Policy of Poland until 2030, 2009].

It is difficult to completely agree with this definition, because:

- on the one hand, the chain of factors determining the level of security of electrical supply goes far beyond the area of functioning of the economy, and thus "security of electrical supply" is not quite a feature of "condition of the economy" only, but also a result of many external conditions of its functioning,

- on the other hand, however, a recipient suddenly deprived of power supply, above all, does not care whether the cause of this condition comes from outside the borders of country or whether it is a result of negligence in activities which remain within the competences of its district or the company supplying fuel, electric energy or heat; the recipient is interested, first of all, in the time when power supply is to be restored, the possible financial effects of the lack of power supply and finally, the possibilities of securing against the repetition of an emergency situation.

A careful analysis should also be conducted as to classification of factors affecting the level of security of electrical supply presented in the aforementioned document. It seems that some of them are indeed only means to achieve the goal, and the actual causative factors have not been defined.
The result of assessment of the level of security of electrical supply depends on three parameters:

1. For whom the assessment is done – for the state, the region, the district, the industry or for a single recipient?
2. Which form of demand for energy (which need of the recipients) it applies to?
3. For which time horizon it is to be done?

The notion of security of electrical supply for the use of national energy policy must take into account – if it is to properly perform the given function – both the global and the local aspect, not ignoring any intermediate links, and it must be extended on the longest time horizon possible. In the latter case, a good example may be the United States that shape their energy policy in the horizon of 100 years. This is the aim of the European Commission, unfortunately remaining far behind, determining the horizon of forecasts in this respect for about 25 years [Ministry of Economy and Labour, 2004].

A measure of security of electrical supply is the reliability of supplies, at economically justified level of prices and environmental impact limited to an economically acceptable level. It is easily noticeable that it is a measure constructed from the point of view of a recipient, both a local recipient, connected to the power system, in particular, somewhere on its outskirts, as well as "a collective recipient," which means particular domains of social life (such as: communication, banking, health care, army, police, administration, etc.) and national economy seen as a whole. It should be also emphasized, in this case, that discussions on the international forum devoted to the issues of security of electrical supply in the presented understanding, are conducted under the name: "security of supply", regardless of whether they focus on providing Europe with a long-term access to oil and gas deposits, or on hazards of stable operation of distribution systems under conditions of natural disasters and counteracting their effects.

As it has been mentioned earlier, elements that determine the level of security of electrical supply become a chain, whose particular links are:

1) access to primary energy carriers at the level allowing to satisfy the demand, taking into consideration the technology of transport of primary carriers,
2) technologies of transformations of primary carriers into utility carriers,
3) technologies of long-distance transport of utility carriers,
4) technologies of long-distance transport of utility carriers,
5) technologies of short-distance transport of utility carriers, mechanisms of financing the operations and the development of power sectors,
6) technologies of short-distance transport of utility carriers, mechanisms of financing the operations and the development of power sectors.

Each of these categories is subject to:

a) economic analysis – capability of the economy of its financing, together with costs of limiting environmental effects,
b) ecological analysis – level of environmental impact in the part not currently subject to economic dimensioning.
c) level of risk of disturbances, including disturbances related to a hazard of terrorist attacks,

d) scale of hazards being the effect of a disturbance,

e) availability of procedures eliminating disturbances.

It is also subject to individual diversity, due to the unique character of particular carriers, both primary energy carriers and utility carriers, as well as due to the time horizon of analyses.

Hence, it can be seen that deeper analysis of the notion of "security of electrical supply" leads to a conclusion that assigning to it the structure of a simple chain is an oversimplification. It has a structure of a multi-dimensional matrix, therefore, it is risky to attempt its fragmentary use, without an appropriate comment – which particular aspect they relate to. The multi-aspect notion of "security of electrical supply" results in the fact that the range of hazards it is subject to and of activities for its security is extremely diverse, but also that the responsibility for condition of security of electrical supply is not (and cannot be) focused on one entity. Ensuring security of electrical supply in various aspects should be attributed to various links of political, economic and social life – respectively to their role and competences: superior bodies of public administration, its field bodies, power sector companies, as well as recipients. Particular importance can be attributed, in this context, to the problem of coordination of all actions taken on various levels, as many aspects of security of electrical supply, being mutually correlated, may be solved in an alternative manner. But also in many cases, adoption of one option excludes rational application of others [Bartodziej G., Tomaszewski M., 2008; Bieńkowska A., Ropuszynska-Surma E., Bogrosz-Koczwarz M., Szalbierz Z., 2009].

The problem of ensuring security of electrical supply in Poland becomes more and more urgent, while the power industry sector entities, especially power engineering entities, cannot find methods and tools for efficient and effective investment. Decisions concerning new investments are postponed, and capacities acquired from the ones installed in the foreseeable future will not satisfy the growing demand - their example may be a unit with the power of 854 MW in Belchatów and a similar unit in Opole, implemented with high probability. Other investments are at the stage of prolonging discussions, an example of which may be examined construction of a nuclear power plant, which still does not even have the agreed location. Paradoxically, new capacities are related to construction of commonly questions wind farms (now about 1600 MW). Renewable power engineering in Poland has a minute meaning, and its development is very conservative, without clearly formulated goals in the field of environmental protection (this applies also to the climate-power package), which makes it very different from e.g. German power industry, which develops in a very diverse manner with the priority of renewable power engineering.

That is the practice, and what about the theory? In the opinion of T. Jamasb and M. Pollittta, under conditions of energy market liberalization and multidimensionality of security of electrical supply, it is necessary to redefine the
notion of security of electrical supply. They suggest that, with liberalization of markets, the role of companies being the property of the state treasury, operation conditions of companies (from outside the power industry sector) and consumers, a change in the notion of security of electrical supply should be related to the risk of failure to supply energy and the related risk of growth in costs. As a consequence, security of energy supply becomes a strategy of risk management, with strong connotations with cost efficiency, related both to the energy supply and the demand for energy. If, additionally, we assume that there is no hazard of lack of supply caused by power manufacturers, the strategic position is assumed here by the power system and its regulation [Jamasp T., Pollitt M., 2008].

Power systems, both for transmission and distribution (for electric power and gas), are a natural monopoly and are the subject of regulation, whose goal is to guarantee public interest (weal). In this case, this interest (public weal) manifests itself in efficient and effective (in this article these notions are understood in the praxeological sense) management of power systems operation. It should be assessed whether, in practice, the idea of public interest is implemented, or whether, in accordance with J. Stiglitz, it would be advised to assume that, in this case, there is a phenomenon of capturing regulation, which means that this regulation is "taken over" (perhaps even in a considerable part) by regulated entities and operates, above all, in their interest [Bieńkowska A., Ropuszynska-Surma E., Bogrosz-Koczwara M., Szalbierz Z, 2009].

In the literature on the subject, it is emphasized that since 1990, regulation has been seen as a factor playing the key role in the process of implementation of market reforms in the power industry sector by means of improvement of investment effectiveness, first of all, in power systems, as a factor ensuring effective functioning and ensuring the possibility of competition through the principle of TPA. The results of this regulation seem to be positive. This is visible especially in the UK [Jamasp T., Pollitt M, 2008].

From the point of view of objectives, related to economic efficiency, proper regulation of power systems should play a particularly important role in finding stimuli providing security of energy supply. In this context, the task of regulation is to create such stimulants (stimuli) which will ensure the necessary capacity and efficiency of the systems as well as manufacturing capacities consuming various kinds of primary energy. The task of regulation from the economic point of view will be, apart from safety of energy supplies, also the stability of energy prices at high and low voltage. At a higher level of generalization, the task of regulation will be security of electrical supply with regard to climatic changes, exchange of international power carriers, as well as proliferation of nuclear materials.

In the light of the aforementioned discussion, it should be stated that regulation by means of regulation instruments which are efficient, effective and provide effectiveness, may and should play an important role with regard to ensuring security of electrical supply in the short, average and long period.
Situation in Poland with regard to security of electrical supply and regulation

In this short article, it is not possible to exhaustively discuss all topics related to security of electrical supply and the character of regulation. It is only possible to put forward some theses, refer, for their support, to the literature on the subject and examples from practice.

We take the liberty to formulate the following theses, namely:

1. National power sector, especially the power system, is in a condition of significant and growing disturbance in security of energy supplies. This applies both to power transmission and distribution systems, as well as the generating subsector.

2. The regulations with regard to security of electrical supply are dispersed among international entities (within EU) and numerous national entities. At the same time, it is possible to observe a clear lack of coordination of regulation tools used by particular entities. As a result, the binding regulations do not meet the requirements concerning efficiency, efficacy and effectiveness and do not provide confidence of energy supplies.

To support these theses, I refer to the deliberations included in the official governmental document, Polska 2030 (Poland 2030) showing developmental challenges for our country. The power-climate security has been given challenge no. 5 (p. 166-204). The mottos of this part are two phrases, namely: "Apart from security of electrical supply and without clear objectives in the environmental protection" and "Harmonization of climatic and power challenges as a factor of development" [Poland 2030 Report of the Committee of the Council of Ministers, 2010].

The literature on the subject with regard to security of electrical supplies is relatively poor in Poland. In the recent two years only two books were published [Bartodziej G., Tomaszewski M. 2008; Domagała M., 2008].

In the period of recent years, in Poland, there have been serious disturbances in supplies of electric power (Szczecin 2008, the region of Subcarpathia 2010). The condition of transmission and distribution networks proves their growing decapitalization. In addition, some municipal agglomerations (Wrocław, Poznań, Tri-City etc.) are supplied practically with one transmission line with sufficient power, whose failure may result in very serious disturbances in the energy supplies.
Table 1 specifies the basic terms of ensuring security of electrical supply in the scale of the state and, to a significant extent, also of the region.

Table 1.

<table>
<thead>
<tr>
<th>Basic terms of security of electrical supply</th>
<th>Additional conditions</th>
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<tr>
<td>Sustainable energy balance</td>
<td>Maintaining economic security</td>
</tr>
<tr>
<td>Access and sufficiency of infrastructure for processing, storage and distribution of fuels and energy</td>
<td>Maintaining ecological and technological security</td>
</tr>
<tr>
<td>Diversification of sources of power carriers</td>
<td>Resistance to unpredicted and intentional hazards</td>
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Experience shows that periodically occurring serious disturbance in adjustment of the quantity of offered energy (electrical power, natural gas, heat from centralized sources) to the demand for it cause, among recipients, losses (of economic, financial, political and social nature), whose level often significantly exceeds the costs incurred for its production and sending to a recipient. It can be, therefore, stated that from the economic point of view, the failure to supply the needed quantity of energy results in losses whose level may significantly exceed the value of generating this energy and supplying recipients with it. Security of electrical supply covers, therefore, also situations in which there are no physical shortages of energy, but problems appear with regard to its delivery, which results in emergence of costs of lost benefits, whose amount exceeds the costs incurred for generation and readiness of supply of electric power.

In recent years, there has been a significant increase in the role of the problem of guaranteeing security of electrical supply, owing to emergence of large disturbances in the mechanism of functioning of energy supplies. In the economic practice, actions of entities of the power industry sector with regard to security of energy supplies are often not effective to a sufficient extent. For this reason, there is an urgent need to harmonize the activities with the environment and, above all, with local government entities, non-governmental organizations, as well as large, medium and small recipients so as to ensure effective and safe balance of the quantity of generated energy with its demand [Bieńkowska A., Ropuszynska-Surma E., Bogrosz-Koczwara M. Szalbierz Z., 2009].
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Attempt of conclusion

In the context of the presented discussion, an important question arises: how operation of the power system and its regulation can reduce a danger of occurrence of an energy deficit on a mass scale? In reply to the question formulated in such a way, it is worth to formulate basic objectives of regulation. The first one is creation of new capacities, the second one will be effectively operating electric power transmission and distribution systems; the third one - relationships between operation of transmission and distribution systems and "behaviours of recipients". In the area of the first objective: construction of new manufacturing capacities, it is important to enumerate:

1) marking out the location of investments obtaining building permits,
2) determination of primary fuel and the effects of its use for the environment,
3) identification of technical and economic parameters of operation of a new power plant,
4) exporting power and network connections with the transmission system.

In the area of the second objective: effectively operating electric power transmission and distribution systems, it is important to enumerate:

1) investments necessary and sufficient to ensure security,
2) building an effective structure of the sector and separation of generation, transmission, distribution and unbundling.
3) diversification of energy sources allowing to ensure competition.
4) legal and economic-financial sustaining of liability for breaching security.
5) international, national and regional coordination of regulation tools.

In the area of the third objective: relationships between operation of the system and the "behaviour of recipients", it is important to enumerate:

1. Activation, for energy-saving processes, of the so-called demand side.
2. Development of intelligent and flexible energy supplies including microgeneration.
3. Active impact on the demand for energy by the public sector (including local government).
4. Adjustment of legal regulations to the needs of energy saving processes
5. Implementation of new – effective forms of management and ownership structure of transmission and distribution systems.
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Regional and Local Development Management in the Light of Development Policy Territorialization

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Abstract

The principle of territorialization constitutes an important element of a contemporary understanding of regional and local development policies. The paper outlines management instruments devoted to improving the cohesion of programming systems, taking into consideration the territorial dimension of development. The key element is the relation between socio-economic planning and spatial planning systems. The paper deals with the interrelations between different types of plans and programs and the institutional infrastructure of public and private legal bodies responsible for preparing, adopting, implementing and monitoring planning documents. The territorialization of development policies requires that authorities representing regional and local communities should be given a well-defined role in the management of strategic and operational programs. Local authorities should be made co-responsible together with regional partners for the preparation and implementation of strategic and operational programs as a whole, in order to have a substantial impact on final policies.

Introduction

A constant process of transformation of urbanized areas and suburbanization – urban sprawl – accompanies civilization changes in the first half of the twenty-first century. These changes are connected with technological progress, globalization and territorial competitiveness, the ageing of society and the increasing awareness of climate change on Earth. Moreover, these processes are creating new challenges in the sphere of territorial development, especially in relation to shaping the human environment. In this context, the principle of territorialization constitutes an important element of a contemporary understanding of regional and local development policies. The author describes the impact of the territorialization of development policies on the planning systems which condition good governance, with reference to the basic notions of: territorial management, smart governance and management of territorial development.
Management of territorial development

The management of territorial development should be related to the broader concept of efficient public intervention. Such a type of intervention ought to be understood as a set of specific activities on the part of public authorities – activities that constantly stimulate development processes in all aspects of what a “territory” is: the spatial environment, human and social capital, socio-economic organizations and public management. (Noworól, 2007)

The notion of “efficiency”, based on J. Zieleniewski’s concept, is defined as follows: “An efficient activity is one that, to a certain degree, leads to the consequence intended as a goal. The degree to which a goal is achieved is thus the only measure of efficiency.” (Zieleniewski, 1969) So, efficient public intervention stimulates the achievement of intended goals – desirable changes within territories.

We can describe an efficient public intervention as one which:

- implements strategic goals of all public entities placed in a Multi-Level Governance system (from a European level, through a national and regional one to a local level),
- is enrooted in a specific location,
- expresses an exogenous attitude – uses accessible support for development,
- adopts rules of: subsidiarity, additionality, concentration, coordination and partnership,
- mobilizes endogenous potentials of the territory: environmental, political, economic and social.

Efficient public intervention involves various activities executed in the administrative territorial unit. The managerial activity of the public administration should reflect the organizational aspect of governance. So the author uses the notion of “a territorial organization” for territorial units, taking into consideration three aspects of their nature. Territorial organizations can be defined on the basis of three main determining conditions:

- the area of activity – a territorial organization is a unit of land where public administration is executed (spatial and legal condition),
- the set of people making up a territorial organization consists of a community of citizens living within the territory (social and political condition),
- the formal basis of activities of the territorial community is structured by mutual relationships resulting from (legal) acts determining the development and current running of public affairs (economic and managerial conditions).

Taking this definition into consideration, we can give an overview of territorial management – or the management of territorial organizations – as:

- directing (steering) the territorial organization’s inner and outer systems,
- leading the territorial organization’s structures (administrative subunits and offices),
• achieving goals and reflecting public interests which are mainly referred to as environmental, social and economic aspects of development and/or just running territorial units. (Noworól, 2009)

The notion of smart growth is usually linked to creating development concepts on the basis of science and modern, technologically advanced solutions, stimulating the construction of a knowledge-based economy [Europe 2020, 2010]. Smart Governance is understood as public management where the following aspects play an important role: social participation in taking decisions and transparency of actions as well as quality and accessibility of public services. Political and planning strategies are based on dialogue. Real-time management connected with modern technologies as well as smart networks of infrastructure are of strategic importance for Smart Governance. Smart Governance can be understood as a search for a new order and compromise between environmental demands, social pressure to raise the quality of life, economic development (or even increase) and locally available technological solutions. (Noworól, 2012)

Hence contemporary territorial management requires a new approach that will take into consideration the following:
• popularizing participation in taking public decisions,
• guaranteeing a high standard of public and social services,
• transparent information policies accompanying coherent political visions and strategies (Sudarskis, 2010)

Based on the presented set of notions, the author defines the management of territorial development as an element of territorial management which encompasses directing (steering) the territorial organization's managerial system in order to enhance the desired change of all the aspects of a territory. In the context of the management of territorial development, four overlapping sets of elements can be identified:
• subsystems of what a territory is, as follow:
  o spatial environment,
  o human and social capital,
  o socio-economic organizational subsystem,
  o existing public management subsystem;
• development processes – desirable changes in territories, as follow:
  o augmentation of complexity and diversity of inner structure,
  o increase possibilities for feedback type reactions (homeostatic tendencies),
  o enhancement of abilities for innovation,
  o conscious regulation of the dynamic of change (continuity vs. incremental change),
  o conscious regulation of the relationship with the political and social environment (in the sense of level of aggressiveness and expansion); (Noworól, 2007)
• managerial attitudes to civilization challenges, as follow:
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- evolution of concepts (understanding) of public management (from M. Weber’s “Public Administration” concept, through “New Public Management” to “Public Governance”),
- Multi-Level Governance, based on the multi-subject relationships characterizing the networked organizational environment,
- Sectoral and Territorial attitudes (see below);

*phases of management of development processes, as follow: planning, organizing and implementing (leading – motivating, and monitoring – controlling – evaluating).

Such an understanding of the notion of management of territorial development is enrooted in the theory of public management as well as in contemporary ideas concerning urban development processes.

**Territorialization of development policies**

The territorialization of development policies is advocated by many researches dealing with the complexity of socio-economic and land-use development issues. In Poland, it is especially noticeable in working papers and proceedings which suggest better integration of different types of planning systems (Korzeń, 2004; Noworól, 2007; Mączyńska, 2008; Markowski, 1999, 2010). A deeper understanding of territorialization was presented in F. Barca’s famous report: *An Agenda for a Reformed Cohesion Policy. A place-based approach to meeting European Union challenges and expectations*, published in April 2009 (Barca, 2009). The Barca Report stated that there was a consensus that the European Union should modernize the cohesion policy, tackling the new challenges as follows: “The policy concept singled out in the Report is the place-based development approach, what the OECD calls the “new paradigm of regional policy”....”. The objectives of the Report were to reduce persistent inefficiency (underutilisation of resources resulting in income below potential in both the short and long-run) and persistent social exclusion (primarily, an excessive number of people below a given standard in terms of income and other features of well-being) in specific places. According to the Report, “places are defined though the policy process from a functional perspective as regions in which a set of conditions conducive to development apply more than they do in larger or smaller areas”. The Barca Report argued that a place might require an intervention from outside in response to two sets of market and government failures:

- a place can be trapped in a vicious circle of inefficiency or social exclusion because local elites intentionally fail to choose appropriate economic institutions intentionally (that being against their interests), or
- the less a place has effective institutions, the less likely it is to have them in the future (path dependency).

The Barca Report underlines that social exclusion can also be perpetuated because individual circumstances are hereditary and persistent. An intervention oriented to tackling these problems should take the form of the provision of integrated bundles of public goods and services aimed at triggering institutional change, improving the
well-being of people and the productivity of businesses and promoting innovation. *(Ibidem)*

The essence of policy territorialization boils down to the fact that the goods and services concerned need to be tailored to places by eliciting and aggregating local preferences and knowledge and by taking account of linkages with other places. This is where the territorial dimension of cohesion is particularly relevant. Another aspect of territorialization is related to agglomerations, which are the driving forces of development. Today, they are the result of public as well as private decisions. It is worth noting that public decisions are taken by institutions and invariably made with very limited information on whether the agglomeration process concerned is enhancing or reducing overall efficiency and whether other agglomerations should be encouraged instead (or in addition). A place-based approach has the potential to ensure a territorial impact of public interventions. Such an intervention is visible and verifiable and can be submitted to scrutiny. Furthermore, a process can be initiated whereby everyone is given the opportunity and the information to participate and to voice their dissent.

The place-based approach goes beyond the traditional dilemma of whether to decentralize or centralize public functions. Authorities governing exogenous interventions set the priorities, rules and general objectives for using the funding provided, leaving it to lower levels of government to implement these principles according to the context as they see fit. Place-based policies are complex but they have brought a spatial transparency to public interventions. The spatial dimension of public interventions is transparent, verifiable and subject to citizens’ scrutiny and there is a clear recognition that “the state does not necessarily know best”. *(Barca, 2009)*

The place-based approach is also important in the effectiveness of the private sector. An interesting example is the analysis of the territorial dimension of competitiveness described by M. Prezioso. *(2009)*

Territorial priorities for the development of the European Union have been adopted in the form of the so-called Territorial Agenda of the European Union 2020 (TA2020), agreed at the Informal Ministerial Meeting of Ministers responsible for Spatial Planning and Territorial Development on May 19th, 2011 in Gödöllő, Hungary. This document defines six territorial priorities for the EU which can contribute to the successful implementation of the Europe 2020 Strategy. These priorities are:

1. Promoting polycentric and balanced territorial development,
2. Encouraging integrated development in cities, rural and specific regions,
3. Territorial integration in cross-border and transnational functional regions,
4. Ensuring global competitiveness of the regions based on strong local economies,
5. Improving territorial connectivity for individuals, communities and enterprises,
6. Managing and connecting ecological, landscape and cultural values of regions.
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The Territorial Agenda indicates the relevant governance and implementation mechanisms. TA 2020 underlines “that enhancing territorial cohesion calls for effective coordination of different policies, actors and planning mechanisms, and the creation and sharing of territorial knowledge. Implementation instruments and competences are in the hands of EU institutions, Member States, regional and local authorities and private actors. Multi-Level Governance formats are required to manage different functional territories and to ensure balanced and coordinated contribution of local, regional, national and European actors in compliance with the principle of subsidiarity. This needs vertical and horizontal coordination between decision-making bodies at different levels and sector-related policies to secure consistency and synergy.” (TA2020) The key development tools enumerated in TA2020 are: the territorial coordination of policies and the territorial cohesion of implementation mechanisms. EU Ministers encourage the adjustment of strategies and programs to adequately reflect the specificities of the diverse territories. Future strategic policy documents and programs should integrate territorial considerations, taking into account the priorities of the TA2020. Among other development instruments, The TA2020 suggests:

1. Strengthening territorial cohesion at EU level,
2. Contributing to territorial cohesion at cross-border, transnational, and inter-regional level,
3. Strengthening Member States’ contribution to territorial cohesion. (Territorial, Agenda 2011)

A place-based approach is also present in the latest Polish national development documents. National Strategy of Regional Development 2010-2020. Regions, cities, rural areas (Krajowa Strategia Rozwoju Regionalnego 2020. Regiony, miasta, obszary wiejskie – KSRR 2020) is the basic development document outlining future socio-economic development processes in the period up to 2020. The Strategy recognizes that development challenges and conditions evolve and a regional policy should undergo successive transformations. The adoption of a new model of thinking concerning place-based development – stimulation of internal territorial potentials and strengthening the mechanisms ensuring diffusion of development from stronger centers to entire regions – addresses the challenges that the current policy needs to face. The new regional policy is a policy oriented towards all Polish regions and territories, as it focuses on their strong points and makes use of the opportunities, and where need be – provides external resources to level out development gaps. Such an approach should allow the exploitation of hidden and insufficiently used resources and the specialization of territories both in rich and poor regions. (KSRR 2020)

Another national strategic document of the greatest importance is National Spatial Development Conception 2030 (Koncepcja Przestrzennego Zagospodarowania Kraju 2030 – KPZK 2030). As spatial management is a result of multi-level development processes, KPZK 2030 makes use of the place-based approach in establishing its goals and implementation instruments. KPZK 2030 can be understood as a Polish contribution of what the territorial approach means in the context of the European cohesion policy. The main idea is still territorially
balanced development focused on the development potentials of the areas selected in the EU 2020 Strategy. The document outlines the complex but well-tailored concept of functional areas playing different roles in national, regional and local development.

The system of development documents adopted by Polish authorities creates a framework of new policy which is currently consulted and discussed, especially in relation to the EU programming period of 2014-2020. This policy is structured around the quoted principles of territorialization.

**Recommendations for amendment of the Polish planning system**

Planning forms an important part of the management system. The territorial planning system in Poland is made up of two components: socio-economic planning and spatial planning. The territorial aspect of sustainable development management requires the implementation of new tools in the programming, organizing and implementing of new regional policy. In 2011, the author prepared two expert opinions for the Polish Ministry of Regional Development, concerning the current state of and possible amendments to regional and local planning systems in Poland. At both regional and local levels, obligatory and non-obligatory plans and programs were distinguished. Both expert opinions enabled relevant diagnoses. Without referring to the quoted documents, here is a brief summary of the conclusions.

The diagnosis of the regional planning system enumerates:

- A requirement of closer interrelation of socio-economic and spatial planning systems;
- National (legal) acts currently focus on the connections between regional documents and state policies and leave coordination of regional and local plans to self-governments. This situation needs to be changed radically: more linkages need to be made between operational–sectoral documents and integrated plans as part of regional development strategy or regional spatial (land use) plans;
- Regional authorities, on their own initiative, prepare numerous plans and programs, mainly of an operational nature. This demonstrates a greater awareness of development processes' requirements, but unfortunately this non-obligatory planning system is not free of the deficits described above;
- Intraregional documents frequently include overlapping content, insufficiently linked with the regional development strategy.

At the local level, despite certain formal connections between plans and programs, the overall shape of the obligatory local planning system does not seem to allow for efficient management of development processes. This stems from two main

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1 Obligatory plans are those which must be adopted by regional and local authorities as stipulated by Acts of Parliament. Non-obligatory plans are prepared and enacted by various authorities, mainly self-governments, in order to improve the quality of territorial management.
characteristics. The first deficit of the local planning system is – at the regional level – the weak linkage of socio-economic and spatial issues. The next important deficiency consists in the fact that there is no necessity to adopt local strategies in Poland. So, the majority of local plans and programs are operational and sectoral, without broadly and cohesively reflecting the entirety of the problems of a given administrative unit. In the opinion of the author, a territorially oriented local development strategy should be an obligatory element of the planning system.

The two expert opinions prepared by the author in 2011 for the Ministry of Regional Development focused on the integration of planning systems in order to combine and to equilibrate various aspects of territorial development: environmental, economic, social and managerial. The suggested concept consists in integration and simplification of the existing extremely complex planning system. This simplification should be in accordance with Ockham's razor – a principle that generally recommends that the simplest explanation will be the most plausible until evidence is presented to prove it false. This principle is often summarized as follows: there is no need to multiply unnecessary beings. The Polish planning system is full of such types of “beings”, which assume the form of numerous sectoral plans and programs.

The author’s main premise for amendment of regional and local planning models consists in the statutory establishment of a system of obligatory plans and programs at all three self-government levels (region – district – commune):

- an integrated regional or local development strategy enacted in parallel with a spatial (land use) plan, and
- an integrated regional or local operational program.

It is important that the integrated planning system should take into consideration that the territorial approach to development management cannot be limited to administrative boundaries. Thus, there is a place for an entirely new reflection on how – in term of multilevel management principles (Agh, 2010; Noworól, 2011) – to find patterns of efficient planning. So, the expert opinion on the local level outlines the structure and links of the sub-regional strategy of functional area development. This type of strategic document, together with the relevant operational and spatial land use plan, constitutes an important supplement, allowing development policies to be adapted to territorial exigencies. A detailed scheme of how the planning system should be structured is presented in Figure 1.

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2 William of Ockham (1285-1349).
Figure 1. Coordination of regional and local planning systems
Source: own study.

At first glance, it appears complicated. However, it is worth remembering that the ensemble of plans and projects presented in Figure 1 replaces a set of 77 documents, which are currently obligatory in Polish regional and local planning systems.
Conclusions

The recommendations for amendments to the Polish planning system are an example of what should be done in order to equilibrate management instruments, especially in the domain of territorial development management. Planning systems condition other tools of management: organizational and implementation processes. The relation between the sectoral and spatial attitude to territorial development management needs to be considered in order to achieve an appropriate balance. In the author’s opinion, the place-based approach demands the integration of planning systems and – as a consequence – a more conscious treatment of land use issues, which are today pushed outside the mainstream of planning processes. Land use plans in Poland today, especially at the regional level, are more a reflection of planners’ intentions and general visions than a real development tool. The spatial plans of the functional areas should rather create an important stimulus to deal with territorial factors and their impact on social and economic activities. Such an attitude would affect all steps of the territorial management, as the land with all its richness and its deficiencies demands a differentiated approach, going beyond a simplified sectoral expression of what should be done on the local level.

The last important factor that needs to be taken into account in a place-based approach is that we are currently observing – and will observe in future – an increasing need to manage development that crosses administrative borders. So, a territorial outlook on development demands a new attitude on the part of all actors: politicians, public officials, business and NGO activists. There is a need to learn patterns of cooperation in order to create common, place-based concepts and projects. Such types of joint action cannot be forced. They must result from bottom-up citizens’ demands for mutual territorial understanding and collaboration.

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Abstract

Most of presently developed concepts and theories on regional development suggest that one of most important determinants of lasting and harmonious regional development is cooperation between entities belonging to the following three spheres – business, science and government (triple helix). This specific kind of cooperation understood as network connections occurring inside the triple helix transform participating enterprises, organization and institutions from relatively independent entities into inter-dependent spheres. However, intensity of cooperation in a region depends on a variety of different factors, both internal and external, including cultural, social, ethical, geographical and historical conditions. This abundance of determinants of regional development causes that working out a universal model of management and development of the triple helix relations is an extremely demanding challenge. This paper is an attempt to define the role of a leader in the process of management of inter-organizational networks in a region.

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Intra-regional networks – the significance of clusters

Today, the significance of the company and its competitiveness is assessed based on internal processes occurring in the company as well as its impacts on the local, regional and even global market.

The company is competitive when it is selling products at a profit. This may happen only when offered products are accepted by the market (Bieńkowski, 1995). This is the essence of competitiveness. In order to be accepted by the market the products offered by the company have to be cheaper than similar products offered by competitors, the quality better and the products should have some distinctive properties and features valued by the customers affecting their purchasing decisions (Cyrson, 2000).

Therefore, in literature more and more frequently are expressed the views that enterprises in order to increase their efficiency should develop closer cooperation links with other entities. The concept of clusters developed since the 1990s and, in particular, the influence of cluster structures on the development of their participants, represent a new way of thinking about competitiveness. The very concept of clusters incorporating many different approaches, doctrines and research trends in economics, organization and management sciences, sociology and other social sciences tend to depict clusters as a vehicle of increasing innovativeness and competitiveness of enterprises and creating international competitiveness of national and regional economies (Brodzicki et al., 2004).

According to the most popular definition of clusters proposed by M. Porter, the cluster is a geographical concentration of inter-connected firms, specialized suppliers, service providers, companies operating in related sectors and connected institutions and organizations, for example, universities, standardization units and trade associations, which in some areas compete and in some cooperate [Porter M. E. 2001, Porter o konkurencji, PWE, Warsaw]. (Bojar, 2007)

To a large extent, Porter’s works gave a new impetus to subsequent development of regional innovation policies based on clusters. Porter’s definition of clusters is willingly used not only by ardent clustering advocates who, based on their own research and observations, supplement popular Porter’s definition with new elements, for example foreign capital and leadership, but also by many institutions involved in market research and creating conditions conducive to the development of clusters (for example, the Polish Agency for Enterprise Development). The concept of clusters sees enterprises and trades as elements of a larger system rather than isolated entities.

Clusters, by creating cooperation structures, have a significant impact on the competitiveness of economy and thus are contributing to the creation of the value added. They also improve competitiveness and increase efficiency of enterprises operating in the cluster, encourage innovation and create incentives to establishing new enterprises. B. Plawgo claims that the very existence of clusters contributes to the increasing of effectiveness in creating today’s key competition factors, such as innovation and ability of learning.
The advantages of cluster structures caused that the concept of clusters became a ground-breaking concept in the era of globalization when small and medium-sized enterprises are facing fierce international competition. The primacy of immaterial location factors such as organizational skills and innovation potential, characteristic of a new technological-industrial paradigm, has further increased the role of clusters in building competitive advantage of enterprises (Machaj, 2008). The role of cluster structures is also raised in many publications launched by the Organization for Economic Cooperation and Development (OECD) as well as the European Commission (European Commission, 2006).

Therefore, the perception of clusters can be interpreted as a new way of analysing national, regional and local economies. Specificity of this approach consists in drawing attention to mutual relations and new roles played by enterprises, government authorities, self-government bodies, and other institutions aiming at increasing business competitiveness. Contemporary perception of clusters also points to the fact that competitive advantage to a large extent depends on factors which exist outside the company, or even outside the sector it operates in. Therefore, competitive advantage is conditioned by the location (Plawgo, 2010).

The clusters re-positioned government and self-government authorities in the structure of relations between enterprises and set new competencies of public institutions in the process of enterprise development and innovation. In this concept, public institutions assume the role of what we may call a semi-entrepreneur (or intermediate entrepreneur) which provides resources and regulates mutual relations (Etzkowitz and Leydesdorff, 2001).

Although the clusters themselves can contribute to the improvement of competitiveness of enterprises operating in the cluster, the existence of clusters does not necessarily translates into economic development of the whole region. Furthermore, even a dozen or so clusters operating in the same region cannot form a solid and lasting base for economic development unless there are strong cooperation links between them.

Presently, the cluster is to pursue so-called ‘how-strategies’, i.e. strategies focused on processes (Teece, 2009). Hence the cluster has to develop a competitive offer in order to generate higher revenues and jobs in the regional economy. Therefore, in order to produce such competitive offer it is very important that the constellation of values is properly defined and all the functions and roles played by different entities within the cluster are properly combined and orchestrated (Wallin, 2010).

Building international competitiveness of economies through the coordination of relevant activities at a level of government authorities, self-government bodies, entrepreneurs and different interest groups is an essential novelty in management processes. Properly designed and consistently implemented policy supporting development of clusters, both at national and regional levels, can stimulate innovation, productivity improvements, and other positive phenomena in enterprises which increase their competitiveness. In 2010, experts working for the European Commission stated in their report that resilient clusters offer a unique...
confluence of entrepreneurial dynamics with the most recent achievements of science and technology, which create synergetic links between innovative entities and therefore contribute to the process of building knowledge-based economy (The European Commission, 2008). The report also said that strong clusters significantly contributed to the implementation of the Lisbon partnership for growth and employment, as well as the new EU strategy set out in the Communication from the EU Commission entitled ‘Europe 2020. A strategy for smart, sustainable and inclusive growth.’

The following figure illustrates the three main groups of entities representing the spheres of science, business and government. The figure is useful to elucidate both the static relations occurring in the cluster structure and mutual dynamic relations between all involved entities which affect the ability to create innovation.

Figure 1. Static relations in clusters and mutual dynamic relations between cluster participants affecting the cluster’s ability to create innovation.
Source: Work out by the authors.

Today innovation is perceived as the main factor influencing competitiveness of enterprises. According to the triple helix model, the roles of the public sector and universities are not fixed in advance because it order to generate and maintain a specific configuration of the innovation system, effective cooperation between different functions is required. Innovation is no longer a function which characterizes just one sphere of economy, for example industry; today innovation becomes a complex system which brings about a lot of discussion and scientific debate.
Network connections inside the triple helix of government, science and industry change all participating institutions from relatively independent entities into inter-dependent ones. As rightly noted by Etzkowitz and Leydesdorff, there is an important but not dominant role for government and an enhanced role for the university in the triple helix. What drives this change in the role of these institutional spheres and their networks of relations is the need to sustain a high level of innovation (Etzkowitz and Leydesdorff, 2001). Presently, resilient cluster structures are one of the most crucial factors contributing to the emergence and development of a new model of innovation which shifts and transforms national and organizational boundaries. The boundaries of institutional spheres in the triple helix model overlap and intersect which stimulates innovation at an organizational, technological and knowledge levels.

The prospect of potential benefits for entrepreneurs and regions resulting from cluster initiatives encourages governments and other public partners to develop and implement various cluster-supporting policies. Well-developed concentrations of connected business activities stimulate the following:

- productivity improvements (due to investments, access to information and public goods, and synergy),
- increase in innovativeness (triggered by joint research projects and intensified competition), and
- setting-up new enterprises (caused by emerging market niches and cluster expansion) (Plawgo, 2010).

New challenges to the development of networks in regions

Until now, historically shaped cooperation was based on sharing costs, that is on similarities – the same technologies, suppliers, distribution channels, etc. Today, it seems that the region as a whole is not only aiming at reducing costs due to cooperation, but it also want to develop by combining various different resources, skills and methods of work. Looking at the region as a set of networks of mutual relations and through the prism of the ability of various regional economic actors to establish intra- and inter-regional information and production networks to participate in the network integration and to profit from these networks by collective learning, triggers the need for effective management of collective learning process. This leads us to the concept of entrepreneurial region (Bojar and Stachowicz, 2011). An entrepreneurial region can be built based on its entrepreneurial capital, including intellectual capital (Bojar and Stachowicz, 2011). J. Stachowicz and E. Bojar claim that the regional entrepreneurial capital incorporates the following key components:

- Abilities, competences and knowledge of individuals involved in strategic management (for example local leaders) as well as instruments, organizations and institutions that stimulate, develop and make use of activity and creativity of local community members in order to organize joint undertakings, organizations and network institutions. These abilities
are important factors of building cooperation networks between individuals and organizations in the region.

- People’s ability of innovative learning and creating new knowledge. These abilities are factors also stimulate development of regional knowledge management systems (triple helix structures, knowledge clusters, as well as creative and innovative clusters).

- People’s ability of developing and taking advantage of moral intelligence of local leaders (the process of positive confidence building and social networks development should be based on ethical values and creative abilities of local leaders) (Florida, 2005).

- Instruments, structures and regulations concerning utilization of the above mentioned capabilities.

This regional social capital should be understood as properly managed processes of trust building, network building as well as development of cooperation between individuals and organizations in the region in order to ensure innovative learning and entrepreneurial development. These processes are managed by members of local communities, in particular pro-active, innovative and socially responsible local leaders, as well as instruments used to stimulate development of cooperation links (for example: clusters and cluster structures), training schemes and education systems, instruments used to build and support development of the third sector institutions, self-governance and civil society. The process of entrepreneurial region building involves many institutions and structures, as well as game visionaries, leaders capable of building innovative networks which take advantage of existing resources and create new ones.

**Characteristics of regional leaders**

The notion of leadership and the role of leaders in organizations are one of the most important topics of management sciences. A change in thinking about competitiveness, building network connections between organizations and appreciating the role of cooperation links between regional scientific institutions, business and government for regional development and economic growth raise the question as to characteristics and features of the ideal network leader.

A leader is a person who inspires others, makes them convinced, motivates other people, has influence on other persons’ activities and, most importantly, paves the way for change. The ideal leader should be a credible visionary with organizational skills able to motivate his team to achieve established goals timely, effectively and efficiently. He should have perfect communication skills so that his team understands his vision and ideas. B. Bass claims that a good manager should also be a good leader, and a good leader should be a good manager. A leader creates a vision and develops strategy for achieving assigned goals, while a manager uses his skills to realize other people’s vision (DuBrin, 2000). So what makes a good leader? J. Adair claims that it is enthusiasm, integrity, toughness, honesty, warmth, humility and self-confidence.
Table 1. Characteristics of the leader.

<table>
<thead>
<tr>
<th>Enthusiasm</th>
<th>Can one imagine a leader who lacks enthusiasm?</th>
</tr>
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<tbody>
<tr>
<td>Integrity</td>
<td>This feature causes that people trust leaders. Confidence is the basis of all human relations, both professional and personal. Integrity means not only internal personal cohesion, but also attachment to certain external values such as goodness and truth.</td>
</tr>
<tr>
<td>Toughness</td>
<td>Leaders are often demanding persons, hard to put up with in everyday contacts. Leaders are stubborn and persistent. Leaders should enjoy respect, not necessarily popularity.</td>
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<tr>
<td>Honesty</td>
<td>Good leaders approach people in a diverse manner, however they treat people equally. No-one is favored. They are impartial in punishing and rewarding their staff members for failures and achievements.</td>
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<tr>
<td>Warmth</td>
<td>Stuffed shirts cannot become leaders. Being a good leader involves engagement of both the heart and mind. A passion for work and care about people are equally important.</td>
</tr>
<tr>
<td>Humility</td>
<td>Humility is a very rare feature which is characteristics of the best leaders only. Its opposite is arrogance. Good leaders are open to what people have to say and they listen them willingly. They avoid dominating manner. Self-confidence is one of the most important traits of a good leader.</td>
</tr>
<tr>
<td>Self-confidence</td>
<td>People can perfectly sense whether a person has this feature or not. Therefore, developing confidence in own abilities can help improve leadership abilities.</td>
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The main challenge that the leader is facing is to how attract and maintain co-workers’ attention focused on problems that need solution. In order to do so the leader should be able to explain the context properly which will give meaning of all undertaken activities. Regional networks can be led by businessmen, scholars as well as politicians. Contemporary effective leaders should not only be able to organize networks and manage them, but also assign roles to different actors in the network (orchestration). The orchestrator is oftentimes likened to the conductor who conducts an orchestra and makes sure that everybody is playing the same tune; the orchestrator conducts the whole network, sets the rhythm and shows who in any
given moment in time has to perform a previously assigned role (Eriksson, 2010). In order to ensure the continuity of the orchestration process, the leader has to be able to reconcile different goals and interest groups. Because of the complexity of relations occurring in networks, the leader should be able to function in different environments, listen to what people have to say and negotiate to reach consensus. Leaders should be able to identify what people need in different situations. Moreover, successful leaders have to know how to organize networks and how to attract new actors to the network. They should also have negotiation skills, in particular they should know how to negotiate financing and combine different sources of financing. However, it should be stressed that the leader should not be a kind of visionary who foists his views on others and controls where the network participants are heading to. The leaders should rather identify resources and available knowledge in order to coordinate their best utilization.

The following table presents the most important abilities which should characterize contemporary regional leaders.

Table 2. Listing and characteristics of the most important abilities of regional leaders.

<table>
<thead>
<tr>
<th>Main capability</th>
<th>Component capability</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combinative capability</td>
<td>Institutional capability. Networking capability. Socialization capability.</td>
<td>One of the main tasks of leaders involved in regional development includes creating functional development networks and mobilizing resources as well as both external and internal knowledge and expertise. Hence the combinative capability is essential to make this process successful.</td>
</tr>
<tr>
<td>Absorptive capability</td>
<td>Adaptation capabilities. The ability to set values. The ability to assimilate and apply new knowledge. The ability to transform visions and strategies into action.</td>
<td>Absorptive capability is indispensable in the process of strategic adaptation in which both adaptation to the changing environment and strategic choices of an actor play a significant role. For example, absorptive capability includes the ability to value, assimilate and apply new knowledge and to transfer vision and strategies into action.</td>
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</table>
### Interpretative capability

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The mental model (or cognitive map, development view) is an important factor in regional development because in a sense we live in a world of mental models made up of thoughts, ethics, ideas, concepts, images, memories, plans, and knowledge. Actors in the network do not react directly to reality but to internally constructed perceptions of the real world.

### Strategic capability

<table>
<thead>
<tr>
<th>The ability to define strategies and visions for regional development in a collaborative process. The ability to bring to the fore visions of different futures and the ability to transform these visions into focused strategies and action. The ability to transform crisis situations into something constructive. The ability to launch processes right as well as to manage and lead them persistently in different phases. The ability to find correct timing for development work and seize the competitive advantage by being a pioneer. The ability to bring forth big objectives so that they seem credible and attractive for the other actors.</th>
</tr>
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These capabilities refer to the ability to make decisions about what to focus on in regional development in the long run, and thus to set the strategic direction for many effective development efforts. Strategic capabilities also refer to bold and fast strategic decisions in the community in order to open new path and development opportunities. Previous successes or failures either strengthen or weaken the capability to make bold decisions.
| Excitement capability | The ability to create and utilize creative tension in development work. The ability to create the sense of drama (presenting issues so that people become enthusiastic and excited). The ability to achieve short-term success to sustain motivation in the network. The ability to motivate people to participate in various development efforts. | Leaders should be able to generate creative tension that makes people interested and motivated in development work and thus to create a sense of urgency. Oftentimes the formulation of a vision or a development program and, for example, receiving EU-funding provide a development network and a whole region with a false sense of security. To avoid this pitfall, development efforts require the sense of drama that can be found in a crisis, possible crisis, great opportunities, charismatic individuals. Therefore, the ability to arouse people’s interest and motivation is essential. It helps if key actors involved in the regional development work are regionally well-known and respected individuals, because the combination of enthusiasm and authority that they embody is likely to transmit a positive and regionally anchored view of the project to the general public. Visionary leadership and concentration of representative authority in the regional development network should be balanced with openness, transparency and goal consistency to guarantee the credibility and educational self-renewal of the network as sources of creative tension. This has to be an exciting and inspiring process which attracts highly skilled individuals, new knowledge and ideas. Therefore, the excitement capability refers to the ability to capitalize on creative tension between the inspirations of key individuals and the dominant thought patterns, and to the ability to excite the actors to ‘development rebellion’, and all this requires a good sense of drama. |

Summary

Until recently, the creation of innovation was seen as a linear or even systemic process which lead from scientific work to practical applications of new solutions. Presently, innovation is perceived as an outcome of cooperation and complex interactions between different actors occurring in social and economic activity. Therefore, more and more frequently innovation combines multidisciplinary scientific and practical knowledge and expertise. Today, the emergence of innovativeness is more reliant on cooperative abilities of innovative networks than on scientific knowledge of individual actors (Harmaakorpi, 2010).

This kind of approach to the process of creating innovation requires specific ways of knowledge exchange and assimilation as well as developing social capital in the networks.

This paper contains some propositions as to how effective leaders can be created in innovative networks. Regional leaders should have unique qualities. Some predispositions are innate, while some can be developed later in life. Effective regional leaders are essential to ensure and coordinate lasting regional economic development.

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Chapter 1: Management in Macroeconomic Perspective


The Need of Managing Collaborative Relationships of local Government Organizations with NGO's

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Abstract

Organizations participate in varied interactions with elements of their environment. Having in mind collaboration, attention is directed to interactions between inter-organizational relations. In contrast to other connections they are more orderly. They are relatively durable in their character and embrace relatively long-term transactions, resources flow and other interactions between organizations.

This study investigates the determinants of collaborative relationship importance and the role it plays in determining whether relationships will continue and create a non-governmental organizations (NGOs) participation in meeting organizational goals of mayors' and communes' offices. For managers, these results suggest that an organization’s ability to develop and maintain strong collaborative relationships with NGOs as their salient stakeholder groups improves the chance that relationships will continue.

Introduction

The notion of managing collaborative stakeholder relationships is becoming a major theme in the public management literature. It was introduced as a managerial issue aiming to make public management more inclusive. This article aims to contribute to the conception of cooperative advantage and the stakeholder theory adding descriptive issues to its theoretical basis.

An assumption has been made in much of the conceptual and empirical work and is that developing and maintaining relationships are desirable goals for both the stakeholder and the organization (Lank, 2007; Dwyer, Schurr, Oh, 1987; Wilson, 1995).
The findings are derived from a desk research and inductive investigation carried out with Polish local managers, which will most likely be reproduced in other contexts. Data collection and analysis is based on mayors’ and communes’ offices documents and interviews with questionnaire.

The investigation proposes a model for representing the ability to create cooperative advantage by strengthening the relationships between public organizations and NGOs.

This paper presents one part of an overall research stream on the relationships between public organizations and their stakeholders, the rules of development and maintenance of these relationships, and the impact of these relationships on an organization’s goals when dealing with stakeholder groups.

All research questionnaires comprised common questions, the bulk of them in those targeted at commune mayors and personnel officers, being the persons that have the largest impact on people as participants of organizational processes. It enabled illustration of the key issues from a range of viewpoints. Overall, 140 persons were surveyed, including 34 commune mayors, their deputies and secretaries (hereinafter referred to as commune mayors), 34 specialists - civil servants charged with personnel administration functions (hereinafter referred to as personnel specialists), as well as 34 persons responsible for collaboration with NGOs (hereinafter referred to as collaboration specialists) and 38 experts on public management. Due to inconsistency and deficiency in responses, partially completed questionnaires were discarded. Only completely filled out questionnaires with extensive answers were studied. In view of limitations as to respondents’ propensity to avoid expressing unequivocal standpoints, such solutions were embraced as the option “I don’t know” not being included. Thus for further survey, 29 questionnaires by commune mayors, 32 by personnel specialists, 31 by collaboration specialists and 38 questionnaires by experts were identified, that is a total of 130 questionnaires.

This study specifically focuses on one stakeholder group: non-governmental organizations.

Public-stakeholder relationships

The stakeholder approach is focused on (Donaldson, Preston, 1995):
- describing how stakeholders interact with their organization;
- establishing a framework for examining the connections between the practice of stakeholder management and the achievement of various organizational goals;
- defining how the organization needs to deal with its stakeholders in fair and honest relationships.

The importance of interaction between public organizations and their stakeholders is emphasized by the assumption whereby satisfaction of major stakeholders is the key to the success of public organizations (Bryson, 1996). In the case of local government administration body stakeholders include the following social groups and institutions: citizens, taxpayers, service customers, authority
bodies, officers, trade unions, diverse interest groups, enterprises and other public administration units.

This exemplary enumeration of major stakeholders indicates how complex is the task of shaping relationships between a public organizations and its governing values when realizing set assignments.

Goals of public organizations are complex, not specified and at times not achievable as they come under three types of pressure, i.e.: they are subject to supporting major coalitions; general wording hold out the opportunity to prove that they were delivered at least partially; vague wording may be used to defend its own positions, to avoid responsibility and introduce superficial innovations in the process of political debate.

The impact on the viability of the public organizations’ goals is entitled by authorized organs to establish goals at a higher level, which need to be implemented at other levels, e.g. in regions, local circles, or in public or private agencies, which hampers capabilities of exercising control over their implementation (Kożuch A., 2011).

To underline the specifics of public organizations’ goals, it is worth stressing that enterprises favour simple, uncontroversial missions and formal objectives as their economic mission is propelled by creating profit, part of which is apportioned for dividends, as well for investment goals. In profit seeking organizations there are secondary goals set by top level management, e.g. company’s development, high market position, production diversification, leadership in industry, customers’ satisfaction, as well as observance of applicable law and compliance with government regulations. However, the primary measurer of operational effectiveness and success achieved is profit.

Public and civic organizations have their missions and goals formally focused on public good or mutual assistance, realization of interests for citizens or members, or direct recipients of goods and services. Their goals revolve around rendering services to their members, protecting interests groups, and reinforce winning support from outside. Maintenance and advancement of this type of organization hinges on the quality of management practiced by assigned managers, as well as collaboration among members, and supportive persons and organizations. The character of missions and formal goals in public and civic organizations may be similar.

Public organizations are distinguished by (Farnham, Horton, 1996) their accountability before taxpayers and users of goods and public services. Pundits trace causes behind this particular accountability in specific circumstances for providing public services, namely:

- public organizations frequently operate as monopolies as community has no options in their selection of service provider,
- public organizations, by performing their roles as regulators and ensuring that citizens comply with the law, put pressure, and on occasions deploy force, including deprivation of liberty,
- as suppliers of goods and public services, these organizations directly affect the life quality of people,
public organizations impose mandatory taxes in order to collect funds for government operations,

- public organizations regulate multiple spheres of social life, e.g. regulate special order, protect environment, grant licences for alcohol trade, etc.

The external responsibility of public organizations is specified by law. Therefore operations of all bodies of public organizations have strictly defined legal framework. Also, they have national, regional and local character, as well as an increasingly international character. Hence public organizations cannot, as happens in business, embark on non-prohibited initiatives, but only those provided for by law.

The accountability of public organizations, that is their liability before citizens, users, customers and consumers of goods and public services is chiefly executed through institutions considering complaints as well as functioning of the Commissioner for Citizens’ Rights and other commissioners, e.g. for Children’s Rights.

While political accountability involves public managers’ responsibility directly or indirectly before the organ of political authority. So public service is held responsible before the relevant minister and elective assemblies of politicians, local authorities, etc. because a feature of contemporary democracies is just responsibility assumed by administration before democratic institutions.

Public organizations also take internal responsibility. It is largely displayed in responsible activities in respect of people employed in these organizations. By just being a good employer, an organization may be able to attract highly qualified and motivated personnel. Public organizations strive for creating appropriate work conditions, provide employment safety, satisfaction and opportunities for their own development. Thus, overall, employment in public sector is regarded as superior to the private one.

Major stakeholders of social organizations differ from multiple interest groups in enterprises and other types of organizations. These involve the following groups of individuals and corporate entities: customers or users, supportive persons and institutions, employees, management boards, voluntaries banks, suppliers and other non profit organizations.

A managers’ responsibility to stakeholders suggests an obligation to incorporate in the decision making process the fact that stakeholders are a party interested in both the decision process itself as well as its outcomes, while interests of individual groups or their groups may substantially differ. This responsibility then entails an effective and legally guaranteed obligation to incorporate in the decision making process the effects of these decisions with regard to possible benefits and losses. This engenders the situation where public organizations may be brought to accountability for this obligation, and this type of responsibility came to be termed as accountability over recent times.

The complexity of environment of public organizations is also connected with the occurrence of differential, and often conflicting interests. For example, the potential conflicts between stakeholders may be revealed in the following combinations:
- state authorities – employees in state institutions,
- citizens as taxpayers – citizens as recipients of public services,
- external stakeholders – employees,
- members and voluntaries – managers of non-commercial organizations.

In some domains – as stressed above, organizations operate in circumstances close to monopoly, e.g. in the field of national security, or justice. Yet, on the whole they are subject to kind of competition from other public organizations, NGOs or private enterprises. Competition applies to material, financial and human resources, as well as markets as in the case of public and state-owned enterprises operating in the same industry.

In Poland the competition in the sphere of social services grows in its scope. It intensified predominantly in the education system, especially in higher education, and to a lesser extent in the area of public health. It should be highlighted that in contemporary economies, being mixed in their nature, offering medical services by organizations operating in various sectors of economy, also took place in the past. However, just as for many years we could talk about coexistence, so recent years have yielded clear rivalry.

Competitive orientation is relatively wide in its scope for operations of non-commercial organizations. Many of them function on competitive markets, making efforts to win members, volunteers, funds as well as they apply for award of public service contracts.

Applying competitiveness to the public sector and organizations that make up this sector is justified if we adopt a broad perspective for this category. It means that the clue of competitiveness lies in replacing less efficient parts of the specific system with more effective elements. In this sense competitive processes occur in the public sector. Public organizations compete with each other for resources, e.g. for allocating funds in the budget on programmes performed by them, for top specialists available on the labour market.

Differences in interactions among public organizations are manifested in relations with regulators. This term usually refers to institutions as well as authority bodies. Influence on an organization is exercised by external as well as internal regulators. External regulations, determining relationships among public organizations and taxpayers, state authorities, users and suppliers and their representatives, are a composition of public law, interpretation of law made by courts, state interventionism executed by public agencies and processes taking place in politics. Whilst internal regulations refer to office traditions, having its roots in the hierarchy, and fixed principles and competence scopes (Farnham, Horton, 1996).

Public law is of particular significance as a regulator of public organizations. On the basis it specifies what public managers and public officers are entitled to do. Regulations, set out by high-ranking politicians, deal with realized goals, resources used and priorities in public management.

The functions of regulators, though to a much lesser degree, are performed by interest groups. They exploit multifarious forms of lobbying – they attempt to exert pressure on public organizations in the direction most favourable for these groups.
Interactions between public organizations and interests groups fail to combine in a one-way manner. Public bodies may be also, and they often are, interested in a specific type of relations, namely such as those which secure support to organizations, and re-election to persons holding the elective position.

Similar functions are performed by trade unions and other organizations which unite employees from public organizations.

When analyzing interaction significance is given to organizational culture view construed as a pool of predominating values and behaviour standards, typical for a given organization, having its origins in basic assumptions. In the case of public organizations these basics include the following assumptions:

- bureaucracy (red tape) in a positive meaning viewed as steering organizations through established rules and mechanic administration, procedural correctness, standardization, predictability and objectivity of the process of decision making, as well as strictly defining competence;
- fulfilling public needs based on undertaking activities in the public interest, for the common good (*pro publico bono*);
- conviction on necessity to offer high quality services, and on principles satisfying users and customers, irrespective of the economic status of the service recipients.

In social organizations the foundation of organizational culture is built upon the principles of local government and mutual assistance. It is worth stressing that these principles are included – in spite of few others – in the collection of core dogmas underlying the cooperative movement, combining merits of private ownership with ideals of self-help and collaboration. For the organization of the third sector at the centre lie the assumptions on:

- use of democratic mechanisms,
- ethical activities,
- incorporating stakeholders into management processes.

The crucial manner for shaping relationships between public and civic organizations continues to be directly establishing collaboration.
Towards inter-organizational collaboration and cooperative advantage

A specific logic drives inter-organizational collaboration of public organizations. Their activities are not aimed at creating profits, so relations – that is any links and interdependencies, as well as relations and interactions – have a totally different character. From the fundamental nature of the public organizations arises obligatory collaboration with other organizations no matter whether these organizations are from the same or other sectors. A similar case is true for social organizations, with the difference that theoretical decisions on collaboration with other organizations are voluntary and autonomous. However, in real circumstances in which they operate, collaboration is proven essential.

While the creation of collaborative advantage for enterprises may be regarded as complimentary to competitive models, yet with respect to the occurrence of coordination among state enterprises and other organizations, only collaborative behaviour should be viewed as the basis for actions.

The analysis of collaboration forms demonstrates that it brings benefits irrespective of its scope, that it applies to both informal relations among organizations in the form of the network as well as tightly-knit correlations within a partnership collaboration.

The circumstances under which contemporary public organizations pursue the objectives for which they were established, induces them to enter into relationships based on both competition as well as collaboration. However, in the case of an enterprise the primary mechanism is competition and collaboration is initiated when it supplements or even boosts competitiveness of business organizations, thus being a precondition to maintaining their presence on the market, as uncompetitive enterprises are eliminated from the market. Whereas for relations of entities from the public sector with other organizations (and irrespective what sector they are classified for) collaboration underlies their operations as it increases opportunities for providing their public services. For these reasons competition is justified, though competitiveness is not a prerequisite for their survival.

Differences and distinctions may serve as a foundation for building collaborative advantage for organizations having distinctive composition features, but operating in similar fields. It entails conditions conducive to building inter-organizational bonds between units of public and non-governmental sectors. An emphasis should be placed on certain similarities in actions, namely commitment to meeting public and social goals, which brings their logic of actions closer. Completely different motives and fundamental assumption lie behind activities undertaken by commercial organizations. Thus the basis for establishing bonds between units from public and private sectors are diverse. It may be concluded that going beyond the borders of public and private sectors appears to be more challenging than collaboration between public and professed non-governmental sectors.
Rationales behind building collaborative advantage result from existing concurrence and matching of basic assumptions and structures of collaborating organizations, and may be as follows:
- preference of actions in the public interest or for the common good,
- functioning in the same local environment,
- existence of the system of individual interpersonal relationships.

The Anglo-Saxon literature features varied degrees of insight and semantic scope for definitions of collaborative advantage. For some researchers it is solely a predilection of being a good partner, and for others a kind of invisible product of collaboration such as results from sharing knowledge and mutual understanding (Huxham, 1996). Others view collaborative advantage as a complex category, agreeing with its fundamental concept which includes benefits produced by collaboration that without which were unlikely to be achieved (Kożuch, 2011; Lank, 2007).

Internal rationales for winning collaborative advantage may involve as follows:
- completing competencies of the organization;
- good interpersonal relationships with potential partners;
- close proximity of their bases;
- opportunity to tap good relations with environment enjoyed by partners, such as relationships with customers, market credibility (Lank 2007).

Internal rationales are also identical when commencing collaboration in a local environment.

Collaborative advantage contributes to more efficiently meeting the goals of the organization, and thus to the advancement of the organization. The following processes are effected: sharing knowledge, collective utilization of resources, increasing individual competencies of managerial staff and employees as well the whole organization as participants of the collaborative processes.

Lasting relations between those collaborating lead to the occurrence of partnership bonds. The process of their shaping is premised on specific principles, among which the following may be described (Strużycki, 2002):
- obeying ethical criteria for collaboration, e.g. oral promises of certain terms and conditions, keeping to initial arrangements, mutual concern for partners’ benefits, strict realization of established quality regimes, payment timescales, delivery conditions;
- economic profitability or boosting operational efficiency,
- considering customary norms grounded in the community of goals and interests;
- mutual respect.

Building collaborative advantage is an element of modern management in the sphere of widely understood public services. The application of public management concepts in practice may bring three types of benefits, i.e.:
- enhanced effectiveness of leveraging public funds;
- public managers bear responsibility for resources used in the process of rendering public services;
- public organizations are to a larger degree obliged to respond to growing demand for high quality public services, reported by their customers, i.e., clients attending to their affairs and consumers, that is buyers of services for their own use.

**Managing collaborative relationships in respondents' opinions**

Two groups under survey, i.e. commune mayors (29 persons) and collaboration specialists (31 persons) expressed their views on how often the office accomplishes its tasks in collaboration with non-governmental organizations. Answers: very often and often have been marked by ¾ of the surveyed. In views of the remainder, collaboration is executed rarely or very rarely.

Establishing collaboration is confirmed by annual schemes for collaboration with non-governmental organizations.

Over the recent few years such schemes have been launched in the increasing number of offices. For example, from among 34 surveyed offices in 2005, 17 embarked on such programmes. In consecutive years this number was rising – up to 31 within 2008-2009. While in 2010 27 surveyed offices drew up such schemes.

Further, emphasis should be placed on the fact that – arising from non-standardized interviews with management practitioners – it happens more frequently that adopted programmes fail to be completed. Informal collaboration occurs far more rarely. In practice formal character is occasionally conferred on the collaboration between an office and civic organizations, and not necessarily filled with definite actions.

Other elements subject to survey involve participation of stakeholder groups in setting goals for collaboration with non-governmental organizations, and exploited opportunities for collaboration with non-governmental organizations. In both cases the surveyed answered all questions in similar way.

Respondents predominantly indicated commune mayors (28) and commune councillors (25), responsible for establishing strategic objectives. Then follow officers (20) and only ranked as fourth all non-governmental organizations (16), and selected non-governmental organizations or organizations representing them (10). It shows that 73 answers pointed out persons from the office and 26 from non-governmental organizations. Hence a larger role in establishing goals for collaboration with non-governmental organizations is ascribed to offices surveyed.

The survey also proved that collaboration is executed with little involvement from both sides.

Respondents underlined their preferences for mutual exchange of information (22 answers), consulting strategies, action schemes, etc. (17 answers), promotion of achievements of collaborating non-governmental organizations (14 answers), participation of non-governmental representatives in meetings (12). All these options correspond to social communication between the office and its stakeholders. Part of them are defined by legal provisions.
In none of these outlined cases is there the need for a shift in operational forms, community of specific goals, or shared exploitation of resources to take place. The persons surveyed emphasized establishment of the job position responsible for collaboration with non-governmental organizations, but in most cases this scope of obligations was indeed attributed to various positions.

Possibilities for collaboration that require coordination, cooperation and partnership collaboration hardly ever occur in the practice of local government management. Thus participation in advisory teams, common participation in national and regional contests, or formulation of programme for local partnership, promotion of achievements of collaborating non-governmental organizations rather feature future potentials for collaboration with non-governmental organizations.

In stark contrast to information on multifarious collaboration opportunities for offices surveyed with civic organizations stand opinions with regard to manners of acquiring information from customers and citizens that affect operations in offices. Respondents marked no more than 2 answers.

Respondents principally indicated meetings of the office leading personnel with residents and customers (29 answers) and from mass media (7 answers). Meanwhile individual opportunities for collaboration are distinguished by diverse manners of acquiring information. Obtaining information through anonymous customers’ and service recipients’ opinion research was marked solely in 3 answers.

Deliberations conducted illustrated by the author’s research results from 2010 reveals that shaping relationships between local government administration offices with civic organizations is characterized by a high degree of inertia. Officers are rather prone to respond to social initiatives rather than actively create conditions for non-government organization so as to incorporate them into co-governance with territorial communities.

Officers surveyed declare apprehension of the significance of collaborating with public and civic organizations, though it does not produce any systemized measures reinforcing this collaboration. It testifies to the declarative nature itself or realization at a minimal level of legal regulations that unequivocally oblige offices to efficient cross-sector collaboration. Therefore, initiating activities together with organizations from the third sector for the common good is a scarcely exploited way of conducting public affairs for basic local units.

In the meantime all organizations may start organized activities for the common good. What appears important is not to violate functioning principles specific to each organization.

With the enhanced degree of complexity inherent in processes occurring in the organization itself and its environment, there increasingly emerges the need for collaboration which goes beyond borders of organizations and even sectors. On the other hand the attention is directed to a deepened awareness of own recognition among people – participants of numerous relationships, as well as increased understanding as to how organized activities affect an organization and people composing them as well as organizational and natural environment. It provides an
appropriate groundwork for advancement of collaboration between public organizations with their environment.

In the context of theoretical findings with regard to collaboration between public and civic organizations, opinions articulated by managerial staff in the offices surveyed and specialists responsible for collaboration with non-governmental organizations appear interesting.

The respondents (32 persons) indicated a key and additional reason for embarking on collaboration by the office with non-governmental organizations. In the view of officers tasked with collaboration the fundamental reasons include: undertaking activities beneficial for local environment (25 answers) and performing legal obligation (14 answers). Almost ¼ of the surveyed reported that the reason behind collaboration is bolstering efficiency of operations in the offices. Such options as discharging previous obligations, obtaining extra resources, or good interpersonal relations between officers and non-governmental organizations occurred in 2 up to 4 answers. The opinions received show that local government officers charged with collaboration with civic organizations principally have an appropriate attitude to this collaboration which is one of the initial requirements for the development.

Analysis of the gained data demonstrates that the respondents accord tremendous significance to focus on citizens and customers, evidenced by the most frequent marking of more efficient fulfilment of citizens’ needs as a benefit produced by collaboration between public organizations with non-governmental (105 answers). The answers validate sensitivity of public managers and officer-specialists to uppermost weighting of modelling relations between public organizations with non-governmental ones.

Further key benefits include providing assistance to inhabitants’ grassroots initiatives and devolution of powers of the process of managing public affairs, which was marked in 112 answers in total. A similar standpoint is quite widely presented by public management practitioners.

Another benefit, i.e. sharing knowledge (38 answers) was, to the largest degree, discerned by collaboration specialists; by others to a lesser degree. This difference may be construed in terms of distinctive character of relations into which this group of the surveyed enters with civic organizations. Namely, collaboration specialists keep a direct contact with these organizations, whereas the others contact is indirect in most cases. This, at least partially, clarifies crucial differences in the answers.

Quite frequently the respondents pay attention to a possibility to information exchange. It suggests their giving remarkable importance to the most basic results of inter-organizational collaboration. In practice it acts as a starting point for gaining further collaboration advantages.

Similarly as with other issues, in answers on the question referring to benefits in terms of more efficient functioning of the office (21 answers) a certain type of isolation may be spotted in the sense that two organizational realities are approached differently – matters of the office and non-governmental organizations are separately analyzed. It seems that reasons behind this lie in the specific pressure
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of the legal system and European ideology which reaches the offices by various ways, including application of EU funds.

In the empirical body of evidence gathered, differences may be recognized in answers depending on whether the question on varied aspects of collaboration with civic organizations is overtly formulated, or together with inquiries as other issues.

For example, orientation towards customers and citizens is not proved by answers on operating procedures for assessing task accomplishment in the offices. In this event overall these procedures either are not in effect or fail to consider informing clients and citizens about the crucial matters which involve issues related to assessment of task accomplishment or holding public debate on executing office operations. The respondents marked all correct answers.

According to around 1/3 of the surveyed respondents, there is a lack of assessment procedures (30 answers). In around 1/4 of offices examined procedures are in operation for quality assessment of executed tasks including standards, operation plan, procedures for expenditures assessment, however clients and citizens are not kept informed on an ongoing basis, and only 2 commune mayors indicated that there are procedures in place for improving quality of task execution which are an element of public debate.

Based on that the conclusion may be formulated with regard to distinct approach to internal issues of offices surveyed and their environment. Moreover, it may be concluded that procedures for formulating goals and tasks receive more attention than procedures connected with their realization. It is presumably an effect of long-standing emphasis on the significance of strategic management and simultaneous underestimation of skills in operational management.

The specialists surveyed shared their views on statutory forms of collaboration with non-governmental organizations. Those employed in these positions, chiefly collaborating with other employees of the office, continued to maintain ongoing contact with non-governmental organizations, monitored and conducted evaluation of collaboration, devised regulations for competitions and held competitions for performance of public tasks by these organizations, replied to enquiries of these organizations, arranged meetings and consultations with NGOs, settled accounts, with the use of accounting-budget reports, of projects executed within collaboration. Supervision over expenditures was exercised by a treasurer together with subordinate services.

The analysis of answers shows that officers’ opinions on conducive factors and barriers to developing forms of collaboration with non-governmental organizations, revolved around omissions and activity of NGOs. Despite access to Internet and other information media, aspects of offices’ operations in this respect were not considered. It constitutes another proof that local government bodies are not adequately equipped for partnership collaboration.

The juxtaposition of the all answers on questions demonstrates that commune mayors and employees dealing with personnel matters overrate their own actions devoted to collaboration of non-governmental organizations. Again this confirms that management practitioners understand the importance of collaboration
with non-governmental organizations which however fails to translate into specific tasks.

A similar conclusion may drawn on the basis of indication of 5 institutions most interested in effective operations of the office. Those questioned in most cases pointed such institutions as a province office, a marshal’s office, a job centre, a district governor office, a regional clearing chamber (18). Voluntary Fire Brigades was marked in few answers, together with other public organizations (11 answers). In the same vein other non-governmental organizations were enumerated, including sports clubs (6). In some way it signifies that the commune mayors and collaboration specialists fail to perceive close connections of offices with non-governmental organizations with which they declare collaboration. Specific organizations were identified by 2 collaboration specialists. In addition to fire brigades and sport clubs they specified, among others, country housewives’ clubs and Pensioner Associations.

The analysis of provided answers also showed that a portion of them is declarative in character. Very rarely there were pointed specific non-governmental organizations whereas indicating the names of other public organizations no longer presented such a problem. Some respondents were either not able to reply to such a question (12 persons), or bluntly argued that such institutions do not exist, and at best it is more likely to discuss inhabitants, citizens, petitioners, employees, entrepreneurs and customers (overall 5 answers).

In the light of argument it may be stated that the offices place an emphasis to collaboration because they are obliged by binding law. Until now no organizational behaviour patterns leading to partnership collaboration have been modelled or popularized. Therefore, inter-organizational collaboration, being at the initial phase of its evolution does not act as an instrument for problem resolving with regard to managing public affairs in basic local government units.

The respondents discerned benefits of collaboration with civic organizations, but they apply to poorly advanced forms of collaboration. Furthermore, this collaboration is frequently formal in its character or is confined to few initiatives.

**Final remarks**

The management of local government organizations is largely a stakeholder-based process in which stakeholders are empowered to exert influences due to power over and interest in the organization’s operations and outcomes. Inter-organizational collaboration is a closely interrelated to model of public governance. Contemporary public managers and employees from local government are not fully prepared to become committed to seeking organizational success, including shaping their own competencies as well the competencies of personnel oriented towards inter-organizational collaboration.

The importance of inter-organizational collaboration, including efficient collaboration between local government bodies and civic organizations is increasingly emphasized by theoreticians and practitioners of public management.
In practice, however, it has a declarative character as it fails to produce systemized actions driving this collaboration. It is testified by realization of collaboration at the minimal level of legal regulations which unequivocally obliges offices to cross-sectoral collaboration.

Collaboration between public organizations and NGOs is, principally, realized with possibly marginal involvement of both parties. Local government offices stress that largely non-governmental organizations do not eagerly establish regular contacts with the offices, do not demonstrate any initiatives to launch joint actions for the benefit of the local community. Whilst officers remain rather passive. They appear not to notice that activation of non-government organizations fall within their obligations.

Managers and officers are hardly prepared for handling public affairs in any manner other than bureaucratic. Nevertheless, they discern the urgency for improving operations of offices.

In the context of backwardness in streamlining provision of public services of high quality and profiting from collaboration with non-governmental organizations, implementation of innovative public management is seen as a favourable factor. Specifically it is concerned with radical changes in internal and external relations of public organizations.

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Significance and Features of Service Industry Management

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Abstract

The evaluation of the role of services in the global economy has been given. It is emphasized that in recent years, Kazakhstan planned to move towards a service state. The singularity of service as an economic category has been emphasized. The significance and features of the services market, existing in tandem with goods market have been revealed. Attention is paid to the peculiarities of management in the service sector. The major areas of management in the service sector have been analyzed.

The role of services in the global economy

The modern stage of economic development is often defined as "service economy": services are becoming an important result of the labor of a large and growing number of employees; and consumption of services - the predominant means of satisfying human needs. This is primarily due to major changes in the industrial structure of the economy and appears in the following main characteristics (Gordin et al., 2007):

1. There is a rapid growth of the rate of services production compared with material production.
2. Absolute number and proportion of workers employed in the service sector have been increased.
3. There is constantly increasing volume and pace of export-import transactions in the service sector in the world trade.
4. The intensity of labor migration in the service sector is increasing.

From the 80-90s of the XX century social function in the developed countries of the world as a whole has evolved according to the formula "the state - a man" on the service basis. Thus, paragraph 3 of Article 13 of the European Social Charter of 3 May 1996 stipulates that member states "undertake to ensure that each person could receive such advice or assistance from the public or private services that may be necessary for preventing, overcoming or alleviating the situations of personal or family needs ".

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At the same social function of the state consists not only in protection of vulnerable population groups (pensioners, disabled people), but also in the care of employable citizens who create the wealth of society. Social function of the State includes provision of a high quality of life for all the citizens and creation of conditions for the growth of their independence and flexibility. As international experience shows, that the state service as a special form of organization of the executive branch of government handles with the implementation of these functions more rapidly, clearly and accurately, providing services to the public and the a decent human life support guarantee system. It should be emphasized that this form of management is not aimed at the revision of the foundations of the state and does not substitute its basic institutions. It only strengthens the legal framework of the executive branch.

Kazakhstan on the way to the service state

In recent years, the movement of the Republic of Kazakhstan (RK) towards service state has become apparent. It is facilitated by the system for assessing the effectiveness of government agencies, reform of the civil service, orienting government official to the results and the introduction of information technology in the public sector.

One of the fast growing segments of the state service is the sphere of public services. Today, there are - 572 types of them. In 2011 the population received 134,073,876 public services. That is, every citizen of Kazakhstan, including infants and the elderly, on average, received eight public services. At the same time there is a constant work on improving the quality of their provision. For example, to reserve a place in the kindergarten through the portal "e-government" takes few minutes. The term for the issuance of passports service, identity cards will be reduced from 15-60 to 15-30 days to the end of 2012, moreover, the list of required documents - from 6 to 0. Registration of Kazakhstani will be carried out in 1 hour instead of 2 days, without providing any reference (now - 8) (Sarsembayev, 2012).

And this is - just the beginning. In the future, we can achieve success in the provision and consumption of public services if they help to achieve the goals and objectives of their recipients. New law in the field of public services will help us in this. It can assist in the promotion of Kazakhstan to the new frontiers of social, service state, which is recognized worldwide as an effective means of realization of the rights, freedoms and interests of a man and a citizen.
The singularity of service as an economic category

It consists in the fact that the service is a symbiosis of the process and outcome (Fig. 1).

<table>
<thead>
<tr>
<th>Economic activity aimed at meeting the needs of individuals or entities</th>
<th>The result is spiritual, social, material amenities or the conditions for the consumption of the mentioned amenities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produced on the request of the customer</td>
<td>Expressed in changes of terms of the consumption or changes of the consumer</td>
</tr>
</tbody>
</table>

Figure 1. Singularity of service

Service - is an economic activity aimed at meeting the needs of customers - individuals and (or) legal entities - by providing them with spiritual, social, material wealth, or creating conditions for the consumption of these amenities. The service is a specific product manufactured on the request of the customer, and is expressed in changes of terms of the consumption or changes of the consumer (Gordin et al., 2007).

The services sector comprises a wide range of special, arising from the specifics of the product produced by economic activities aimed at meeting the personal and production needs and the needs of society at large by means of provision of services. Herewith economic agents in the service sector are:
- Organization completely focused on the provision of services;
- Organizations that have different functionality as a whole;
- Individual services producers.
Describing the functionality of the service sector (Fig. 2), it is proper to separate economic and social functions (Kotilko et al., 2001).

**Economic functions:**
1. Operation of the production process of tangible as well as intangible goods (services) by providing services to enterprises.
2. The reproduction of labor force by means of provision services for population.
3. Production of additional material amenities by means of customized production or recovery of lost consumer attributes of goods for personal use.

**Social functions:**
1. Meeting the needs of the population in different types of services due to various social risks, such as the loss of health, loss of parents in childhood, a security threat.
2. Reducing costs and improving working conditions in the household.
3. Organization of management of the free time.
4. Ensuring public safety and the proper functioning of the state, protection of public order.

Figure 2. Functionality of economic agents in the service sector
Service market and its characteristics

Services market, according to experts (Pesotskaya, 2000), is regarded as the sphere of exchange of services, which are the result of the work of enterprises of non-productive sphere. It exists in tandem with the goods market and is one of its types, developing in terms of the general laws of market economy and obeying these laws. However, it has some specific features that determine a specific approach to business and marketing activities designed to meet the demand for services. The special features of the services market include:

1. High dynamics of market processes. It is associated with both the dynamic nature of demand for the services affected by a significant effect of time factor and the dynamics of supply in this market, due to the flexibility of the sectoral structure of services.

2. Territorial segmentation. Forms of service provision, demand and service companies operating conditions depend on the characteristics of the area covered by a specific market.

3. Local character. This property of services market is also due to the influence of territorial specificity.

4. The high rate of capital turnover. It is a consequence of a shorter production cycle and serves as one of the main advantages of business in the services sector.

5. High sensitivity to the market conditions changes. It is due to the inability of storage, warehousing and transportation of services and, as a rule, the temporal and spatial coincidence of their production and consumption.

6. The specifics of the organization of services production. Producers of services are typically small and medium enterprises in various fields. With greater mobility, these companies have ample opportunity to flexible respond to changing market conditions.

7. The specifics of the service provision. This specificity is due to personal contact of the manufacturer and the consumer. Such contact, on the one hand, creates the conditions for the expansion of communication links, but from another – increases the requirements for professional qualifications, experience, ethics and the general culture of the manufacturer.

8. High degree of service differentiation. The complex structure of demand determines the emergence of new, innovative services. Moreover, this process is increasingly developing as according to the saturation of the market demand.

9. The uncertainty of the result of service provision. The result of the provision of services, in many cases subjects to the influence of the personal qualities of the manufacturer, and can’t be pre-determined with sufficient accuracy. Its final assessment is possible only after the consumption of services.
Types and classification of services

Traditionally, services are divided into two main classes: non-productive or intangible services and tangible or productive services (Motyshina et al., 2008):

1. Tangible services – are the services designed to continue the process of production in the sphere of circulation, transport, storage of material tangible products (goods) and services for the restoration of products cost of material production (trade, catering, transport and communications, consumer and community economy services).

2. Intangible services – are the services of social and cultural services (SCS) that don’t have domain-tactile form. Action of these services is directed straight to the person and the surrounding him environment. The production of such services can’t be separated from their consumption (serving tourists in hotels and catering, organization of concerts, etc.).

The most common classifications of services are listed in Table 1.

Table 1. Classification of services

<table>
<thead>
<tr>
<th>World Trade Association’s Classification</th>
<th>North American Classification of services</th>
<th>Russian Classifier of Services OK-002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Services</td>
<td>Transport (railroad, airlift, freight automobile and others)</td>
<td>Trade (wholesale and retail)</td>
</tr>
<tr>
<td>Communication Services</td>
<td>Communications (telephone, telegraph, radio and etc.)</td>
<td>Accommodation and Food Services (hotels, food service industry)</td>
</tr>
<tr>
<td>Construction and Engineering Services</td>
<td>Valuable Services (electricity, water-supply, gas-supply and others)</td>
<td>Transport</td>
</tr>
<tr>
<td>Distributor Services</td>
<td>Wholesale activity (wholesale and retail trade)</td>
<td>Connection and Information Services</td>
</tr>
<tr>
<td>Educational Services</td>
<td>Financing, Insurance, including Real Estate business</td>
<td>Material and Technical Resources Supply and Storage Services,</td>
</tr>
</tbody>
</table>
Established researchers of the service sector (L. Berry, A. Parasuraman, D. Ratmela, L. Eygliyes, E. Langeard, V. Zeyhaml, Kotler, K. Grenroos) propose to divide the services into several types. One of the most common classification systems is the selection of services by the degree of tangibility from completely intangible (eg. training) to tangible (restaurant services, massage). It is also often found the division of services by their degree of interconnection and complementation (tangible and intangible). For example, K. Grenroos divides services to those, the quality of which depends on the quality of staff and those, which quality of implementation depends on technology. Anyways, the provision of services consists of both of the resources, but their relationship is different and, as a rule, one of the resources dominates.

<table>
<thead>
<tr>
<th>Financial Services, including Insurance</th>
<th>Consumer Service (hotels, services of personal character, entrepreneurship advisory services, auto service, repair services, video rental shops, entertainment, leisure and others)</th>
<th>Credit, Finance and Insurance, Real Estate Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care and Social Services</td>
<td>Other kinds of services</td>
<td>Education, Culture and Art</td>
</tr>
<tr>
<td>Tourism and Traveling; Destination Services</td>
<td></td>
<td>Science and Scientific Services</td>
</tr>
<tr>
<td>Medical services</td>
<td></td>
<td>Public Health Service, including Physical Education and Sport</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>Transport</td>
<td>Household Services (home repair, housing and communal services)</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>Services of personal character (non-productive, consumer services and etc.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public Management Services</td>
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<tr>
<td></td>
<td></td>
<td>Other Services</td>
</tr>
</tbody>
</table>

Source: V. Kulibanova, Services marketing, Vector, St. Petersburg 2006, p. 17.
### Table 2. Forms of consumer service

<table>
<thead>
<tr>
<th>Type of service</th>
<th>Actions of the service department before buying a product</th>
<th>Actions of the service department after buying a product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance Support</td>
<td>Technical Consulting</td>
<td>Reconstruction</td>
</tr>
<tr>
<td></td>
<td>Development of customized project</td>
<td>Installation</td>
</tr>
<tr>
<td></td>
<td>Consumer’s issues solving proposals</td>
<td>Spare parts supply</td>
</tr>
<tr>
<td></td>
<td>Delivery of goods for testing</td>
<td>Repair Service</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preventive testing</td>
</tr>
<tr>
<td>Commercial Services</td>
<td>Places for children</td>
<td>Right of exchange of the product</td>
</tr>
<tr>
<td></td>
<td>Order Department</td>
<td>Delivery</td>
</tr>
<tr>
<td></td>
<td>Parking space for transport</td>
<td>Packing</td>
</tr>
<tr>
<td></td>
<td>Inquiry Offices</td>
<td>Customers’ training on product operation rules</td>
</tr>
<tr>
<td></td>
<td>Delivery of goods for testing</td>
<td></td>
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</tbody>
</table>


As for the frequency of purchase of the services we distinguish: constant purchased services (eg. banking services, cleaning, delivery of goods and services, etc.) and services purchased from time to time (eg. medical services).

According to ISO 9004.2 services are divided into containing products, mixed (half with the products) and clean (no production).

French Association for Standardization of services offered their own typology of services. It identified the following groups of services:

1) Services, "stimulated" by the products, but self-contained, for example, marketing, maintenance, repair and after-sales service;

2) "Independent" services such as consulting, financial and tourist services;

3) Services, "associated" with another service, such as taking orders for training and information services.

Russian specialists (Belousov, G. Bagiev, E. Novatorov, R. Fathudinov) in their works offer a classification of services, based on the form of customer service (see Table. 2).

There is a division of services to warranty and post-warranty services. They provide high quality of the basic services and their increased value.
**Peculiarities of management in the service sector**

Features of the object of management - services - are adequately represented and justified in theory. However, the main development in the scientific literature and practice is focused on the development and use of guidance on taking into account these features in the context of promoting and selling services, but not their production. Under these conditions, the specific of management in the service sector is actually reduced to adapting the theory and practice of marketing of tangible goods to the requirements of the special object of management (services). Thus, the study of the characteristics of management for organizations that produce services haven’t not been systematically investigated yet.

Peculiarities of management in the service sector, seems to be expedient to state, following the logic of traditional understanding of management as an integrated process of economic activity, which includes a set of principles, forms, methods, techniques and means of production management, to achieve the goals of the organization by transforming the factors of production (resources) in the product (in this case services), namely by the system characteristics of the three basic elements of management system: objectives, resources and management tools in the service sector (Fig. 3).

Figure 3. Basic elements of management system

Any organization, before the launch of its general purpose, must acquire all the necessary resources: space, equipment, raw materials, semi-processed materials, etc.; staff. Combination of these three factors of production: labor instruments (fixed assets), the subjects of labor and labor itself - provides the process of production of any of the amenities (Fig. 4).
In turn, the combination of three factors of production implies the existence of several important conditions, namely resources of different types: financial, technological, intellectual, administrative, temporal and spatial. The effectiveness of the organization is largely predetermined by its ability to attract and use resources required for achieving goals.

### Areas of management in the service sector

The most important areas of management in the service sector, according to the authors of a textbook (Motyshina et al., 2008) are:

- a) quality management;
- b) achievement of high performance;
- c) personnel management.

I. Quality management in service sector. The concept of "quality service" is rather ambiguous. This is due to the specific of the services and complicates the management of their quality. As a result of research carried out by foreign authors (Doyle, 1999), ten criteria of evaluation of services by consumers were identified.
First five criteria take into account quality of the results of service provision, and the last five - the quality of the process of the service:

1) Reliability (Do the company's services deserve trust? Do they meet the needs of customers?)
2) Accessibility (How to get access to the services and what is the waiting time?)
3) Reputation (Can consumers trust the company?)
4) Security (Do the services constitute a danger and risk to clients?)
5) Understanding of the needs (What does the company do to know the needs of customers?)
6) Friendliness of the staff (Are the employees of the company willing to serve customers?)
7) Competence (Does the company's staff have necessary knowledge and skills required for good customer service?)
8) Politeness (How polite and considerate employees are to customers?)
9) Communication (Do the consumers understand the content of the company's services?)
10) Tangible factors (Do the appearance of personnel, premises of the company and other tangible factors of maintenance create an image of high-grade services?)

The main criterion for judgment of the quality of service product by customer – is correspondence of services to expectations. If the perceived quality has exceeded expectations, the consumer will be satisfied with the service. If the results of the service fell short of his expectations, the client will remain unsatisfied. The main objective of the company's management is to ensure quality of service corresponding to the expectations of consumers.

II. Performance management in service sector.

One of the most significant problems in the service sector is associated with low productivity. The objective reason of the difficulty, and sometimes impossibility to measure the volume of services and productivity in service activities is due to the lack of tangible results.

The value of labor productivity in service sector is based on the interaction of three factors:

1) High degree of involvement of consumers into the service process makes it difficult to standardize and automate this process;
2) The services are generally characterized by high labor intensity;
3) Inability to keep the services often leads to excess capacity of the company.

An important issue of management - is the ratio of performance and quality. For example, labor productivity of a doctor increases with a decrease of standard time given for the reception of patients. But the inevitable consequence of this is, as a rule, reduction in quality and, consequently, the efficiency of service.

The main ways to increase productivity without sacrificing quality of service are given below (Burmenko, 2007):
Chapter 1: Management in Macroeconomic Perspective

1. Ranking of the activity according the degree of contact with the consumer. Different, types of services involve varying degrees of involvement in consumer services: for example, in medical and educational services, the degree of involvement of customers is very high, but in the provision of postal, utilities, telecommunication services, etc., it is much lower. Contact with the consumer in the provision of services can be both very close and indirect, for example, registration of passengers and baggage sending, receiving the personal request from the client by the bank worker and processing the bills, the work as a pharmacist with the customer at the drug store and the preparation of medicines. Manager should separate the phases according to the degree of involvement of customers. At those stages of service provision that do not require close contact with customers, you need to increase productivity by streamlining and accelerating the process, at the stages of direct interaction with the customer - to improve efficiency, without compromising quality of service.

2. Pipelined approach to service. This approach involves the automation of manual labor (such as automatic washing machines, vending machines, ATMs), and the use of systems allowing to reduce the number of staff (eg, supermarkets, fast food restaurants). Until recently, these technological solutions were used only for services that give the standard result, however, considering the constant technological progress, growing consumer awareness of the technologies and systems, we can conclude that the pipelined approach to service is in demand, and in the near future will be widely used and for those services, which focus on the fulfillment of individual requirements of customers.

3. Increased participation of a customer in the service process. An effective way to improve performance is to convert customers to partial self: direct, without the help of operators, international and long distance phone calls, self-service on some public catering enterprises, hotel rooms equipped with household appliances, allowing customers to make their own tea or warm breakfast, and etc. These innovations are based on knowledge of the needs and peculiarities of behavior of customers. Managers need to conduct preliminary testing of innovations, explain their benefits to customers so that they are pleased with the strengthening of their role in the service process.

4. The establishment of equilibrium of supply and demand. The main reason for discrepancy production capacity and demand for services - is inability of keeping services. The main ways to increase productivity are:
   - Reduction of peak demand as a result of differential pricing, the use of pre-orders system, increased attention to the customers who were forced to wait for services;
   - Increasing the flexibility of supply through the introduction of part-time working day, uniting the services of several companies, more efficient use of equipment and personnel during periods of increasing demand.

III. Approaches to personnel management in the service sector. Specific requirements in the service sector are presented to personnel management. Unlike manufacturing, where people act on the matter and the forces of nature, the
object of influence in the services sector is mainly a man with his needs. In the management of services, supposing a high degree of involvement of customers, high priority should be given to the attitude of employees to consumers.

It is important to company management to establish such norms of behavior of employees that will orientate them to respect clients and their needs.

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Longevity Risk Management
with the use of the Insurance Method
The Analysis on the Example of Poland and Kazakhstan

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Introduction

Risk is a multiple-meaning notion; its meaning depends on domain and context in which it occurs. It may be treated, e.g., as a possibility (hazard) of occurrence of event or as a likelihood of future occurrence of event characterized by uncertainty and independence on the will of the entity encumbered by this risk, usually unfavorable, because likely to create damage in the case of its execution.

When referring to social security, we use the notion of social risk (Jończyk, 2001). In this case social risk means a condition of future, uncertain event related to life, health, employment or family situation of the man, resulting in decreased possibility of satisfying needs independently or increased cost of their satisfying.

The social security scheme is to secure people covered by security and their families against the effects of execution of social risk: causing periodic damage, such as disease (but also maternity that, next to joy, involves also increased expenses), or long-term or constant damage, such as disability, old age, death, sometimes also no work resulting from lack of or drastic reduction in the possibility to earn money.

Risk management with the use of the insurance method consists in a breakdown of the costs of compensation for damages resulting from the risk execution into many entities threatened with this risk. The benefit is executed only upon prior paying premium and its amount does not depend on the standing of the beneficiary.

Since, over the recent decades, the problem of ageing societies has been increasing, which, in the predictable future, will result in a very significant change in the age structure of the society, people aged 50+ will prevail.

In view of the rapidly occurring changes, a basic question arises: what methods can be used under the conditions of systematically prolonging average life expectancy (and thus in fact growth in loss ratio) - supplementing the insurance method with regard to more and more numerous group of beneficiaries - without excessive growth in costs incurred in the form of premium by the insured parties and their employers.
Impact of civilization changes on social protection

Progress in medicine, improvement in working conditions and growth in quality and standard of living cause systematic extension of average life expectancy (Stroiński E., 1996). This change in the length of life increases the number of population at the post-working age. The probability of achieving the retirement age is very high already and it gets close to unity.

As a form of social security, a repartition scheme, based on social solidarity principles, functioned efficiently for several generations, however, rapidly occurring demographic changes (manifesting themselves in the extended average life expectancy and decrease in the number of children) can be determinant for its financial malfunction. It is worth observing the evolution which took place in the population structure within the 20th century.

Chart 1. Classic age pyramid from the early 20th century
Source: Demographic Yearbook, Central Statistical Office (GUS), Warsaw 2010
A progressing process of aging of the society results in the fact that there will be no possibility of ensuring sufficient protection under the general pension scheme based on the repartition scheme (*pay as you go*), i.e. encumbering the working generations with premiums in order to pay pension benefits to the generations at the post-working age.

The previous periods were characterized by a progressive type of the population structure, characterized by a very high number of the children's age group and evenly decreasing - as a result of dying - number of people in subsequent groups of more advanced age. From the graphic perspective, the population structure of several previous periods was depicted well by a classic *age pyramid* in the shape of an isosceles triangle with a wide basis (chart 1).

Under these conditions, the generally adopted repartition scheme, based on the solidarity of generations, did not constitute a great load for working groups of the society. A great number of workers paying for maintenance of a few (not requiring much beneficiaries) constituted the basis for success of this scheme in the 19th and in the early 20th century. It is assumed that this ratio was 5:1 (i.e. five payers per one beneficiary, only for a few years), meaning not very severe (at the level of 15%) load of the employee and the employer with social security premiums.

The second half of the 20th century brought deep changes in this respect. In many rich societies payers to beneficiaries ratio gets close to 2:1, which involves the need for searching for new solutions.

Maintenance of the solidarity scheme in many countries results from two basic reasons. Firstly, management of public premium by private capital market institutions raises doubts, since a conflict between statutorily imposed obligation to gather funds and their private management is noticeable. The second reason is a fear of the intensified process of economic stratification of the society towards increasingly faster increase in profits on capital and low payment growth rate.

These are, however, discussions that may take place in rich countries, having reserves either, in the budget or in the previous pension scheme; the post-socialist countries do not have these reserves and must use compromise solutions.

In Poland – systematically reducing a backlog from the previous decades - at the end of 2010 average life expectancy for both sexes was 72.1 years ([www.stat.gov.pl](http://www.stat.gov.pl), 15.05.2012), (W-79.4; M-71.1), in two recent decades, a constant growth in these indicators has been recorded and, monitoring changes in highly developed countries, further elongation of average life expectancy should be envisaged. Additionally, we can notice a very low growth in population (chart 2), which, already in the nearest decade, will result in shortage of young people on the labor market and even in the case of prolonged retirement age we can expect a growing problem with balancing receipts and expenses of the Social Security Fund.
Chart 2. Age pyramid in the year 2010. Population of Poland by sex and age in 000 in 2010 (as of 31.12)
Source: Demographic Yearbook, Central Statistical Office (GUS), Warsaw 2011, www.stat.gov.pl, p. 505 date of access: 30.03.2012,
Problems on the labor market and, in consequence, in correct functioning of the pension scheme should not occur with such sharpness as in Kazakhstan, where population growth is maintained at a quite high level (chart 3).

Chart 3. Age pyramid according to the state as of 01.2012. Population of Kazakhstan in thousands

It does not mean, however, that it is not necessary to search for additional forms of financial protection for retirement. In the event of both surveyed countries (charts 4, 5, 6) where increasingly larger group at the post-working age remains retired over ten years on average – other, additional forms of social security should be disseminated.
Chart 4 Average life expectancy of men in Poland and in Kazakhstan in the years 1999, 2009 and 2010 after reaching the age of 63, 65 and 67

Chart 5. Average life expectancy of women in Poland and in Kazakhstan in the years 1999, 2009 and 2010 after reaching the age of 58, 60 and 67
Chart 6. Average life expectancy of women and men in Poland (P) and in Kazakhstan (K) in the years 1999-2011

As it results from the data contained in charts 4, 5, 6 in both surveyed countries there is a continuous, quite rapid increase in average life expectancy, however, it is not the only factor that is determining for the amount of funds gathered in the form of premium and meant for pension benefits.

And, at this point, similarities between situations of both surveyed countries run out. While in Kazakhstan a significant increase in the number of people (chart 7) is recorded, in Poland a quick decreasing trend is noticed (chart 5).

Chart 7. Population of Kazakhstan as of 31 December of the given year
Chapter 5 Natural movement of the population of Poland in the years 1945-2010

Chart 6. Demographic load of population aged 15 - 64 with people aged 65 and more at the beginning of the year, in%

Additionally, in the years 2007-2011, in Poland – as opposed to Kazakhstan – the level of unemployment increases, which additionally boosts the problem. Under the conditions of high unemployment, a deficit of the general social security scheme increases, in the case of Poland-deficit of the Social Security Fund increases.
Chart 7. Unemployment rate in Poland and in Kazakhstan in the years 2007 – 2011

If, additionally, we take account of a very low total fertility rate (ca. 1.3-1.4) recorded in Poland in the whole period of the system transformation (from 1999), which is maintained, as opposed to Kazakhstan, where, in the period 1999-2010 a significant growth in total fertility rate (from 1.8 to 2.589) occurred, we will notice not only serious problems which are recorded now, but also a scent of growing problems in the perspective of life of the next generation.

Chart 4. Total fertility rate in Poland and in Kazakhstan in the years 1999, 2009 and 2010
Chapter 1: Management in Macroeconomic Perspective

Problem of shortages of the general pension scheme in Poland

As it is known, a measure of the level of benefits at the time of retiring is the so-called replacement rate. It specifies ratio of the amount of pension benefit to the amount of pay prior to retiring.

Chart 5. Extra contributions of the state budget to the Social Security (ZUS) in the years 2000-2013 (in billion PLN)
Source: www.mf.gov.pl date of access: 15.05.2012

Calculated in this way amount of replacement rate from the 1st and the 2nd pillar, according to the assumptions of the legislators – in the period of works on the reform - was to be at a level not lower than 50% of pay. On the other hand, according to a simulation conducted by the supervision authority, replacement rate will range from 35 to 50% for women and from 45 to 65% for men.

Chart 6. Demographic load coefficient in Poland (number of pensioners per 100 Poles at the productive age)
With regard to Poland, analysts predict that further growth in average life expectancy, with prevailing, very low total fertility rate, will mean increase in loads per each worker (chart 6). At that time, it may prove necessary to reduce drastically the amount of pension benefits or increase pension security premiums (Obrzut 2011).

Search for new, additional solutions

As it has already been mentioned above, the benefits resulting from mandatory segments (1st and 2nd pillar) of the general social security scheme in Poland - in the legislator’s intention, should guarantee to the insured pension benefits at the level sufficient to cover their basic needs; it is estimated that in the group of workers with average income it will be approximately 50 – 60% of income from before retirement\(^4\). In the case of people with high and very high wages – substantially exceeding the statutory level of income encumbered by pension security premiums - it will mean - after retiring - reduction in income even to the level of 10-20% from the period of professional activity.

The creators of the new scheme, taking into consideration meager financial possibilities of the vast majority of employees, have created the possibility of individual and group gathering of funds for future additional pension, as a supplement of pensions resulting from obligatory premiums. For this purpose, the so-called third, voluntary social security pillar has been introduced, which, like the second pillar, is of capital nature.

This third segment (3rd pillar) of the pension scheme is created by two, definitely different forms of gathering of funds for the period after the end of professional activity. The first one, modeled on the experiences of highly-developed countries, covers employee pension plans, created on the basis of the Act on employee pension plans of 20 April 2004 (Journal of Laws No. 116 item 1207 as amended), voluntarily by employers in consultation with representatives of employees. Under these plans, basic premium, paid by the employer\(^5\) along with an additional premium, in the amount declared by the employee\(^6\) – participant of the plan, is transferred to a financial institution that is obligated to invest it. According to Article 6, passage 1 of the Act on employee pension plans, these institutions may be:

\(^4\) In the subject literature also the notion of replacement rate is used (see: I. Jędrasik-Jankowska, 2001).
\(^5\) According to Article 24, passage 2 of the Act on employee pension plans, the amount of paid basic premium cannot exceed 7% of remuneration of the participant.
\(^6\) According to Article 25, passage 4 of the Act on employee pension plans, the amount of additional premiums contributed by the participant to one plan within the calendar year cannot exceed the amount corresponding to 4.5-time average forecasted monthly remuneration in the national economy for a given year. This limit in 2012 is 15 867 PLN.
1) pension fund, i.e. investment fund established on the initiative and at the expense of the employer for the plan needs,
2) investment (commercial) fund,
3) insurance company, upon conclusion of an agreement in the form of group life insurance with insurance capital fund,
4) similar foreign financial institution.

The main benefit of saving under employee pension plans in relation to other, traditional forms of gathering savings, consists in the fact that profits resulting from investing funds paid to the employee pension plan (the difference between the balance of the account and the sum of payments to the employee pension plan) are not encumbered with a flat-rate 19% tax on investment income. At the same time, the amount of basic premium is not included in the basis of calculating of social insurance premium of the employee, which reduces load with this premium for the employee and the employer. In addition, basic premium is for the employer, like its other expenses related to running the employee pension plan, tax deductible cost (it reduces tax paid by the employer).

The second form under the 3rd pillar is, and in fact are, individual forms of security of the future needs, introduced under the names: Individual Pension Accounts, Individual Pension Security Accounts, under the Act of 20 April 2004 on individual pension accounts and individual pension security accounts.

Individual pension accounts and individual pension security accounts, in accordance with Article 2, passages 1 and 1a of the above Act may be only:
1) separated entry in the register of participants of the investment fund,
2) separated security account or other account where financial instruments, other than securities, are recorded, and cash account used for service of such accounts in an entity conducting broker's activities,
3) separated account in the insurance fund,
4) separated bank account in a bank, separated individual pension account in a voluntary pension fund, kept on the terms stipulated by the Act.

The difference between an individual pension account and an individual pension security account resides, above all, in their form. In the case of both accounts, i.e. individual pensions account and individual pension security account, the main incentive, which has to induce to gather systematically and consistently funds for the period after the end of professional activity is – like in the employee pension plan – non-charging of flat-rate 19% tax on investment income. Additionally, in the case of individual pension security accounts, the savers have the right to deduct payments to this account from the base of taxation with personal income tax.

In the case of both accounts, annual payments are limited: for individual pension account it is amount corresponding to three-time average of forecasted monthly remuneration in the national economy for the given year, and for individual pension security account - amount corresponding to 4% of the basic pension security premium, established for the saver for the previous year, however, no more than 4% of the amount of limitation in the annual amount of pension and disability premiums, announced on the basis of Article 19, passage 10 of the Act of
13 October 1998 on the social security scheme (Journal of Laws of 2009 No. 205 item 1585 as amended) for the previous years.

In the case of the discussed pension saving accounts there are differences with regard to taxation with personal income tax, resulting from incentive mechanisms used in them, namely amounts paid in form of payments to individual pension accounts are subject to taxation (they come from previously taxed income), and payment is not subject to taxation, and in the case of individual pension security accounts, since payments are deducted from the base of taxation with personal income tax, payments from the account are subject to this tax.

It should be emphasized that the same person may use both forms of pension accounts simultaneously.

An important issue determining the opportunity to make use of preferences assigned to particular forms offered under the third pillar is takeover of funds on the principle of payment, i.e. after fulfilling the terms specified in regulations. Normally, under employee pension plans, it can take place when the participant reaches the age of 60 or when he or she receives the right to early pension and reaches the age of 55. For individual pension accounts these terms are similar, however, there is an additional term, as payment may take place after reaching the age of 60 or acquiring right to early pension and reaching the age of 55, subject to making payments in at least 5 any calendar years or making more than half of the value of payments no later than 5 years prior to submission of the payment application. In the case of the individual pension security account payment is made at the request of the saver, when he or she reaches the age of 65, subject to making payments to the individual pension security account in at least 5 calendar years.

In the event of takeover of funds on the terms inconsistent with the payment regulations, from the amount gathered on the account the amount of tax on investment income (19% of this income) is deducted, and, in the case of the employee pension plan, additionally 30% of the total of basic premiums paid to employee pension plan for the participant are transferred to the Social Security, where this amount is recorded on the employee's account.

Apart from the above mentioned incentives and reliefs, already beyond the scheme, also investments in real property, in widely understood education perform a similar role, being an effective protection of the future needs. Poles have also a possibility to use reverse mortgage and variable annuity. Currently, these new possibilities are used just by a small part of the society.

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7 The offer in this respect is presented by companies operating on the Polish market, though works are still underway on the final shape of the Act on reverse mortgage.
Table 1. Participation and intention to participate in additional pension security by age in 2011

<table>
<thead>
<tr>
<th>Age</th>
<th>Participation in additional pension security</th>
<th>Intention to participate in additional pension security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>25.00</td>
<td>16.90</td>
</tr>
<tr>
<td>to 24 years</td>
<td>15.16</td>
<td>30.00</td>
</tr>
<tr>
<td>25-34 years</td>
<td>24.73</td>
<td>26.01</td>
</tr>
<tr>
<td>35-44 years</td>
<td>31.01</td>
<td>14.01</td>
</tr>
<tr>
<td>45-59 years</td>
<td>24.02</td>
<td>7.30</td>
</tr>
<tr>
<td>60-64 years</td>
<td>9.33</td>
<td>no data</td>
</tr>
</tbody>
</table>


Traditional forms of saving for the future (cash, deposit in a bank) still prevail, though even these forms are not used by the majority. It is confirmed by results of the *Social Diagnosis* \(^8\) (table 1); interest and participation in additional forms of pension security was confirmed in them by ca. 25% of the surveyed Poles, and additionally 17% declared their intention to use in the future these preferential forms of gathering funds for the purposes of retirement. Despite informational campaigns conducted in the mass media, legions of Poles are still unaware of the occurring processes and changes, as a result of which Poland, as early as in the next generation (chart 7) will become rapidly aging society with the structure that is typical of "the old EU" countries. From forecasts it can be concluded that in 2050 people aged 50+ will prevail.

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\(^8\) Surveys conducted in 2000, 2003, 2005, 2007, 2009, 2011. Each survey covers ca. 40 000 respondents. Last year, 12,381 households were surveyed, covering 37,841 people, including: 26,178 individuals above 16 years old.
Chart 7. Age pyramid in the year 2050. Estimated distribution of the number of women and men in Poland in 2050
Source: Herbich M., Diagnoza, analiza i symulacja wariantowa możliwych ubezpieczeniowych form dobrowolnych programów emerytalnych na rynku polskim, study dla the Polish Chamber of Insurance, Warsaw 2010, p. 128; www.piu.org.pl, date of access: 30.03.2012.

Such a situation is not envisaged only by national but also by international institutions (chart 8). The most alarming forecast has been prepared by UN, which envisages more than 10% decrease in population in Poland until 2035, namely during the life of one generation (25 years).

Chart 8. Forecast of births in Poland in millions
Source: www.stat.gov.pl Forecast of population for the years 2008-2035 date of access: 05.15.2012.
In view of such forecasts there is no basis to predict that it will be possible to maintain the valid principles of functioning of the pension scheme. We should start to popularize intensively and encourage to undertake activities, referring to experience of rich countries, so that a significant portion of Poles would notice advantages and accepted increase and extension of professional activity; this process must be priority. Meanwhile, the level of professional activity of people at the pre-retirement age in Poland is extremely low.

![Chart 9. Professional activity of men aged 55-64 and statutory retirement age of men in the European Union (the left vertical axis shows statutory retirement age in years, the right axis shows professional activity in %). Source: Data for year 2009, Eurostat EU LFS 2006; MISSOC](image)

![Chart 10. Professional activity of women aged 55-64 and statutory retirement age for women in the European Union (the left vertical axis shows statutory retirement age in years, the right axis shows professional activity in %). Source: Data for year 2009, Eurostat EU LFS 2006; MISSOC](image)

In particular, only a small percentage of women aged 55-64 (chart 10) show professional activity, as opposed to women in so rich countries as: Sweden, Denmark or Great Britain, where 60-70% of women at the pre-retirement age work.
Conclusions

To sum up, it has to be stated that growing average life expectancy opens the door to many new possibilities for people at the post-working age. Under conditions of the previously unknown progress in medicine and related economic growth, and thereby, growing standard of living, increasing number of people has an opportunity to live to be one hundred and even more in a good condition; all this, however, requires creation of new financial securities where, next to pension benefit paid out from the general scheme according to the model developed by the previous generations based on the insurance method - it will be possible to use other forms of security, supplementing effectively the insurance method with regard to more and more numerous group of beneficiaries, without excessive growth in costs, incurred in the form of premium by the insured parties and their employers.

When looking for reasons for a very slow growth in importance of additional forms of financial protection for retirement and a relatively limited number of people having additional funds or interested in them, either through individual forms of saving or through pension plans offered by employers, attention should be paid to a lot of various factors that are determinant for a low growth in the level of saving or even resignation from activities. As the most important, we should indicate problems in behaviors and decisions of:

1. The state:
   - no promotion and sufficient information on occurring changes and growing "problem of longevity",
   - no considerable tax reliefs,
   - no other incentives for saving for the future pension,
2. Employers:
   - no adequate interest in creation of pension plans; high rate of unemployment does not encourage employers to improve the image of the company and keep the employees necessary for the company,
   - with regard to the lowest earning employers - no financial arguments to encourage them to participate in the pension plan; In view of modest income, employees prefer to decide on their own on allocation of additional income (paid by the employer to employee pension plan), encumbered by current tax,
3. Citizens:
   - low level of insurance awareness,
   - generally observed lack of knowledge about mechanisms of the currently binding scheme and envisaged amount of future pension benefits,
   - still unsatisfied "hunger of current consumption" constitutes an effective competition for any forms of saving for the long retirement period.
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State in the Polish Economy

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Abstract

The paper discusses statist tendencies in the Polish economy. As an introduction, the essence of liberal economy and statist economy is discussed. The problem of a growing commitment of the state in the world economy has been indicated. Empirical data concerning statism in Poland are presented with reference to the condition of democracy in different countries.

Article

Contrary to common feelings (at least in our region), participation of the state in economic life is by no means decreasing. Such a conclusion results from this year's report of the World Bank. According to this source, despite privatizations and deregulation of economies declared by governments, the percentage ratio of the state budget expenses to GDP keeps on growing in most countries. In the years 1870-1913, this ratio reached about 5%, while in the years 1980-1995 it exceeds 40% and shows a growing tendency.

The Bank explains this tendency with a greater efficiency of intervention of the state (!), at least in developed countries. Translating this statement into economic policy, it means that doctrines of economic growth of particular countries depart from the concept of liberalism towards statist economy. Statism means support of the state intervention in private business operations, a large share of the state budget in domestic product, maintenance of a significant sector of the state economy and pursuit of limitation in self-reliance of the central bank.

There is one unquestionable benefit of statism. It is a benefit of politicians – the greater influences in economy, the greater their power in the state. This benefit of politicians is, after all, a driving wheel of statism in economy.

Statism has an expressly negative impact on release of social energy, initiatives and development of entrepreneurship that are driving forces of the contemporary economy. Statist economy is the opposite of liberal economy, the main principle of which was minimum intervention in economic matters (laissez faire - lack of interferences). Liberalism is open to entrepreneurship, knowledge, creation of the climate of action and creation of new structures
enabling this action. On the other hand, statism refers mainly to activities created and controlled by the state.

Taking heed of the quoted statement of the World Bank, let us remember that experiences of former socialist states in the coordination of business operations, including of Poland, are completely different. It was nothing else but ineffectiveness of the state that at the end of the last century was the main source of the economic slump of this group of countries, which initiated the processes of their economic transformation and reactivation of market coordination mechanisms.

The beginnings of interference of the state in economic processes date back to the times of J. M. Keynes who, however, assumed that impact of the state on economic processes could not be alternative to market mechanism, but its supplementation. However, in the commonly shared opinion, state interventions are opposed to "the market element", which is a significant simplification. In reality, Keynes assumed intervention of the state in economic processes, but only if operation of market mechanisms were disturbed. In other words, Keynes accepted intervention of the state in the event when natural economic mechanisms were not able to bring the economy back to the state of balance. In the "normal" situation, he regarded, first of all, market as the main coordinator of economy. For this reason, E. Mączyńska is right when she claims that "Keynesian economics is … a concept for difficult crisis times" (Mączyńska, 2011).

O. Lange did not hesitate to call the market a kind of "…computer used for solving a system of simultaneous equations" (Lange, 1973). Indeed, the market processes huge quantity of information concerning the volume and the structure of supply and demand, costs, prices, investment directions, etc. This information limits uncertainty of entrepreneurs and investors in their economic decisions. However, disturbance of actions of market mechanisms increases this uncertainty. However, is interference of the state a permanent antidote against this uncertainty? The economic practice prompts that it is not.

The problem is that uncertainty generated by the market, although burdensome, is subjected to some rules. These rules vary in known market economy models, however, inside these economies they create some set of standards of action. They are the basis for the system policy of the state, which was called by W. Wilczyński, in German, as "Ordnungspolitik" [Wilczyński 1995,]. These rules are relatively well recognized and discussed in numerous papers concerning, e.g. economic cycles or risk and uncertainty in business operations.

The situation is completely different with regard to the problem of uncertainty resulting from economic coordination, conducted by the state (according to W. Wilczyński – Prozesspolitik). It takes place through administrative intervention, which also generates uncertainty (the fact we forget). In addition, towards uncertainty generated by administration (officials) we are completely helpless. Economic sciences do not have any model that would be able to reduce this kind of uncertainty. The only cure is limitation in administration itself. Therefore, in contemporary economies, administrative coordination is limited to these decision-making spheres in which we can use aggregated information, which does not
require complicated processing processes. Rights to undertake other decisions are
delegated to lower decision-making levels with a definitely better examination of
business entities and their environment.

The level and the quality of administrative coordination involve progress in
democratic processes in a particular country. They determine the possibility of
influencing or having a direct effect on social life. In the main stream of
administrative coordination also mentioned driving forces of economy are
included. These forces are not, however—using the language of economics—free
goods which can be reached without prior processing, at any time and space.
As in the case of any other resource, activation of entrepreneurship resources
requires appropriate conditions that are strictly correlated with economic relations
in a given community. In cultures with strong interpersonal bonds and large mutual
trust, development of entrepreneurship and economic growth take place faster.
For this reason, trust and related democratic way of governing and decision-making
have become the object of thorough research.

Trust is regarded as the most important component of social capital. Unfortunately, in Poland its condition is very poor. In our country only 11% of
people believe that they can trust other people, while in Finland 60% of people
trust others. Such a high level of mistrust destroys initiative, undermines
innovation and fosters corruption. Probably for this reason in Poland most people
are of the opinion that the success depends on connections (and thus, on the so-
called negative social capital), rather than on real competences.

According to the European Trusted Brands, in Poland the culture of mistrust
has been prevailing for a long time. Findings of the European Social Survey show
that the percentage of our countrymen who trust other people is two times smaller
as compared to the other inhabitants of Europe. Typical Polish distrust is visible
also in relation to representatives of different professions. Only journalists and
financial advisors enjoy a slightly greater trust in Poland than on average in 15
countries taking part in the European Trusted Brands 2012 survey. In relation to all
other professions, except for fire-fighters and sellers of vehicles, Poles are less
trusting than other Europeans. The greatest differences relate to leaders of trade
union and politicians (in our country twice lower trust) and doctors, nurses taxi-
drivers and meteorologists. Poles confess little trust towards professions related to
sale of services and products: sellers of vehicles, financial advisors, travel agency
employees. Also few trust judges and lawyers (less than 40%).

We may disregard low trust in taxi-drivers and meteorologists, however, low
trust in doctors and nurses (we have mainly state national health service) must
worry. Low trust in judges and lawyers in general is even more alarming. It
confirms a view that is quite common in our society that you go to court for
a sentence, rather than for justice.

Trust is the basis of democracy. Democracy is not, however, homogenous and
clearly determined. It is a rather graded process. Bearing this in mind, German
authors Wolfgang Merkel and Marc Bühlman prepared the below characteristics of
democracy in different countries. Findings of their research are shown in
tables 1 and 2.
Table 1. Researched areas of democracy

<table>
<thead>
<tr>
<th>Functions</th>
<th>Principles</th>
<th>Freedom</th>
<th>Control</th>
<th>Evenness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Individual freedom</td>
<td>Rivalry (competition)</td>
<td>&quot;Transparency&quot;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&quot;Constitutionality of the state&quot; (state of law)</td>
<td>Control of authorities</td>
<td>Participation (co-participating)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Openness (Öffentlichkeit)</td>
<td>Management skill</td>
<td>Representation</td>
</tr>
</tbody>
</table>

Source: (Merkel, Bühlmann 2011)

Table 2. List of countries according to the adopted indicators of democracy

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Finland</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Belgium</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Iceland</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Sweden</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Norway</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Canada</td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>11</td>
<td>9</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>USA</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Germany</td>
<td>10</td>
<td>12</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>New Zealand</td>
<td>14</td>
<td>11</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Slovenia</td>
<td>12</td>
<td>15</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Switzerland</td>
<td>19</td>
<td>13</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>Ireland</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Portugal</td>
<td>15</td>
<td>17</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Spain</td>
<td>17</td>
<td>18</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Australia</td>
<td>16</td>
<td>19</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Hungary</td>
<td>20</td>
<td>16</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Austria</td>
<td>18</td>
<td>21</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>21</td>
<td>22</td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td>Italy</td>
<td>22</td>
<td>20</td>
<td>26</td>
<td>22</td>
</tr>
<tr>
<td>Cyprus</td>
<td>23</td>
<td>23</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>Malta</td>
<td>24</td>
<td>24</td>
<td>21</td>
<td>24</td>
</tr>
<tr>
<td>Japan</td>
<td>26</td>
<td>27</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>Great Britain</td>
<td>28</td>
<td>26</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>France</td>
<td>25</td>
<td>25</td>
<td>28</td>
<td>27</td>
</tr>
<tr>
<td><strong>Poland</strong></td>
<td><strong>27</strong></td>
<td><strong>29</strong></td>
<td><strong>27</strong></td>
<td><strong>28</strong></td>
</tr>
<tr>
<td>South Africa</td>
<td>29</td>
<td>28</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: (Merkel, Bühlmann 2011)
From among the analyzed countries, Poland came 28th (third from the end), ahead of South Africa and Costa Rica that are not "famous" for democracy. Although Poland is in the "good company" of Japan, UK and France, low assessment of the democracy of our country must worry. The said good company does not belong to the leading countries in civilization development. Nordic countries are at the head, occupying first places in the above ranking.

Commenting on the stated tables, it is worth emphasizing two issues. The first of them will be establishment that the place of Poland on the mentioned ranking list indicates that amplified in our country cases of putting bureaucratic spokes in business wheels (e.g. Optimus, JTT) are probably only the tip of the iceberg of this phenomenon. An additional light on this problem is cast by the quantity of control in various spheres of activities of the state.

In 2011, the police itself applied for billings of Poles more than 2 million times. Additionally, though the number of crimes remained almost unchanged, in 2011, the services looked into our data about 700 000 times more than the year before. France, which comes second in this aspect, controlled less billings by half. We should add that as much as nine kinds of services in our country are authorized to bug [Zieliński 2012]

Excessive control of the state in our country influences also other areas of social life. E.g. according to social belief, the number of speed cameras to control speed of vehicles on roads is very high. Reduction in their number was even discussed. Unfortunately, at the beginning of this year, a decision was made to introduce approximately 30 new and more modern speed cameras, and the Minister of Finance prepares a new item of related inflows to the state budget.

For many years, Polish entrepreneurs have been complaining about constraining bureaucracy. Unfortunately, surveys conducted in 2011 by TNS OBOP confirm the grounds for these complaints. Within the structure of working time of entrepreneurs business meetings occupy 43%, while bureaucracy (filling in of documents, accounting and official activities) - as much as 38% (other activities – 19%). In this situation, we cannot be surprised by the fact that as the largest obstacles for business they indicate:

- legal problems - 79%,
- problems in contacts with officials – 55%
- formalities related to use of bank services – 29%
- unavailability of credit offer – 26%,
- queues in offices and tardiness of officials – 25%,
- corruption proposals in offices – 10% [Perspectives … 2011]
### Table 3. Tax loads of companies in Poland in the years 2006-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of payments a year</th>
<th>Total tax loads (profit percentage)</th>
<th>Time dedicated to payments (hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>43</td>
<td>56</td>
<td>175</td>
</tr>
<tr>
<td>2007</td>
<td>43</td>
<td>38</td>
<td>175</td>
</tr>
<tr>
<td>2008</td>
<td>41</td>
<td>38</td>
<td>418</td>
</tr>
<tr>
<td>2009</td>
<td>40</td>
<td>40</td>
<td>418</td>
</tr>
<tr>
<td>2010</td>
<td>40</td>
<td>43</td>
<td>395</td>
</tr>
</tbody>
</table>

(Small and medium-sized …2011)

### Table 4. Characteristics of economic judiciary in Poland in the years 2006-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of procedures</th>
<th>Cost (percentage of claims)</th>
<th>Duration (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>41</td>
<td>9</td>
<td>980</td>
</tr>
<tr>
<td>2007</td>
<td>41</td>
<td>10</td>
<td>980</td>
</tr>
<tr>
<td>2008</td>
<td>38</td>
<td>10</td>
<td>830</td>
</tr>
<tr>
<td>2009</td>
<td>38</td>
<td>12</td>
<td>830</td>
</tr>
<tr>
<td>2010</td>
<td>38</td>
<td>12</td>
<td>830</td>
</tr>
</tbody>
</table>

(Small and medium-sized …2011)

### Table 5. Establishing business operations

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of procedures</th>
<th>Cost (percentate of income per capita)</th>
<th>Time (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>6</td>
<td>22.2</td>
<td>31</td>
</tr>
<tr>
<td>2007</td>
<td>6</td>
<td>21.4</td>
<td>31</td>
</tr>
<tr>
<td>2008</td>
<td>6</td>
<td>21.2</td>
<td>31</td>
</tr>
<tr>
<td>2009</td>
<td>6</td>
<td>18.8</td>
<td>31</td>
</tr>
<tr>
<td>2010</td>
<td>6</td>
<td>17.9</td>
<td>32</td>
</tr>
</tbody>
</table>

(Small and medium-sized …2011)

### Table 6. Establishing companies in the world

<table>
<thead>
<tr>
<th></th>
<th>Number of procedures</th>
<th>Cost (percentage of income per capita)</th>
<th>Time (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU average</td>
<td>5.9</td>
<td>15</td>
<td>5.0</td>
</tr>
<tr>
<td>Spain</td>
<td>10.0</td>
<td>47</td>
<td>15.0</td>
</tr>
<tr>
<td>Great Britain</td>
<td>6.0</td>
<td>13</td>
<td>0.7</td>
</tr>
<tr>
<td>USA</td>
<td>6.0</td>
<td>6</td>
<td>0.7</td>
</tr>
</tbody>
</table>

(Small and medium-sized …, 2011)
Reading the quoted tables does not evoke optimism. Although tax loads reaching 50% appear in other countries, those countries have rather stable economies and high levels of living standard. In fact, in tax policy of our country it is not the amount of load that is a problem but the number of payments and time necessary to execute tax activities. This time has been even prolonging (in 2006 – 175 hours, in 2010 – 395 hours). The time necessary to establish a company is equally alarming and in Poland it is 31-32 days whereas the European average is 5 days, and in UK and USA - 0.7 day.

To the listed bureaucratic administrative standards the economic judiciary adjusts, in which, on average, from commencement until completion of a legal procedure more than 2.5 days expire. Moreover, budget expenses on judiciary from 2003 increased by 75%, and from 2006 the time of a process in the district court was prolonged by 52%.

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Role of Education in Development of the Concept of Sustainable Consumption

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Department of International Management
Cracow University of Economics

Abstract

Sustainable consumption is perceived as a strategy of shaping demand aiming at utilizing resources to satisfy the needs and raise the quality of life for both present and future generations.

Nowadays, this concept is more and more often present in the discussion on the challenges faced by the contemporary world. Still, however, it remains more in the sphere of theory than practice - as specified by the Federation of Consumers (www.federacja-konsumentow.org.pl) in fact all studies concerning the sustainable consumption indicate large shortages in the consumer knowledge as well as weak conviction about the real effect of consumers on the environment in which they live, through their behaviours and habits.

Sustainable consumption takes account of life cycle (life-cycle thinking) - both manufacturers, merchandisers and consumers must be aware that they are cells of the same chain and whether the chain will be responsible and balanced depends on them.

Education is certainly the basis for practical implementation of the principles of sustainable consumption. Responsible consumption is after all undertaking consumer choices based on knowledge about consequences of those choices in different areas.

The purpose of this article is, thus, both presentation of major aspects related to the concept of sustainable consumption, but also first of all presentation of the role of education in shaping the person of a responsible consumer.
Chapter 1: Management in Macroeconomic Perspective

Concept of sustainable consumption

The issue of sustainable consumption and production\(^1\) appeared for the first time in the discussion of the world's policy during the conference of the United Nations on environment and development in Rio de Janeiro in 1992. The contemporary scope of actions concerning sustainable consumption and production is based on the Declaration from Johannesburg, adopted during the World Summit of Sustainable Development in Johannesburg in 2002 and the process with Marrakech initiated in 2003. The strategy of sustainable development of the EU of 2006, recognized sustainable consumption and production as one of the seven most important challenges to overcome.

According to Lewicka, responsibility in economic life has two sources. The first one may result from conscious and voluntary selection on participating in economic activities e.g. in the form of running business activities, managing a company or performing specific professions. Thus, it may be identified as the selected responsibility, which is participation of only a part of market participants making a decision on conducting business operations. It may be noticed that the interest, both of researchers and the general public is mainly addressed to this responsibility. On the other hand, much less attention is paid to responsibility, whose source is the role which is not influenced by anything, i.e. participation in economic life as consumers. This is not a role by choice, and it is performed by all and therefore responsibility related to it can be identified as the set responsibility (Lewicka, 2006).

The European Environment Agency describes the sustainable consumption and production as a holistic approach focused on minimization of the effect of social production-consumer systems on the environment. The purpose of the sustainable production and consumption is to maximize efficiency and effectiveness of products, services and investment so as to satisfy today's needs of the society without exposing the capacity of future generations to satisfy their needs.

On the other hand, according to the definition adopted by the working group for sustainable consumption\(^2\) the sustainable consumption is optimal, conscious and responsible use of available natural resources, goods and services at the level of units, households, local communities, business environments, local governments, national governments and international structures, consistent with the principles of sustainable development. It is intended to satisfy the needs and

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\(^1\) The sustainable production and consumption are the issues related to the concept of sustainable development that can be identified as "a process aiming at satisfying development aspirations of the present generation, in a manner enabling implementation of the same goals by the next generations" (Report of the World Commission of Environment and Development).

\(^2\) The working group for sustainable consumption - one of four groups supporting the works of the team for corporate social responsibility, being an auxiliary body of the Prime Minister in the matters of Corporate Social Responsibility
improve the life quality for all in local and global dimension, with simultaneous observing human and employee rights, take into consideration the possibility to satisfy the needs of other people, including future generations and preserving and restoration of natural capital for them. The approach of sustainable consumption considers limitation of wastage, production of waste and contaminations as well as selection of goods and services, which meet the specified ethical, social and environmental criteria to the greatest extent.

Sustainable consumption connects a number of social, economic and political practices in order to:
- reduce the direct ecological effects of production processes, use and utilization of goods and services;
- provide to all the possibility of fulfilling basic consumer needs related to key goods and services, such as: food, water, health protection, education and shelter;
- increase the opportunities for sustainable development in the countries of the South;
- develop goods and services consumption which have a positive impact on health and well-being of women and children;
- develop and use devices enabling energy and water saving;
- develop public and pro-ecological transport;
- develop ecological goods and services adapted to global environment protection requirements;
- promoting life-styles putting greater emphasis on social consistency, local traditions and intangible assets.

The concept of sustainable consumption is determined by five key issues:
1. fulfilling basic human needs (rather than wishes related to fulfilling whims);
2. preferring quality of life over material conditions;
3. minimizing natural resource consumption, production of waste and dirt;
4. considering life-cycle of products (their impact on environment in the processes of production and liquidation) in making consumer decisions;
5. taking-up any actions considering future generations.

The sustainable production and consumption takes into account life cycle (life-cycle thinking) with regard to the use of natural resources - from obtaining resources through the stages of production and consumption, to waste removal - and prolongs this perspective for the whole economy and includes the conditions exceeding the geographic boundaries and components of the environment.
Sustainable consumption is sustainable in the following aspects (Kiełczewski, 2008):

- **economic aspect** – consumption processes do not contribute to serious disorders of economic balance, which results from determination of proportion between current consumption and future consumption,
- **ecological aspect** – usability of consumption is maximized with the simultaneous preservation of usability and quality of natural resources and natural environment, enabling direct consumption of environmental goods,
- **social aspect** – consumption (even if with regard to socially desired goods) is available to all people regardless of time and space (that is, is relatively proportionally distributed), preferred forms of consumption are the ones that minimize social problems or contribute to their solving,
- **psychological aspect** – consumption processes contribute to increase in life quality – it is possible to determine optimal balance between material and intangible consumption,
- **demographic aspect** – demographic factors do not constitute barriers of growth in consumption,
- **spatial aspect** – the ways how the needs satisfied will not prejudice the principles of spatial order
- **intertemporal aspect** – the abovementioned dimensions of balancing consumption can be fulfilled in unlimited time perspective.

The definition formulated in such a way is normative, as it determines the desired state of consumption processes. It contains the postulates towards real consumption processes. Such a notion of sustainable consumption has also a descriptive character, specifying economic conditions, whose fulfilment will be deemed as achievement of goals of durability and sustainability by actual consumption processes. As the measure of balancing consumption, it is thus possible to assume the level of fulfilling the above terms, specified quantitatively and/or qualitatively.

The scientific research over the concept, model and indicators of sustainable production and consumption has been in progress since the 80s of 20th century and is conducted by key international research centres and supranational organizations such as United Nations (UN), Organization for Economic Cooperation and Development (OECD), European Commission or the European Environment Agency.
Role of education for sustainable consumption

Education is the basis for practical implementation of the principles of sustainable consumption. When eaching the sustainable consumption, it is important to take into account the fact that it constitutes an element of a broader discussion on the quality of life of all the Earth's inhabitants. The quality of life depends on many factors, both tangible (availability and use of resources at the global, regional and household level), but also intangible – such as individual values, social standards and ethical choices. It is difficult to imagine how people from different countries could aim at sustainable development on the global scale without the assistance of teachers transferring knowledge on how to proceed to take advantage of the opportunities and challenges that are to be faced by consumers, who want to act according to the assumptions and goals of eco-development. Popularization of the activities for sustainable development in the whole world requires changing social awareness, which should cover all consumers. It is first of all connected with a change in the models as well as standards of consumption. The role of teachers should be performed – in addition to the people professionally related to the education system – also by parents, the media or employers.

When preparing programs or educational materials concerning sustainable development, the educators should take into account specified conditions of the environment in which their students operate (environmental, economic, social and cultural). The educational programs must be also adjusted to a given target group. Active forms of teaching should be used. Educational materials about the sustainable consumption should, except for theoretical knowledge, provide practical skills that will allow the learners to continue training also after they leave school, or after they finish the educational campaign. It will also let them conduct sustainable lifestyle.

Education for sustainable consumption should translate into four levels:

1. unit (me)
2. local (social)
3. national
4. global

It may assume two forms, supplementing each other, as:

- Formal (school) education - at different teaching levels – from kindergarten teaching, through the primary school, junior and secondary school stage, during studies as well as within various types of trainings. Usually this is a process leading to obtaining diplomas, certificates, based on specified structure and the organization of learning and its methodology.
Informal education - the process of shaping attitudes, values, skills and knowledge on the basis of various experiences and the educational impact of the environment (family, friends, work environment) and impact of the mass media lasting, throughout the whole life. It does not have a structure (when it comes to teaching objectives, duration and support) and its purpose is not obtaining certificates. It may result from the willingness to learn something, but is, in general, involuntary (incidental, accidental).

Education is an instrument, through which position of the consumers on the market can be strengthened. Better-informed buyers make more rational decisions and become more aware citizens. The consumers knowing their rights and able to enforce them have a chance to resist unfair marketing practices, intentionally make choices in their interest and even force change of some business behaviours, especially when they are somehow organized. The conscious consumers constitute a force able to have effective pressure on companies not only defending their own interests, but also for the companies considering environmental and social issues.

Therefore, it is important that everyone fulfilled their role – of a conscious and responsible consumer - properly. It requires certain knowledge and individual features. These are developed in the process of formal education, but the beginning may take place much earlier. In the process of informal education, which can be called involuntary - in the family, from the earliest years – positive attitudes may be shaped that, in accordance with the belief that what you learn in your early years, will dictate your later decisions, will be then initiated, and later only strengthened. Children to a large extent learn by imitation of the observed behaviour in the nearest environment. Therefore, segregation of rubbish made by their parents, saving water or electric power have a chance to be completely natural and repeated in the future. On the other hand - participation of the youngest in the family in making decisions on purchase systematically increases and very young consumers are a great purchasing power. The children are also a carrier of information in the family as a result of what, often, older family members modify their habits.

The right to education should, be first of all, exercised by the state in the form of organization of the teaching process for all consumers - both the youngest - in kindergarten, and seniors. The purpose of the education process is not only delivery of appropriate knowledge and education of skills, but also influence on the attitudes and styles of life and, as a consequence, change of behaviour of broad consumer groups (see tab. 1). The consumer education should be, thus, conducted at different levels, starting from early school years up to retirement, in various forms, in the form of nationwide campaigns, programs in the mass media intended for different groups, special websites or organization of training workshops in small groups (Lewicka, 2006).
### Table 1. Benefits of education for sustainable development

<table>
<thead>
<tr>
<th>Student</th>
<th>Teacher</th>
<th>School</th>
</tr>
</thead>
<tbody>
<tr>
<td>- develops his/her potential - expands horizons - gains new, practical skills - better understands relations and dependencies in the contemporary world</td>
<td>- gains new professional qualifications - gains tools to conduct interesting lessons - better involves and motivates students - participates in interesting environmental projects</td>
<td>- fulfils requirements of the syllabus - enables teachers and students work on real problems and studies of cases - gains financial savings as a result of effective management of resources - gains reputation and is characterized among other teaching centres - acquires additional financing for ecological projects and in the field of sustainable development - cooperates at programs regarding education for sustainable development with other schools, organizations, partners</td>
</tr>
</tbody>
</table>


The programs of formal teaching, in particular the one at the elementary level should properly implement the ecological and social elements to science and humanistic teaching programs, and economic elements - to natural teaching programs. Interdisciplinary curricula should be developed, especially at the secondary and higher level. Considering the educational function of a school, its programs should also include learning of unassisted thinking, but also collective action, instilling responsibility for activities and learning of the capacity of predicting the effects of activities. The programs of informal education should include the patterns of changes in consumption trends, promotion of values and lifestyle other than related to consumption. This form of education should be combined by the Church and the media as well as non-governmental organizations. On the contrary, the role of administration and local governments should be limited to creating legal and institutional conditions for the development of sustainable directions of formal and informal education, financial support and pro-family policy. Education of consumers as an essential element of politics is indicated in numerous documents of both EU, UN, UNESCO and at the level of particular countries, including Poland.
The consumer education is one of the priority goals of the European Union, which was reflected in the *Strategy of Consumer Policy of the EU for 2007-2013*, which assumes further strengthening of the position of consumers, improvement of their welfare and ensuring their protection against risk and hazards related to dynamic and multidirectional development of the global market. An example of practical implementation of consumer education is project *Dolceta - Online consumer education* discussed in more detail in further parts of this article.

On the other hand, the renewed strategy of the European Union for 2011-2014 concerning Corporate Social Responsibility emphasizes the fact that in spite of a growth of interest of consumers for the issues related to CSR in recent years, still there are significant barriers, e.g. insufficient level of awareness, the need for payment of sometimes higher price and the lack of easy access to information to make a conscious choice. Review of the plan of activities concerning sustainable consumption and production may be an opportunity to identify new measures to facilitate more responsible consumption.

Additionally, within the EIONET network, ensuring cooperation between the European Environment Agency and the Member States, in 2009 National Reference Centres on the Sustainable Production and consumption were established. They cooperate with the National Focal Points (NFP) and with the European Topic Centres (ETC). In Poland the Main Environmental Inspector is responsible for cooperation with the European Environment Agency, on the other hand the Minister of Economy is responsible for running affairs related to functioning of, among others, the National Reference Centre on the Sustainable Production and Consumption.

On the other hand, the Strategy of United Nations Economic Commission for Europe (ECG ONZ) concerning *the Education for Sustainable Development* was accepted in 2005 in Vilnius on the high-level meeting of the Ministerial Offices on Environment Agency and Education. The purpose of the Strategy is incorporation of key topics of sustainable development to formal education systems as well as informal and outside-formal education. These issues include among others: human rights, decreasing poverty, health, cultural diversity, peace, ethics, democracy, social justice, safety, economy, environmental protection, management of natural resources. The Strategy of the United Nations forms the grounds for implementation of a global concept, a vision, in which all citizens have a chance to take advantage of education and obtain the skills allowing to make conscious decisions and choices as well as adopt the lifestyle necessary for achievement of objectives of sustainable development.

The General Assembly of UN also adopted a resolution establishing in 2005 - 2014, the Decade of Education for Sustainable Development. Its goal is to support objectives promoting sustainable social, economic and ecological development. It also constitutes an opportunity to make progress in the scope of development of human and improvement of education, in order to make it a key factor of changes. It will be possible by introducing the schools to education for sustainable development and indication that "education and learning play the major role in pursuit of sustainable development and that high quality of education is
a condition of education for sustainable development at all levels and in all aspects of education".

An important role of education in practical achievement of objectives of sustainable development has been specified in the Strategy of Sustainable Development of Poland until 2025 prepared by the Ministry of the Environment. Considering the solutions provided for in the Strategy, a list of potential partners in the process of education for sustainable development included:

- Schools – leaders, administration, teachers, pupils, parents,
- Museums
- Natural centres
- Non-governmental organizations
- Local governments
- Ministry offices: Education, Economy, Health, Agriculture, Environmental Protection, Natural Resources and Forestry
- Media
- Entrepreneurs and farmers
- Local vendors and importers
- Organizers of leisure and tourism
- Consumer ecological and organisations
- Churches and Religious Associations.

Among the superior principles forming the conditions for effective achievement of the Strategy goals, the following have been indicated above all: permanent and consequent improvement of the level of social awareness, increase in access of the society to information and its participation in decision-making process, facilitating access to the justice bodies in cases concerning this development and using the environment, consistent ecological education and development of science and technology.

This document also emphasizes the economic dimension of sustainable development, which, in specific Polish conditions, must include changes of consumption and production trends by appropriate financial and fiscal policy and appropriate promotion with the use of the mass media and ecological education as well as changes in processes and programs for education of new technical and management staff for ecologization of production processes.

According to the Strategy, the main condition for success of implementation of sustainable development direction of the country is active participation of conscious and well-educated society. Therefore, ecological education for sustainable development should be implemented through education in the family, under formal education systems (that is, through elementary, secondary and higher education) and informal education, focused on shaping specific attitudes and behaviours. It should constitute an element of life-long education, implemented throughout the whole life, secondary and higher education, to informal education, focused, among others, on the programs and promotion of proper behaviours. With this assumption, education and constant increase in the level of knowledge and awareness must constitute an element which constantly accompanies life and operations of individuals. Education, to an equal extent,
though based on various programmes, should be applied to children and teenagers, parents, having the greatest effect on shaping characters, teachers transferring their knowledge and experience to pupils and students, leaders of social, political and professional groups, economic activists and Entrepreneurs, farmers, members of local governments and administration employees. The education comprehended this way, despite the differences in the levels and programs, must contain a common element which will be noticing correlation, ability to integrate and balance economic, environmental and social aspects in any operations.

One of four groups supporting the works of the Team for Corporate Social Responsibility, appointed as an auxiliary authority of the Prime Minister of the Republic of Poland is the Group for sustainable consumption. Its primary task is to propose solutions ensuring creation of conditions for development of sustainable consumption in Poland, in particular by strengthening the role of market participants and preparation of effective mechanisms stimulating demand and supply of products characterized by high environmental and social standards. Among the Group's key activities are:

- raising awareness of consumers as well as strengthening their impact on the companies,
- strengthening consumer rights with regard to safety of the offered products and access to information on the product and the manufacturer,
- pursuit to provide safety of the processes implemented at any stage of life of the products or services.

Among the effects of the undertaken activities there is promotion of sustainable lifestyle corresponding to the challenges of sustainable development, in particular by reduction of material consumption, water consumption and power consumption in the implementation of daily routines, making aware of disproportions in the development of social groups inside the country as well as development of societies in the international context and ill-adaptations to the requirements of sustainable consumption arising thereunder and the need for adaptation to a new trend and reconstruction of social trust in order to restore economic development of the economy affected by the crisis, in particular protection and education of the consumers in the financial sector.

Among the activities for dissemination patterns of the sustainable production and consumption recommended by the Group for sustainable consumption, there is education addressed to all sectors and social, age and professional groups, in particular representatives of the media as well as public administration. Next to the formal education, activities in informal education addressed to broad social circles are necessary. These activities should be joined by the media, non-governmental organizations (in particular ecological, consumer, Just Trade or defending human rights), scientific and research centres. Lack of properly prepared teachers and educators as well as necessary teaching and pedagogical aids, finally too narrow consideration of these issues in the curricula and the education for teachers’ development – these are the most important impediments encountered in popularizing the global view on the problems of
sustainable production, commercial exchange and consumption as well as sustainable development.

It is therefore necessary to:

- run educational programs and social awareness campaigns promoting sustainable consumption, including marking products (ecological and social elements, e.g. ecological agriculture or Just Trade);
- undertake intersectoral educational projects, focused on shaping awareness and sustainable consumer attitudes in particular social, age and professional groups, in particular directed to representatives of the media and public administration;
- increase in potential in the field of global education (including education for sustainable development and consumption), through preparation and production of educational and pedagogical materials and aids as well as training the educational staff in this field.

Educational activities for balanced consumption – examples

An interesting project was the campaign "SOS for the world" carried out by TVN TV channel and WWF foundation in 2011, promoting environmentally-friendly behaviour among the Poles. In particular episodes of the program, six pairs of participants (Polish celebrities) faced important ecological problems of the world (climate changes, insufficient recycling and improper waste disposal, deforestation, problem of electrical waste, illegal trade of endangered and vanishing species and the deficit of drinking water).

The purpose of the campaign was to popularize environmentally-friendly lifestyle, in particular promotion of behaviours that will help counteract global ecological problems. The educational quality of this production was unquestionable – the topics selected were within the scope in which each Pole can take actions, introducing simple changes in his/her daily life, aimed at preventing devastation of the environment.

The main tool of the campaign was an interactive Internet website allowing personal selection and internalization of the obligations concerning an environmentally-friendly lifestyle, namely development of own ecological Decalogue as well as six episodes of the documentary series broadcasted on air by TVN.

In the mass media the place of social campaigns that - although still not very numerous - constitute certainly an important element of informal education. Among them, it is possible to mention a, among others, the campaign "Do not litter your conscience", organized by the Ministry of the Environment. This Polish educational-information campaign was intended to raise ecological awareness of the recipients of the campaign in proper handling waste, development of environmental habits on handling garbage - prevention of their formation and relevant waste handling. The campaign started with emission of three educational spots – "Do not burn rubbish at home", "Segregate rubbish" and "No more wild dump-sites", broadcasted in the radio and television. The ratio of the so-called
supported knowledge of the campaign "Do not litter your conscience" amounted to 79%, and the ratio of recognition of at least one of the advertisements amounted to 66%. Television enabled construction of the message awareness in a very wide group of people - in the target group the total scope amounted to 93%, and in the group of people at the age of 4 or older - 90%. Among the most important group of recipients of the campaign, spots were seen at least 3 times by 82% of the respondents.

The campaign was also included in popular television series. They were enriched with situations and dialogues from which the audience could learn how to protect the environment every day in practice and why it is worth doing. The characters appearing in these TV series enjoy considerable authority among the recipients of the campaign. Their appearances are aimed at influencing a change of attitude towards the environment, for the audience to identify with the authorities, who tell them for example to segregate waste, never to burn rubbish or not to throw it out in the forest.

Similar campaigns are organized "more globally", for a broader group of recipients. Among them there is e.g.: European week of sustainable transport, European day without a car or the European Commission campaign for sustainable energy.

Another example of practical implementation of consumer education, implemented on the European scale is the project Dolceta - Online consumer education. It was prepared as requested by the General Administration of Health and Protection of Consumers and is financed by the European Commission. The implementation of the Dolceta project gathered participation of all member countries of the European Union, and in each of them its implementation is entrusted to an invited institution (in Poland, a partner, representative of the country and the institution coordinating the works is the Warsaw School of Economics in Warsaw).

The essence of the Educational Portal Dolceta is a set of educational tools in the scope of consumer education, grouped in the modules, each of which presents a different issue useful for the EU consumers. Prepared so far are the modules covering, among other things, the rights related to consumer, financial services, safety of products, financial education, consumer education and sustainable consumption. The basis of the latter module consists of sections subordinated to the idea of sustainable consumption in the areas important for consumers: Eating and drinking, Attractive look, House and garden as well as Sustainable transport.

The studies included in particular modules focused on the most important issues from the point of view of sustainable development that enable us, the consumers, to get to know them and understand this idea better and become convinced that anyone may contribute to its practical implementation. On the website, except for the information for consumers, there are sections designed for teachers which contain scenarios of classes, interactive educational tools as well as resources concerning consumer education and financial situation as well as sustainable development.
The campaigns for sustainable consumption and production in Poland has been conducted since 2002 by Polska Zielona Sieć (PZS). Their thematic program is promoted by a slogan "Buy Responsibly". Its aim is greater awareness as well as the ability of the Polish society to make responsible consumer choices as well as increase in impact of Polish consumers on the policy of companies, including global corporations, in order to increase standards of their actions in the field of environmental protection and respect for the rights human. Apart from the information actions directed to the general public there are organized numerous conferences, seminars, meetings, debates, shows of films, happenings, exhibitions, festivals as well as trainings. Also publications are issued, among others, manuals for non-governmental organizations, companies, consumers as well as scenarios of classes for teachers and educational brochures for children and young people. PZS uses modern communication tools, including social media to strengthen civil commitment in the consumer affairs. It coordinates, among other things, formation of guides on the places of sustainable consumption in different cities, boycotts of consumers or campaigns of shipment of urgent appeals to international corporations, it also publishes database containing list of socially responsible companies operating on the Polish market.

An interesting project with educational values are also internal educational campaigns for employees of the organizations that as a result of publications on the Internet, may gain many imitators. And so, for example, on the website of the Ministry of the Environment, a guide was published containing ideas on educational ecological campaigns at the workplace entitled "Natural environment is your success". The slogan "We start from ourselves" drives internal educational campaigns for promotion of good habits among employees in the scope of the method of work in offices and companies. As the habits of employees and daily actions at the workplace are of a huge impact on the environment. The internal educational campaigns is also an idea to build bonds among employees and their identity based on the mission and vision of a particular institution.

According to the website: "through the ecological education, the Ministry of Environment Agency wants to raise the society's spirit of respect for the natural environment. Wanting to be a reliable "educator", the Ministry gives a good example. Through the internal educational campaigns the environmental awareness of employees is raised, environmental protection and rational use of natural resources are being promoted".

The internal educational campaigns include, among others: "A day without a lift", "A day without a car", "Let's be an example for others" (campaign for collection of small used electronic and electrical equipment), holiday contest (contest for preparation of a Christmas tree ornament and sculptures from Christmas gift's packages) "replace the battery for a fluorescent lamp", "I went from the print – I will be right back" (re-use of paper with one-sided overprint) or "Do not turn up the climate".

Education of consumers may also become one of the tasks undertaken by companies within the CSR. It is a special education, conducted by companies in a particular way, because it mainly includes the knowledge concerning specific
products (e.g. the information regarding components of food and degree of coverage for daily demand for food product packages or in fast food chains). Such actions happen to be extorted on the companies by the public opinion (as in the case of tobacco companies) or suggested by authorities under the sanction of tightening the law (as in the case of food companies). The companies undertake education of consumers rather in specific circumstances and it is narrowly focused, and apart from this, they will never initiate this thread of consumer education that consists in encouraging to restrict consumption, since it would be against their own interest. Thus nothing will replace the state in fulfilling the obligation of educating consumers.

Conclusion

The education of consumers should serve not only conveying the knowledge about their rights and skills in using them, but also creation of new consumer role models, covered by the notion of sustainable consumption. The sustainable consumption consists in such use of goods and services that serves fulfilling the needs in a satisfactory manner and raising the quality of life and at the same time does not preventing the same to future generations. Implementation of the postulate of sustainable consumption is a long-term program (Kubka, 2004), which must be undertaken by authorities, business, non-governmental organizations as well as consumers conscious of prospects and hazards involved with consumption, both at the level of an individual and society. Education is a necessary condition for obtaining awareness by the consumers.

The sustainable consumption does not imply consuming less, but consuming in a more efficient manner, leading to improvement in the quality of life. An important condition of practical implementation of the concept of sustainable consumption is reorientation of the consumer behaviour and encouraging consumers to change the quality of life. It is necessary to change the egocentric attitude (implementation of needs without paying attention to consequences of their choices) to ecocentric one (demonstrating care for oneself, other people and the environment) and making choices taking account of the needs of other people and environmental protection.

The sustainable consumption is thus possible only under the conditions of high level of ecological awareness on the part of consumers. The words of an environmentalist and expert in the environment Stefan Kozłowski suit perfectly for the end: "Implementation of the assumptions of sustainable development requires high social ecological awareness. If we want to change the course and pursue the assumptions of sustainable development, then it is necessary to change the outlook and the way of thinking. It is only possible by means of systematic teaching provided for the young generation on holistic, global, ecological thinking".
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Social Security and Welfare of the Population in the Republic of Kazakhstan

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Abstract

Research work on the article "Social security and welfare of the population" in the Republic of Kazakhstan is relevant in our days. The article touched the major instruments of social policy of the Republic of Kazakhstan - the policy of providing employment because of the effective use of labor resources is a key factor in the transition to a socially oriented market economy, it requires a civilized labor market, which is characterized by respect for social rights, the provision of guarantees for workers conditions and wages, counteracting unemployment, a developed set of social services to prepare people for work. There is a deep analysis of the social development of Kazakhstan in recent years in this article.

Article

One of the priorities of social policy in conditions of economic growth and welfare of the population of Kazakhstan is the formation of the legal framework of social protection of disabled citizens.

Republic of Kazakhstan is the first country in the CIS that has radically changed the principles and priorities of pension policy, moved from joint to a funded pension system, has revised the principal of the material welfare and social services for disabled citizens.

While carrying out the analysis of the considered problem we can conclude that the costs of the budget of Kazakhstan on social security and social assistance over the past 10 years increased from 153.5 to 758.3 billion KZT or 4.9 times higher. The expenses of the state budget share of spending on social security and social assistance in 2000 amounted to 26.9%, the curve of the proportion of expenditure has two bottom - the first falls on 2005god - then this figure had reached 17.7% of budget expenditures, then in 2006 there was an increase to 19.6%, so that by 2008, again to fall to 18.3%. In 2009 the share of expenditure on
social security and social assistance in total budget expenditures amounted to 20.2%, higher than the level of 2005-2008, but below the level of 2000-2004.


In the next five years one of the priorities of the state budget expenditures will be spent on social services. Increased costs of social services will improve basic social indicators in Kazakhstan. Thus, unemployment is planned to be decreased from 6.9% in 2009 to 6.5% by 2013.

In Kazakhstan, the pension payments in 2011 increased by 30% and it is good to gain more than six million (in 2009 the number was retired - 1,662,877 people) of retired people in the country.

The replacement rate in Kazakhstan is 37% now. 37% is a level of retirement income that people earn when they were retired and worked. However, there is a work that is going to make the present level higher in the future - up to 60% by 2015 and to 70% in the long run.

At the same time we would like to address existing problems to be solved:
1. The pensions increase incrementally, but in order to bring them to the size of the international standards required taking further action on solidarity and basic pensions.
2. Pension assets are saved on a low level of return, the lack of pace of development schemes of voluntary retirement savings, low levels of awareness about the essence of a funded pension system and the importance of the reforms.
3. There is low coverage of the pension system. From the amount of 7 million depositors only about 5 million are active contributors. A similar situation exists in the compulsory social insurance. For example, coverage by the insurance industry in the Almaty region is 65%, South-Kazakhstan - 70.1%, Zhambyl - 80.1% and Kyzylorda - 84%.
4. The number of fatal victims increases to 18% in comparison with 2005 due to lack of attention on the part of employers to ensure safe working conditions. They accounted for the largest number of mining and metallurgical industries and construction (53%). These problems must be solved within the framework of social partnership and increasing social responsibility of the employer.
5. The inflow of low-skilled foreign labor, the employment of certain groups, the tendency of the excess labor supply over demand remain in the labor market, training and retraining does not meet the real needs of the economy. This problem is further complicated by the background of Kazakhstan's accession to the WTO.

Poor organization of production work, neglect of safety requirements and other abnormalities characteristic of small and medium-sized businesses had caused the death of workers. This gives grounds to speak about the need to strengthen the work on health and safety at work and enhance the activities of state inspection.
The situation in the area of enforcement of labor laws requires the formation of a systematic approach to solve the existing problems in this area. It is necessary to improve the organization of the state labor inspection in accordance with international standards and recommendations of the ILO and to consider raising the status of the state labor inspectorate as part of the work on the modernization of public administration.

Against this background, it is necessary to address the following social problems.

1) In the area of pensions:

   taking into account the available financial and economic opportunities and the need to follow the international principles of the pension system, which provides a fixed percentage of income replacement at least 40%, the Government proposals will be made to improve the level of pension payments.

   should be shared with the FSA and the Ministry of Finance to extend the coverage of funded pension system and social insurance, to introduce additional financial instruments.

   to ensure the adequacy of retirement savings, along with an increase in wages, it is necessary to strengthen the mechanism for the participation of employers in the formation of an additional level of retirement savings.

   development of voluntary pension savings schemes to be implemented through the development of social partnership and enhance the social responsibility of business.

   introduction of various pension plans is seen possible in order to increase choice for investors pension funds and investment income increase.

   to adopt measures to further improve the system of pension payments from pension funds and annuity insurance promotion.

2) In the area of support to families with children:

   has already made proposals to stimulate the birth rate of children by continuing to improve the system of state support for families with children and the introduction of additional types of insurance.

3) In support of needy citizens:

   will draft Law "On Amendments to the Law of the Republic of Kazakhstan "On state social aid", in which will clarify the conditions for providing targeted social assistance with the expectation that it will be granted only to those who really need it .

4) In the field of social protection of disabled persons and low-income citizens:

   will draft law "On Social Services", aimed at expanding the list of social services, ensuring availability and improving their quality, determine the order of providing guaranteed and additional social services, as well as the involvement of the private sector to provide social services.

   to plan introduction of the licensing activities of public health and social care agencies and non-medical and social institutions.

5) In the field of employment:
to increase the participation of business in creating new jobs, including for vulnerable groups, as well as providing employment for the disabled.

to review the approaches and ways of working with unemployed youth and women, as well as self-employed people.

to take measures to establish mechanisms aimed at protecting the domestic labor market and involvement in the republic's basically just highly skilled foreign professionals.

6) In the field of labor relations:

to make the transition to a new model of labor relations on the basis of the Labor Code of the Republic of Kazakhstan.

to implement the National Programme for Decent Work in the Republic of Kazakhstan for 2007 to 2009 that was adopted in conjunction with the International Labour Organisation and the social partners of the Republic of Kazakhstan, whose main objective is to provide legal support for decent work and enhance the quality of life for citizens of Kazakhstan.

carrying out research work on current issues of labor and labor protection, primarily in industries with high occupational exposure - coal and ore mining, construction and agriculture.

to ensure safe working conditions in the organizations of the republic will continue to implement international standards on occupational safety and health management system.

continue to improve the wages of public sector employees.

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Chapter 2
Concepts and Conditions of Running Business Activities
Research and Practical Experience of Polish Management Sciences as a Platform of Cooperation between Poland and Kazakhstan

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Abstract

The claim that both the economy of Poland as well as Kazakhstan have presently been rather quickly developing economies and therefore also subject to significant and continuous process of transition does not require any extraordinary evidence. The purpose of development is the pursuit – on the one hand - of economies of countries with a higher level of development, while on the other hand – especially recently – prevention and counteracting (among others, by accelerating these transitions as well as restructuring processes, both in tangible and intangible terms) the negative effects of globalisation processes - especially the effects of the economic crisis. These tasks must be faced by the contemporary theory (of management sciences) as well as the managerial practice.

The subject of interest in this study focuses on indication of substantive areas of support of the science and economy of Kazakhstan with Polish research and practical experience related to management, from the point of view of the offer, and, at the same time, the basis for development of scientific and practical relationships between Poland and Kazakhstan associated with possibilities of development of common (owing to the abovementioned claim) research, scientific and business projects. It is discussed and included in the context of strategic conditions that are connected with the contemporary economy.

Using their research and practical experience (methodological potential) Polish management sciences can support the development of Kazakh commercial and public (or, in a broader perspective, third sector) organisations in the outlined substantive space. This support may make formulating answers concerning sources of survival and development in contemporary and future economic and social circumstances easier to functioning organisations. The outlined problem space
(both in the theoretical perspective the empirical as well as, associated with
designing tools and methods allowing to improve their description, identification,
diagnosis and explanation) should become a platform of mutual cooperation of
scientists from Poland and Kazakhstan working in this field.

Economic and civilisation development stimulates the demand for
management sciences, since, as a result of many circumstances and the growing
complexity of the world, organisation and management becomes more difficult,
more complex and requires a new orientation to be adopted. We believe that Polish
experience acquired in the course of transformation of the traditional business
paradigm into the modern paradigm - may be helpful and be effectively used by
science and economy in Kazakhstan.

Introduction

The claim that both the economy of Poland as well as Kazakhstan have
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conditions that are connected with the contemporary economy.

Therefore, in order to effectively function in contemporary conditions, the
conditions of the so-called "new economy", "the flood and the omnipresence (also
in personal life) of new technologies", or "the crisis" both science and economic
practice must reject their opinion about their eternity, excellence and invariability.
Due to a continuous and fluctuating variability of the conditions they must develop
new features, behaviours and attitudes that may be an adequate answer to the
globally transforming reality.

For this reason (and on this background) the discussion, scientific research
and formulated – as a result of the discussion, reflections and experience - practical
recommendations in the Polish scientific and economic environment:
Firstly - are used to formulate areas, methods and concepts of solution of present and potential problems within the fields of research and the areas associated with the development of management sciences 1.

Secondly - they clearly head from homogeneity characterised by solutions provided for individual issues towards a more holistic presentation of the essence of things. This process results in a tremendous pressure on researchers and practitioners who have to wait for the results of the work of the former.

Thirdly - such pressure allows to develop – in response to formulated paradigms based on the criterion of universalism - increasingly improved methods (concepts, tools and instruments) of management of a constantly emerging new cognitive space and practical action. As Z. Malara argues "the disputes between theoreticians and practitioners acquire a new quality by moving the level of microproblems to the level of macroproblems and aim to search for canons and models which will be used to forge a vision of the future based on the past and the present".

At the basis of contemporary interpretation of the role of management sciences in Poland – both in their scientific as well as practical missions - there is a claim that only those organisations which will know the market needs as well as be able to adjust their resources to them and, at the same time, defeat the competitors will be capable of development. This claim provokes to seek the answer to the question of whether and to which extent the traditional business paradigm(s) matches/does not match the new conditions of competition. In this context, contemporary challenges require these management sciences to stimulate changes and introduce such scientific and practical concepts of the process of organisation and management which, on one hand, are used to solve any emerging problems, while on the other hand change the behavior of an organisation on the market.

As mentioned above, these concepts and changes are absorbed in the form of formulation and explanation of paradigms 2 providing organisations with better understanding of reality and easier adaptation to it (reactive organisations) or using them to create completely new behaviours or products (proactive, active and innovative organisations) These changes require constant consideration of the strategic context which forms the new cognitive space for these sciences and the consumers of their achievements, i.e. organisations or more broadly understood institutions. As Z. Malara argues "all of this results in the facts that the

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1 Management sciences are an academic discipline which allows to use the knowledge of the regularities in functioning and development of organisations as well as the principles of their management in practical activities. As practical social sciences they respond to the demands of business practice, thanks to which they remain in a close contact with the management practice. For this reason, the quite commonly endorsed view is the idea that management is a science and an art at the same time.

2 Paradigm – template, example. Way of thinking, gained by experience, concerning some subject, that shapes conscious reasoning and implemented action, treatment of problems. Paradigms provide patterns, models of thinking and action common for a given culture. Adherence to certain paradigms can lead to routine and make it difficult to apply more rational, new methods and ways of thinking and acting. See Słownik ekonomiczny przedsiębiorcy, ed. Z. Dowgiałło, Wydawnictwo Znicz, Szczecin 2000, s. 2003.
organisational reality experiences the emergence of new rules, principles and ways of functioning of a company (new paradigms), which force it to, in a way, invent its future. This means the contemporary company needs to abandon the models used in the past and make a transition from the old rules of operation planned for a resourceful company to the formula of an intelligent company, and hence the need to, among others, reconstruct the management structure, introduce different principles of gathering information on the market, revitalisation and a more effective utilisation of resource, etc. than the ones used so far. Therefore, the ability to create, develop and implement new concepts, tools or instruments as effective methods of response and practical action in the emerging cognitive space, which is full of turmoil and variability, will become the primary challenge regarding the expectations faced by the theory as well as the practice of management sciences in the nearest future.

Thus, by indicating the directions of research and development of management sciences (both within theory and practice) in respect of the contemporary challenges, we must not ignore the issue of the perspective in which new concepts of solutions of any emerging problems will be prepared as an effective response to the circumstances (context).

**Strategic context associated with contemporary development of theory and practice of management in Poland and Kazakhstan**

The contemporary times as well as the future of the organisation in a strategic context means uncertainty and changes. Contemporary organisations operate and will still function in a world of constant, fluctuating, dynamic and turbulent changes. The ability to behave in such a world in an adequate manner, by adapting to the occurring changes or getting ahead of them will determine whether with a given organisation will be able to survival and flourish. Achievement of this objective may be served by management sciences, thanks to their proposed concepts, methods, tools and instruments. The analysis of the experience indicates that the organisations which were the first to suffer a defeat were the ones which had not been able to develop their own ability to manage the process of changes. In the long run this resulted in the loss of their competitive capacity. On the other hand, the analysis of organisations that have achieved success suggests that their basic sources of success was being able to adjust their management methods to the

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3 What we can define as strategic is “what is the most important for some reason”. See. Słownik Języka Polskiego. Wydawnictwo Naukowe PWN, Biblioteka Gazet Wyborczej, Warszawa 2007, vol. 5, p. 199.

4 In this study we will understand context as “accompanying circumstances, conditions of a given situation”. See. Praktyczny słownik wyrazów obcych, (ed.) A. Latusk and I. Puchalska, Wydawnictwo Zielona Sowa, Kraków 2002, p. 306 – 307. Therefore, we will understand strategic context as “accompanying circumstances, conditions of a given situation in which the actions undertaken by the management sciences - in the form of projections of relevant concepts, methods, tools, instruments, etc., both formalised, and non-formalised – have long-term effects on contemporary organisations”. The activity of management sciences – taking account of the strategic context in their development – is inseparably intertwined with the efficiency of the solutions proposed to the organisations.

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new implementation conditions and effective management of the process of changes.  

So what is this strategic context and where does it manifest itself? When analysing the contemporary global economy we can find some characteristics that will be affecting the competitive capacity of organisations and the need for constant redefinition of the traditional business paradigm in the nearest future. Unsurprisingly, we can distinguish the following four phenomena:

- **Globalisation** - in Poland it is expressed in practice by the increasing presence of foreign corporations striving to expand the markets and/or reduce the operating costs. This phenomenon applies to the sectors of production, trade and services as well as operations on financial markets. As a result the term "Polish company" is in decline. On the other hand, those of big businesses which keep a "national" structure of capital are more and more often forced to develop foreign operations - due to the "consolidation" of the market in consequence of the expansion of companies coming from the world's leading economic countries (world trade grows faster than world production, which means the need to operate on markets which are increasingly more distant from the traditional seats of the companies). The result of the globalisation is the susceptibility of the Polish economy (and companies) to the global economic situation and financial crises in different regions of the world. Meanwhile, managers and specialists need to learn the ability to work in conditions in an international, multicultural working environment.

- **The development of data communication technologies** (Internet) manifests itself in the growth in the pace of information exchange and adaptation of computer systems to company management. These technologies are being adapted in Poland - in our opinion – at the rate which can be considered sufficient. The "carriers" of modernisation are, first of all, businesses from the financial sector, telecommunication operators and the young generation of employees (of various industries) using the Internet as a medium providing them with access to data and communication tools. These technologies, combined with globalisation, have been revolutionising the markets by following the principles similar to reengineering, knock over the traditional time-related and spatial barriers, as well as create new organisational, structural, resource, etc. capabilities, which increase the range of knowledge diffusion and good business

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6 In his new paper dedicated to the new opportunity business R. Kozielski lists the following additional following factors causing the redefinition of traditional business paradigm: new markets, new sectors and industries quickly emerging beside the traditional ones as well as the growth in the importance of stakeholders. See. R. Kozielski, Biznes nowych możliwości. Czerwistna koniczyna – nowy paradygmat biznesu, Oficyna a Wolters Kluwer business, Warszawa 2012, pp. 23-26.
practices. A new phenomenon, which can be described as the network economy age, can be seen emerging.

- It is the network economy age, corresponding to the young generation's vision of the world and life appearing in enterprises is the basic carrier of social changes, changes in cultural patterns. Its operational tool in the form of the IT helps and serves this process. Thanks to its characteristics this tool makes the world smaller and rapidly communicates new trends of behaviours and consumption patterns by presenting them more as market opportunities, enhancing the economy and asking science new questions which the society demands to be quickly, rationally and effectively answered than threats and adverse effects resulting from them.

- The unpredictability of the conditions in which a business is run results from the market becoming mature and the intensification of competition (including as a result of globalisation) To a large extent, "unforeseen" changes in technologies, social behaviours as well as political and legal decisions are also factors. Therefore, the dynamics of environment grow and the tendencies to abrupt changes, which cause discontinuity in the management conditions, are becoming stronger. A fuel for constant threat of crises and the need to prevent them is constantly produced. All of this results in the fact that, in our opinion, the need for strategic management understood (primitively) as the ability to shape and implement the long-term concept of a business will be becoming increasingly smaller. As a result, it is necessary to examine other weaknesses of the previous, traditional business paradigm, among others, the organisation itself, which currently focuses on itself, its ability to transform formalised structures into processes or replace the commercialised large scale of operation with a smaller scale of operation, i.e. fill the business space with more effective relationships.

If we refer to the model illustration of a company's situation, the result of changes in the Polish economy convergent with the trends in the world economy is the shift of the conditions in which a business is run between the model of slow and continuous changes and the model of dynamic and abrupt changes.

To sum up the above reasoning, it should be stated that:

- Firstly - the rapidly changing technologically socio-economic environment generates new challenges for the developed management systems. The constantly increasing complexity of implemented processes and the diffusion of both information as well as knowledge, requires implementation of more and more new solutions in the field of technology which allow them to be used efficiently.

- Secondly, - the effects of these processes include, among others: growth in global products, international manufacturing process, new products (iPod, iPhone, iPad) and services (biotechnologies, materials engineering, micro-electronics, telecommunications, automation and robotics, computer networks), new technologies and their applications, growth in the importance of knowledge and management, effective use of intellectual
capital, increase in the role of trust management within virtualising organisational, process-related or cooperative (network) structures as well as improvement in the educational processes (e-learning, distance learning)

- Thirdly – the factors favouring the petrification of formulated projections undoubtedly include internationalisation, the processes of simultaneous competition and cooperation, the development and liberalisation of the world economy, especially trade as well as rejection of the autarkic understanding of the rules of national economy in favour of the globalisation, as a result of which the world has shrunk down to the size of the global village over the few recent decades.

- Fourthly - management sciences belong to the disciplines of knowledge which - because of their pragmatism and implementation – try to take account of changes in taking place in the conditions determining the civilisation development, and hence the development of organisations, in the proposed solutions (methods, systems or concepts) quite quickly. The combinations of occurring conditions, their dynamics, stages and transformations occurring in them in the form of megatrends, establish new challenges which should be successfully faced by reasonably and efficiently operating organisations.

Such an outlined strategic context of the development of management sciences, consisting in the fact that:

- hierarchy is being replaced by heterarchy, which entails instability of the system of power and complicated relations of superiority and subordination; the value which becomes basic in this system is not authority as such, but the adequacy of the relation between the authority and the type of performed tasks - this forces a rationalised attitude towards the managing authority,

- standardisation is replaced with diversity of activities, consisting in individualisation of problems and a creative approach to solving them; unusual phenomena are treated as sources of inspirations, while the relativism of assessments - as a principle,

- the sense of affiliation is replaced by the need of harmony in collaboration of different social groups and their representatives; this is determined by the increasing social mobility (requiring adaptive skills), variability of organisational forms, openness to different ways of thinking and action, competition rather between people than between groups; all these factors induce to identify personal interests without the need to place them in a specific reference group,

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results in the fact that management sciences face new postulates and problems\textsuperscript{8} which share a common Polish – Kazakh need to research and collaborate in order to formulate an adequate response.

**General outline of problems in cooperation resulting from contemporary experience of development of Polish management theory and practice**

Management sciences deal not only with formation, functioning, transformation, development and cooperation of economic organizations. They address, first of all, enterprises, but also organizations belonging to the public sector [government and local government administration, scientific and educational institutions, health protection, cultural institutions and others]. They tackle issues which have an impact on making right decisions in organizations and their efficient pursuing, contributing to reaching their goals. They are related to efficiency of team actions and their essence includes problems of management work.

Management sciences belong to disciplines from the scope of social sciences that - because of their pragmatism and implementation – attempt quite rapidly to take account, in the proposed solutions [methods, systems or concepts], of changes that take place in conditions determining development of civilization, and hence development of the organization.

Combinations of emerging conditions, their dynamics, stages and transformations occurring in them, in the form of trends and megatrends, \textsuperscript{9} on the one hand, they create challenges (also completely new and original) which should be successfully faced by reasonably and efficiently operating organisations, while on the other hand the offer of problem-oriented cooperation between management scientists and practitioners from Poland and Kazakhstan. This offer covers the trends and challenges which characterise the development of world economy and favour the effective development of management science and practice\textsuperscript{10}. Observation of literature, practical experience as well as statements of managers have led us to the conclusion that the world economy features the following areas [appreciated action concepts] associated with the development of management sciences. They have been presented synthetically in Table 1 as distinguishing conceptual marks along with their substantive scope and research direction.

\textsuperscript{8} The strategic context of the development of management sciences has become a premise for outlining what are, in our opinion, the basic areas the development of which will foster the future effective development of organisations and the pursuit of the abovementioned postulates. The need of studying them, both in the theoretical and the empirical perspective as well as designing tools and methods allowing to improve their description, identification, diagnosis and explanation, determine the directions of common research.


\textsuperscript{10} The need of studying them, both in the theoretical and the empirical perspective as well as designing tools and methods allowing to improve their description, identification, diagnosis and explanation as well as application poses a new and significant challenge to Polish and Kazakh management sciences.

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Table 1. Distinguishing marks of substantive areas [action concepts] of contemporary management sciences in Poland

<table>
<thead>
<tr>
<th>Distinguishing conceptual mark</th>
<th>Direction of searching - problem research pressure</th>
</tr>
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<tbody>
<tr>
<td>Steady development</td>
<td>This problem area aims at creating in the company – on the one hand - conditions for its symbiosis with the environment - , on the other hand, however, - searching for answer to the question of how? in new conditions, can we transform the policy from short-term increase, being a result of single improvements in the process of action and management, to policy of consistent, steady increase, in which the organization is adapted to the changes in a continuous manner. The idea of coexistence of an organization with its environment is to support it in transformation into more balanced organization. However, this substantive direction requires, apart from change in organizational culture, also strong support by IT technology, which allows its adaptation to fast changes on an on-going basis. After some time, such uninterruptible adaptation of an organization to changes shall be perceived as completely natural.</td>
</tr>
<tr>
<td>Responsible business as a sign of multilateral partnership</td>
<td>Significant importance, under conditions of the contemporary economy, is visible in relations between the organization and its partners. They allow, by the so-called partnership, a new manner of operating it. Balanced partnership involves, therefore, dynamic matching of interests of partners with strategic interests of the organization. This philosophy facilitates concluding and monitoring results of partner agreements. Partnership understood in this way should be based on common values, beliefs, consistency of partners' goals and common interests.</td>
</tr>
<tr>
<td>Organizational solutions, flexible and variable</td>
<td>Organizational structure, treated as a management tool, affects the efficiency of operation of the organization, although it alone does not guarantee achieving this efficiency. Organizational solutions must develop in the direction fostering increase in flexibility of functioning of the organization; they consist, first of all, of decomposition of traditional structures in order to construct dynamic network of cooperation bonds inside the organization (task structures) and around it - resulting often from division of the organization into smaller organizations, cooperating with each other on commercial terms. In this situation, significant acceleration – being reaction of the organization</td>
</tr>
</tbody>
</table>
### Organizational solutions, flexible and variable

To changes - will be observed in the processes of creating modern organizational systems, moving away from bureaucratic systems. Greater implementation will be obtained by concepts of an intelligent (self-learning), virtual, organic (network, cluster) or agile (relational) organization. This trend shows that the most important functions and processes in the present age are organized around networks.

### Knowledge and intellectual capital

Issues of intellectual capital and knowledge become more and more often – taking into account contemporary conditions of activities conducted by different types of organizations – both in theory and in empirical terms, the subject of broader and broader and substantively deepened research enquiries and searches. Practitioners and theoreticians agree that the most important resource of a company is knowledge. Contemporary management science is, more than ever, aware of the role of knowledge. New theories assume strong bonds between increase in knowledge, and the pace of increase in effectiveness. In these fields, critical role is played by acquisition, development, codifying, transfer and use of knowledge which is accompanied by continuous learning. New theories focus on the development of skills and competences as factors creating sustainable strategic advantage. I reach the conclusion that successes of the best companies are based on foundation of knowledge and on effective management of this resource. Challenges that are to be faced by contemporary companies and management sciences consist in finding answer to the question: how can we effectively use what we already know and what we are able to learn? The answer is the effect of, among others, such factors as: organizational culture, leadership, structure, processes, as well as people and their knowledge. In this context, it is possible to risk a statement that enterprises should be capable to "think" on the basis of their own intellectual capital and knowledge resources.
Entrepreneurship is the foundation of economic development and social transformations. It can be considered the basic factor ensuring dynamism of increase, as well as structural transformations. Entrepreneurship is a complex process. It is also a unique phenomenon, expressed by appropriate original, innovative attitude, involvement, initiative, inventiveness or specific behaviour which stimulates and develops the company. It is very broadly understood. Not only as a feature attributed to people, but also to organizations themselves. Entrepreneurship [as a feature attributed to people], is the ability to see opportunities present in the external environment and to use them to undertake and run business. It manifests itself, among others, in establishing a new organization, watching over its correct functioning, taking the risk of activities or taking total responsibility for it. Entrepreneurship is a complex and multi-dimensional process. However, the entrepreneur, to develop his/her possibilities, pursue his/her entrepreneurial visions, must be accompanied by specific conditions, creating his/her activity. Entrepreneurship [as a feature attributed to organizations], focuses the research attention on: dialectic conflicts and development challenges, resources and capabilities of the organization, organizational learning and organizational improvisation, entrepreneurial orientation and activity organizational effects.

Public management

Through improving management standards, research pressure and searches are targeted at professionalization in management within the broadly understood public organizations. Among others, in public organizations, with the use of modern methods and techniques of management, as well as approaches [functional, process, design, virtualization, etc.], the process of their development [achieving effectiveness in action and attention to effects] may be based on copying and adapting methodologies/solutions applied in other commercial organizations [benchmarking] or development of their own, individual methodologies/solutions taking account of the unique character of functioning of a public organization. At present, this direction, in substantive, institutional and resource-based terms [scientific personnel] has been developing dynamically.

Using their research and practical experience (methodological potential) Polish management sciences can, support the development of Kazakh commercial and public (or, in a broader perspective, third sector) organisations in the outlined substantive space. This support is to facilitate functioning of organizations, formulating answers concerning sources of survival and development in contemporary and future economic and social circumstances. The outlined problem space (both in the theoretical perspective the empirical as well as, associated with designing tools and methods allowing to improve their description, identification, diagnosis and explanation) should become a platform of mutual cooperation of scientists from Poland and Kazakhstan working in this field.

Experience and achievements of Polish management sciences – a brief characteristic

The contemporary scientific activities in the field of management sciences in Poland have a more than a hundred-year-old history. A world-class pioneer of scientific organisation and management in was K. Adamiecki, who presented a report on the principles of collective labour management, considered as one of scientific works in the field of management in the world, to the Technological Society in Yekaterinoslav in 1903. This is the moment the development of management sciences in Poland can be dated back to.

Since the beginning of their contemporary development, Polish management sciences have been documenting their accomplishments in the form of original professional publications. There are so many of them that, due to the volume of this paper, it is difficult to list (without omitting the precursors or mentioning the breakthrough and the post-war period generations and restricting oneself to fairly contemporary authors) even the most important ones. Nonetheless, due to the relevance of this paper and the possibility of development of cooperation, it is worth noting at this point the research and implementation papers of living, experienced researchers and authors as well as promising researchers, independent research fellows of the young generation. (see. table 2).

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11 This paper was a report on the works and research conducted by K. Adamiecki already since 1895 and was repeated to the Association of Technicians in Warsaw and published in the “Technical Review” in 1909. K. Adamiecki, Harmonizacja jako jedna z głównych podstaw organizacji naukowej, in collective paper edited by J. Kurmal, Twórcy naukowych podstaw organizacji. Wybór pism, PWE, Warszawa 1972.


Table 2. List of selected contemporary (major) scientific environments and researchers in the field of management sciences in Poland

<table>
<thead>
<tr>
<th>Scientific environment</th>
<th>Researchers</th>
<th>Older generation</th>
<th>Younger generation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Warsaw</strong> (Kozminski University (ALK), Warsaw School of Economics (SGH), University of Warsaw (UW))</td>
<td>A.K. Koźmiński, M. Romanowska, M. Trocki, W.M. Grudzewski, I. Hejduk or K. Oblój and M. Zawiślak</td>
<td>D. Jemielnika, D. Latusek-Jurczak, A. Sopińska, J. Cygler, M. Aluchna, J. Pasieczny, M. Glinka</td>
<td></td>
</tr>
<tr>
<td><strong>Cracow</strong> (Cracow University of Economics (UEK), Jagiellonian University (UJ))</td>
<td>A. Stabryła, R. Borowiecki, J. Czekaj, M. Lisiński, J. Tecze, A. Potocki, A. Pocztowski, L. Kozioł, J. Wiktor, B. Kożuch, M. Bednarczyk or Ł. Sułkowski</td>
<td>B. Mikuła, M. Ćwiklicki, A. Miś</td>
<td></td>
</tr>
<tr>
<td><strong>Katowice</strong> (University of Economics in Katowice (UEK), Silesian University of Technology (PŚ))</td>
<td>J. Rokita, M. Bratnicki, J. Strużyna, H. Bieniok, J. Stachowicz</td>
<td>W. Dyduch, W. Czakon, A. Stanuch-Stachowicz, J. Brzóska</td>
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</tbody>
</table>
After 1989, i.e., following the beginning of the system and economic transition of Poland several thousand book publications in the field of management, based on extensive (including international) research attempting to find a solution to the problems mentioned in Table 1 and their various aspects have been published in Poland.

Also in the recent years the environment has enjoyed a considerable and dynamic improvement in terms of academic development (doctorates, habilitations and professorships in the field of management sciences\(^\text{14}\)).

The development of own, Polish scientific environment as well as scientific and practical achievements accumulating the knowledge related to management, both general and specialist is proves the maturity of Polish management sciences. The experience held by the Polish environment of

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\(^{14}\) For more information see "Osiągnięcia i perspektywy nauk o zarządzaniu", (ed.) S. Lachiewicz, B. Nogalski, Oficyna a Wolters Kluwer business, monographs, Warszawa 2010.

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<tr>
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<tbody>
<tr>
<td>(Poznań University of Economics (UEP))</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lödž</td>
<td>J. Ježak, Cz. Sikorski, W. Błaszczyk, S. Lachiewicz</td>
<td>R. Kozielski, A. Zakrzewska-Bielawska</td>
</tr>
<tr>
<td>(University of Lödž (UL), Lödž University of Technology (PL))</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toruń</td>
<td>M.J. Stankiewicz, M. Haffer, W. Popławski, B. Godziszewski</td>
<td>M. Zastępowski, A. Sudolska, R. Haffer</td>
</tr>
<tr>
<td>(Nicolaus Copernicus University in Toruń (UMK), Toruń School of Banking (WSB))</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(University of Gdańsk (UG))</td>
<td></td>
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</table>

Source: Own study
management sciences may be thus (both in the field of science, education and development of practical recommendations for enterprises) properly utilised as part of the cooperation with Kazakh scientists and practitioners by providing an effective basis for it.

**Experience and achievements of Polish management sciences and detailed challenges to changes in traditional management (business paradigm) as part of the cooperation between Poland and Kazakhstan**

The conditions which accompany the contemporary economy and science described and presented above cause specific effects to new research studies. Many authors argue that in such conditions the traditional approach to management, both in terms of proposed conceptual solutions as well as practical recommendations (the so-called. *good practices*) as functioning methods is hardly useful. Hence the intensive attempts of the management science to formulate new spaces on companies' road to success. Moving from the traditional view (traditional business paradigm) to a paradigm which takes better account of the discussed conditions, challenges and issues becomes an indispensable action on this road. Table 3 presents the criteria and key components illustrating the threshold points describing the space of the traditional and the new business paradigm.

**Table 3. Criteria and key components illustrating the threshold points describing the space of the traditional and the new business paradigm**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Key components illustrating the threshold points</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>traditional paradigm</strong></td>
</tr>
<tr>
<td><strong>Essence and value</strong></td>
<td>Traditional classic strategy, Organisation as a systematic machine</td>
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<td></td>
<td></td>
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<tr>
<td><strong>Strategic orientation</strong></td>
<td>Strategic planning and adjustment, Rational strategy and single business model Resources and competencies</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Market environment</strong></td>
<td>Local/national/regional Traditional industries and chain of values</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Organisation and control</strong></td>
<td>Bureaucracy. Management, checks Chain of values, single closed organisations</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Measurement of achievements</strong></td>
<td>Shareholder value Financial achievements</td>
</tr>
<tr>
<td><strong>Targets</strong></td>
<td>Profit/growth/control Single objectives of the organisation</td>
</tr>
<tr>
<td><strong>Process-related perspective</strong></td>
<td>Particular parts interact as part of subsequent steps Effectiveness from the beginning to the end Standardisation as a response Hierarchic flow of information Optimisation of quality and productivity Operations repeated on a daily basis Division and specialty of labour and organisation</td>
</tr>
<tr>
<td><strong>Role of managers</strong></td>
<td>Being based on traditional energy of employees</td>
</tr>
</tbody>
</table>


The information included in table 3 clearly imply that the traditional business paradigm has exhausted its capabilities in confrontation with contemporary and future conditions, especially in the aspect of stabilisation of instruments, range, dimensions of analysis and solutions. A breakthrough must happen and the beginning of the 21st century is a period which not only favours it
but is, first of all, a sine qua non condition of further effective development of productive and effective management practices supported by theoretical thought.

The above specification shows the changes in the paradigm from the point of view of the directions on which work has to be done. These directions express the following recommendations:

- **Firstly** – departure from formal procedures in favour of a holistic view of the organisation, that is thinking of the organisation in a systemic manner,
- **Secondly** – increasing saturation of live organisation with the issues of innovations, knowledge, intellectual property, both in the scope, purposes as well as other issues and aspects associated with managing it,
- **thirdly** – increasing the scope of creativity, invention, and individual approach in management.

**Conclusion**

Economic and civilisation development stimulates the demand for management sciences, since, as a result of many circumstances and the growing complexity of the world, organisation and management becomes more difficult, more complex and requires a new orientation to be adopted. This orientation has been increasingly based on creation and utilisation of the ability to cope with constant changes and instability. It requires (among others, as a result of increased responsibility, changes in risk, weakening the control, flattening the hierarchy, pursuit of cooperation, development of networking, virtualisation and process-orientation) to base the activities more and more on teamwork and continuous learning within the held experience. It also requires changes in the role of the superiors and managers. New managers must learn to be coaches, players in a team, processes managers, visionary leaders and entrepreneurs.

We believe that Polish experience acquired in the course of transformation of the traditional business paradigm into the modern paradigm - may be helpful and be effectively used by science and economy in Kazakhstan.

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Use of Contemporary Management Methods in Companies Operating in Poland

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Introduction

In the world literature, studies still appear with regard to various concepts and methods of management or regarding some selected concepts or methods. Still however, there are too few studies which would present the findings of research over their use in management practice. The purpose of this article is an attempt to fill in this gap, at least partially.

Research concerning use of contemporary management methods was focused on 12 selected methods. These include: benchmarking, controlling, CRM, ERP, lean management, outsourcing, re-engineering, strategic scorecard, TQM process management, management by competences, knowledge management.

The research tool was a questionnaire containing questions concerning, especially, the issues of:
- what contemporary methods have been implemented in the company?
- what were the premises for implementation of the methods?
- how are the effects of using the methods assessed?
- what are the conditions for use of contemporary management methods.

Efforts were made so that the questionnaire was filled out by a respondent having a broader look at a company. Research was anonymous. As a result of undertaken actions, 173 surveys were returned, the vast majority of which was filled in in a way enabling their use. Finally, the sample of 167 surveys was analyzed.
Contemporary methods in management practice

Research results indicate that the methods used most often by the examined companies were: controlling and process management. On the other hand, the use of re-engineering and strategic scorecard were declared least often (table 1).

Table 1. Use of management methods in the examined companies

<table>
<thead>
<tr>
<th>Management method</th>
<th>Percentage of selected answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlling</td>
<td>45.5</td>
</tr>
<tr>
<td>Process management</td>
<td>43.2</td>
</tr>
<tr>
<td>TQM</td>
<td>40.3</td>
</tr>
<tr>
<td>CRM</td>
<td>38.6</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>31.3</td>
</tr>
<tr>
<td>ERP</td>
<td>27.8</td>
</tr>
<tr>
<td>Knowledge management</td>
<td>27.3</td>
</tr>
<tr>
<td>Lean management</td>
<td>24.4</td>
</tr>
<tr>
<td>Management by competences</td>
<td>18.2</td>
</tr>
<tr>
<td>Benchmarking</td>
<td>17.6</td>
</tr>
<tr>
<td>Strategic Scorecard</td>
<td>9.7</td>
</tr>
<tr>
<td>Re-engineering</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Source: (Contemporary management methods in theory and practice, 2011, p. 214)

The following table (2) presents the premises declared by respondents for implementation of contemporary management methods. It turns out that in slightly above 60% of the examined companies, pursuit of increasing competitiveness was the most important cause for introducing modern solutions in practice with regard to management, while as the least significant causes (marked by approximately 10% of the respondents) the respondents indicated, which should be emphasized, pursuit to increase the levels of innovation and improvement in operational management.
Table 2. Premises for implementation of contemporary management methods

<table>
<thead>
<tr>
<th>Management method</th>
<th>Percentage of selected answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pursuit of increasing competitiveness</td>
<td>62.87</td>
</tr>
<tr>
<td>Pursuit of raising the quality of the offered products</td>
<td>58.68</td>
</tr>
<tr>
<td>Pursuit of reducing costs of company operations</td>
<td>58.68</td>
</tr>
<tr>
<td>Pursuit of improvement in customer service process</td>
<td>55.69</td>
</tr>
<tr>
<td>Pursuit of improvement in financial performance</td>
<td>54.49</td>
</tr>
<tr>
<td>Pursuit of shortening the time of task execution</td>
<td>32.34</td>
</tr>
<tr>
<td>Pursuit of improvement in the management process</td>
<td>31.14</td>
</tr>
<tr>
<td>Pursuit of optimization of the level of employment</td>
<td>28.14</td>
</tr>
<tr>
<td>Pursuit of improvement in the staff management process</td>
<td>20.96</td>
</tr>
<tr>
<td>Pursuit of the improvement in organizational flexibility</td>
<td>20.36</td>
</tr>
<tr>
<td>Pursuit of improvement in the information management</td>
<td>18.56</td>
</tr>
<tr>
<td>Pursuit of increasing satisfaction of owners (shareholders)</td>
<td>16.77</td>
</tr>
<tr>
<td>Pursuit of improvement in the control process</td>
<td>16.17</td>
</tr>
<tr>
<td>Pursuit of concentration of activities on the most valuable customers</td>
<td>15.57</td>
</tr>
<tr>
<td>Pursuit of increasing innovation level</td>
<td>11.97</td>
</tr>
<tr>
<td>Pursuit of improvement in operational management</td>
<td>9.58</td>
</tr>
</tbody>
</table>

Source: (Contemporary management methods in theory and practice, 2011, p. 217)

Research consisted also in the analysis of effect of using contemporary management methods. Its results mean that the respondents assessed best the effects of strategic importance – we recorded, among others, improvement in competitiveness and better adjustment of a company to changes occurring in the environment (table 3).

Table 3. Most important effects of using contemporary management methods

<table>
<thead>
<tr>
<th>Management method</th>
<th>Average assessment</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in the company's competitiveness</td>
<td>4.00</td>
<td>.625</td>
</tr>
<tr>
<td>Growth in the company's flexibility</td>
<td>3.98</td>
<td>.805</td>
</tr>
<tr>
<td>Growth in company management efficiency</td>
<td>3.93</td>
<td>.596</td>
</tr>
<tr>
<td>Growth in effectiveness</td>
<td>3.92</td>
<td>.653</td>
</tr>
<tr>
<td>Better adjustment of a company to changes occurring in the environment</td>
<td>3.92</td>
<td>.597</td>
</tr>
<tr>
<td>General improvement in financial performance</td>
<td>3.90</td>
<td>.672</td>
</tr>
<tr>
<td>Increase in satisfaction of key customers</td>
<td>3.89</td>
<td>.772</td>
</tr>
<tr>
<td>Reduction in the costs of company operations</td>
<td>3.89</td>
<td>.743</td>
</tr>
<tr>
<td>Increase in work efficiency</td>
<td>3.87</td>
<td>.638</td>
</tr>
</tbody>
</table>

Source: on the basis of (Contemporary management methods in theory and practice, 2011)
Conditions for use of contemporary management methods

The conducted analysis revealed that there are no statistically significant differences between the degree of uncertainty in the environment of companies using contemporary management methods in respect of those which have not implemented them (test t was used for independent trials) and as compared to other methods (single-factor analysis of variance was used). Statistically significant dependencies were not observed also between the use of the examined methods and the applied manufacturing technology, strictly speaking, the degree of its routinization.

Weak dependencies (according to the strength of effect) exist between the organizational culture and the performed leadership on the one hand, and using management methods on the other hand. Organizational culture is, namely, conservative (rather than innovative) in companies managed in a process manner and innovative (rather than conservative) in companies using benchmarking (table 4) \(^1\). Leadership, in turn, has a rather dispersed (organic) character in companies using CRM (table 5).

### Table 4. Organizational culture and use of contemporary management methods

<table>
<thead>
<tr>
<th>Method implemented (^2)</th>
<th>No method</th>
<th>Statistics t</th>
<th>Level of importance</th>
<th>Measure of effect force (g statistics according to Hedges)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational culture</strong> is conservative rather than innovative in companies using process management</td>
<td>M = 3.20; SD = 0.90</td>
<td>M = 3.48; SD = 0.94</td>
<td>t(165) = 2.01</td>
<td>p&lt;0.05</td>
</tr>
<tr>
<td><strong>Organizational culture</strong> is rather innovative in companies using benchmarking</td>
<td>M = 3.68; SD = 0.91</td>
<td>M = 3.28; SD = 0.92</td>
<td>t(165) = -2.19</td>
<td>p&lt;0.05</td>
</tr>
</tbody>
</table>

Source: prepared by the authors

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\(^1\) Interpretation of g according to Hedges:
- g above 0.20 – small size of effect,
- g above 0.50 – average size of effect,
- g above 0.80 – large size of effect.

Statistics may have values greater than 1.

\(^2\) M – average; SD - standard deviation
Table 5. Leadership in an organization and use of contemporary management methods

<table>
<thead>
<tr>
<th>Method implemented</th>
<th>No method</th>
<th>Statistics t</th>
<th>Level of importance</th>
<th>Measure of effect force (g statistics according to Hedges)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership is rather decentralised/dispersed in companies using CRM</td>
<td>M = 2.74; SD = 1.19</td>
<td>M = 2.32; SD = 1.08</td>
<td>t(165) = -2.33</td>
<td>p&lt;0.05</td>
</tr>
</tbody>
</table>

Source: prepared by the authors

Stronger dependencies (according to the strength of effect) apply to the organizational structure. It turns out that it is more flexible in companies using competences management, TQM, as well as strategic scorecard (table 6).

Table 6. Organizational structure and use of contemporary management methods

<table>
<thead>
<tr>
<th>Method implemented</th>
<th>No method</th>
<th>Statistics t</th>
<th>Level of importance</th>
<th>Measure of effect force (g statistics according to Hedges)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational structure is more flexible in companies using competences management</td>
<td>M = 3.56; SD = 0.94</td>
<td>M = 3.19; SD = 0.95</td>
<td>t(165) = -2.04</td>
<td>p&lt;0.05</td>
</tr>
<tr>
<td>Organizational structure is more flexible in companies using TQM</td>
<td>M = 3.58; SD = 0.94</td>
<td>M = 3.02; SD = 0.87</td>
<td>t(165) = -3.90</td>
<td>p &lt;0.01</td>
</tr>
<tr>
<td>Organizational structure is more flexible in companies using strategic scorecard</td>
<td>M = 3.82; SD = 0.81</td>
<td>M = 3.19; SD = 0.95</td>
<td>t(165) = -2.64</td>
<td>p &lt;0.01</td>
</tr>
</tbody>
</table>

Source: prepared by the authors

3 M – average; SD - standard deviation
Chapter 2: Concepts and Conditions of Running Business Activities

The strongest dependence (according to the strength of effect) is shown by the variable of employee professionalism. In general, employees are professionals, first of all, in companies using strategic scorecard (table 7).

Table 7. Employee professionalism and use of contemporary management methods

<table>
<thead>
<tr>
<th>Method implemented</th>
<th>No method</th>
<th>Statistics t</th>
<th>Level of importance</th>
<th>Measure of effect force (g statistics according to Hedges)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees are, in general, professionals in companies using strategic scorecard</strong></td>
<td>M = 4.00; SD = 0.71</td>
<td>M = 3.35; SD = 0.86</td>
<td>t(165) = -2.99</td>
<td>p &lt; 0.01</td>
</tr>
</tbody>
</table>

Source: prepared by the author

Use of examined methods of management in companies of different sizes has been presented in the next table (8).

Table 8. Use of contemporary methods of management in companies of different sizes

<table>
<thead>
<tr>
<th>Management method</th>
<th>Percentage of selected answers</th>
<th>up to 50 employees</th>
<th>51-250 employees</th>
<th>251-500 employees</th>
<th>above 500 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlling</td>
<td>25.0</td>
<td>41.5</td>
<td>63.6</td>
<td>70.3</td>
<td></td>
</tr>
<tr>
<td>Process management</td>
<td>25.0</td>
<td>41.5</td>
<td>57.6</td>
<td>64.9</td>
<td></td>
</tr>
<tr>
<td>TQM</td>
<td>29.5</td>
<td>41.5</td>
<td>51.5</td>
<td>51.4</td>
<td></td>
</tr>
<tr>
<td>CRM</td>
<td><strong>52.3</strong></td>
<td>28.3</td>
<td>42.4</td>
<td>43.2</td>
<td></td>
</tr>
<tr>
<td>Outsourcing</td>
<td>11.4</td>
<td>32.1</td>
<td>39.4</td>
<td>54.1</td>
<td></td>
</tr>
<tr>
<td>ERP</td>
<td>27.3</td>
<td>20.8</td>
<td>24.2</td>
<td>48.6</td>
<td></td>
</tr>
<tr>
<td>Knowledge management</td>
<td>20.5</td>
<td>20.8</td>
<td>42.4</td>
<td>37.8</td>
<td></td>
</tr>
<tr>
<td>Lean management</td>
<td>11.4</td>
<td>22.6</td>
<td>27.3</td>
<td>45.9</td>
<td></td>
</tr>
<tr>
<td>Management by competences</td>
<td>11.4</td>
<td>11.3</td>
<td>27.3</td>
<td>32.4</td>
<td></td>
</tr>
<tr>
<td>Benchmarking</td>
<td>15.9</td>
<td>11.3</td>
<td>24.2</td>
<td>27.0</td>
<td></td>
</tr>
<tr>
<td>Strategic Scorecard</td>
<td>2.3</td>
<td>5.7</td>
<td>12.1</td>
<td>24.3</td>
<td></td>
</tr>
<tr>
<td>Re-engineering</td>
<td>4.5</td>
<td>1.9</td>
<td>15.2</td>
<td>18.9</td>
<td></td>
</tr>
</tbody>
</table>

Source: prepared by the author

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4 M – average; SD - standard deviation

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It turns out that definitely most often implemented contemporary management method in small companies, employing up to 50 employees, is CRM (indicated by more than 50% of companies in this group). In the group of medium companies, employing 51-250 employees, more than 40% of respondents indicate the use of TQM, controlling and process management. Three of the mentioned methods are equally often indicated by large companies employing 251-500 employees (indicated by 51.5%; 63.6% and 57.58% of the respondents in this group of companies). In very large companies, on the other hand, the methods used most often are controlling (70.3% of the selected answers), process management (64.9% of the selected answers) and outsourcing (54.1% of the selected answers). In all analyzed groups, the methods used least frequently are re-engineering and strategic scorecard, and in the group of large and very large companies, they are implemented relatively often, in, accordingly, more than ten (large companies) and almost twenty percent (very large entities) of the examined companies.

The statistical analysis (cross tabulation and the chi-square statistics have been applied) demonstrated, in addition, that the bigger the company size, the more widespread use of such methods as: lean management, process management, controlling, management by competences, re-engineering, outsourcing and strategic scorecard. In the event of other methods there are no statistically significant dependences between the size of the company and the frequency of their application (Contemporary management methods in theory and practice, 2011).

Research results concerning implemented methods in companies with various profiles of operations (table 9) reveal that the production enterprises most often indicate the use of controlling, TQM and management process (accordingly 55.6%; 50.8% and 49.2% of answers collected in this group of companies). In services-oriented companies, apart from process management and controlling, it becomes equally popular to use CRM, which is declared by more than 46% of the respondents. A similar situation occurs in production-service companies. On the other hand, commercial companies often implement CRM – this is declared by every second examined company having this business profile. Controlling and outsourcing are also used relatively more frequently (for both methods 33.3% of organizations). None of the trading companies indicated strategic scorecard, re-engineering, benchmarking and management by competences as an implemented and used management method.
Table 9. Use of contemporary methods of management in companies with various profiles of operations

<table>
<thead>
<tr>
<th>Management method</th>
<th>Percentage of indications in</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>production</td>
</tr>
<tr>
<td>Controlling</td>
<td>55.6</td>
</tr>
<tr>
<td>Process management</td>
<td>49.2</td>
</tr>
<tr>
<td>TQM</td>
<td>50.8</td>
</tr>
<tr>
<td>CRM</td>
<td>34.9</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>42.9</td>
</tr>
<tr>
<td>ERP</td>
<td>33.3</td>
</tr>
<tr>
<td>Knowledge management</td>
<td>25.4</td>
</tr>
<tr>
<td>Lean management</td>
<td>39.7</td>
</tr>
<tr>
<td>Management by competences</td>
<td>19.0</td>
</tr>
<tr>
<td>Benchmarking</td>
<td>27.0</td>
</tr>
<tr>
<td>Strategic Scorecard</td>
<td>19.0</td>
</tr>
<tr>
<td>Re-engineering</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Source: prepared by the author

The statistical analysis (cross tabulation and the chi-square statistics have been used) proved that lean management, TQM, benchmarking and strategic scorecard are used substantially more often by production companies and least frequently or not at all by trade companies. At the same time management by competences is substantially more often indicated in service companies, relatively less frequently, on the other hand, in production-service companies and trade companies.

Analysis finally covered the use of management methods both in companies having headquarters in Poland and with the registered office located outside Poland (table 10). In the companies having the registered office in Poland the methods used most often are controlling and process management, which is indicated is more than 40% of respondents in this group. In the companies having the registered office abroad more than 50% of them declares using both outsourcing, TQM, CRM as well as controlling, process management and lean management. In both groups – similarly as in previous sections – re-engineering and strategic scorecard are used relatively least frequently, with the addition that in companies whose registered office is in Poland, both methods are used in little more than 7% of companies, while for those whose registered office is located abroad, re-engineering is used by 14.81% of the respondents, and strategic scorecard by as much as one fourth of the examined organization.
Table 10. Use of contemporary methods of management in companies having the registered office in Poland and abroad

<table>
<thead>
<tr>
<th>Management method</th>
<th>Percentage of selected answers</th>
<th>Companies having the registered office in Poland</th>
<th>Companies having the registered office abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlling</td>
<td>43.6</td>
<td>70.4</td>
<td></td>
</tr>
<tr>
<td>Process management</td>
<td>43.6</td>
<td>55.6</td>
<td></td>
</tr>
<tr>
<td>TQM</td>
<td>39.3</td>
<td>59.3</td>
<td></td>
</tr>
<tr>
<td>CRM</td>
<td>38.6</td>
<td>51.9</td>
<td></td>
</tr>
<tr>
<td>Outsourcing</td>
<td>29.3</td>
<td>51.9</td>
<td></td>
</tr>
<tr>
<td>ERP</td>
<td>26.4</td>
<td>44.4</td>
<td></td>
</tr>
<tr>
<td>Knowledge management</td>
<td>27.1</td>
<td>37.0</td>
<td></td>
</tr>
<tr>
<td>Lean management</td>
<td>17.9</td>
<td>66.7</td>
<td></td>
</tr>
<tr>
<td>Management by competences</td>
<td>18.6</td>
<td>22.2</td>
<td></td>
</tr>
<tr>
<td>Benchmarking</td>
<td>16.4</td>
<td>29.6</td>
<td></td>
</tr>
<tr>
<td>Strategic Scorecard</td>
<td>7.1</td>
<td>25.9</td>
<td></td>
</tr>
<tr>
<td>Re-engineering</td>
<td>7.9</td>
<td>14.8</td>
<td></td>
</tr>
</tbody>
</table>

Source: prepared by the author

Results of statistical analyses using cross tabulation and chi-square statistics, show in addition, that in the case of lean management, controlling, outsourcing and strategic scorecard companies having their headquarters abroad used the mentioned methods substantially more often than organizations having their headquarters in Poland. In the event of other methods, there are not statistically significant differences (Contemporary management methods in theory and practice, 2011).

Conclusion

To sum up the research findings, it should be stated that three most often used management methods are controlling, process management and TQM. In the use of management methods, the management staff is driven by striving for increase in competitiveness, the quality of the offered products and reduction of the company's operation costs. The respondents state that methods used by them, in accordance with expectations, affect the widely understood competitiveness of the company in a positive way. The most important conditions of functioning of a company, affecting the use of management methods may include, as it seems, organizational structure, employee professionalism, size of organization, profile of the company's activity and the location of the company's headquarters.
Attention is drawn to the lack of dependence between the use of management methods, and the uncertainty of the environment of companies. In the opinion of A. K. Koźmiński "(...) the rapidly increasing uncertainty ("generalized uncertainty") causes the need for a radical change both in management, that is its "philosophy" defining basic goals and principles of operation of managers, as well as used methods and techniques" (A. K. Koźmiński, 2004, p.7). However, the examined companies implementing management methods were, to a small degree, driven by the aim to increase organizational flexibility (only ca. 20% of the selected answers), and almost never by the willingness to increase the level of innovation (the premise was on the next to last place – only ca. 12% of the selected answers). Key premises for using the examined methods were, on the one hand, quite general, like increasing competitiveness, and, on the other hand, very "traditional", like: increasing quality of products, cost reduction, improvement in customer service process or growth in financial performance (from ca. 55 to 63% of the selected answers). Following such premises may indicate that contemporary managers, resolving to management methods, still perceive operation conditions of companies as relatively certain. This research confirms it: most respondents - as much as 44.9% of - assessed the environment of companies as certain or rather certain, and only 28.1% of the examined assessed it as rather uncertain and uncertain (one third perceives environment neither as certain nor as uncertain). At the same time, it is interesting that, regardless of intentions of implementing authorities, the examined methods are favourable for dealing with uncertain environment: a second effect, in terms of best assessed effects of using the examined methods, in general, is the growth in flexibility of the company, and the fifth one - better adjustment to changes occurring in the environment.

Bibliography

Evolution of Corporate Governance Models and Implications for Developing Countries (The Case of Poland)

Prof. Jan Jeżak, Ph.D.
Department of Business Management
University of Łódź

Abstract

The purpose of this paper is to analyse global, mainly Anglo-Saxon and German experience in the field of corporate governance and then attempt to answer a question to what extent this experience should be used by the countries of Central Europe, including Poland.

In the first part of the paper the author conducts a review of world literature and presents the most important conclusions from a discussion on the need for changes in both Anglo-Saxon and German corporate governance solutions. These changes are proceeding simultaneously and what is interesting - as the author concludes – both (Anglo-Saxon and German) models gradually get closer to each other (a convergence phenomenon).

In the second part of the paper the author analyzes the Polish solutions against this background and tries to indicate these areas of Polish corporate governance, which already require significant changes. It is first of all about the system of power adopted in Polish corporations, which does not correspond to the present changes in Anglo-Saxon and German solutions.

The whole paper ends with a recapitulation of the most important conclusions from the discussion.

Introduction

Even a rough analysis of the corporate governance models operating in the world shows variety of used solutions, and, at the same time, their mutual differences. These differences apply almost to everything: legal, economic, social systems, the essence and role of corporations in the economy as well as the systems of management and control over the corporation's operations.

The aforementioned leads to a conclusion that the institutional and structural solutions with regard to corporate governance have individual character and are deeply embedded in the economic tradition as well as corporate culture of
a given country. Corporate governance, as yet, does not have a single, widely accepted theoretical base, nor a commonly accepted paradigm (Tricker 2009: 233). Thus, each country should develop its own approach as well as own solutions in this field using, of course, the experience from other countries or regions in the world. The purpose of this study is the very attempt to identify directions with regard to improvement in corporate governance currently dominant in the world, and then on this basis to provide an answer to the question: what should be implemented or modified in institutional and structural solutions in this field in transition economies like Poland. Needless to say, this problem concerns practically all countries implementing the market economy, including Kazakhstan.

The process of evolution of Anglo-Saxon and German models

Comparing the most interesting for us, Anglo-Saxon and German models, the first factor that differentiates both solutions is the level of concentration of corporate ownership. The Anglo-Saxon models are characterized by dispersed ownership and German as well as Latin models by the ownership concentrated in the hands of several shareholders (blocks of shares or votes). This is a result of relevant legal regulations or their absence. Specified legal restrictions, e.g. American investment limits with regard to holdings, shape such but not other ownership structures of companies. Lack of such limits e.g. in reference to German banks leads to their dominance in the ownership structures of local companies, and indirectly to a high degree of concentration of ownership in these companies. However, it is necessary to point out that the concentration of corporate ownership is not a clearly negative phenomenon. For the reason that there is no strong empirical evidence that the companies with concentrated structures of ownership, that is e.g. German, French or Japanese companies are less effective from the companies with dispersed shareholders' structure, that is the American, British or Australian companies.

The second factor diversifying the Anglo-Saxon from German models is the structure of shareholders. Individual shareholders are minority in all regions of the world. As a result of the process of institutionalisation of corporate ownership progressing since the mid-1970s, the holders of the largest stock packages in Anglo-Saxon companies have become institutions such as pension funds and investment funds. On the other hand, in German and Japanese companies this role is performed by banks, insurance companies and capital groups. In the Latin model, significant shareholders are also families and governments. In continental Europe and Japan the institutionalization of ownership is additionally reinforced by the so-called mutual or crossing shares that are used to expand and strengthen influences of capital groups as shareholders. The phenomenon of institutionalisation of companies' shareholder structure should be regarded as one of the most important features of contemporary corporate governance. It carries along important changes not only in ownership structures of companies but also in supervision and management systems of their operations. These changes were
significant enough to gain a special name: investor's capitalism in the middle of the 1990s.

The discussion on advantages and disadvantages of particular models of corporate governance cannot lack an opinion about monistic and dualistic system of power in a company. The monistic system that is of one-level type, practiced in Anglo-Saxon as well as in Japanese companies and in most French companies, gathers management and supervisory functions in the hands of one body referred to as a board of directors. The board of directors usually distinguishes two groups of people, namely persons taking active part in the company’s management processes (the so-called internal directors) and persons performing only supervisory tasks (external directors). Some managerial functions may be delegated to other employees of the company who are not members of the board of directors. A group of such officers is usually defined as corporate officers. It does not, however, create a separate managing body. The second one, dualistic system, that is of a two-level type, popular in a large part of continental Europe, clearly distinguishes between a supervisory function which is performed by a separate body, known as supervisory board (Ger. Aufsichtsrat). On the other hand, the management function is performed by a management board (Ger. Vorstand). Both bodies operate next to each other and none of them can issue binding commands to the other. The mutual impact is, however, quite evident. Just for the reason that it is exactly the supervisory board that usually appoints and dismisses the company’s management board and determines the amount of its remuneration. In addition, the articles of association of many companies in the dualistic system obligate the management board to obtain a consent from the supervisory board to perform some legal activities, e.g. to enter into specific transactions. On the other hand, the supervisory board is strictly dependent upon the management board in the scope of the quantity and quality of information communicated about the company.

The dualistic system, practiced mainly in Germany and Austria and optionally also in France, is often criticized exactly for this reason, that complete knowledge about the company is not guaranteed for the persons performing the supervisory functions. These persons, coming from outside the company and not having exact knowledge about the company, cannot effectively monitor and control operations of the board of directors, or advise the board of directors. The enthusiasts of the dualistic system emphasize however that the persons from outside the company, having their own managerial or office experience, are able to more objectively look at the activities of a given company and, being independent persons, better represent the interests of shareholders and more carefully determine the remuneration of the board of directors. In addition, as independent persons, they may become experts in performing supervisory functions. Finally, a separate supervisory body in the case of Germany is a platform of cooperation of the investors' and employees' representatives (co-determination principle). On the other hand, it is difficult not to agree with the enthusiasts of the Anglo-Saxon model that the monistic system has this great advantage of providing members of boards of directors performing the supervisory functions with full knowledge about what is happening in the company and ensuring current monitoring of the situation.
A proof of this advantage is the decision-making process on the merger of companies Daimler-Benz and Chrysler, which is very convincing. This case shows a decorative role of the supervisory board in the greatest German industrial group, which is Daimler-Benz AG (Neubauer 2000). Therefore, E. Berglöf and E. L. von Thadden are right in saying that the two-level system of power in the company, that is separation of supervision from management, increases the power of managers and expands their influence through a broad informal network of various relations (extensive management networks) (Berglöf and von Thadden 1999).

The excessive position of management boards in German companies, their strong connections with suppliers and banks, and at the same time, a weak position of local supervisory boards arouses anxiety among the German investors' environments, whose power of influence increases each year. Likewise in other countries, the associations of investors demand greater transparency, improvement in the internal control system as well as improvement in effectiveness from the management staff of companies. According to some authors, German companies and German management are gradually becoming "Americanized" (Schlie and Warner 2000). This applies in particular to large German companies operating on international markets, such as e.g. Daimler-Benz, Hoechst, Bayer, BASF, Bertelsmann Siemens, Thyssen-Krupp or Deutsche Bank. These companies adapted the American philosophy of managing the value for shareholders, with market share price as an important determinant of their effectiveness. They communicate to the investors such important information as the anticipated future profits and dividends. They apply the commonly approved measures of profitability as Return On Equity (ROE) and Return on Capital (ROC). In addition, they use modern forms of motivating managers (e.g. share options), and send young distinctive managers for MBA studies to the best American business schools. Finally, these companies take active part in the processes of mergers and takeovers as well as implement the international accounting standards (based on American patterns) and their business language is English. All these actions result from the presence of the largest German companies on the international capital markets, including the New York Stock Exchange.

The aforementioned leads to a conclusion that the German corporate governance tries to face the challenges related to the processes of globalization of business operations. This openness may give birth to an interesting combination of the American idea of value for shareholders with the German idea of social dialogue, social balance and company's social responsibility. Such a combination may become a model for other countries of continental Europe, including Poland.

At this point, the efforts for objective evaluation of each model require highlighting that the American model of corporate governance is also undergoing a far reaching metamorphosis. After a series of bankruptcies and corporate misuse at the beginning of the first decade of the 21st century (Enron, WorldCom, Global Crossing, Tyco International), studies were conducted that showed a high number of pathological phenomena in American public companies. And so, for instance, the phenomenon of excessive concentration of power came as a large surprise.
In the middle of 2002, in as many as 80% of American companies covered by S&P 500 index, the function of the chairman of the board of directors as well as chief executive officer (CEO) was held by the same person. Also a surprise was the scale of the phenomenon of seating in the boards of directors of other companies at the same time. The analysis conducted by Bloomberg found that chief executive officers of the fifty largest American stock market companies are members, on average, of three more boards of directors in other companies, and some even seat in ten boards (Krzemiński 2003: 20). In addition, they often participate in works of audit as well as manager remuneration committees of these companies. In the opinion of the directors holding so numerous positions, the experience and personal contacts gained in this way are very beneficial for parent companies. A different opinion is held by investors, who accuse the directors of too little care for results of companies and interests of shareholders.

The aforementioned weaknesses of American corporate practices are nothing new. They constitute the inadequacies known for years. The investor's environment was however surprise in terms of the scale of some phenomena as e.g. combining the function of chairman of the board with that of chief executive officer, simultaneous membership in the boards of directors of many companies, or the constantly growing remuneration of managers, practically without connection with the results of the companies managed by them. In view of the above phenomena, the American associations of investors, especially the influential Council of Institutional Investors, assesses that this state of affairs can be attributed not only to the chief executive officers of the companies, but also to stock analysts, audit and rating companies as well as persons and institutions supervising financial markets.

The above comparison of the two most popular models of corporate governance proved that none of them is an ideal solution. On the contrary, each of them has many weaknesses or degenerations, caused by opportunism of managers, members of supervisory and executive bodies or dominant shareholders. These degenerations most often occur for ethical reasons. Nevertheless, to prevent them in all models, there are established or improved institutional solutions which eliminate harmful behaviour against the company as a separate economic entity, and in particular, against its minority shareholders.

It is interesting that the vast majority of these changes follow the same direction, regardless of the implemented corporate governance model. The most visible changes, showing this convergence are the following propositions:

- Strengthening the role of boards of directors (supervisory boards) as a strategic partner for the companies' boards (Stiles and Taylor 2002). This is caused by the progressing institutionalisation of corporate properties, and following it, return to the traditional, that is active role of shareholders in a company (investor's capitalism). The second factor strengthening the role of boards is sudden bankruptcies and corporate scandals in many countries (the United States, Japan, Germany, France, Italy, Great Britain). They attracted attention of investors and the general public to the monitoring and control function of boards as well as their key role in assessment of quality of the company's management. Instead of the boards
created by managers, that is by people being controlled, the need for treating the boards as an extension of shareholders which is to be a guard of interests of all shareholders, not excluding minority shareholders, is reminded. It is worth emphasizing that the reinforcement of independence of boards and their pro-investor orientation is a common topic not only in the Anglo-Saxon countries but also in Japan and in Germany. E.g. in the case of Germany where so far the boards cared mostly about the interests of major shareholders and employees, a growing importance is assigned to the interests of minority shareholders. Following this, the quality of financial statements as well as any information related to companies' operation is improving (Witt 2000).

- The most important factor strengthening the role of the boards in the Anglo-Saxon models is independence of the so-called external directors that is the group of members of the board, which deals with supervisory activities. In the case of the monistic system, it is mainly about independence from the chief executive officer (CEO) and other top level managers. On the other hand, in the dualistic system the stress is laid on independence from major shareholders. The advisory company KPMG has tried to clarify the notion of independence by means of studies. The survey conducted among members of boards of 213 European companies found that 87% of the surveyed considered lack of financial and business connections of the members of the boards with its management as the most important criterion of independence (Corporate … 2002).

- An important element of strengthening the position of the boards is separation of the function of chairman of the board of directors and chief executive officer. This applies in particular to American companies, because in the British companies separation of these two positions is a solution commonly used already for many years. Therefore the American model partially gets close to the over 100-year long idea of German corporate governance on separation of the supervisory function from the managerial function in a company.

- A solution strengthening the role of boards and recommended both in monistic and dualistic systems is appointment of committees. These are most often for audit, nomination, remuneration and often also for executive matters (involved in preparation of the positions of the board on key decisions of the company's management) and for financial matters (in the case of large international companies, running various investment projects and requiring extensive capital commitment). According to the formulated recommendations, the audit and remuneration committees should be formed only of independent members of the board.

- Another postulate formulated both in monistic and dualistic systems is to treat the board of directors or the supervisory board as a strategic resource of the company. The Board, and in particular its accordingly selected external members, may be the source of specialist knowledge as well as rich business experience as well as a source of valuable contacts. A concept of the supervisory board which effectively cooperates with the board and supports the board, especially with regard to strategic decision-making, involves the so-called resource-based trend in management of a contemporary company. It simultaneously means seeking
balance between monitoring and supervision over the board of directors' work, on the one hand, as well as cooperation and advising the board of directors, on the other.

- Finally, an extremely important factor common for all models of corporate governance are "codes" of good corporate practices. The initiative started in Great Britain in the early 1990s, as a result of a well-known report by A. Cadbury, has become a platform for building a world standard with regard to corporate governance, among other things, in terms of the systems of informing investors, principles of protecting capital minority as well as principles of organizing general meetings of shareholders, work of supervisory boards as well as companies' management boards.

The aforementioned changes in the models of corporate governance show that we are witnesses of slow convergence of these models. Of course, these processes occur gradually and keep, at least in the nearest future, a specific nature of national corporate governance, the example of what is the German and Japanese model. Just as J. Lorsch has envisaged, with the deepening globalization processes of business operations, corporations themselves, their systems of power and their management and control practices become more and more global (Lorsch 1997: 104).

In the case of member countries of the European Union, a factor supporting convergence of the national models of corporate governance are also some legislative initiatives. Such a solution is e.g. a concept of European corporation as a supranational variety of corporations as well as draft EC directive related to it, which obligates all member countries to allow public companies to select between the monistic and dualistic model of corporate governance (Siemiątkowski 2004: 53). Such a choice has already been enjoyed from the beginning of the 1960s by shareholders of French companies. The two models have been functioning there practically side by side. The first one, similar to the Anglo-Saxon model, envisages a combination of management and supervisory functions in the form of one collegial body (Fr. le conseil d'administration). The chairman of this board is at the same time managing director (Fr. President Directeur Generale). The second system with a separate supervisory board is a copy of the German model. It is highly symptomatic that more than 80% of French companies selected the first model.

Summing up, it has to be said that the observed worldwide process of converging various models of corporate governance is increasingly evolving in the direction of the Anglo-Saxon model. This phenomenon is also visible in continental Europe, where the German model remains in the formal-legal sense only in a few western countries (Germany, Austria, German speaking part of Switzerland). It must be added that this model is also changing, gradually absorbing some elements of the Anglo-Saxon models.
Polish corporate governance model – directions of changes

The principles of functioning of joint stock partnerships in Poland binding so far are based on the German model and have been written down in the form of a code in the middle of the 1930s. According to the essence of the German model, they stipulate separation of managerial functions from supervisory ones when running a company. Thus the management body, which is the management board, independently manages current operations of the company and represents it outside. The competences of the Board of Directors include any rights which under the provisions of the Polish Code of Commercial Companies (Act of 15 September 2000 – Code of Commercial Companies 2003) or articles of association of a company are not reserved for other company bodies – principle of presumption of competences of the board of directors (Sołtysiński et al. 2008: 592). Members of the board of directors are required to ensure proper operation of a company, in accordance with its purpose and object of operations specified in the articles, and at the same time demonstrate due diligence - to the extent higher than the generally required. This diligence should arise from the professional nature of operations of the company's administrator - Article 483, § 2 of the Polish Code of Commercial Companies (Sołtysiński et al. 2008: 753).

Apart from the board of directors, a body which is obligatorily appointed in Polish companies is the supervisory board. The main task of this authority is to carry out permanent supervision over the company's business in all fields, including supervision over company (companies) run by the company.

Like the management board, the supervisory board performs its activities jointly, which means that they are reserved for the whole board as the company's body. For practical reasons, the board may however authorize its member or members to perform specific activities by means of a respective resolution. The board may also appoint committees or commissions from among themselves and authorize them to perform supervisory activities in a given field of the company’s operations. Position in a specific matter should however be established by the board jointly.

It is extremely important to underline that, in accordance with new Article 375 of the Code of Commercial Companies, the supervisory board is not authorized to issue to the board of directors any binding commands concerning matters of the company. Therefore, the rights of the Board of Directors and the Supervisory Board have been clearly separated, emphasizing that the management board, operates within the range of its rights independently and is not subordinate to the supervisory board (Sołtysiński et al., 2008).

In our opinion, the decision included in Article 375 of the Code of Commercial Companies is an expression of excessive faith in omnipotence of managers, which E. Berglöf and E. L. von Thadden are warning against (Berglöf and von Thadden, 1999). It deepens the dualistic character of Polish corporate governance, and, as a consequence, reduces mutual trust as well as hinders cooperation between the company's board of directors and the supervisory board. Furthermore, the solution is not in line with the spirit of the latest tendencies in
reforming corporate governance in the world, in particular in the so-called post-Enron age, after management abuses and corporate scandals that took place in the early 21st century in the United States and Europe. The answer to these phenomena is the strengthening position of boards of directors and supervisory boards, extending their activity not only with regard to the control function, but also with regard to the advisory function – in accordance with a common belief that the board is a **strategic resource of the company** that should be used by managers in strategic management processes.

It is also necessary to remember that supervisory boards in Polish companies have a slightly weaker formal and legal position than the boards in German companies operating in the same system. In the German commercial law, like in the Polish case, the supervisory boards jointly consent to the management board undertaking specific activities. In German companies, the list of these activities is, however, generally quite long. For instance, it applies to important investment projects, purchase or disposal of real estate, contracting credits in a specified amount, granting loans or credit guarantees by a given company to another entity, undertaking restructuring projects in large scope, opening or closing representative offices or a plant, undertaking a new type of activity, purchase or sale of shares, employment or dismissal of a high level employee, granting proxy (Hoffmann 1985: 69; Striebeck 1992). A list of decisions subject to acceptance may be even longer and is determined by the articles of the company or is determined, following a vital interest of the company, by the board itself, and the management boards of companies are unable to appeal against this type of decisions of supervisory bodies to general meetings of shareholders. Meanwhile, the Polish supervisory boards are unable to extend their control rights – Article 391, § 1 and 3 of the Code of Commercial Companies - as this type of change would each time require appropriate change in the articles of association, what belongs to the competences of the general meeting. Furthermore, when the supervisory board of a Polish company refuses to perform a given activity listed in the articles of association, its management board may apply to the general meeting for expression of such a consent – Article 384 § 2 of the Code of Commercial Companies. It is beyond doubt that these solutions put the Polish supervisory boards **on a significantly worse position than the boards in German companies**.

Looking at all the regulations contained in the Polish Code of Commercial Companies, the most significant changes include regulations concerning **merger, division and conversion of companies**. These problems of growing importance for the developing Polish economy did not have sufficiently mature legal grounds in the "old" commercial code. It should thus be agreed what W. J. Katner and co-workers stipulate that the presently binding Polish Code of Commercial Companies in this field meets the new needs of economic activity (Katner 2006: 137).
Conclusions

The above-presented selected areas of Polish corporate governance are obviously not exhaustive in view of the entire problem. If we assume that we need a more holistic approach to this subject (Hardi and Buti 2012) we should take into account the following elements: trade in securities, accounting as well as principles of preparing and publishing financial statements, external audit as well as principles of functioning of internal audit in companies. However, the adopted system of power in companies has the basic importance for business effectiveness of companies. The dualistic system - which is still in existence in the Polish Code of Commercial Companies - is clearly losing some of its importance not only around the world, but also in continental Europe. A convergence of monistic and dualistic systems that is visible in Europe for some years as well as the evolution of the dualistic system in Germany should become an impulse for breaking the previous conservative approach to the issues of separation of managerial and supervisory functions in the Polish commercial law.

After all, we cannot close our eyes to the fact that the monistic system is an absolutely dominant solution in the world and that it is clearly associated with the process of globalization of the world economy. In addition, some significant countries in continental Europe are withdrawing, or have already done it, from the dualistic system, e.g. Nordic countries, and others, like e.g. France, granted companies the right to choose a system. One of the intentions of the European Commission is to prepare a directive obligating the member states to allow public companies to make such a choice. Therefore, a question arises, what is the point of keeping further the division of managerial and supervisory functions, since more than a century long practice of this system has demonstrated no superiority of the dualistic system over the monistic one. The more so that this system causes a lot of dissatisfaction even in Germany. Anyway, the reform of corporate governance in Poland and other Central and Eastern European countries should become the subject of a major discussion among economists, lawyers and politicians.

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Corporate governance in the Republic of Kazakhstan in terms of modernization of the economy: problems and solutions

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Abstract

The activities of the corporate sector of the economy are accompanied by the formation of a large number of internal and external financial and organizational ties that require specific management methods and techniques. Despite of considerable progress in establishing the mechanism of corporate finance, all its elements operate with low efficiency. In the position of choosing the strategy as well as taking into account the improvement of management focus should be given to corporate entities in the current stage of reforms. Corporations are inherent to the widest range of functions and methods of financial management, which requires continuous improvement discussed in the article as on the example of Concern "Tsesna-Astyk."

Actual problems of corporate governance in the Republic of Kazakhstan at the present stage

The current stage of development of Kazakhstan's economy is characterized by the reinforcememnt of political stability, relatively high growth rates, improved socio-economic situation in the country, and the accumulation of managerial experience by the heads of enterprises.

Nursultan Nazarbayev in his message called:"Protecting the rights and support for domestic and foreign investors, predictability and transparency of the legislation should be the basis of the business investment climate in Kazakhstan" (Nazarbayev, 2012).

In the outlined financial stabilization of post-crisis development the economic growth is still prevented by the slow process of market reforms in the business organizations and businesses. The activities of the corporate sector of the
economy of Kazakhstan require specific management methods and techniques. Such activities accompanied by the formation of a large number of internal and external financial and organizational ties which.

Despite the considerable progress in establishing the mechanism of corporate finance, all of its elements operate with a low efficiency. In the position of choosing the strategy as well as taking into account the improvement of management focus should be given to corporate entities in the current stage of reforms. Corporations inherent the widest range of functions and methods of financial management, which requires continuous improvement.

The relevance of studying the problem of corporate governance is caused by several reasons: globalization of world economy, driven by steel corporations, increase in the efficiency of domestic corporations on the world market, ensuring their investment attractiveness, creation of the effective mechanism to control the property of the corporation, to balance the interests of owners and managers, which is due to mismatch of separation of ownership and control, the emergence of high rates of information and information - economy.

Business structures have an extremely relevant problem of eliminating the gap between the theoretical foundations and basic procedures in the practical application of the methodology of financial management, and in the formation of the effective system of internal corporate relationships.

All the above describes the particular relevance and practical value of the research in this area, and the characteristics of the dynamics of contemporary issues and improvement of the management of corporate entities in the Republic of Kazakhstan.

**The theoretical aspect of corporate governance in market conditions**

The formation of joint-stock mechanisms as the special legal form of the business in the late 19th and the beginning of the 20th century led to a qualitative shift not only in the accumulation of the capital and production development, but also to the emergence of corporate governance.

There is no unambiguous interpretation of the corporate governance subject in the West, and in domestic science. Most authors agree that corporate management is subject to the mechanisms of doing business, while the corporate governance is subject to the system of interaction between many of those who involved in its organization, managers and owners, stakeholders on various aspects of its operation.

Herewith the corporate governance problems include many additional issues, such as the relationship between parental and subsidiary companies, suppliers and customers, large (main) shareholders and top management.
The history of corporate governance includes several stages (Figure 1):

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<th>I</th>
<th>Concentration of ownership and management in one hand</th>
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<td>II</td>
<td>Transfer of functions to tactical managers</td>
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<tr>
<td>III</td>
<td>Transfer of strategic functions to managers: strong management - weak owner</td>
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<tr>
<td>IV</td>
<td>Systematic phase of the implementation of the corporate codes of conduct, with the precise regulation of corporate relations</td>
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Figure 1. Stages of the corporate governance history.
Source: Compiled by the authors Acute interest to the issues of corporate governance has increased dramatically in the West in the early 1990s of the last century (Vesnin, 2008)

The main reason behind the corporate creation is intention to achieve synergistic – expensive or market effect which appears under the influence of three main factors:
A) members composition;
B) the nature of their interaction;
C) the organisational structure and the management of the corporate entities, which are part of that corporation.

Large corporations play an important role in the modern economy:
– attract capital for large projects and intensify the investment processes;
– form geographical entities and create base the new integrated structures;
– have considerable potential for growth and development of new technologies, are the engine of investment and the innovation process;
– have a high social impact;
– accelerate the restructuring of the economy.

Therefore, the formation of corporations needs to be stimulated and sustained at the state level, taking into account the external economic and social constraints; it requires intensifying the restructuring.

The corporate sector in Kazakhstan at the present stage of restructuring

The development of various aspects of corporate governance acquires additional importance for Kazakhstan in the context of a diversified economic development.

The slow formation of corporate structures, not always clear legal laws and its implementation mechanisms, the often exaggerated role of government, corruption, the criminal organizations’ influence - all this speaks to the need for
clear, practical and real effective management tools in the domestic economy, and especially in the emerging corporate sector.

Despite the fact that the introduction of standards of corporate governance has been long considered important for listed companies, in the majority domestic issuers do not seek their active implementation.

The problems of formation of the emerging institution of independent directors as one of the major components of the system of corporate governance in the Republic of Kazakhstan acquire a new urgency.

In 2002 in Kazakhstan the work on the promotion of the idea of corporate governance began when the advisory council of the National Bank of Kazakhstan has developed recommendations on the application of the principles of corporate governance in joint stock companies. Since then, some work has been done in this direction by various public organizations and companies, but these activities were not in any way linked and coordinated.

"Association of Financiers of Kazakhstan" initiated the creation of working group, one of the priorities of which is an attempt to coordinate the work carried out on the market by different stakeholders in the field of corporate governance in the Republic of Kazakhstan. This working group included representatives of the largest commercial banks, pension funds, and insurance companies, representatives of the Kazakhstan Stock Exchange, the Association of Asset Managers, the Institute of Directors, and also foreign consultants.

The main result should be to create an efficient and effective corporate governance system that would allow interested local companies implement the corporate governance principles and to follow them.

The financial sector - one of the most developed sectors of the Kazakhstan economy of, so it is natural that different financial institutions have already come close to this problem.

In Kazakhstan, the main, major shareholders often play the head role or in some other way participate in the management, but the situation is changing, more and more shareholders are willing to move away from the management, but do not know that, only well-organized system of corporate governance can help them.

The codes of corporate governance are beginning to appear in many Kazakh companies and the ethics codes and codes of conduct, etc. This comes from the intuitive understanding of managers and owners the need of creation codes.

If investors are confident that their rights are will be strictly adhered due to the following the corporate management company’s principles, they will be able to actively invest their money, and the lenders will be assured about the transparent and predictable operation of the company, and the lenders will be able to lend money to the companies under more favorable terms, shareholders will be fully confident to hired managers, and managers, in turn, will be interested in the successful operation of the company, so the effectiveness of the company will grow.

At the macroeconomic level, by increasing the investment attractiveness properly functioning system of corporate governance can increase the effective use
of money in the economy through the reallocation of the stock market through the mechanism of the inefficient, to successfully developing companies. Under these conditions, the increasing competition for available funds will enhance the performance within the companies. These factors can give an additional impetus to both the stock and real sectors of the Kazakhstan economy.

The starting point can be considered in 2003, when the list of 100 largest Kazakhstan companies (further – “top 100”) was first published, that time it was difficult to assess the state of big business in the country. Official statistics was the main source of information; the ranking was given without considering the real, monetary financial performance.

From the perspective of the evaluation of current methodologies, the samples of the 2003-2006 ratings look very simple, even considering the big corporate sector and the immaturity of the information environment. The qualitative transformation of the 100 largest companies’ project occurred on the second stage from 2007, when the methodology of ranking was significantly enhanced by including the companies from the financial sector, the actual sales by all companies were shown, their information transparency was evaluated, and the industry analytics was improved.

The problem of obtaining key financial indicators and the reluctance of owners and top management to provide accurate information regarding its production and profits makes it difficult to evaluate and rank the companies. Work on “top 100” provided an additional opportunity for reflection on conceptual and categorical apparatus of big business.

In 2009 “top 100” is passed to its third stage, the changes have taken place as in the annual ranking in terms of expanding the number of companies to 500 and in adjusting the methodology, and in changing the focus of the study.

Kazakhstan's economy skew towards the raw material orientation directly reflected in the previous years’ ratings of “top 100” - each year more than one third of the list was held by the primary sector companies, there were no the companies of 'new economy' - industrial enterprises engaged in processing of raw materials and production of finished products with high added value or having a lot of potential.

This category includes the majority of companies from agro-food sector, food sector and almost all of the manufacturing sector in the rating «top 500" and their number does not exceed 20%, which once again proves the need for huge efforts towards industrialization of the economy.

First, this rating allows seeing the uneven distribution of enterprises income - Gini index is rated 0.78. Further analysis of aggregate industry data leads to the expected results: the best profitability shows oil and gas sector, whose representatives have the highest contribution in total sales (almost half).

In a deep depression at the time was the construction sector - the share of 116 companies did not exceed 4% of total sales. Rather, the statistical average interest rates by rating: Sales = $ 250 million; ROA = 5.6%; ROE = 11.4%; Profit Margin = -5.6%; Equity-to-Assets Ratio = 40.7%. However, more than
a thousand-fold gap in sales between the first and the last by “top 500” just enormous, so the same index for Russia's largest companies is about 350.

Second, it should be noted the openness of Kazakhstan's business, the positive trend of companies to transparency, which was observed for three consecutive years, in 2009, did not appear. For some of the companies' tidying up "of their reporting was required only to attract debt financing.

In connection with the crisis of 2008, capital markets were closed for the vast majority of borrowers, the need for transparent consolidated data has disappeared, by revealing its financial performance, before the crisis most companies have sought to show their progress and to establish itself from the competition, with a drop in sales this motivating factor is exhausted itself, some companies faced the problem of a possible raiding, branches of foreign companies as a result of internal corporate policies, were not interested also in the process.

Nevertheless, there are some companies - big enough and organized, which are working in modern conditions, furthermore the example of Concern "Tsesna-Astyk” will be studied.

Third, we must admit that almost all large and medium-Kazakh businesses have a holding structure; in fact, every object from the ranking list can be connected with a group of companies or hidden financial-industrial group.

Despite some differences, mainly relating to the industry sector, the Kazakh holdings have similar structure of the portfolios, it is a multi-group-holding "Alibi", "Condensate", "Instalcon», «AES», which contain several productions, closing a a single technological cycle of production, service companies serving the core business of manufacturing and real estates which serve the industry purposes.

The largest yield is better shown among the oil and gas companies, followed by - trade companies (retailers), telecom companies, transportation and IT-company. Rating methodology was presented by the parameters in Table 1.

**Table 1. Method of rating corporate companies of the Republic of Kazakhstan**

<table>
<thead>
<tr>
<th>View of the company’s activity</th>
<th>Determination of the enterprise object</th>
</tr>
</thead>
<tbody>
<tr>
<td>production company</td>
<td>Actual production company sales</td>
</tr>
<tr>
<td>trading company (retail,</td>
<td>Gross income based on trade and trade margins</td>
</tr>
<tr>
<td>distribution)</td>
<td></td>
</tr>
<tr>
<td>bank</td>
<td>Net interest until the formation of the impairment and net interest income</td>
</tr>
<tr>
<td>insurance</td>
<td>Net insurance premiums</td>
</tr>
<tr>
<td>services</td>
<td>Revenues from services provided by service</td>
</tr>
</tbody>
</table>
In response to these challenges posed assessment of the corporate sector of Kazakhstan's economy is necessary to consider them at a practical example, the object of which was one of the most successful industrial corporations of the Republic of Kazakhstan - Concern "Tsesna-Astyk."

**Analysis of corporate governance activity LLP "Concern" Tsesna-Astyk "(Astana)***

Concern "Tsesna-Astyk" - one of the leading companies in Kazakhstan, and due to big turnover is part of the “top 100”. The main activity is the manufacture of food products, as well as implementation of distributive and development activities.

The company has a significant impact on the development of industry in the country as a member of the National Economic Chamber of Kazakhstan "Atameken", Grain Processors Union, and Bakers Union.

Concern "Tsesna-Astyk" is a vertically integrated holding company, which forms a closed production and marketing cycle - from production of grain to the finished product with its assortment more than 150 items.

The required investments needed for growth of the company were not provided in the organizational period and the company's management, with a small initial capital assets, succeeded in achieving its objectives and has identified the main activities of the company: the organization of production and engineering fields related to agriculture, the development of new agricultural technologies, mediation and commercial and procurement activities in the field of agriculture.

The main production in the company's strategy has been chosen grain production complex.

Currently, the strategy of the enterprise is successful; the holding company brings together 16 companies, which form an integrated agro-industrial holding company with a technologically interconnected production and marketing chain.

This ensures the smooth functioning capacity of Concern "Tsesna-Astyk", as well as provides the ability to control all business processes from the production of raw materials to the receipt of goods to the final purchaser.

Concern "Tsesna" is one of the leaders of the grain industry of the Republic of Kazakhstan. Products under brand "Tsesna are more than a hundred names and they each year expanding the geography of exports: Afghanistan, Georgia, Tajikistan, Mongolia, and Kyrgyzstan.

In the first republican competition "The Best Exporter of domestic products," Concern "Tsesna-Astyk" was named the award in the category "national brand". In 2007 won the gold medal flour and pasta brand, "Tsesna", bread and natural food product "Bapol." The geography of celebrity brand, "Tsesna": Kazakhstan, Russia, Georgia, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Moldova, Afghanistan, Mongolia, South Korea, more than 40% of its production is exported.

Describing the current state of the company may state that the activity of holding is strategically correct. The main activity is the manufacture of food products, as well as implementation of distributive and development activities.
products, as well as qualified personnel, the work with staff can be assessed as positive, and the internal corporate magazine is a feature of correct qualitative management structure and the Corporate University.

In general recession is a challenge for any company - not only to survive but to remain competitive. The company's success depends on the efficiency of its staff. Therefore, the task of training personnel is relevant for many companies, so in one of the subsidiaries of the holding-LP "Astyk Logistics" to effectively achieve its goals teaching staff from outside organizations, as well as their own staff is teaching the other staff. In general, the job of effective internal corporate governance in the holding may be considered at a high level.

Further, the principles of the external corporate management in the LP "Concern Tsesna-Astyk" and its financial performance were considered (Table 2). As can be seen from the table the concern contains all the basic problems of the corporate sector, which we can observe in overall corporate sector, so at this point the securities of the issuer are not in the list of KASE exchange market, we have identified a number of reasons for it.

Table 2. The securities of the issuer LLP "Concern Tsesna-Astyk" in 2011 Performance at the end of the year at the beginning of the year

<table>
<thead>
<tr>
<th>Indicator</th>
<th>By end of year (tenges)</th>
<th>To beginning of year (tenges)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>694 948</td>
<td>694 948</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>2 257 285</td>
<td>2 147 527</td>
</tr>
<tr>
<td>Total assets</td>
<td>15 201 150</td>
<td>15 472 283</td>
</tr>
<tr>
<td>Sales</td>
<td>7 896 071</td>
<td>5 459 761</td>
</tr>
<tr>
<td>Gross income</td>
<td>1 253 009</td>
<td>1 008 111</td>
</tr>
<tr>
<td>Net profit</td>
<td>-19 947</td>
<td>-129 821</td>
</tr>
<tr>
<td>ROA</td>
<td>-0,13%</td>
<td>-0,84%</td>
</tr>
<tr>
<td>ROE</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>ROS</td>
<td>15,87%</td>
<td>18,46%</td>
</tr>
</tbody>
</table>

Thus, the financial performance of corporate debt market in Kazakhstan in late 2011 as follows: in the period from December 26, 2011 to January 1, 2012 on the exchange Kazakhstan corporate debt market 19 listed companies to make payments
of coupon interest (or repayment) of 32 bond issues. A more detailed schedule of events on the corporate debt market is presented below in Table 3.

Record date - the date of fixing the registry of bondholders, the absence in the appropriate column the date of fixing the registry indicates that the registers of holders of these bonds are recorded prior to the period. LLP Concern "Tsesna-Astyk" informed Kazakhstan Stock Exchange (KASE) on repayment of December 15, 2011 of its bonds KZ2PKY05C260 (KZ2P00001001, TSASb1; 100 tenge, 3.0 billion tenge, 12/11/06 - 12/11/11, 9 semi-annual coupon, 00% per annum, 30/360), in which paid the last - the tenth coupon interest on the bonds. According to the mentioned post the total amount of payments on the bonds totaled 3,132,701 000.00, including the principal (the total nominal value of bonds) - 2,997,800 000.00, the tenth coupon 134 901 000.00.

To date, LLP "Concern" Tsesna-Astyk "is a holding company that combines the following entities: JSC "Trade Center" Astykhan" -100%; LLC "Trade Center" Astykhan-2 "100%, LLP" Elevator "Tsesna-Astyk "100%, LLP" Alma Tses "-100%; LLP" Tsesna-Mac "-99%, LLP" Zhaltyrsky elevator "-64.3%, LLP" Zhaltyrskaya tank farm "-29.7%, LLP" Akmola -Dirmen "- 74.1%.

Table 3. Schedule of events on corporate debt market in 2011

<table>
<thead>
<tr>
<th>JSC &quot;Tsesna bank&quot; (Astana)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>26.12.11</td>
<td>KZPC4Y09B879</td>
<td>14.12.06</td>
<td>9,40*</td>
<td>188,0 million</td>
</tr>
<tr>
<td>- 28.12.11</td>
<td>(TSBNb6)</td>
<td>- 14.12.15</td>
<td>tenges</td>
<td></td>
</tr>
<tr>
<td>27.12.11</td>
<td>KZPC3Y08B873</td>
<td>28.06.06</td>
<td>9,40*</td>
<td>141,0 million</td>
</tr>
<tr>
<td>- 12.01.12</td>
<td>(TSBNb5)</td>
<td>- 28.06.14</td>
<td>tenges</td>
<td></td>
</tr>
<tr>
<td>29.12.11</td>
<td>KZP04Y07C362</td>
<td>30.06.11</td>
<td>8,00</td>
<td>180,0 million</td>
</tr>
<tr>
<td>- 17.01.12</td>
<td>(TSBNb10)</td>
<td>- 30.06.18</td>
<td>tenges</td>
<td></td>
</tr>
<tr>
<td>Ltd. &quot;Corporation&quot; AIC-Invest &quot;(Astana)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26.12.11</td>
<td>KZP02Y05D988</td>
<td>27.06.11</td>
<td>10,00</td>
<td>500,0 million</td>
</tr>
<tr>
<td>- 13.01.12</td>
<td>(APKh5)</td>
<td>- 27.06.16</td>
<td>tenges</td>
<td></td>
</tr>
<tr>
<td>Company &quot;Concern&quot; Tsesna-Astyk &quot;(Astana)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26.12.11</td>
<td>KZ2PKY05C260</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.12.06</td>
<td>9,00</td>
<td>135,0 million</td>
<td>3,0 billion tenges</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(TSASb1)</td>
<td>- 11.12.11</td>
<td>- coupon</td>
<td></td>
</tr>
</tbody>
</table>

Note the original:
* Bonds indexed to inflation in Kazakhstan;
** Floating at the rate of refinancing of National Bank of Kazakhstan; Floating

In order to implement their own production of flour in the LP "Concern" Tsesna-Astyk "established dealer network, which is represented in 23 cities of Kazakhstan. The dealer network is based on providing the right product sales Concern in your area. Dealers have different conditions in the market, form and terms of payment. Through the wholesale service sold on average 86% of the flour produced, including 88% - of premium grade, 81% - first grade, 96% - second grade.
Through a dealer network sold 56% of output, 30% - through holesalers. 

**Market share:** Market share of Astana on the bread - 75% market share RK packaged flour 35% market share of Kazakh flour - 6% market share of pasta in 2012 - 33%. Formed strong brands, "TSESNA", "ASTYKZHAN" ensure profitability by the end of 2012 provide a return on sales at 2.6%, return on assets 10.5%, a net income of $ 2 660 million tenges.

A *transparent system of governance.* At sight of the main activities of holding companies can be divided in two main areas: manufacturing and service outside work and retail (retail):

A. Enterprises manufacturing areas:
- JSC "Concern" Tsesna-Astyk "- the parent company of the holding,
- Cessna-Mac ", LLP" Zhaltyrsky elevator "Ltd," Elevator "Tsesna-Astyk" " LLP 
- "tank farm Zhalturyskaya", JSC "Tsesna-basis", LLP "Akmola-Dirmen" LLP, "integration".Two. Companies trading areas:
- LLP "Trade Center" Astykzhan "LLP," Alma Tses "Ltd," Trade Center "Astykzhan-2" - a shopping center. It should be noted that the company is able to earn a profit, to provide enough high dividends to its shareholders in a timely manner to return the loan and pay interest on it. The risk of loss of resources in the current situation is not high, improving the investment climate for investors. However, the company has sufficient reserves to have a significant improvement in their condition and improve the investment attractiveness on the account of its competent governance.

**Evaluation of Corporate Governance Ltd. Holding Company "Concern" Tsesna-Astyk "**

The objectives of corporate management of the holding at the moment are:
- the establishment of a transparent, vertically and horizontally integrated structure of agricultural holdings.
- restructuring obligations and "optimization" of the equity in affiliates.
- a complete translation of business accounting to IFRS.
- an international audit.
- definition of a real capitalization (market value) of the holding
- access to securities markets, both in terms of attracting additional financial resources and in terms of withdrawal of the parent company to a new level of perception of potential investors.

The yield on the stock market of Kazakhstan consisted of two main stages:

1. **The yield on the securities market:**
   
   **Stage 1.** The entry in the listing of «B» Kazakhstan Stock Exchange and the issuance of bonds (approximately the 4th quarter 2009).
   
   **Step 2.** Corporatization of the entry in the listing of the "A" with the prospect of IPO (initial public offering on the stock exchange), Q3 2010.
Currently, work is completed to enter the listing «B» KASE (Kazakhstan Stock Exchange) on the bonds, financial adviser and underwriter for the project stands JSC "Astana-Finance". In 2009 the consideration of the need was realized and the corporatization of the entry in the listing "A» KASE (IPO-initial public offering) that will attract additional funding

2. Information Technology:

The introduction on the basis of Open Company "Concern" Tsesna-Astyk "corporate information system (CIS), which supports the standard ERP (enterprise resource planning).

Automation of accounting has been done to implement an integrated single system, both at the stage of the primary accounting and in the subsequent stages of the ERP-systems (enterprise resource planning). Implementation of the system can take anywhere from six months to a year, depending on many factors: the number and complexity of business processes, quality and quantity of computer park staff Concern.

3. Development of the training center

The main problems of the holding is the lack of qualified staff and low salaries in 2011 was 690 people trained, prepared through the Department of education and training, workers and employees who know the right holding the knowledge and skills in the future we plan to keep them in enterprises, both through increased wages, and through the creation of social conditions. In 2011, the number of employees is holding 2002 people, the average monthly wage - 56 539 KZT. In connection with the development of a network of shopping centers "Astykzhan" there was an increase headcount by the end of 2011 up to 7500 people.

4. Valuation of the brand "TSESNA."

Participation LLP "Concern" Tsesna-Astyk "in the project -" Listing Kazakhstan brands BRAND.KZ » conducted by the company« Business Media Group »Kazakhstan, and the author of methodology for assessing brand value of the company «V-Ratio» (Russia), was obtained by the conclusion of the valuation brand "TSESNA," it amounted to KZT 635 million, received a short expert opinion on what opportunities exist to increase the brand value.

4. The analysis of sources of funding enterprise

Capital LLP "Concern" Tsesna-Astyk "shown in Table 3, the dynamics of positive and indicates an increase in the capital of the company for three years.

Table 3 - Capital LLP "Concern" Tsesna-Astyk ", million tenge

<table>
<thead>
<tr>
<th>Name</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading Network &quot;Astykzhan&quot;</td>
<td>714</td>
<td>158</td>
<td>1200</td>
</tr>
<tr>
<td>Bread factory &quot;Tsesna-Astyk&quot;</td>
<td>-</td>
<td>-</td>
<td>104</td>
</tr>
<tr>
<td>Milling, macaroni complex</td>
<td>115</td>
<td>707</td>
<td>128</td>
</tr>
<tr>
<td>&quot;Tsesana-Mac&quot;</td>
<td></td>
<td></td>
<td>2200</td>
</tr>
<tr>
<td>Others</td>
<td>115</td>
<td>707</td>
<td>128</td>
</tr>
<tr>
<td>Total</td>
<td>829</td>
<td>866</td>
<td>3632</td>
</tr>
</tbody>
</table>

Source: materials TOO reporting "Concern" Tsesna-Astyk "
Improvement of Kazakhstani internal corporate governance mechanism

As revealed in the research process, the main purpose of mergers and acquisitions in a market is to achieve synergetic effect; the desire to attach one company to another may be due to positive investment or speculative moments.

For a correct understanding of the process of integration and mergers within the holding company should consider the possibility, his choice of options is proposed to start with an analysis of options.

Corporate governance is the process of integration of the holding companies should begin with a definition of the analysis capabilities of participating enterprises processing chain (SC). The purpose of the analysis of products that make businesses of the corporation - to determine the direction of market entry strategy for promoting products, to assess the volume of demand and the purchasing of products produced within the corporation at the time of analysis. This allows you to group companies in the organizational units for the subsequent planning process chains. The organizational unit is a collection of companies participating shopping center, whose products have the same industrial or commercial purpose in the interests of the corporation. Products of the module can be used for the following purposes:

- first, by other company members of the technological chain which are participating for the manufacture of final products in the technological chain frame;
- second, by the external consumers of final products.

In this regard, the products manufactured within the corporation, shall be divided into two parts in accordance with the objectives of:
1. Technological products, convenience foods.
2. Commercial products.

In the analysis of technology products the quality and range is evaluated. Work on the analysis of commercial products is done in the complex: the product itself is estimated, as well as the demand for it. The conclusions are done based on the feasibility of production of a particular kind of commercial products and as a consequence, the feasibility of the operation of a processing chain.

The process of analysis of commercial products is a system of measures and carried out the scheme with feedback. The essence of the evaluation of commercial products corporation is as follows. We estimate the volume of effective demand for the products if the production of efficient management of the corporation makes a decision on the organization of the technological chain.

Analysis of the internal structure of the corporation is held to identify those internal resources that can be used to improve the efficiency of production and ensure the required number of commercial products.

To analyze the internal structure necessary to evaluate the potential of the member corporation, this should be carried out in several sections.

In analyzing the external environment is preparing information on all aspects related to the companies’ suppliers and consumers of products of the corporation. The study of suppliers of raw materials is carried out to identify the most profitable by "price in stock enterprise Party Corporation." This is due to the
fact that selling prices from different manufacturers differ from one another. But to choose the materials only on the selling price is misleading because it significantly increases due to transportation costs from the supplier's warehouse to warehouse enterprise party of the corporation.

*Thus, to increase the efficiency of production may be due to the formation of a clear policy of the supply.*

On the other hand, studied the demand for products produced within the corporation because the corporation is within a few products, the main task - to share in the consumption of products wholesale and retail buyers. This is due to differences in marketing strategies, depending on the type of consumer, however, and wholesale and retail customers can be broadly divided into several groups.

The results of the three components of the analysis capabilities are used in the next phases of management, including an assessment of the capacity of enterprises participating corporations are used in the planning phase, information about the market share used in the formulation of the problem to create a process chain.

*Thus, the analysis of the opportunities the corporation - is the initial phase of the cycle control, in accordance with the results of which produced a corporate business strategy.*

2. **Stages and structure of the emission policies Corporation**

A mandatory condition for raising the investment attractiveness of the enterprise is a complex of measures, including thorough and detailed study of the financial condition of the company, analysis of financial statements, making recommendations to optimize the structure of liabilities. The key to working out the Concept of development of a liquid stock market is to create the necessary shares to perform a given task in the process of withdrawal of securities in domestic and foreign stock markets. Given the available time and the combination of legal restrictions and agreed on terms of the strategy of forming the stock market usually includes the following main blocks (Figure 2):

![Figure 2. Stages of emission policies Corporation](image)

Source: Compiled by authors
Each unit includes a number of measures that will ensure successful completion of the implementation of emission strategy.

The first stage is the consolidation of shares, which aims to maintain control over the management of the corporation and raising funds to finance projects. In this regard, the following options:
- expensive (buying shares);
- requiring minor expenses (limited partnership).

The main characteristics of the organizational-legal form of the following:
- a partnership composed of general partners and investors;
- general partners (legal entity) will organize a partnership and manage all the affairs and assets of the partnership;
- investors can make their deposits as cash and other assets (eg shares);
- depositors are paid for their contributions and do not participate in the affairs and assets of the partnership;
- investors may get back their deposits at the end of the fiscal year.

In the future, the corporation has operations in the secondary market within a coherent policy to influence the market value of shares traded on the secondary market to maximize profits from trading in securities of their own, their buying-selling and creating favorable conditions for the placement of additional shares.

Buying and selling securities on the stock exchange and OTC markets in order to stabilize and control involves including the consolidation of large blocks of shares for subsequent allocation among investors.

In Kazakhstan, the vast majority of holdings, the main planning tool it is the financial structure, rather than indicators of the strategy - both financial and nonfinancial.

Holding to modify the financial structure, the business unit has all the prerequisites to become a full-fledged profit center, the main revenue of the business units of the holding company accounts for the holding, that is, the internal momentum. Meanwhile, the profit center to be more profitable - its management receives a percentage of earnings management. When a candidate reaches a certain threshold of revenue and an increase in the share of revenue from external contractors and 51%, it becomes a profit center of the holding. The more profit centers in the holding, the better for its shareholders: an increasing number of managers with the mentality of the entrepreneur.

Management of the holding "Tsesna-Astyk" highly centralized, all financial management is reduced to the verification of the planned production standards of the regional plants. In this case, financial management is shifted to the management company. This is where key decisions, and hence the quality of management reporting and budgeting control of a direct impact on business performance.

One of the key problems holding management is to ensure its continuity of funding, so the process of designing the structure of the holding must necessarily include a choice of how best to finance its activities. During the economic crises
are particularly important ways, based on the consolidation and subsequent redistribution of equity holding participants, rather than debt financing.

In domestic practice, there are numerous and well-established ways of financing the activities of holding companies. Each of these methods is not universal, its strengths and weaknesses determine the efficacy of a given situation.

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Chapter 2: Concepts and Conditions of Running Business Activities
Legal determinants of lobbying in the United States and the European Union

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Abstract

The article presents two examples of the pluralistic model of interest representation: lobbying regulations in the European Union and the United States. Describing both approaches leads to numerous questions about their similarities and differences. Therefore, a comparison of these two models is a summary of the author’s considerations.

Introduction

In the times of constant social, economic and political changes, lobbying, as a form of interest advocacy, has become an indispensable profession. Although lobbying does not have a favorable press and its idea is usually misunderstood by people who have poor knowledge of the subject, its growing importance is emphasized by academic institutions, which establish courses, organize conferences and seminars about lobbying and interest representation. Propagating knowledge about lobbying is favorable not only for the interest representatives, but also to the society and the business, because it plays a very important part in the democratic process.

In almost every political system, one may observe the creation of interest groups willing to participate in law-making processes both locally and internationally. Citizens or interest groups want to influence decisions important for their future and the more they practice lobbying, the more professional they get and the easier it is for them to monitor and influence legislative changes. Professionalization of interest representation is a long process, but participating in changing political, legal, social and economic environment ensures organizations survival and evolvement.
In this paper the author will concentrate on lobbying in the United States and the European Union institutions. The United States, as the cradle of lobbying and a lobbying benchmark for other countries, is especially interesting because of its advanced procedures and long lobbying traditions. European Union is an important example of lobbying matters, not only because it consists of 28 countries and influences policies of them all, but also is a good illustration of internationalization of interest representation.

The author will define the American and the European models of lobbying and compare them in order to explain how different they are and what are their origins.

**The origins of the term “lobbying” and its evolution**

There is no universal and common definition of lobbying. Representatives of numerous scientific disciplines have studied lobbying and suggested their own definitions, suiting their scope and subject of studies. The main disciplines that include lobbying in their interests are: sociology, political science, law, history, economy, management and marketing. Although interest groups and interest representation issues have strongly grown in importance, there are not many countries which have law regulations concerning lobbying. That is why this subject has become popular among scientists who try to define how lobbying mechanisms work, and also why the problem of legal boundaries has become more and more popular.

Lobbying can be generally defined as an integral element of democratic process, realized through influencing governmental institutions on the local, central and international level. Lobbyists are interested in matters concerning legislation decisions, policy making, regulatory decisions and negotiations, as well as public sector matters. They use legal and ethical methods and techniques in order to take part in the idea of civil state.

Lobbying has very long historical roots, which can be dated back to ancient Greece and Rome. It was though first noticed (in the present, modern form) and defined in the beginning of the 19th century. In England, the public could meet the Members of Parliament in the lobby of the House of Commons. Therefore the word *lobby* started being used as meeting the government representatives, and further on transformed to interest groups influencing those representatives. It was also noticed on a very local state level in U.S.. Only the creation of suprastate organization had led to lobbying evolvement to U.S. Congress. Lobbying was then substantiated by the U.S. Constitution’s First Amendment stating the right of citizens to the freedom of speech and also the right “to petition the Government for a redress of grievances”, being the basis of a political society. Interest groups activities are a counterbalance in influencing state decisions and lobbying is a way to use citizens’ legal entitlements in democratic society.

According to a definition suggested in 1986 by the Association of Secretaries General of Parliament, a lobbyist is a person active in public sphere (Jasiecki, Molęda – Zdziech, Kurczewska, 2006):
- attempting to influence decisions concerning government strategies or programs, granting subsidies and concluding agreements, nominating for administrative posts or organizing contacts and meetings,
- hired full-time in private entrepreneurship in government relations departments,
- working for groups which were established to support one specific cause,
- working for a nonprofit organization,
- working for an agency leading advertisement campaigns, including campaigns run in mass media and through mail,
- working in a specialist agency leading lobbying activities towards government and parliament.

Lobbying, in its nature, concentrates on information and in this matter, it may be treated as a tool or a technique of interest representation. In interest advocacy, monitoring information from organization’s social, economic and political environment is essential for adjusting to changes in the environment. On the other hand lobbyists not only act as information receivers, but also as information transmitters, providing state administration with information essential for improvement of their decision-making process. This creates a platform of communication between state institutions and interest groups offering opportunity for the both parts to have a full range of information concerning a particular case. It is a tool which allows influencing political decisions in a legal, open and ethical manner.

**Lobbying entities**

Interest groups needing representation cause a big growth in demand for lobbying services. Their target decision-makers are people holding public offices, e.g. members of government and their cooperators, public administration employees nominated by the ministers, members of committees and tribunals, members of military and police forces, etc. Before the author analyses the models of lobbying, it is essential to focus on the forms in which professional lobbyists conduct their work. There are a few types of corporate lobbyists, depending on the legal form of their employment. The first group could be defined as “contract lobbyists” and it is a group which consists of two types of lobbyists - commercial lobbyists working on behalf of organizations which are their clients (who work for a fee) and “in-house” lobbyists hired inside the organizational structures (who work on salary). An in-house lobbyist is a full-time employee working inside the organization and receiving a regular salary. Though only the most influential and prosperous organizations can afford their own full-time professional lobbyists. Usually organizations hire lobbyists temporarily for special projects defined in time, and they do not need their full-time services. Contract lobbyists are therefore outsourced specialists appointed to a specific services. Another, similar type of hired professionals would be a corporate lobbyists, usually employed in organization’s government relations offices (usually in Washington or Brussels), where the organization may hire one or more professionals. These specialist represent only
one organization in which they are hired full-time and decide on all the activities concerning representing interests of their employer.

A different group is created by business and professional association lobbyists who represent collective interests of a specific industry or group of industries. These are usually trade unions, professional associations (representing specific professions e.g. accountants, physicians, lawyers etc.) and peak associations (representing business interests e.g. chambers of commerce, business clubs etc.). The more members an organization has, the more power and importance it gains. Those organizations collect and monitor information about law changes, offer help and assistance to its members and represent their common interests.

Non-corporate interest groups also play a great role in influencing legislation. One of those structures are public-interest groups, which do not represent any specific economic interests, but work in a broad context representing public interest (civil rights organizations, customer and environmental organizations etc.). These are usually organizations operating only by donations, grants or public funds. Their advantage over the above-mentioned groups is the selflessness of their actions. Their core activities are concentrated around contacts with mass media, direct mail campaigns, grassroots lobbying and any other actions involving the public opinion. Another group mentioned in literature are trade unions, which long history and political importance cannot be omitted. Trade unions, perceived as tenacious and very active, are a strong force participating in legislative process on any level – local, regional, central and international.

In international relations context, this classification must be complemented by governmental institutions. They may lobby either their own government (e.g. local governments influencing the state) or other governments (on international level).

A. Surdej noticed that lobbying, conducted by both public and private entities, aims at modification of public decisions or policies divided into three groups: redistribution policies (concerning transfer of resources from one to other groups of people, regions and countries), distribution policies (dispensing public resources) and regulatory policies (specifying recommended and forbidden actions, which do not have to be directly connected with expending public resources – legislation, law execution). (Surdej, 2000)

**Lobbying models**

Analysis of the history of lobbying shows that it is strongly integrated with evolvement and growth of civil rights, industrialization, rights representation, technical development, and interest groups creation. Although they may be observed both in Europe and the United States, they have evolved in different directions. Therefore there is a clear division between the pluralism of interest representation (present in the United States and in the European Union’s institutions) and corporatism of interest representation (present in European countries).
Pluralism is characterized by loose ties between interest groups, which represent the population influenced by law towards the decision-makers. In this case, the government is perceived as a platform for communication and negotiations. In pluralism, one may observe a significant amount of lobbying entities using multiple methods and techniques and a more democratic and pragmatic approach than in European countries. This model is perceived as adequate for interest representation on transnational level.

Corporatism, on the other hand, is something more than just a system of interest articulation. It is an institutionalized system dedicated to form directions of state policy, and within its framework, big organizations of interest cooperate with each other and with the State not only in the process of interest articulation, but in the process of implementing them as well. (Antoszewski, 1995). In this sense, corporatism means participation of various interest groups representing economic and social expectations of represented population. These are usually trade unions, employers’ organizations, associations, NGOs etc. Although corporatism is characteristic for the European countries, one must remember that Europe is heterogeneous, therefore, in different parts of the continent, different lobbying styles may be perceived.

In this article, the author will focus only on the model of pluralism and will analyze lobbying models from the US and the EU perspective.

**American roots of lobbying**

The United States are regarded as the homeland of lobbying because of first numerous legal restrictions concerning lobbying activities, which is commonly believed to be comprehensive because of concentrating not only on regulating lobbying rules and lobbying community self-regulation, but also on public confidence persons and their actions. American law strictly regulates influencing members of Senate, the House of Representatives or any committee and subcommittee members, as well as any potential situations relating to receiving additional income or gifts and funding of travels by congressmen or government agencies’ employees. This model of lobbying regulation is based on two concepts: registration of a lobbyist and his employer, and disclosure of lobbyist’s actions by means of detailed reports published regularly.

As early as in 1791, the first amendment to the Constitution of the United States guaranteed the citizens the right to fight for their own interests, the freedom of assembly as well as the right to direct petitions to the government. The first lobbyists appeared in Washington in 1837, and in 1852 journalists dealing with lobbying were forbidden from participating in the meetings of the House of Representatives. Legal regulations limiting the freedom of lobbyists as well as the requirements of their registration have began to appear since then. The matter of who public persons were, as well as the rules of their behaviour and the principles of using the lobbying, had been defined. (Sady, 2010).
The Federal Registration Act of 1945 was the first act regulating lobbying activities. It specified what lobbies are and how they affect legislation process by contacting congressmen, but overlooked such important issues as campaign funding, contacts with the President’s people and government departments. The entities and the idea of a self-funding lobbying were also omitted, but on the other hand "the main purpose" clause was introduced (excluding lobbyists spending collected funds). The Act demanded lobbyist registration at the Secretary of Congress, quarterly financial statements, current information about lobbying actions and public access to these information.

J. Deakin described the interest groups scene in Washington, D.C. in 1960s as: “There is an association, union, society, league, conference, institute, organization, federation, chamber, foundation, congress, order, brotherhood, company, corporation, bureau, mutual cooperative, committee, council, plan, trusteeship, movement, district, assembly, club, board, service or tribe for every human need, desire, motive, ambition, goal, aim, drive, affiliation, occupation, industry, interest, incentive, fear, anxiety, greed, compulsion, frustration, hate, spirit, reform and cussedness in the United States.” (Rosenthal, 2001: 2) Since the 1960s, even more interest groups have appeared creating a complicated network of interests. Because of rising interest among former congressional officials in participating in lobbying activities ("revolving door" issue), new regulations concerning this problem were introduced in 1989 and stated that they cannot conduct any lobbying activities for the first year after leaving their office. Byrd’s amendments from 1989 and 1996 became complementary with other legal regulations by forbidding spending federal funds for lobbying purposes.

The Lobbying Disclosure Act of 1996 (amendment of the Act on lobbying from 1946) is the latest American act regarding lobbying and contains amendments to the previously adopted legal acts. This act redefines a lobbyist as a person who "maintained more than one lobbyist contact in Congress and spends more than 20% of their time (within 6 months) on the activities associated with lobbyist activities (research, presentations, meetings etc.)" (Jasiecki, Molęda – Zdziech, Kurczewska, 2006). "Lobbyist contact" is there defined as "every oral, written or electronic form of communication aimed at exerting influence on the decision-makers of the executive or the legislative power on behalf of a client in order to do the following: a) editing, modification or adaptation of federal legislation (together with proposals of acts), b) editing, modification or adaptation of a federal provision, regulation, executive order and every other policy program of the United States government, c) management or implementation of a program or a federal policy (along with negotiations, awards, management over a federal contract, subvention, loan, permit, license), d) nomination or approval of a person to a position subject to approval of the Senate." (Jasiecki, Molęda – Zdziech, Kurczewska, 2006).

Lobbyists registration according to the Act is held within the rules of openness of data in the register. Registration can be made in a traditional way (written forms) or in an electronic way using website forms. In half of the states,
the registering authority is the secretary of state, and in the other half, lobbyists are registered by different forms of ethics commissions. Those organs collect the registration forms, prepare regular reports on lobbyist activities, expenses and incomes, and also provide register information to all interested persons. Additionally, those organs also publish manuals for lobbyists which contain legal resolutions with comments, frequently asked questions and answers, as well as exemplary case studies (Wiszowaty, 2008). These information is made available to every person interested in the office of registration authority or in electronic version. Basic data necessary for the register are: lobbyist’s personal data, subject of lobbying activities and his or her employer. Each state may have requirements for additional information e.g. business relations of the lobbyist or his or her employee with a Representative, a politician or a civil servant or his or her family (Florida, Maryland) or submitting contract between the lobbyist and his or her employee (Idaho). (Lewicka-Strzałecka, 2009)

Ethics Reform Act, the act on the reform of ethics from 1989, the reforms from 1991, as well as ethics committees have introduced new regulations relating to offering and disclosing gifts, travel costs, conflict of interest plus royalties. Principle no.52 was introduced in 1996, which forbade the members, officers and employees from accepting most gifts. The limit on the value of a gift was eliminated. "The following items are subject to exclusion, e.g.: personal stay, donations for campaign, fees for the legal assistance fund, information materials sent to congressional offices, expenses paid by the federal, state or local government, free admission to a generally accessible event, food and beverages of minimum value, proposed apart from a meal and other things of minimum value such as caps or cotton T-shirts. Gifts from relatives are excluded from this prohibition." (Jasiecki, Molęda – Zdziech, Kurczewska, 2006).

The U.S. Congress, complemented by a strong system of parliamentary commissions, is responsible for the whole legislative process and creation of a considerable number of bills. The political parties are not consistent and they don’t have a detailed code of conduct which enables lobbying actions. Moreover, bicameral parliament and the necessity to agree standpoints between them give an even better field for interest representation.

**European roots of lobbying**

The European Union is constantly growing. Its evolvement to 27 countries led to broadening its scope of interests by policies concerning consumers, social issues, environment, and economic and monetary matters concerning euro zone. As studies show, almost 80% percent of all national laws are created on the EU level, which creates great opportunities for interest representation in the process of the EU law creation.

Because of these issues there grew a great necessity for interest representation in the EU institutions. Lobbying entities are needed for free exchange of opinions and clear articulation of the EU citizen interests by providing necessary information. This helps to overcome the EU’s democratic deficit and
allows decision-makers to consult and advise on new laws. Without lobbyists it would be very hard to organize and aggregate interests, as well as promote public awareness. They also monitor the EU influence on business and social environment and constantly observe the implementation of the EU law on national levels.

Therefore lobbying in the EU is an example of a pluralistic model and the organizations providing interest representation in its institutions are very numerous. Those lobbying groups are: trade federations, public interest representation groups, companies and corporations, national unions and associations, international organizations, regional organizations, law firms, and professional lobbyists. Each of the EU institutions has its own compound structures and decision-making processes, which required adjusting lobbying regulations and cooperation with interest groups to every institution separately. Not only the 27 Member States, but also approximately 150 non-EU Member States, about 1500 lobbyists and 2600 lobbying organizations are present on the political scene of EU institutions. The estimations show that lobbying activities in Brussels cost in total about 90 million Euro per year.

The Code of Conduct for lobbyisis was first drafted in a detailed way by Marc Galle in 1991, who underlined the necessity to create a public register for lobbyist accredited by the European Parliament and suggested many possible solutions. The report suggested annual lobbyists’ register, showed the areas which the lobbyists could access and the ones forbidden, and finally suggested strict rules concerning such aspects as sales of parliamentary documents. The most controversial part of the report was the definition of a lobbyist, which was narrowed only to those who represent a third party at the same time neglecting to include lobbyists working as private subjects. The report started a discussion about lobbying and as its result, the Commission published the "Open and structural dialogue between the Commission and special interest groups". This document aimed at sustaining transparency in interest representation.

The next step was preparation of the Self-regulatory Lobbyists' Code in 1994, which specified how lobbyists should behave while contacting the EU institutions. It included the requirements of self-identification of lobbyists by specifying their surname and the organization which they represent, declaration of represented interests, not deliberately misleading about their status or the nature of consultations with the officials and the institutions, not misleading about their ties with the EU institutions, keeping confidential information for themselves, dissemination of false information, avoiding the conflict of interests and not offering any financial transfer to the EU officials, members of the European Parliament or their employees (Sady, 2010). This code still concerns lobbyists who are not the members of the Parliament.

In 1995 two reports were presented: the first one concerned non-members and the second one concentrated on members of Parliament. As a result, in the following year, the Parliament accepted a modified version of these proposals in relation to the Members of Parliament who were now obliged to present detailed declarations of professional activities showing third parties who they were helping,
refusing gifts and any other benefits which were connected to voting for a specific cause, with registering received gifts which value exceeded 600 ECU.

In 1999, the Code of Conduct for Commissioners banned taking any paid job by the commissioners as well as accepting gifts worth more than 150 Euro. It also ordered preparation of property declarations, introduced the obligation to inform a commissioner about the place of employment of the spouse as well as the need to inform the Commission about the place and the nature of employment for a year after finishing work in the Commission. (Sady, 2010)

The decision-making competencies in the first pillar of the EU institute that only the Commission has the right to legislative initiative, and it is the only institution able to create projects of legal acts. The EU Council is a legislative organ, and the European Parliament has, above all, the ability to give opinions and advise. Both the EU Council, and the European Parliament, have the right to indirect legislative initiative, and are able to influence the Commission in order to force it to create a certain project. Decision-making procedure in the EU starts with the Commission which prepares the project, then it sends the proposal to the Parliament and the Council. They consider the proposal, and discuss it on two successive occasions. If they agree, the legislative text can be adopted. The “codecision” procedure of the EU requires that the European Parliament and the Council approved all the legislation together.

On 21 March 2007, the Commission adopted the communication of “Follow-up to the GreenPaper ‘European Transparency Initiative’”, establishing its relations with interest groups. The framework introduced a voluntary Register for interest representatives in 2008, created a Code of Conduct, and established a monitoring and enforcement mechanism for the Code. This initiative aimed at increasing transparency and creating standards for the Commission’s consultations. Since then, all entities involved in the “activities carried out with the objective of influencing the policy formulation and decision-making processes of the European institutions” are supposed to be registered. The mentioned activities are regarded as contacting EU institutions’ officials, preparation and circulation of any type of letters, informational materials, argumentation papers, organization of meetings, promotional activities on behalf of an interest group and in order to represent interests. Obviously, those activities include any actions being part of formal or any open consultations. The main principles of the Code are openness, honesty and integrity, which should be represented by lobbyists throughout their cooperation with the Commission. Information included in the annually updated Register are: the name of the interest representative and the entity this person represents, as well as contact details, declaration of interests and objectives, affiliations to associations or federations (for better transparency of their contacts with other possible sources of influence), details of their main representing activities, as well as financial information defined separately for different groups:

- public affairs consultancies and firms of solicitors that lobby - annual turnover from lobbying activities (detailed by a client),
– companies’ in-house lobbyists and professional lobbying groups (e.g. federations and associations) - estimation of direct expenditures on lobbying the EU institutions,
– NGOs and think tanks - overall budget (with sources of funding) and estimation of expenditures on direct lobbying.

The Commission is the only institution able to initiate projects, it is, at the same time, an institution most exposed to interest representation. Because the significance of legal resolutions proposed by the UE is of great importance to Member and non-Member States, as well as all their legal, social, economic and technical environment, lobbyists pay close attention to the Commission’s work.

The European Parliament has opinion-advisory functions and because of this, its impact on the law is limited. Parliamentary press conferences are open to the public, and because of that many lobbyists participate in them, although they have no right to ask questions. Another important place for interest representatives in the Parliament are numerous committees and intergroups, which are the field of detailed resolutions creation. There are 19 constant committees (and numerous created ad hoc) and there are 22 intergroups, both of which have their specific tasks and subjects (e.g. consumers’ rights, small and medium companies sector etc.). The Parliament has a register of over 5000 accredited interest representatives who received special passes to access Members of Parliament (MEPs).

The Council of the European Union is the most important institution when considering law-making decisions, but at the same time, it works behind closed door, and because of that, it is inaccessible for lobbyists. Therefore, no register of lobbyists is necessary. The Council consists of representatives of all 27 Member States, and contrary to the Commission and the Parliament, it is not a supranational institution. The ministers of Member States maintain relationships with regional interest groups concerning national lobbying regulations of their Member State.

Differences between the U.S. and EU approach

A dilemma may occur whether the differences in lobbying models in U.S. and EU, though both pluralistic, are a result of the diversity of their political systems or whether they are a result of historical roots of lobbying. U.S. is considered as the pioneer of lobbying, and EU lobbying regulations have considerably shorter history.

To better understand the interest representation processes in the United States and European Union, it is necessary to show the most important system features, characteristic for both models. Factors such as political philosophy or political system are very important for understanding the philosophy of lobbying in a particular institution.
Table 1. System location of lobbying in the United States and European Union’s Institutions

<table>
<thead>
<tr>
<th>Key factors</th>
<th>USA</th>
<th>EU institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political philosophy</strong></td>
<td>Pressure groups and pluralistic theories</td>
<td>Outside-treaty partner in decision-making process in EU, element of social and citizen dialogue</td>
</tr>
<tr>
<td><strong>Historical and political system factors</strong></td>
<td>Lack of feudal limitations in democracy evolvement, significant citizens’ activeness</td>
<td>Increase of the decision role of the transnational EU institutions, creation of representation of different domains of economic and social life</td>
</tr>
<tr>
<td><strong>Governmental system</strong></td>
<td>Presidential, strong power of law</td>
<td>Complicated relations between the Council, the Commission and the Parliament</td>
</tr>
<tr>
<td><strong>Political party system</strong></td>
<td>Two-party system</td>
<td>Political groups in the European Parliament</td>
</tr>
<tr>
<td><strong>Status</strong></td>
<td>Legal regulation, high institutionalization and professionalization</td>
<td>Beginnings of regulation, progressing institutionalization</td>
</tr>
<tr>
<td><strong>Political culture</strong></td>
<td>High significance of the law</td>
<td>Technocratic consulting procedures</td>
</tr>
<tr>
<td><strong>Social perception</strong></td>
<td>Stable and important element of decision-making process</td>
<td>Commonly known phenomenon, gradual acceptance</td>
</tr>
<tr>
<td><strong>Terminology</strong></td>
<td>Lobbying, lobbying industry, lobbies, advocacy</td>
<td>Open and structural dialogue with special interest groups, distinction between national and international pressure groups</td>
</tr>
</tbody>
</table>

Source: (Jasiecki, Mołęda – Zdziech, Kurczewska, 2006)

One of significant differences between the United Stated and the European Union is the approach to the common good. U.S. culture is closely related to the common good, which is based on national values. The Americans are very proud of their traditions and often relate to shared values and beliefs. In European Union on the other hand, the idea of common good is still not universal because of strong divisions and differences between the Member States. Europe still lacks common heroes and is divided, historically and culturally.

The American Lobbying Disclosure Act and the European Union’s European Transparency Initiative were adopted in the same period of time. Although their goals are regulated in a similar way, their detailed solutions are very different. While the European Transparency Initiative is based on self-regulation and voluntariness, and concentrates more on general rules, the Lobbying Disclosure Act demands obligatory registration and introduces detailed lobbyist obligations. American obligations concerning quarterly reports create more paper work than annual reporting in the EU agendas, which are less bureaucratic. On the other hand, more regular reports contribute to better transparency of lobbying activities and guarantee that the registered information are not out-of-date. While the European Union lacks in sanctions for law violation concerning lobbying
(the only sanction is being crossed out of voluntary register), the American law has established heavy sanctions.

### Table 2. Lobbying: a U.S.-EU comparison

<table>
<thead>
<tr>
<th></th>
<th><strong>Washington</strong></th>
<th><strong>Brussels</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lobby registration</strong></td>
<td>U.S. Congress: compulsory</td>
<td>European Commission: Voluntary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>European Parliament: Mandatory for accreditation</td>
</tr>
</tbody>
</table>
| **Ethics regulations for officials** | U.S. Administration: Yes  
U.S. Congress: Yes | EU Commissioners and staff: Yes  
MEPs and staff: Yes |
| **Code of conduct for lobbyists and lobby organizations** | Congressional legislation imposes restrictions on lobbyists  
Lobby organization often have their own codes of ethics | European Commission: Yes, as part of the voluntary register  
European Parliament: Yes, as part of the accreditation process |
| **Levels of lobbying**         | Multi-level system  
Legislative branches:  
- U.S. Congress  
- State laws  
Executive branches:  
- Federal  
- State | Multi-level system  
EU and national level  
Multiple EU institutions (executive and legislative branches):  
- Commission  
- Parliament (directly elected)  
- Council |
<p>| <strong>Funding of non-profit organizations</strong> | Privately funded: very little, if any, federal funding, with none for lobbying | Many funded – sometimes even created – by the European Commission |
| <strong>“Revolving door” phenomenon</strong> | Former lawmakers and government officials frequently become lobbyists (increasing restrictions) | Less frequent |</p>
<table>
<thead>
<tr>
<th><strong>Corporate funding for political campaigns</strong></th>
<th>Common, but with caps Funding: Private sector – public sector (politicians)</th>
<th>Not common; viewed as unethical Funding: public sector – private sector (civil society)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transparency</strong></td>
<td>Strict regulations and enforcement Lobbying Disclosure Act of 1995 requires lobbies to list clients and financial sources</td>
<td>Minimal regulation and enforcement No formalized standards, but European Transparency Initiative seeks to improve it</td>
</tr>
<tr>
<td><strong>Role of local issues</strong></td>
<td>Senators and members of the Congress rely on local issues to get elected Lobbies representing local issues are highly influential</td>
<td>MEPs are more different from local constituencies Lobbies presenting local interests are less influential Local and regional interests are considered through the EU’s Committee of the Regions, composed of representatives of regional and local authorities.</td>
</tr>
</tbody>
</table>

Source: *(Lobbying in the EU: An Overview)*

**Table 3. Continuation of the U.S – EU comparison**

<table>
<thead>
<tr>
<th><strong>Washington</strong></th>
<th><strong>Brussels</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reporting</strong></td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Sanctions</strong></td>
<td>10 000 $ fine and deprivation of liberty up to 5 years</td>
</tr>
<tr>
<td><strong>Number of lobbyists</strong></td>
<td>17 000 federal lobbyists</td>
</tr>
<tr>
<td><strong>Openness to dialogue</strong></td>
<td>Freedom of Information Act: openness of sessions of government institutions and openness of legislative process</td>
</tr>
<tr>
<td><strong>Dependence on contributions</strong></td>
<td>Congressmen and Senators elected by popular vote – may rely on campaign contributions</td>
</tr>
<tr>
<td><strong>Universality of lobbying legal solutions</strong></td>
<td>May diverse within States (different State laws)</td>
</tr>
</tbody>
</table>
Chapter 2: Concepts and Conditions of Running Business Activities

<table>
<thead>
<tr>
<th>Internet access to registration forms</th>
<th>yes</th>
<th>yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet access to registered information</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Top interest groups</td>
<td>Law firms, Industry associations, Regional representations</td>
<td>Industry associations, NGOs (non-governmental organizations), Regional representations</td>
</tr>
</tbody>
</table>

Source: Authors’ own study on the basis of source materials quoted in the study

U.S. law regulates lobbying issues by strict policy concerning lobbyists and their interactions with decision-makers. The EU, contrary to the USA has a less formal approach, represented by unique lobbying regulations in every key institution.

Both U.S. and EU interest representation groups consist of public affairs consultants and firms of solicitors that lobby, companies' in-house lobbyists, professional lobbying groupings (e.g. federations and associations), and NGOs. Professional Associations usually tend to form networks and build membership numbers in order to increase their influence and credibility. Just like each U.S. state has its lobbying representatives, EU Members States have their lobbying representatives as well. Both groups represent their regions in terms of policies, social and economical issues, political relations etc.

Much like their American counterparts, the European industry associations and interest groups concentrated on influencing decision-making process for the benefit of their members, while also gathering and disseminating useful information. In contrast, regional lobby groups represent regional and local authorities within EU Member States, and focus not only on direct lobbying, but also on networking, informing and marketing their regions throughout the EU apparatus. *(Lobbying in the EU: An Overview)*

Conclusions

In every political system, a different light is shed on lobbying depending on historical roots of interest representation. Interest representation itself, independently of the country or institution, is a part of the democratic process and therefore, interest representatives are credible political actors. The demand for professional interest representation is still growing, despite negative perception of lobbying and many organizations seek ways to improve image of this profession and show it is a legal and ethical activity.

Literature shows that in the United States interest groups are perceived as a normal element of political reality. Participation democracy, so important to the
American society, is in this case realized by representing interests of not only business, but also social, cultural and environmental organizations. The society believes that the government and political parties are not enough to secure their interests, that is why intermediaries are indispensable to represent the interests of citizens towards government representatives they elected. Lobbying has, therefore, become an inseparable part of the democratic process and the civil society.

The number of lobbying entities representing diverse interest groups in the European Union’s institutions has significantly grown. More and more international companies, local representation offices, associations, NGOs open their offices in Brussels in order to be closer to the legislative process. They monitor and interpret information and decisions of the EU institutions. Those interest groups (European, international, domestic and private sector) represent different issues, but their common purpose is to reach commonly favorable standpoints. Their most important task is to provide information exchange between interest groups and EU institutions.

Even though both models, the American and the European one, are characterized as pluralistic, there are great differences between the two approaches. This may be caused by the historical roots of lobbying in both continents, the uniqueness of political systems, the specific character of interest represented and the experience of lobbying entities. The regulations provided in both cases have the same basis, but significant differences are observed, while analyzing the two models.

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Internet resources:
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*Lobbying in the EU: An Overview,*


europa.eu – Official Website of European Union

http://www.lobbyists.info/ - the Lobbying Information Resource
Contemporary Business Models
Clusters as "Sustainable" Organizations

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Abstract

Theory and practice of management, including contemporary business models, take into account emergence and reaction to crisis and chaos in enterprises. An organization, in order to survive and develop, resigns from self-efficiency and decides on cooperation and partnership. This transition is resulting in new forms of organization such as: integrated sustainable enterprise, network organization, intelligent organization, bunch organization or cluster. Managing the cluster is particularly difficult because there are multilateral relationships based on mechanism of technology, market, hierarchical models as well as social and ecological solutions. It requires multilateral approach to explain different organizational forms that require trust on the one hand and significant risk where coopetition rules are predominant.

Introduction

The progressive globalization, revolution in the field of communication techniques and technologies and the economic crisis spreading worldwide make both the theory and the practice of management look for new, more effective and efficacious business models. One of such models – as indicated by research – becomes more often the sustainability model. Sustainable means balanced, permanent and renewable. In the paper entitled Sustainability in Business, the Company of the Future (POLTEXT Warsaw 2010) "sustainability" is defined as the ability of companies and organizations of ongoing learning, adaptation and development, revitalization, reconstruction and reorientation in order to maintain permanent and visible position on the market by offering outstanding value to the buyers, today and in the future (consistent with the innovative growth paradigm), thanks to a limited variability constituting business models and resulting from the
creation of new possibilities and goals and responding to them, balancing interests of different groups. Currently, under the grant of the National Science Center, we conduct research on sustainability models in the Polish economy.

Construction has been the main key sector of each economy for many years. In spite of economic weakness, the growth rate of value added in construction in 2011 (according to the data of the Gdańsk Institute for Market Economics) was 14.6% and sold production of construction increased by 18.8%. At the same time, construction is the branch of economy that relatively quickly changes old business models and absorbs new ones. A traditional business model in construction, based on conducting construction works on traditional markets, does not guarantee high profitability anymore. Therefore, more and more construction companies diversify their markets and forms of operations. One of such latest forms and possibilities of increasing operational effectiveness in construction companies becomes their participation in cooperation networks – clusters, as a new form of business organization on more and more globalizing markets.

Organizations of this type are created around a network focused on cooperation, partnership, collaboration, rather than self-sufficiency. Development of business cooperation and partnership is a source of the emergence of new organization management, which makes it possible to respond to contemporary challenges. Concepts of those new forms of organization assume various names and forms and are presented in the subject literature as: network organizations, "clover" type organization, organizations based on interrelationships, cluster type organizations, as well as intelligent companies having the ability to create base knowledge and enabling making it available on the Intranet basis. This type of organization can be also called tangled organization, which creates many privileged relations occurring at business entities selected for cooperation. On this basis, we can characterize the perspective of a separated organization and a tangled organization. This tangling is understandable; it may not be a surprise that the geographical scope, required quickness of activities and use of technological and organizational progress require using substantial resources and having high level of ability of their management. It is relatively easy to speak about development of cooperation and partnership, however, it is harder to implement them in the practice of economic life. The use of cooperation initiatives requires, above all, courage when undertaking risk, patience and determination in execution. Cooperation based on partnership and networks in practice does not mean a fast and simple solution to problems. Sometimes it may cause frustration and disappointment, in spite of the fact that, at the beginning, we expected much from it. Experiences of many countries show that cooperation may be effective and permanent, if it is properly programmed and managed according to the adopted principles of optimum and effective decision-making.

The purpose of this publication is to present the possibilities of applying various model of management of clusters, being organizations grouping various entities/companies focused on fulfilment of anticipated benefits of manufacturers and extraordinary customer expectations. Cluster management is particularly
difficult owing to the fact that between business entities there are multilateral
relations based on technological, market mechanisms, hierarchical models as well
as solutions considering social and ecological aspects. It requires a multilateral
approach to the explanation of various forms of organization that, on the one hand,
require trust, and on the other hand consider a significant risk, where principles of
coopetition prevail. It means that the number of activities typical of cooperation is
greater than unity, and the number of entities participating in the organization is
greater than two. Organizing and development of business activities based on the
combination of several forms of resource allocation, market, hierarchy, trust,
technology, organization assume a hybrid form of an organization. Coordination
based on mutual trust between partners, co-workers, clients and producers assumes
the form of a social network. Creation of different hybrid forms takes account of
various ways of aggregation of entities requiring, on the one hand, dominance of
mechanisms of coordination over the others. Personally, we have in this field a rare
opportunity to observe creation of such a model with the example of the newly-
established Eugeniusz Kwiatkowski industrial cluster, being its founders, and, as
such, having an opportunity to participate in its development.

Research on clusters was initiated in the 20th century, when A. Marshall
developed the concept of industrial districts creation. It is necessary to state that
only M. Porter, thanks to developing the theory of cluster and undertaking its
implementation, verified this concept in business practice. Today, this concept is
adopted as the leading one for a growing number of industries.

**Definition of clusters**

On the basis of many definitions of clusters in the subject literature, their
characteristics can be enumerated, and these are:
- spatial concentration (geographic and sectoral cluster),
- functional, interactive linkages (meaning high specialization, formal
  and informal relations and presence of interdependent processes),
- cooperation and competition
- designation of integration of partner activities (meaning presence of
  special culture of coopetition),
- focus on innovation (meaning prototypes of products and services,
  applied technology and organizational solutions),
- support for innovation (advisory, financial services, servicing and
  management methods).

The definitions of cluster described by M. Porter or Cook determine high
productivity, efficiency and effectiveness of organization being components of
systems of clusters. Usually, clusters depend on the regional economy and create
a common knowledge bases, the use of which creates effects of synergy as a result
of interactions between companies belonging to the cluster. The social capital that
creates the cluster model to the degree greater than economic aspect has
a determinant meaning for creation of the cluster model.
Theory and practice of implementation of clusters are based on a competitive advantage of companies, development of human, intellectual and social capital and on various forms of interrelations among business partners that are characterized by active channels of communication through concluded business transactions. Without such active channels, in spite of a large number of relations between companies that do not create a local production or social system, such an organization cannot be considered a cluster.

**Types of clusters**

According to the definition by OECD, a typical cluster includes the cooperation of companies with scientific-research institutions, design centres, technology offices and state and local government authorities. In practice the following can be enumerated:
- clusters based on knowledge,
- clusters based on value added chain,
- clusters based on regional material and social resources,
- clusters covering industrial districts,
- clusters forming a network of technical, technological, commercial or service cooperation,
- clusters based on the use of scientific and innovative environment.

**Models of clusters**

A very typical concept of grouping of clusters was presented by Mey-Stamer and W. Witkowski who distinguished, among others, Italian cluster model, the best-known example of which is famous Silicon Valley, characterized by a strong specialization as well as a strong mutual competition with simultaneous functioning of the system of network relations based, first of all, on trust and dominance of small and medium-sized enterprises. The presence of these factors creates innovative potential, high productivity and flexible specialization.

The classic Italian cluster is characterized by the lack of capital linkages, lack of separated managing, coordinating structure, relations among companies initiated by owners, frequent close family relations in companies and among companies, strong local dependences and linkages, high level of local identity, long tradition of operations of strong chambers of crafts in the region or district, a large degree of dependences on central government.

The Danish cluster model was established by the decision of the Danish initiative of the network program, the main element of which was external support for creation of the cooperation bond. The key unit of such cluster organization is a network broker, the task of which is to initiate and create contacts between partners. In this model various solutions are proposed and participants are educated in implementing new ideas.
As the basic characteristics of the Danish cluster, the following are adopted:
- presence of government programs coordinating actions at the national level
- presence of a neutral network broker inspiring and programming and coordinating actions of the network cluster,
- preparation and implementation of the training program for the cluster participants,
- making available of diagnostic and analytical measures,
- preparation of the strategy for clusters of cooperating networks.

A different type of cluster - hub-and-spoke cluster - is characterized by a co-existence of large local companies related hierarchically with the sector of small and medium-sized enterprises, e.g. Nokia in Finland, Boeing Seattle Edmonton or Toyota City.

The Dutch model cluster assumes, in turn, cooperation with a research-development institution, ensuring support with regard to access to new technologies. It enables access to knowledge, skills as well as to control - measuring apparatus. The structure of such a cluster makes it possible to substantially reduce costs when developing prototype devices and technologies, and, hence, improve competitiveness of products and services offered by the cluster. The Dutch cluster model is characterized by emphasis on innovations and technologies, active policy of government, close cooperation with R&D centre. For a network broker to be able to function actively, it is required to make available to it wide contacts, possibilities of developing interpersonal skills, and provide access to sources of financing, provide access to resources of knowledge and information.

A satellite cluster is, in principle, similar to the Dutch model because it considers domination of companies from SME sector dependent on external companies. Its location advantage is based usually on lower costs, e.g. Research Triangle Park in North Carolina and the region of Manaus in Brazil. Different varieties of cluster include the Californian school, focusing on social factors and interactions of organizational units of the cluster when gaining competitive advantage by the cluster. The second of the abovementioned directions is called the Nordic school. It expresses, in particular, the ability of the cluster to generate innovations. In the system of the Nordic school, a cluster is perceived as a complex system of interactions between entities for which a suitable system of stimulating innovation is used.

What model of cluster organization would have to be assumed for construction in Poland? It depends on the companies that will create such a cluster and their strategies with regard to searching for new sources of revenues, including often activities complementary to construction services. Here opportunities appear in environmental services, presence on the market of infrastructural licenses, power construction or the so-called ecological construction (the need to adjust to environmental EU standards).
Cluster management principles

Cluster management depends on the applied policy in the development of clusters in Poland and in regions. The regional level considers, first of all, an initiative of development of clusters owing to tangible, human, technological resources and available knowledge. The model adopted when designing particular clusters is of decisive importance for cluster management. The level of policy in creating clusters in the country and in regions requires a complex and system-based approach to design of the process of supporting development of systems and structures adopted for clusters. In old EU member states, such as France and Luxembourg, implementation of national, nationwide model has been adopted. In Belgium and Spain regional model prevails. Five other European countries have selected indirect model, based on the creation of national frameworks for execution of policy at the regional level. At the present time, other European countries do not have a clearly detailed and separated policy with regard to clusters at the national and regional level. At the present time, it can be assumed that Poland has adopted the indirect model in which clusters arise predominantly spontaneously; as a result of bottom-up decisions, rather than acts of authority on the bottom-down basis.

Presently applied instruments are to stimulate cooperation between local organizations in order to create mechanisms of building of clusters on the basis of cluster navigator and NUTEK methodologies. The concept of development policy of clusters at the national level adopts identification of activities at the national level:

- identification of new, potential clusters,
- direct financial support for regional initiatives of building clusters,
- development of specialized skills of gathering experiences and expert studies with regard to clusters,
- development of innovative systems and creation of a platform of cooperation.

Clusters built in various countries of the European Union vary among themselves. The first type reinforces relations of the triple helix between industry, research agencies and government agencies. The second type focuses on research-development cooperation between companies and research organizations. The third type focuses, first of all, on initiating cooperation between companies, regardless whether or not there is a possibility to develop cooperation also with research and development units. It means horizontal conduct of cooperation between competitors or vertical conduct, along the value added chain. In cluster creation programs it is important to formulate principles of creation of the strategy covering operation of clusters, creation of programs of creating new or improving new clusters, preparation of cluster management principles. It is necessary to state that the method unifying the regional strategy depends on a proper regional policy and fast implementation of the proposed cluster projects in business practice. The proposed models of clusters according to M. Porter are characterized by specification of the object and goal of the cluster's operation, identification of its specialization, determination of location, type of market, identification of demand
nature. It is also important to present the type of entities being part of the cluster as well as prepare methods of organization and coordination and management in clusters. An important issue is also the legal form of the cluster, particularly given the fact that Poland does not have relevant legal standards enabling organization of clusters in economy. The most common legal form of cluster organization in Poland is association or a foundation, however, owing to lack of relevant legal regulations, principles of cluster establishment approved in one region are not accepted in another region (the registry court competent for the region rejects the cluster plan prepared on the basis of a cluster registered in a different region). When designing networks of clusters, it is required to take account of three mechanisms, which have a significant impact on selection and building of the cluster model. They include, among others:

- shaping trust in clusters,
- construction and effective rationalization of knowledge management and
- determination of coordination-structural dimensions in the cluster.

**Designing structure of cluster**

In the practice of design of any organizational structures, a tendency to design structures based on dispersed teams and structures, i.e. network, virtual or cluster, starts to prevail more and more often. In a relatively still sparse Polish literature on this topic we can find a quite accurately defined model of cluster structure, by PhD Lilla Knop, Silesian University of Technology, assuming three-level cluster structure. This model is presented in Fig. 1. The first, highest level is represented by the council and management board of the cluster. The second level includes the cluster's coordinator and coordinating unit and only the third level consists of cluster animators and task-project groups.

![Figure 1. Model of cluster structure](image)

Traditional clusters, covering production of goods in the existing sectors, competing among themselves horizontally or operating along the value chain, assume a specific structure, based on contractual linkages taking account of a high level of trust. A cluster may be also represented by leader or coordinator. A traditional value of a cluster for a specific region is, first of all, maintenance of production and jobs and creation of an industrial centre with specific reputation that enables to achieve increased competitiveness. This type of clusters may be reinforced with regional and national initiatives through, among others, financial support. An innovative cluster is focused mainly on implementation of innovation and high-tech, which requires usually financial support, support with regard to knowledge. This type of clusters are organized and are based on leader or a group of leaders. It is necessary to state that trust, owing to innovation, may be slightly limited. From an innovative cluster in the narrower scope a network cluster can be formed.

Network clusters include, among others, high-tech clusters, that is clusters that are based on modern technologies which are of network nature and assume the use of ICT. This type of cluster has an organized network of companies, the operation of which is organized by a network broker, responsible for gathering information on the basis of selected innovative source and development of innovative solutions in technology and business-related services. Presentation of models of clusters includes also clusters created on the basis of the strategic concept of a region. The concept of construction of strategic models of various companies considers solutions based on the determinants of profitability, shaping of competitive advantage, is a combination of tangible and intangible resources creating new values, having importance in gaining competitive advantage. Different types of clusters created by companies should be based on an innovative business concept.

Krzysztof K. Obłój distinguishes three models of clusters having particular importance, derived from the value chain and achievement of competitive advantage. Those clusters include the operator, integrator and conductor model. The operator model is developed on one selected aspect of the value chain on the basis of creation of new structures and technologies of production or sale. Coordination of activities in this type of clusters may be focused on execution of single tasks in the field of marketing and sale or undertaken joint research projects. On the basis of limited trust and narrowed knowledge, the cluster assumes the role of a thematic operator. This model may be used in the Danish hub-and-spoke system or in the Dutch system, where the operator manages specific innovative projects. The integrator model considers, at the level of company, development of the value chain with further cells, in order to obtain control over the whole process. This model is characterized by minimum interferences and assumes presence of control, grasping of value added thanks to economics and scale of operations and synergy of operations. This model can be used when
creating both vertical and horizontal relations. Coordination of activities within vertical dimension, taking account of vertical dimension of the cluster, results from the division of work between entities which use pricing mechanisms for this purpose. Contracting of common actions in the vertical dimension is based on a commercial contract. Coordination of joint actions of the cluster entities in a social network requires special contracts. Entities that comprise such systems of spatial grouping do not belong to network organizations. They determine horizontal dimension of the cluster. Market competitors are forced to cooperation through participation in the same social network.

The horizontal system of companies in the cluster makes business entities dependent with regard to employment, development of knowledge and social skills resulting from the adopted location. It may apply, among others, to development of infrastructure, joint organization of fairs, seminars, conferences, creation of trade and commercial associations. All these actions lead to increased profits created between companies which, at the same time, sharply compete with each other. The model of conductor at the level of company takes into consideration which develops their activities through outsourcing of assets of critical importance for creation of a network of partners. Partners work on the basis of cooperation through creation or purchase or licenses, creation of strategic alliances or organizing of joint ventures. Also other organizational forms may serve those actions. In the adopted cluster solutions commercial contracts are introduced both at the horizontal and the vertical level. Business and market solutions may present conditions for development of social contracts. Another model that helps to develop a cluster may be based on the model of supervisor that, however, does not interfere in activities of particular entities and does not set assumptions of their operation, but cares for necessary means and, above all, for execution of joint goals.

Summary and conclusions

Nowadays, clusters become an important area of the policy of economic support for EU countries and a task for the European Commission. In 2010, the European Cluster Policy Group presented a report containing recommendations for specific actions for popularization of creation of clusters and their role in the European economy and improvement in its competitiveness. Many organizations in EU act for popularization and support for clusters, also new programs are launched, a whole range of supporting initiatives is created.
The results of practical research conducted in many EU countries, also on the creation of clusters in Poland, indicate the use of this form of organization. Conclusions from this research are as follows:
- in clusters there is a higher innovation of companies,
- economic growth of companies is recorded along with growth in the cluster,
- in clusters flow of knowledge and growth in the skills are observed,
- competitiveness gets improved,
- registration of more trademarks and patents is observed,
- contracting more research is recorded,
- support services get improved.

It is necessary to state that the main reason for undertaking cooperation by companies in the system of clusters is to join forces to neutralize and restrict hazards, supplement resources and fully use their skills. Gaining knowledge and introduction of internationalization, effective implementation of scientific and development research, earning of larger inflows and achievement of important success in business. These solutions may lead to development of products, services and markets, as a result of reduced costs ensuring sale of low-cost products and services.
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Creation of Business Models: Designing Issues

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Abstract

The business ecosystem at the beginning of the 21st century is characterised by significant variability and discontinuity. These variable conditions of activities of companies pose challenges focused on seeking and discovering the components of new conceptualisations of business to the management science. Such a relatively new structure is the 'business model'. Recognition of this structure is the prospective task of the worldwide management science, thus also in Poland and Kazakhstan.

Every company utilises a specific business model. Newly established enterprises must design their own business model. On the other hand, the business model of operating enterprises becomes depleted over time, which forces them to reconfigure it. Both cases cause a problem which involves the following question: how to design a new business model? Bearing the above perspective in mind, the purpose of our paper was to select and characterise issues which should constitute basis for designing business models.

While pursuing this goal we described the origin of the emergence of the term 'business model' in the management science, which provided a basis for determination of this concept. We have done this by putting the 'business model' in a semantic, managerial as well as business perspective. Ultimately, these works allowed us to develop a definition in which we state that the 'business model' is a conceptually drawn up and separated multi-component structure which puts the issues of running a business in a simplified perspective by describing the logic of creation of customer value and interception of parts of these values by the company. Based on this, we have determined in the first place that the issues of designing business models is the most important issues related to a given business and secondly, that it was possible to distinguish three key issues, namely: value for customer (VC), value for enterprise (VE) as well as the model of generation of profit (GP). Each of these issues has been characterised.
Chapter 2: Concepts and Conditions of Running Business Activities

Introduction

The management sciences concentrate their research efforts on studying business activities, with particular focus on the way it is run by businesses. Previous papers in this field of scientific exploration allowed to describe the organisational and legal forms of companies and their groups, organisational structures, depict many product development processes as well as characterise strategic, tactical and operating activities. With regard to strategic management the issue which has become the most important one is the issue of recognition of the strategy of operation of companies. In this respect, we have prepared multiple concepts of strategies and selected their various classifications. Initially it was assumed that every company should develop and implement the strategy of growth and competition. But the research found that multiple companies had been functioning for years without any prepared strategy (Casadesus-Masanell & Ricart, 2010). Our research also indicates that many contemporary companies functions this way (Nogalski & Falencikowski, 2005). Furthermore, it should be noted that the research put aside the issues of the starting factor of the strategy, and thus did not answer the following question: what is the strategy of a company based on?

The development of electronics had resulted in the fact that the term 'business model' became important in the second half of the 1990s. Since then the development of research on business models has been providing grounds for stating that they should be considered the starting factors for preparation of a company’s strategy. In view of this, the current situation in management looks like the one presented graphically in figure 1.

![Business Model - Strategy - Operating Activities Relationships](source: prepared by the authors)

Figure 1. Business model – strategy – operating activities relationships

The business model has been created on the basis of strategic management. Determining its place on this ground and acknowledging that the strategy is an element following the business model raises a question about what may 'follow' the strategy. The operating activities presented in fig. 1 cannot be acknowledged as 'this', since it has its own domain – operating management.
Distinguishing the business model as an element preceding the strategy has a crucial meaning, since it makes everyone aware that when establishing (or reconfiguring) business the first efforts should be directed at the very shape of the business model. It also allows to become aware of the importance of studying business models and induces us to make efforts in this scientific field.

The conditions in which business operations are run have been constantly changing, which assumed a turbulent nature at the beginning of the 21st century. For three hundred years of development of industry enterprises have been developing their products according to their perception of reality, by providing them with such functional characteristics as they deemed appropriate. Products designed in this manner, supported by marketing campaigns were 'forced' onto the customers (Bosserman, 2006). In the conditions of supply failing to satisfy the demand as well as an inadequate level of the customers' information about the products this business model was satisfactory for the companies. Decisive changes in this respect have occurred as a result of the development of the Internet, which allows customers to quickly and easily acquire information about the goods and services produced worldwide. Lowering the inter-state custom barriers provides the possibilities of purchasing products manufactured in remote countries. Such changes have affected the growth in the customers' purchasing power, allowing them to express their own demands, and thus affecting the characteristics of manufactured products. In this perspective, customers began to 'pull' the products out of the companies (Bosserman, 2006). As a result, the increase in demand caused a simultaneous growth in the intensity of competition between companies operating both on the global as well as the local scale. Both these increases have influenced the forms of conducted business operations. Conducting such operations to achieve profit is defined as business. Whenever people started doing business, they have always done it by openly or concealingly exploiting the business model (Teece, 2010). The described shift in the customer's role in a natural way influenced the changes in the business running models, resulting in the need to reconfigure them.

In new models business it is necessary to include such elements which will meet the present and the future challenges (for more information see Nogalski B., Szpitter A., 2009a; Nogalski B., Szpitter A., 2009b; Nogalski B., Szpitter: A., 2009c).

The design of business models has to be based on specific issues. Identification and characteristics of these business model designing issues is the objective is this paper. We are willing to achieve this objective by characterising the origin of emergence of business models in the management science in order to describe the term and formulate its definition on this background, which should allow to distinguishing the titular 'designing issues'. Characterising them will finally allow to fulfil the established task.
Origin and notion of business model

The approach of the researchers to the origin of emergence of the term 'business model' in the management science slightly varies. For example, J. Magretta (2002) believes that business models appeared along with the dawn of the personal computer and the spreadsheet and served as trendy catchphrases during the period dotcom's heyday. Meanwhile, A. Osterwalder, Y. Pigneur and C. L. Tucci (2005) suggest an earlier emergence of this concept.

Origin of business models

It is best to date back the origin described here using the approach represented by the aforementioned three researchers: A. Osterwalder, Y. Pigneur and C. L. Tucci (see also Falencikowski, 2012a) according to which the term was used first on the scientific ground in an article by R. Bellman and C. Clark (1957) characterising multi-person business games. The term was used again three years later in an article by G. M. Jones (1960) dealing with the problem of synthesis of three issues – education, electronics and business models. In this article the author suggests that the students of business majors should study the business model.

Further use of business models has been related to their application on the ground of electronics. Miniaturisation of computers allowed to use them more extensively in companies. These new possibilities could have been utilised thanks to the development of software. In the course of development of computer programs the problem of projection of business processes appeared. The nature of the IT environment resulted in the fact that this reflection naturally assumed the form of a model. Confirmation of that road of penetration of the term 'business model' to management can be found in Desmond D'Souza & Alan Cameron Wills' paper (1998), who wrote that a business model becomes the model of a company's system when a business model reflects what we know about the world surrounding the business and the business itself. They also wrote that a business model is created as a result of definition of interaction between the components of business. The template of a business process reflected in software is built on the basis of the following: a) understanding what a company does, b) which resources it uses, c) what these resources do. The business model drawn up by the aforementioned authors on the basis of software consists of charts, internal procedures and a dictionary. Development of software for a given company was possible only in cooperation with the managers who naturally took over the term and used it to describe business. The occurrence of term on the ground of management drew the researchers' attention. Such perceived basis provides the connection of the discussed approach with the position represented by J. Magretta, since it can be actually assumed that the term 'business model' became popular along with the dawn of the personal computer and the spreadsheet, which allowed managers to configure their business in an innovative manner (Magretta, 2002).

The interest in business models intensified in the mid-1990s, which was associated with the use of the Internet in commercial operations (R. Amit &
Ch. Zott, 2001). This growth resulted in an increased number of publications on business models. A. Osterwalder, Y. Pigneur and C. L. Tucci analysed the application of the term 'business model' in the literature. The research covered the period between 1990 and 2003. At the beginning of the analyzed period in 1990 the term 'business model' was used 4 times in abstracts and 7 times in full papers (11 times in total). During the last analysed year 'business model' appeared 30 times in the title, 159 times in abstracts, 10 times in keywords as well as 667 times in full papers (866 times in total). It is worth paying attention to a dynamic growth over the years 1998-1999. While in 1997 the term was used a total of 81 times, in 1998 it was 148 times, and in 1999 already 308 times. Five years later Ch. Zott, R. Amit and L. Massa (2010) reviewed publications in terms of application of the term 'business model'. The research covered a period of 35 years – between January 1975 and December 2009. In this period the researchers found 1272 articles published in well-known scientific journals in which the term 'business model' was used in the title, the abstract or the keywords. Based on this research the authors concluded that since 1995 there has been a dynamic growth in publications about business models. To sum up, we may state that the term 'business model' used in 1990s in IT studies has gained the rights to be applied in the management science.

The term 'business model' became highly popular during the heyday of Internet-based trading companies known as dotcoms. Such companies were quoted on the stock exchange in New York where they used to reach very high increases in share prices at the turn of centuries. The increases did not have solid grounds, which resulted in the so-called dotcom bubble which burst in 2001 causing a dramatic reduction in share prices. Since companies had often been using the term 'business model' in brochures and other similar publications, the crash caused by speculations resulted in the fact that many analysts acknowledged that term to be discredited. It was not until the in-depth work of many researchers had demonstrated the importance and the value of this concept, when it became a clear cause of current ongoing interest in business models.

Based on this, we can begin works aimed at describing the essence of the discussed notion.

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The notion of 'business model'

The notion of 'business model' can be described in various perspectives. On the semantic ground it consists of two notions – the model and the business. According to the dictionary perspective a model is a relatively separate, hardly complicated system acting similarly to the original which may be e.g. an industrial plant (Słownik, 1997). On the other hand, a business is a this commercial production enterprise bringing profit (ibidem) Having connected these meanings by way of deduction, it can be assumed that a business model is a relatively separate, conceptual system within which a company conducts activities aimed at profit that allows it to achieve its assumed objectives.

The issue of the model was also the topic discussed in the field of management. In this case it was assumed that a model is a theory constructed in a manner allowing to manipulate its component variables in an operative way (Zieleniewski, 1981). J. A. Schumpeter (2009) defined the model as a generalised image of the most crucial typical features.

The depictions presented so far entail an important conclusion which states that a business model is a system operating like a company in business, but due to a certain isolation it also features some generalisations and simplifications, but only those that do not undermine this analogy.

J. Magretta rightly wrote that definition brings clarity (Magretta, 2002). When following this principle it should be noted that the depictions of the term 'business model' formulated above do not reflect its business essence. Therefore, to reach proper clarity we have to define the 'business model' from the point of view of business, that is a profit-generating enterprise.

It should be pointed out that in this perspective we will encounter the first issue of designing – a profit-generating enterprise! It should be also mentioned that other purposes of a company's operations are not examined when studying business models, as it is done in other economic theories.

When striving to shed some light on the 'business model' in the business perspective it is worth using the results of works of other researchers, which have been included in Table 1.
Table 1. Collection of business model descriptions

<table>
<thead>
<tr>
<th>No.</th>
<th>Source</th>
<th>Content of definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A. Brandenburger, S. Harborne Stuart (1996)</td>
<td>A business model determines the approach of the organization to generating income within a reasonable cost and implements the assumptions regarding creation and interception of value.</td>
</tr>
<tr>
<td>2</td>
<td>R. E. S. Boulton B. D. Libert S. M. Samek (1997)</td>
<td>A business model is a unique combination of tangible and intangible assets, which form the ability of the organisation to create value</td>
</tr>
<tr>
<td>3</td>
<td>N. Vankatraman, J.C. Henderson (1998)</td>
<td>A business model is a coordinated plan according to which strategies are designed along the three following vectors: cooperation with the customer, configuration of assets, improvement of knowledge.</td>
</tr>
<tr>
<td>4</td>
<td>G. Hamel (2000)</td>
<td>A business model is a composition of the key strategy, strategic resources as well as the value network linked to the customers.</td>
</tr>
<tr>
<td></td>
<td>R. Amit, C. Zott (2012)</td>
<td>A business model is a system of mutually combined and correlated activities that determines how a company runs business with its customers, partners and suppliers.</td>
</tr>
</tbody>
</table>
A business model is an offer is of a company's value to one or several segments of customers as well as the architecture of a company and its network for partners used to create value and a capital of relations in order to generate beneficial and balanced streams of income. |
<p>| 7   | H. Chesbrough, R. S. Rosenbloom (2002) H. Chesbrough (2010)            | A business model expresses the proposal of value, identifies market segments, defines the structures of the chain of value, calculates the structures of cost and potential profits, describes the position of a company inside the chain of value linking the suppliers, the company and the customers, formulates a strategy of competition allowing to retain the benefits (profits) |</p>
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Author(s) (Year)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>A. Afuah, Ch. L. Tucci (2003)</td>
<td>A business model is adopted by a company a method used to expand and utilise resources in order to present customers with an offer of products and services the value of which exceeds the value of the offer of the competition and which, at the same time, provides the company with profitability. Generally speaking, a business model is a system consisting of mutually linked elements that affect one another over time. The essence of the business model consists in specification of the method using which a given company is supposed to earn profit in the long run.</td>
</tr>
<tr>
<td>9</td>
<td>M. A. Rappa (2004)</td>
<td>A business model describes the method of doing business. It specifies what a company does to create value, what place it holds inside the chain of value, what its relationships with customers are in order to generate income.</td>
</tr>
<tr>
<td>10</td>
<td>A. Osterwalder, Y. Pigneur, C. L. Tucci (2005)</td>
<td>A business model is a conceptual tool expressing the business logic of a company and containing a collection of objects, terms and their relations with the purpose. It includes a description of: value focused on one or several segments of customers, the architecture of the company, networks of partners in creation of value, methods of supplying value, relational capital and sustainable streams of income.</td>
</tr>
<tr>
<td>11</td>
<td>S. Voelpel, M. Leibold, E. Tekie, G. von Krogh (2005)</td>
<td>A business model is a concept of indigenous values offered to customers as well as a configuration of the value supplying network composed of own strategic skills and other values in this network (e.g. outsourcing, alliances) and constant pursuit of the company to changes and satisfaction of stakeholders' goals.</td>
</tr>
<tr>
<td>12</td>
<td>B. de Witt, R. Meyer (2007)</td>
<td>A business system used by a company is a composition of resources (contribution), activities (processing) as well as offered products or services (final product) serving to generate value for customers.</td>
</tr>
<tr>
<td>13</td>
<td>O. Lisein, F. Pichault &amp; J. Desmecht (2009)</td>
<td>Any business model can be described by three axes: I) Who are the customers and which type of them the company is particularly oriented on? II) What are the products/services offered by the company? What are the needs desired to be purchased by some customers? III) How does the company distribute its products and how does it gain advantage over its competitors in order to deliver its products?</td>
</tr>
</tbody>
</table>
A business model rationally describes how an organisation creates, provides and intercepts value

A business model expresses the logic of creation and supply of value by a business to its customers. It also determines the architecture of income, costs and benefits associated with the business venture supplying this value. A business model defines how a company creates and delivers value to its customers and how it transforms the received remuneration into profit.

The analysis of the definitions of business models included in table 1 provides the basis for conclusions stating that in the business perspective it is the customer and especially the most often mentioned value for the customer that is important (item 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 16, 17). Lesser, but still significant importance should be attributed the interception of value by the company (item 1, 12, 16, 17) in order to satisfy its various needs. In the historical perspective this aspect was not dominant from the beginning. It has become such in the course of research on business models.

When combining the presented approaches to the understanding of the discussed notion by way of inductive reasoning, it can be assumed that "a business model is a conceptually drawn up and separated multi-component structure which puts the issues of running a business in a simplified perspective by describing the logic of creation of customer value and interception of parts of these values by a company (Falencikowski) 2012 b)."

The definition formulated here provides the basis for selection of two subsequent business model designing issues, which are: value for the customer (VC) as well as value for enterprise (VE)

In such a state of progress in the works, we can direct our deliberations on the essence and the form of designing issues present in the course of development and reconfiguration of business models.

**Essence and form of designing issues**

From the adopted definition it can be concluded that in respect of the full picture of business operations a business model is only a simplified reflection of these activities. Because of these immanent simplifications in the course of designing business models, the designer must focus on the most important issues associated with a given business. These issues are formulated as the designing issues. High diversity of businesses results in the fact that we can encounter high diversity of business model designing issues. Describing them all is an exceedingly difficult task, provided that it is possible at all. For this reason, in this dissertation
we assume a higher level of abstraction in order to achieve a generalised image of the designing issues.

Each entrepreneur starts their business in order to earn money – this is the truth as old as business itself! However, in order to achieve this one has to identify the needs of the customer for which they will want to pay (Porter, 1985). Needs are satisfied by supplying products or services\(^2\) and it has a certain value for the customer. This value is directly proportional to the size of the satisfied need. Therefore, earning money is determined by the amount of value provided to the customer. This reasoning entails the first issue of business model designing issues – the abovementioned value for customer (VC).

The entrepreneur is entitled to remuneration for the value generated and delivered to the customer and, as mentioned above, its main form is money. However, ever since it was invented, money has been a rare and therefore a valuable good. This value of money results in the fact that every customer is willing to pay for purchased products as little money as possible, while each entrepreneur wants to receive as much money as possible. Based on this, there is competition for the value which money provides. A company will gain as much value in this respect as it is capable of intercepting while acting: a) as a seller – from its customer, b) as a customer – from its supplier. The image of the buyer – seller relationship formulated here allows to distinguish the second business model designing issue – interception of value for enterprises (VE).

It has been mentioned above that the essence of business is earning money. The reflection of this in the accounting perspective is achieving profit, traditionally perceived as a difference between revenues and costs sustained for producing values and delivering it to the customer. When planning their business the entrepreneur creates a profit model which they will want to generate in given business activities. Such a profit model manifests the intent of the level of sales a company pursues wishes to achieve (revenue volume) as well as the way it plans to increase the sales volume and/or reduce the costs of generation of value (Hiroyuki & Kazumi, 2010). This observation entails the third issue of business model designing – the profit generation model (GP). When referring to the relations between the business model and the profit generation model, it should be clearly states that the latter is a constituent part of the former.

The three issues of business model designing distinguished here constitute a collection necessary and sufficient to design any business model, in respect of which it is worth presenting these issues in more detail.

Value for customer

The value for customer is defined in the literature as each occurring demand for the products resulting from a personal perception of the benefits being the effect of the relations of the customer with the offer of an enterprise (Woodall, 2003). These benefits may be associated with the following: a) reduction in the

\(^2\) In our work we perceive goods and services together as products.
contribution incurred for purchased products, b) presence of particular attributes in the products, c) importance of the resultant of combination of contributions and attribute benefits, d) aggregation of free configuration of these factors over time (ibidem) The image sketched this way reveals a bundle of benefits carried by the product supplied to the customer. The quoted author distinguishes five separate kinds of value for customer:

- **Net value (Net VC)** - balance of benefits and contributions balanced in an utilitarian manner,
- **Marketing value (Marketing VC)** - applies only to noticed features of the product included in strategic categories,
- **Derived value (Derived VC)** – resulting from the possibility of being used based on the outcomes of the customer's life experience. Right here reference is made to Aristotle's utilitarian value which is presently referred to in economics as the functional product value,
- **Sale value (Sale VC)** – benefit resulting from low price or reduction in contribution,
- **Rational value (Rational VC)** - benefits expressed in units of exchange. It is defined as the difference between the functional value and the objectively (interpersonally) specified price.

The collection of values for customer presented by Tony Woodall does not exhaust their special depiction, while it forces us to as a question – What are the sources of these and other values?

The sources of values in the aspect of business model designing issues have been the subject of research carried out by Christoph Zott, Raphael Amit & Lorenzo Massa. They have distinguished four such sources: novelty, lock-in, complementarities as well as efficiency (Zott & Amit & Massa 2010). These areas of designing have been deepened by Ch. Zott and R. Amit. In their perspective novelty should meet the criteria specified by J. Schumpeter (2009), and thus be innovative and find their way right to the very bases of the present values. The essence of novelty is: a) incorporation of new kinds of operations (causing enrichment of the content of business), b) combining various kinds of operations (for example production and services) allowing to establish new business structures, c) creation of new ways of business management (Zott & Amit, 2010).

Lock-ins apply to introduction of protections against migration of customers in the company. This can be done for example by generating high supplier change costs. An example may be a cheap coffeemaker known as Nespresso, which requires using use coffee capsules produced by that company (Amitt & Zott, 2012). Another example in this area of value sources may be the operations of Gillette, which provides its customers with cheap safety razors (some believe that only the handles to these devices) while require using the blades made only by this company (Teece, 2010). Another lock-in may be protection against imitation of products, e.g. with patents. Customer loyalty programs is another lock-in against migration of customers.
Chapter 2: Concepts and Conditions of Running Business Activities

Complementarities are the sources of values based on combination of complementary operations. An example may be eBay, offering a sales platform and, at the same time, allowing payment by credit card even if the seller has no access to such services (ibidem).

Efficiency as a source of values applies to acquiring savings by implementing a consistent combination of activities present in the business system. It leads to reductions in process-related and transaction costs (Zott & Amit, 2010).

Value for enterprise

We have mentioned above that the company is entitled to remuneration for generating the value for customer. On the other hand, it is not easy to answer the question what this remuneration is supposed to be. From the business point of view it would be necessary to answer that the company will receive as much remuneration as much value it is capable of intercepting.

When analysing the values generated in the company, it can be noted that they are, firstly, set on manufactured products and secondly, that they exist in a specific bundle. When depicting it this bundle otherwise (differently than Tony Woodall), it can be pointed out that it covers the four following main groups of values: emotional, utility, socio-ethical as well as economic. Every company makes efforts to ensure its products carry the highest values. By generating these values for the customer it simultaneously generates it for itself. By selling products every company provides its customers with emotional, utility and socio-ethical values, while it tries to capture as much of the economic value as possible for itself.

Interception of value by the company can be perceived in several perspectives. The competition between companies offering the same or similar products is the first one of them. The second one is competition for values in the sphere of supply in capital, labour and materials. The third one is competition for values between the company and its customer.

The struggle for the customer raging between companies is a characteristic feature of the contemporary economy. This struggle is defined as competition, that is a phenomenon of rivalry between companies in pursuit of similar goals, during which market players take actions hindering the achievement of the same goals by the other participants (Stankiewicz, 2005). Bearing the above perspective in mind, the purpose of a company is to persuade the customer to purchase its products. Raising interest in a given product is the first phase of interception of economic values carried by the customer. The second phase is convincing the customer to notice and appreciate the values offered to them. On the other hand, acceptance of the offered values by the customer is the third phase of interception. Agreement of the price, the terms of payment and the delivery is the fourth phase of the process of interception. The fifth and the last phase of interception of values is entering into a transaction and payment.
To sum up, the value for enterprise is a part of a company's economic value which the company is able to capture when running market operations. The result of and the measure of interception of this value is the acquired profit.

**Profit generation model**

A profit generation model is a description of the way the company will earn money. In this view, when designing a business model the manager should design a method of conduct with regard to such issues as:

- Volume of types of revenue earned from operations (designed on the basis of market research),
- Increasing sales – when designing this subject, a growth strategy proper for the phases of development of the sector should be used [e.g. strategies of differentiation, cost-based leadership, market niche (Porter, 1980)],
- Place of company's operations in value generation chain. When designing this place it should be taken into consideration that it is possible to earn money at every stage of creation of value, but it is necessary to be able to do it. The level of earnings depends on the strength and the bargaining skills of the parties of transactions. As research one operations of supermarket networks has found out they earn a lot, being the last link of the trading chain, which is associated with the ability to receive interest-free commercial credits, buy out entire or considerable parts of production capacities of companies in combination with the ability to generate high sales volumes. One more thing applied in this place is the fact that manufacturing companies experience pressure related to commitment of substantial financial and tangible resources in the manufactured products, which will bring results only after they are sold to the final consumer.

**Conclusions**

The business model can be exhausted, just like each element of business operations. The reasons for this exhaustion may be different. For instance, we may point to technical or technological progress (for example, this is the case in the computer industry), being bored with the product, present, for example, in the cosmetic industry (constantly desired new perfume fragrances, new lipstick colours etc.), emotional wear of the product which takes place, for example, in the textile industry (old clothing tailorings are replaced by new collections), weakening of the position in the chain of value caused by the erosion of skills (for example negotiation or financial skills), or the need to supply the customers with increasingly richer value bundles. For these and other reasons, enterprises must sometimes redesign their business model. By nature, newly established companies must design their model from scratch. Designing a new business model is not an easy thing, however, it is necessary.

The above deliberations indicate that designing a business model should be based on specific designing issues, relevant for a given business. A necessary and
sufficient set of these issues includes the value for customer (VC), the intercepted value for enterprise (VE) as well as the profit generation model (GP). Products manufactured by a company are ontological carriers of emotional, utility, socio-ethical and economic values. The customer is provided with a bundle of emotional, utility and socio-ethical values. On the other hand, economic values between the companies participating in the chain of creation of value as well as between the company and the customer are the field of competitive game, since each side strives to intercept as much of this value as possible. The product of this game is the value intercepted for the enterprise. Both these values are clasped together by the income model describing the manner money is earned as remuneration for generated values.

To sum up the above deliberations, it may be advisable to quote the following David J. Teece's statement: "designing good business models is an art" (Teece, 2010). We completely agree with this idea!

Thus, taking into account the reasoning formulated above, it appears that the issues of business models, their creation and changes (including formulation of designing issues) may not only be a practically useful, but also a special and cognitively interesting intellectual adventure, an adventure with a high level of research satisfaction.

In our opinion, the presented problem poses a significant cognitive and implementation challenge for management sciences. It requires to be thoroughly examined, both in the theoretical and empirical perspective. It also requires tools and methods allowing to improve their description, identification, diagnosis and explanation to be created as well as new directions of research of these sciences as socially useful sciences, to be determined. In view of this, this study constitutes another attempt at beginning a discussion on a certain systematics of the concept of strategic modeling, deepening and developing the knowledge and experience in this problematic area and indicating the conditions (designing issues) affecting the characteristics of the elements of the structure model describing the "business" run by companies, which may be used to improve its activity. (for more detail see Nogalski, 2009).

Bibliography


Metaconcept of Agile Company
Diagnosis of Transformation Potential

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Abstract

In the age of increasingly faster vibrations of business networks we are looking for new solutions for contemporary companies which find it more and more difficult, in the days of increasing outsourcing, to maintain their organizational enterprises, which, ignoring large network corporations, condemns them gradually to the status of an "anonymous" manufacturer of goods and services.

The assumption of the article is to expose "agility" as a metaconcept of a contemporary network company.

Introduction

A network company is presently the most fashionable and the most effective form of business. The article presents the assumptions, the determinants and the methodology of diagnosis of an agile company. In particular, attention was given to the following aspects:

- debunking the paradigm of duality,
- asymmetry of a network as a main driving force behind its development,
- playing on streams of knowledge,
- ability as a metaconcept of management,
- diagnosis of the agility potential in a company.

1. Dual paradigm versus network paradigm

Duality which has already become obsolete, has been so far the leading paradigm in economic sciences and management sciences, in particular in the fields of strategic management, positioning the company and its environment as "hostile", which, in turn, gave a premise for another mini-paradigm: "gaining competitive advantage" in the market economy. This type of paradigm could exist in the following conditions (tab. 1):

- clearly defined entity, i.e. the company as an individual organizational of monolithic nature,
- precisely defined boundaries of the company,
focus on appropriation of someone else's territories (no cooperation with competitors), quite identifiable environment, small pace of organizational, technological, economic changes, etc., limited capital migration, especially in the global scale.

The above assumptions of the paradigm of duality were substantially affected, among others, by:

- **re-conversion** of plan-command economy towards market economy (standardization of the global field of management),
- **global-network** capital transfer,
- **introduction of new** business models (e.g. outsourcing, agile, virtual, intelligent, benchmarking organization, coopetition, strategic alliances, joint-ventures and others),
- **elimination** of product cooperation by process cooperation,
- **transformation** of products and services into **value chains** providing solutions for customers,
- **appearance** of a new category of agents, coaches, managers and knowledge workers, freely moving between various economic and non-economic entities.

In new management conditions, the paradigm of duality, which has supported the previous (classic) theories of economy and management proves to be no longer sufficient, which is proven by the impossibility to develop effective tools for liquidation of financial-economic crisis in the US and Europe, which results from powerful networkization of the economy in the European Union, USA and other economic powers.

The paradigm of **networking** requires a new look at economic and non-economic entities as a system of communicating vessels, which means that e.g. effective strategy of competition of entity A with B, in the long-term perspective leads to weakening, and in extreme cases, even to bankruptcy of entity A.

**Tabela 1. Re-conversion of management paradigms**

<table>
<thead>
<tr>
<th>Paradigms</th>
<th>Tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duality</td>
<td>Competition of A with B</td>
</tr>
<tr>
<td>Networking</td>
<td>Co-existence of network and non-network entities based on: - knowledge, - process-orientation, - transformation of values, - provision of solutions.</td>
</tr>
</tbody>
</table>

Source: Author's own study
Agility as a metaconcept of management

In the days of postmodernism, that is fast breaking of any social, cultural, political and economic bonds, there is a decrease in the effectiveness of long-term concepts, models and methods of management, or ex ante the distance of their applicability shortens consciously, which e.g. in strategic management manifests itself through dramatic shortening of planning horizon from 10 or 5 years to the interval of 3 or 2 years and even to the perspective of one-year budgeting – highly characteristic for small and medium companies.

In the above context, from among many features of a modern company, the main issue may be its agility which can be characterized by:

- **inclined shifts** (we slowly move away from the previous sector which we still treat as "a cash cow" in the direction of new, most often highly innovative sectors),
- **the customer follows the brand** (universalization of the logo, the name and the history of the company),
- **joining new streams of information and knowledge flows** (we are riding the tide of events)
- **unexpected returns of shares** (closing profitable factories in Central-Eastern Europe and transfer of production to South-Eastern Asia).

Contrary to the name, an agile company does not jump "from place to place" (rapid change in sectors, technologies and business models), but acquires the skill of moving freely between various types of economic, financial, technological and political networks.

In the new metaconcept of management proposed here, **an agile company** constructs its own business model using the previous **Periodic table** of contemporary concepts models and methods of management:

- virtual organization,
- fractal organization,
- intelligent organization,
- benchmarking organization,
- outsourcing organization,
- process organization and others.

It has a potential in the scope of rapid (if necessary) reorientation from one management model to another, mainly in the short- or medium-term perspective, which in fact makes it different from companies focused on long-term businesses.

We can come up here with an analogy to theatre, where, having a sound team of actors (in an agile company, organizational actors based on knowledge), the director plans the repertoire for the new season (annual perspective), inviting outstanding directors to cooperation (knowledge). Similarly, in an agile company, particular series of products and services (performances) have a short-term character, which results from high variability of tastes, interests, preferences and value systems of customers (audience). On the other hand in avant-garde theatres (Kantor, Tomaszewski, Teatr Siódmego Dnia and others) we also have to deal with
a perspective of many years, but rather of foresighting nature, which is typical of network corporations (NOKIA, ABB, SIEMENS, DEUTSCHE BANK, etc.), and highly innovative companies.

Hence, an agile company does not have to be associated with small companies with limited resources (outsourcing is helpful here), but applies to enterprises that, according to empirical research, are more flexible than small or medium companies ("big is beautiful").

A traditional feature of an agile company, is its limited size, which is logic and possible in the days of omnipresent outsourcing processes, which however, forces accurate definition of its type (technology, staff, customers etc.), which requires permanent "redundant" investment.

On the whole, it can be assumed that the main core of an agile company are its agents, managers and knowledge workers having unique (key, non-copyable) competencies with regard to internal and external coaching based on knowledge.

2. Diagnosis of the traditional potential of the company towards possibilities and purposefulness in transformation into an agile company.

Not every company must immediately respond and re-orient itself on implementation of an agile company model. There is a need here for conducting initial diagnosis with regard to the potential of its agility (tab. 2).

The number of assessment parameters (10) included in tab. 2 is of benchmarking character; they can be additionally classified e.g. into the following parameters:

- macro – micro,
- external – internal,
- classic – modern,
- sectoral – network and others.

This type of diagnosis is necessary, because the companies often "chase" the "managerial-organization" novelties without having due staff, financial, marketing, logistic potential etc.
### Table 2. Diagnosis of "agility" potential of a traditional company

<table>
<thead>
<tr>
<th>No.</th>
<th>PARAMETERS</th>
<th>ASSESSMENT Scale: 0 – 10 (0 – min., 10 – max)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Business sector</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Value chain</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Knowledge agents</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Knowledge managers</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Knowledge workers</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Knowledge coaching</td>
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<tr>
<td>7.</td>
<td>Flexibility</td>
<td></td>
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<tr>
<td>8.</td>
<td>Limited size</td>
<td></td>
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<tr>
<td>9.</td>
<td>Transferability of resources</td>
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<tr>
<td>10.</td>
<td>Business transparency</td>
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</tr>
<tr>
<td>11.</td>
<td>Number of networks</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Participation in non-open networks</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Position of the network integrator</td>
<td></td>
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<tr>
<td>14.</td>
<td>Education of customers</td>
<td></td>
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<tr>
<td>15.</td>
<td>Customer value management</td>
<td></td>
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<tr>
<td>16.</td>
<td>Relationship marketing</td>
<td></td>
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<tr>
<td>17.</td>
<td>Process management</td>
<td></td>
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<tr>
<td>18.</td>
<td>Position in the supply chain</td>
<td></td>
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<tr>
<td>19.</td>
<td>Orientation on opportunities</td>
<td></td>
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<tr>
<td>20.</td>
<td>Resource orientation</td>
<td></td>
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<tr>
<td>21.</td>
<td>Mobility of resources</td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>Life cycle of the company</td>
<td></td>
</tr>
<tr>
<td>23.</td>
<td>Network complexity</td>
<td></td>
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<tr>
<td>24.</td>
<td>Events monitoring</td>
<td></td>
</tr>
<tr>
<td>25.</td>
<td>Smartness of the company</td>
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</tr>
<tr>
<td>26.</td>
<td>Strong-signal stimuli</td>
<td></td>
</tr>
<tr>
<td>27.</td>
<td>Low-signal stimuli</td>
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<tr>
<td>28.</td>
<td>Core durability</td>
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<td>29.</td>
<td>Knowledge orientation</td>
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<td>30.</td>
<td>Outsourcing level</td>
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<tr>
<td>31.</td>
<td>Benchmarking nature of the company</td>
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</tr>
<tr>
<td>32.</td>
<td>Intelligence of the company</td>
<td></td>
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<tr>
<td>33.</td>
<td>Virtual character of the company</td>
<td></td>
</tr>
<tr>
<td>34.</td>
<td>Fractal character of the company</td>
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<tr>
<td>35.</td>
<td>Learning organization</td>
<td></td>
</tr>
<tr>
<td>36.</td>
<td>Playing on metaphors</td>
<td></td>
</tr>
<tr>
<td>37.</td>
<td>Cleverness of the company</td>
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<tr>
<td>38.</td>
<td>IT</td>
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<tr>
<td>39.</td>
<td>Entrepreneurship</td>
<td></td>
</tr>
<tr>
<td>40.</td>
<td>Structure type</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author's own study
Particular parameters evaluated in scale 1 – 10 require additional interpretation, which is shown as an example in table 3.

It can be pre-assumed that if most assessment parameters are assessed above 5.0 (tab. 2) or placed in column 2 (tab. 3), the diagnosed company has a greater potential towards implementation of a metaconcept of management of an agile company.

This type of approach obviously requires further detailed empirical tests and "testing" in economic practice.

**Table 3. Sample benchmarking of assessments of "agility" of the company**

<table>
<thead>
<tr>
<th>PARAMETERS</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orientation on low assessment (min.)</td>
<td></td>
<td>Orientation on high assessment (max)</td>
</tr>
<tr>
<td>Traditional sectors</td>
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<td>High-tech sectors</td>
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Source: Author's own study

**Summary**

The article presents the assumptions of construction a new business model, i.e. an agile company.

In the current phase of research we are rather dealing with a metaconcept of management whose central axis: "agility", is an *elegant answer* to asymmetric networking of the society and postmodern economy.
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Sensual Leaders in the Management Process

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Introduction

Every now and then reference books give opinions that the methods and tools for the management of modern organizations, due to the discontinuous change of operating conditions, should be significantly different from the methods which have proven very effective over the past few decades [Krzakiewicz and Cyfert 2011]. The foregoing remark is based on the assumption that the management process is subject to the continuous influence of digitalization and globalization, leading to an increase in competitive pressure and to the rise of the phenomenon of excessive supply. New markets, developed as a result of the influence of the aforesaid processes, are where transactions associated with all kinds of resources – from raw materials and funds to human resources and intangible assets, are carried out. As a consequence, the sources of basic competitive advantages – which are increasingly more often based on intangible factors – change. This state of affairs forces changes to the management process, in which directors and managers of resources, excelling in the processes of obtaining and allocating material resources, will have to be replaced by leaders capable of defining and implementing strategies and transforming organizations, products and services into a totally new value for customers. Today, the ability to understand, develop and benefit from the emotions and beliefs of customers has become the basic source of competitive advantage. In this new reality, "ordinary" leaders will not make a success of their organizations. There is a need for innovative leaders characterized by passion. There is a need for sensual leaders.
New challenges for sensual leaders – the changing paradigm of competitiveness, globalization and diversity management

An average US citizen receives up to 250 fliers a day and will have watched or heard up to 350,000 TV and radio commercials by the time they are 18. In Norway, a country with a population of 4.5 million, an average consumer gets to choose from 200 newspapers, 10 weeklies and 20 local TV channels. Sony develops about 5,000 new products a year – more than two products per man-hour, which still is an “insignificant achievement” compared to the innovativeness level at Disney, which generates a new product every five minutes. In Bangalore, the world’s second largest software manufacturer, there are 150,000 computer programmers, who, depending on their skills and professional experience, earn anything between 600 and 1,000 dollars.

These examples unequivocally demonstrate that the 21st century is the century of excess, which translates into an increase in competition and forces a change of approach to defining the paradigm of competitiveness. One of the inevitable consequences of the processes described above is the rise of the phenomenon of “clone flood” – similar companies with similar business models, employing similar staff with similar qualifications, offering products and services of similar quality at a similar price and placing them on the market in a similar way. This leads to a situation where customers get to choose from nearly identical offers, which, in fact, means that they have no choice at all.

The foregoing deliberations give rise to a question which is critical for the purpose of constructing business models of modern organizations – is it possible to lay a stable foundation to competitive advantage in the world of excessive supply? When analyzing the processes taking place in the surroundings one could propose a thesis that it is simply impossible. However, one could concurrently propose yet another thesis – that the success of an organization depends on the organization’s ongoing renewal of the values appreciated by customers and on its ability to participate in the process of Schumpeter’s creative destruction. To support the foregoing thesis one could cite one of the fundamental principles of the companies based in Silicon Valley: “make your own products obsolete”.

One of the principles of market economy is that running a business comes down to raising a revenue which is sufficient to ensure a company’s survival. However, an analysis of the case studies of successful companies calls this assumption into question – Ford was founded in order to make cars more widely accessible, Disney – in order to make people happy, and not to ensure survival. In modern economy, profit is the key factor, but not the most important one. If we have a closer look at the actual, and not the declared goals of managers, we can see that all managers share one secret wish, which forces them to put a lot of effort into the continuous development of their companies. The desire to create a temporary monopoly is their driving force. Why are all managers haunted by the same idea? It is quite obvious. As long as a company is not a monopolist, it is forced by the competition to participate in ruthless price wars, as a result of which it makes a near-zero profit.
It goes without saying that no manager will ever openly admit that the main goal of their company is to create a temporary monopoly, just as they will not openly concede that the destruction of the spirit of free entrepreneurship is the ultimate goal of their actions. A temporary monopoly can only be built if a given company is able to stand out among all the other companies in the sector, and the products it offers hold a unique value for a specific group of recipients.

In the world of excessive supply, most organizations have a strategy aimed at depriving customers of free choice. Under conditions of excessive supply, organizations in a way “choose” the recipients, and once they have been chosen, make choices for them. This means that in the economy of excessive supply, companies adopt a strategy aimed at depriving customers of choice and become their one and only, natural choice.

To an increasingly larger extent, contemporary organizations focus not on the products and services which they offer on the market, but rather on the actions they undertake in order to generate these products and services and find and keep the employees capable of ensuring the high effectiveness of key processes. The organizations which will achieve a lasting competitive advantage in the future will be able to stimulate and properly appreciate professional relations.

The new competition paradigm will point to purposefulness – not so much of competing on the market by offering unique products and services, but rather competing for best-qualified employees on the external market. Thus, the level of human resources fluctuation will become an important indicator, allowing one to evaluate the quality of the management team.

Future organization leaders will focus on the processes of training employees and expanding their knowledge, which will allow a given organization to identify new possibilities and better understand the needs of those around them. Their abilities will be significantly different from the abilities of classic leaders, in that they will be able to see not just the threats but also the ways to do away with them, to formulate proposals of new actions and to develop new strategies, ensuring a higher level of compatibility between an organization and its surroundings.

The atmosphere which is conducive to the development of a learning organization is also conducive to the processes of shaping a company’s value for shareholders. The managers who wish to become leaders are aware of the fact that their effectiveness depends not only on the development on their skills but also – perhaps most importantly – on their ability to share their knowledge. The learning process becomes particularly important in the face of the problem of workforce liquidity. By shaping correct relations between an organization and its members, leaders have an effect on reducing the level of fluctuation, which, from the perspective of the organization, generates significant costs. In a world with a free flow of knowledge, employees are attracted by companies which offer them the opportunity to shape and develop their skills and at the same time get them involved in the management process.

Leaders should put a lot of effort into stimulating the process of learning in their employees, sharing their experience with them. The successes of leaders can
inspire the actions of employees. Therefore, leaders should continuously analyze learning opportunities in the process of sharing experience, learning how to improve actions and passing their knowledge to their employees in such a way so that they successfully absorbed it.

Achieving success in the future will call for the development of a new set of organizational behavior standards, facilitating the management of organizations under conditions of constant change. Proper interpersonal relations, trust in employees, creating the right conditions for the development of the ability to share information, the ability to assess joint work, the acceptance and understanding of the organization’s mission are they key attributes of the modern organization management process.

The discontinuous changes of the competition are characterized by multidirectionality. Most experts in the field of management suggest that the deregulation process in economy (e.g. in the power industry, telecommunications, health care and public services), and globalization processes resulting in the increase of the importance of new markets (e.g. China, India, Brazil) exert a significant influence on the management theory and practice. Also such factors as the continuous, never-ending convergence of technology (e.g. the synthesis of knowledge in the field of food production and pharmaceutics, communication, computer technology and applied electronics) and the blurring of boundaries between sectors change the conditions for competition to a significant extent. All these forces have an effect on both large, well-developed and reputable transnational corporations and relatively small, newly established companies. However, these forces have a different effect on the aforesaid two groups and on their abilities to adapt. “Old”, responsible companies with a long-lasting tradition should “forget” about the existing methods of running a business and learn some “new” methods.

Managers are forced to operate within the framework of cultural and intellectual diversity on an unprecedented scale. China and India can jointly satisfy about 30-50% of the world’s telecommunications, TV and power generating units market demand, which means that the remaining producers on the said markets should reduce their stock in order to be in harmony with the conditions of these markets.

It is highly probable that soon people of Asian origin will make up 30-40% of the management teams of large transnational corporations. In this context, the need to understand cultural differences will present a challenge both for Western and Asian managers.

An increase in the expenditure on the research and development of new products and the shortening life cycle of products will force managers to reduce market risk by using subcontractor agreements, thus increasing the degree of dependence on the network of partners.

The world market can be presented as a pyramid of recipients based on their economic potential. The new and emerging opportunities in countries such as China, India and Brazil are located in low-income segments. The servicing of these markets has a fundamental effect on the management process in multinational corporations [Prahalad and Lieberthal, 1998].
Several years ago, American and European companies became fascinated with the perspective of doing business in China and India. Not having conducted appropriate cultural, social or political studies, they offered their products to Chinese and Indian customers at the prices which did not fit the market, which became the source of their failure. A characteristic example here is that of the competition on the India’s automobile market. Gradually, all the big automobile groups from the USA and Europe are being squeezed out of the marker by the local manufacture models, not because of the quality but rather the price, which is the basic criterion for Indian customers. Managers have to be able to understand the market and the needs and potential of the recipients prior to offering any products to them. N. Trivisonno, the CEO of A.C. Nielsen – an international corporation registered in the USA and the leading provider of market research – claims that “there is no such thing as the global consumer. Each country and the consumers in each country demonstrate different behaviors, each one of them has their own taste and habits when it comes to spending money.” The company which he heads is present in over 90 countries on three continents and provides services to over 9000 customers [Smith, 1992].

Organizations should meet the expectations of various markets by adapting their products, services and development directions to local requirements. Taking religious aspects into considerations, McDonald’s offers mutton instead of beef burgers in India, while Baskin-Robbins – green-tea-flavor ice-cream in Japan.

However, one should bear in mind that sometimes adapting a product to local conditions can hinder the acceptance thereof. For instance, when launching its restaurants in South Korea, TGI Friday, an American restaurant chain, included a lot of local foods in the menu. An analysis of the company’s failure on the market revealed that when choosing TGI Friday, the customers wanted to taste American food and were disappointed to see the dishes they were well familiar with.

Globalization can be beneficial, but can also be a factor limiting an organization's development, depending on the economic and political situation of a given country. Globalization will always be associated with a high risk level. Therefore, an organization's ability to promptly respond to dynamic change becomes the key problem.

Transnational corporations increase their involvement on the emerging markets, which makes the analysis of cultural differences increasingly more important. The institutional infrastructure, political systems and intellectual heritage of the emerging markets, too, are significantly different from the solutions used in the European civilizations. The diversity of models is also a consequence of the changing role of the family in business, and of attaching greater importance to getting the employee involved than to his or her skills and productivity. Transnational corporations involved in establishing regional branches should learn to take these differences into considerations. The ability to take different approaches to various cultural issues into consideration is critical for the relations between managers and the environment of transnational corporations, especially in subsidiary branches and companies.
Managers should be able to precisely distinguish between the culture of a given country and business practice. Managers should bear in mind that their management culture and value systems are different from the dominant business practice and should also take the key and ethical features of the market on which they operate into consideration. The acceptance of differences and the setting of general goals means that the socialization of all those who are associated with the general management culture constitutes a new, particularly important element of companies’ competitiveness.

The need to change the manner of management is quite obvious. The problems of the formal structure and hierarchy, rights and power, control and coordination of activities, experience and seniority in a given business – all this is questioned and verified in terms of durability.

Traditional solutions call for verification in the context of new expectations towards management systems. For instance, the convergence of technologies and the change of sector boundaries call the value of sector experience and job seniority into question. The traditional food sector experience presents no significant value when a given problem pertains to a new discipline, such as biotechnology or gene therapy. The experience in traditional banking is not particularly valuable when it comes to virtual reality.

The 21st century leadership

The quality of the 21st century leadership will continue to depend on the existing fundamental attitudes, i.e. leadership, processes and organization, however, the ability to conceive ideas and formulate challenges will become one of the most valuable assets of a leader. The said "ideas and challenges", however, will remain no more than empty intentions, as long as they are not fulfilled in a proper way. Effective leaders will be able to involve employees in the processes of making the ideas and challenges real with the use of the communication system, through which they will inspire all the organization members to take the challenges.

The desire to get the employees involved will lead to the "rediscovery" of the role and significance of interpersonal relations. The systems which modern companies are based on – both the Internet and the Intranet platforms – are effective communication mechanisms, and organizations spend large sums of money on their implementation and maintenance. Such actions should be acknowledged as appropriate, however, managers very often make the mistake of overlooking the difference between communication mechanisms and communication instruments. Electronic channels are no more than communication instruments. It is not the Internet and the Intranet that communicate with people – it is the people who communicate with one another. Even the best system based on electronic channels is no guarantee of effective communication. Digital platforms speed up the flow of information and facilitate the communication process, however, over 70% of electronic mail users do not reply to received messages right away.
Managers should bear in mind that the emotional involvement of employees in the communication process – and subsequently in the management process – is especially important for the proper functioning of an organization. Trust – this word should become the key determinant of a modern manager's actions. There is an enormous difference between the acceptance of something and trust in something. Modern managers often make the mistake of developing an organizational culture which the organization members accept, but in which they do not believe. Effective managers should create an atmosphere which would make organization members believe in the effectiveness of a given strategy, rely on the managers' decisions and believe that their work makes sense.

Modern leaders aim at setting and achieving new goals. They aim at all that is conducive to an organization's success. It sometimes happens that after achieving yet another success, managers rest on their laurels, instead of setting new challenges. Such a state of affairs puts organizations in danger. Effective leaders are able to celebrate their success but they know that they should immediately start working on new operations. The managers who are aware of the constant need to search for new challenges have a feature which could be referred to as "new mentality". They are hard-working, focused on ideas, hungry for knowledge and inquisitive.

Managers have to understand the significance of using past experiences, both the positive and negative ones. Failures teach us how to achieve success in the future. In the face of a failure to achieve an intended goal, many managers start looking for a magic formula to answer the question "why didn't it work out?", instead of accepting the reality of the situation. Modern leaders and managers have to rethink the processes which have taken place over the past decades.

**From the basic areas of competence to competent managers**

Each and every organization needs "experts", "masters" – people capable of creating unique ideas. In many companies such people, who have an outstanding ability to build temporary monopolies, are the real source of competitive advantage. The foregoing remark challenges the concept of key advantages as formulated by G. Hamel and C.K. Prahalad [1990], who emphasize the importance of the main spheres of a company's competence. While "experts", who are focused on the future, personify perspective, the actions of the remaining employees are aimed at retrospection. It goes without saying that in most companies which do not have such "experts", the logic of such behavior is denied, while the companies which do have "experts" aim at reducing an organization's dependence on these "walking monopolies" on the basis of unsound premises. One of the main goals of the "Navigator" knowledge management system, developed by a Swedish company called Scandia, is to transform human capital into structural capital. According to Scandia's idea, when people have left for home, a company is worth no more than the bricks and the lime mortar holding them together. A similar observation was made by Bill Gates, who claims that Microsoft could find itself on the verge of bankruptcy if 20 of the company's employees decided to leave.
Due to the legacy of the era of industrialization, burdening the operations of modern organizations, the standardization and depersonification of actions in an organization continue to be the key determinants of success. As a consequence, most organizations become more and more similar to one another. One should not expect a large number of innovations to be created in a company, where 95% of employees look and think alike. If people in such companies want to change, it means that they simply want to be more like their bosses. In an organization where people are similar to one another, imitation becomes the dominant strategy, which negatively impacts the process of regeneration. Innovation processes are based on the assumption that there is some diversity in an organization, while the boundary condition for their implementation is the refusal to take part in the "look and act alike" race.

Typical employees do typical things and achieve typical results. Average companies employing average employees have no potential to be successful.

**A relative advantage: from a company's location to emotions and imagination**

The foregoing deliberations invite the question of "how could one create temporary monopoly under conditions of excessive supply?" In order to answer this question, one has to trace the evolution of the approach to competitive advantage.

At first, competitive advantage depended on the location of a given company. Access to raw materials, which ensured special advantage over the competition, necessary to build and benefit from a temporary monopoly, was the key to success. This state of affairs changed once the raw materials markets had opened, which forced a reevaluation of the methods of constructing business models and caused the location factor to fade into the background. Under these new circumstances, technology and innovation combined with access to capital, which allowed one to create greater value using the same level of expenditure, became the sources of competitive advantage. This way, at the turn of the 20th century, several famous entrepreneurs in possession of innovations, such as Thomas A. Edison, Alfred Nobel, and Otto Diesel, held a dominant position. A competitive play based on inventiveness was a guarantee of a company's success, until people started to imitate products and buy or obtain patents in a different – not necessary legal – way. Under conditions of universal access to inventions, competitive advantage could not be based solely on the existing monopoly on technology. New structural solutions turned out to be the key to success. In the USA, Alfred Sloan and Henry Dupond established multi-branch companies. Later on, this very structure became dominant in the architecture of the largest and most complex companies [Chandler 1962]. New organizational forms allowed companies to make the most of the existing technological advantages and were conducive to the development of new temporary monopolies through the use of the following concepts: just in time, business practice reengineering (BPR), management by objectives (MBO), Kanban, matrix management, outsourcing, downsizing, lean production, etc.
The time of bureaucratic organizations described by Max Weber is over. Jack Welch from General Electric vividly characterized the companies having a strict hierarchy as organizations which face the management board and turned their backs on customers. Modern organizations are often described not with the use of the bureaucracy metaphor but rather images such as fishing net, three-leaf clover or even boiling spaghetti.

One could obviously point to the significant differences in the value systems and approaches to implementing the idea of management in various parts of the world, and, most likely, these factors will always be considered important. However, it is clearly visible that certain features of management systems which so far have been recognized as canons, such as the stability of employment in one company in Japan, seem to gradually be making room for more flexible solutions. In today's Japan, 25% of the labor force is made up of part-time or seasonal workers. The foregoing observations mean that under conditions of increasing global organizational homogeneity, it is increasingly more difficult to build a temporary monopoly based on organizational innovations only. Emotions, commitment and imagination, which so far have been marginalized, become the new source of competitive advantage, allowing companies to create temporary monopolies. However, in order to benefit from this source of competitiveness, a company has to depart from classic solutions which recommend treating human resources as production factors and stress their individualism.

The economy of the soul

Why do imagination, emotions and moodiness meet with a skeptical response in so many organizations? By doing so, organizations destroy some valuable capital – practice shows that the most valuable actions are taken under the influence of strong emotions. A company that wants to be competitive must not deliberately destroy its strong points, connected with what can be described as “the economy of the soul.” The economy of scale and the abilities which an organization has at its disposal exert and will always be exerting a strong influence on the organization's results, however, in this context it is worth to have a look at the declarations of highly-ranked managers, who admit that as little as 10-15% of their companies' capital is used in a proper way. Most of them perceive this condition as a serious problem, line managers, however, accept this state of affairs and believe that it is simply the way it has to be. In the meantime, in order to survive in the world of excessive supply, one must overcome a situation in which, in practice, employment is equal to "getting rid of competences". Henry Ford is believed to have said: "Why am I always getting a whole man – when all I really need is a pair of his hands?" What organizations need today are "whole people", complete with their heads, hearts, bodies and souls. All that is left without a soul are reflexes and habits.

As far as customer relations are concerned, "the economy of the soul" means focusing attention on experience, attempting to watch closely and think, anticipating what an organization actually has.
As remarked by the Hewlett-Packard CEO, sushi is cold, dead fish, however, the product should not be placed on the market based on this feature. Why is it then that so many companies are so persistent in selling cold, dead fish to their customers, when what the customers want to buy is sushi? From the perspective of the price and functionalities offered, it is irrelevant what kind of TV set, vacuum cleaner or PC we buy. Most of the models offered by particular companies are of similar quality, which means that the key to success lies in appealing to the emotions and imagination of recipients. Otherwise, based on purely economic criteria, a company will have to deal with a drastic rise of customers’ demands, who, when choosing from a number of similar offers, will be able to impose their own rules of the game, which will inevitably lead to a drastic reduction of the margin. In a situation where subjective relations start to play a significant role, the only way to make a real profit is to appeal to the emotions, rather than to the rational choices of customers or subcontractors.

**The role of sensual leaders**

How can the potential of emotional competitiveness and corporate imagination be identified? From the perspective of classic approach to management, the answer to the foregoing question is obvious – the existing model of organizational structure should be supplemented with a new module – the Emotions and Imagination Department or Office, and a manager should be appointed. This may seem absurd and senseless, but this is the way in which categories such as quality and knowledge have been managed over the past five decades. All the organization members, and not just one department, should be responsible for the important sources of competitive advantage, such as knowledge, quality and competence. "Emotions and imagination" – is more than just an administrative unit, it is also a way of thinking.

It is high time that managers stopped designing new administrative units and the relations between them and channeled their efforts into different tasks – they should dedicate themselves to sensual leadership. Sensual leadership develops thanks to imagination and emotions. The term "sensual" should be understood in the sense of "based on feelings" but also "effective enough".

**From the initiators of order to the creators of chaos**

The basic problem with accepting the concept of sensual leader is that most managers make changes in their management styles in a reactive way, focusing on specific tasks. A number of managers and management theoreticians are convinced that leadership should be aimed at solving the problems that crop up on the way. Under the new circumstances, the foregoing assumption seems wrong – effective leadership should aim at creating problems, rather than reducing and eliminating them.

The role of a real leader does not consist in petrifying the methods and techniques which are currently actively used by a given company. On the contrary,
leaders should aim at stimulating organizational imagination and allow for experiments. The managers' task is to challenge their organizations and not to control their operations. When working on the "Walkman" project, Sony formulated just one boundary condition: "we want the size of the product be comparable with the size of a notebook." Sensual leadership calls for the implementation of the principle of formulating flexible tasks. Toshiba can serve as an example here – when the company began working on the video recorder, the design team were given the following instruction: "do it using half the details, half the time and at half the cost". When formulating tasks for employees, one should challenge them, forcing them to work at the edge of their limits, presenting problems rather than suggesting possible solutions and actions.

When the purposefulness of an explicitly established leadership is emphasized, it is sometimes assumed that the lack of leadership leads to chaos. Calling the foregoing assumption into question, it can easily be demonstrated that the lack of leadership most often leads to repeating and recreating the existing state of affairs, as a consequence of which an organization becomes static and conservative. This means that the basic task of a leader is to integrate chaos and order – to encourage employees to give up the routine, destroy the existing action models which currently yield a profit and replace them with new action models. Sensual leadership is about “shaking the contents of the pot” and not simply about “covering it with a lid”. Future leaders will have to be able to create chaos and initiate order in equal measure.

In order to survive, organizations will have to learn to make effective use of the mental and emotional abilities of various "experts" and teams, balancing on the edge of chaos. So far, a large proportion of the efforts aimed at creating teams and collective learning have not yielded positive results.

Even though reference books often point to the need to decentralize and extend the powers of future organizations, nobody questions the responsibility of the senior management for designing and implementing the instruments allowing companies to use their potential to the full. As a consequence, instead of stimulating the atmosphere of creativity and increasing the role of organizational imagination, a vision of one man, being a reflection of his own goals and dreams, emerges, and reduces the entire creative activity of an organization to preparing colorful brochures, which inspire hardly anyone apart from the members of the management board.

In sensual leadership based on the stimulation of collective experiments and chaotic actions, the managers' task is to extend their employees' autonomy and powers, develop competitiveness and ensure cooperation and the exchange of ideas in such a way so as to create a platform for shaping and sharing knowledge. Chaos, which is indispensable for the proper functioning of sensual leadership, can be achieved by creating a complex and diversified organization. This pursuit of chaos is not tantamount to accepting an organizations' passing from the state of hierarchy to that of anarchy – sensual leadership is about creating and making use of the conditions and principles allowing an organization to maintain unity. In the presence of just one, be it small, factor which integrates all the organization
members, such as relations, participation, power, etc., one can introduce changes to all the remaining components. A modern organization is neither fully homogeneous nor fully heterogeneous, as it combines both these features, which means that sensual leadership aims at disturbing the dynamic balance, regardless of whether it has been achieved for the sake of time, place or people.

Hardly ever do the creative revelations experienced by people take a finite form. They are more like premonitions or ideas with unknown consequences. Employees are endowed with inexhaustible sources of creative energy, the main problem is to get rid of "the old" and make room for "the new".

The obsolete thinking models and outdated organizational undertakings create a wall which effectively blocks out new ways of thinking and new methods of action. Creativity calls for moving the mental models into different surroundings and verifying all the factors supporting these models.

From persuasion to aid, through affection, intuition and desire

The actions aimed at transforming a new way of thinking into an organizational practice by trying to convince organization members to change the organization are doomed to failure. In practice, there are two ways of shaping relations with employees: one can either appeal to their feelings, intuition and desires or to their reason – based on reasonable grounds. When trying to improve an organization, most managers make use of the latter method, which they have learnt and for the use of which they are rewarded. However, the final result of this cold analytical thinking is the domination of rationality, which is so strong that it makes some people go in circles.

The problem is that nowadays success is less and less dependent on the ability to negotiate with and persuade others. Under the new rules of the game, the basic task of the leaders at all organization levels is to encourage all the organization members to make a "journey" to the uncertain and chaotic future. The best way to encourage organization members to set foot on an unknown land is to take them to the world of their own fantasies and make such a step desirable. Therefore, success has more to do with exploiting the possibilities connected with feelings, intuition and expectations rather than with a simple desire to ensure domination.

Under the new circumstances it is necessary to appeal to the emotions, intuition and expectations of organization members. The members of the team which designed the first Macintosh computer believed that what they were doing would change not only the IT technology but also the world. The team had a clearly defined goal, a clearly defined set of values and feelings, while its members were motivated by the desire to create something unique which was not available on the market. No wonder that when Steve Jobs was trying to win Pepsi's John Sculley for his team he simply asked him if he wanted to spend the rest of his life selling sweet water or get the opportunity to change the world.

Ken Alvares, the head of the International Human Resources Department at Sun Microsystems, claims that his goal is to make employees so engrossed in their
everyday work and play that they can't even hear other people shouting out "there are hunters behind you!".

Sensual leadership has more to do with ensuring a harmonious development of employees than with ensuring a harmonious development of an organization.

Reference books often point out that happy and satisfied employees are more efficient. However, at this point a question arises: "how many companies have incorporated words such as 'joy' and 'happiness' into their vision or their mission?" The best indicator making it possible to forecast the future effectiveness of a given company’s operations is the average number of its employees' smiles per day.

Summary

Modern organizations operating under conditions of excessive supply have to face an increasing global competition and rising demands of recipients. In a world of excessive competition, the need to supply something unique and create new temporary monopolies has become one of the basic conditions for success. Leaders are forced to compete using innovations and increasing the pace of creative destruction. However, temporary monopolies cannot be created simply at the place where the organization is located – the new rules of the game call for setting the emotions and beliefs of an organization and its customers free.

Thus, one could propose a thesis that sensual leadership is the basic condition for and guarantee of effective competition, thanks to the use of feelings and imagination. Sensual leadership is associated with developing a new paradigm conducive to accepting the fact that modern management has more to do with managing chaos than with creating peace, which is tantamount to agreeing to make collective experiments and depart from the individual planning of all organizational undertakings.

At times of domination of subjective relations, sensitive sensual leaders need sensual leadership. Traditional leadership is less and less effective. There is a need for leaders with a vision, capable of creating unique ideas which will be the source of competitive advantage. Therefore, when trying to achieve the required level of competitiveness, one should adopt a new assumption, different from the existing canons – leadership should be built on the basis of emotions and feelings. Sensual leadership stresses the importance of will, imagination and feelings.

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Consistency of the System of Values as an Element of Competence in the Field of Management of the Strategic Dimension of a Company

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Abstract

Classic approaches to management based solely only the significance of economic rationality of an organization certainly encountered significant limitations in the aspect of development of organizations during the second half of the 20th century and the beginning of the 21st century. This is not a claim announcing the devaluation of rationality as a factor which is the economic rationality, but stresses more the problem of the role of non-financial factors in construction of the foundations of business or construction of a company's potential based on the values important from the point of view of the environment of the management system. Thus, we are facing a situation of paradox which we have recently discovered many times in management. On the one hand, we understand that a company bases its existence and functioning on the fact of existing as an economically rational system, on the other hand, we need to accept that, in a way, it is the rationality that is no longer fundamental for building its potential and generating the development potential. The indicated paradox and an urgent need to compensate changes in the hierarchy of importance of objectives of the whole organization has forced urgent searches for a thing which would allow to provide a new sense in the field of a company's rationality. The sought element seems to be a complex system of values which comprehensively allows to provide a better response to the needs of different groups of stakeholders of an organization while showing what is the true intention of conducted business activities. The measurable expression of a system being equipped with the aforementioned comprehensive system of values is being capable of formulating an ambitious and effective vision.
Evolution of paradigms of organization as an element of changes in the pragmatism of company management

The ability to express the vision of the company allows to set the limits and identify the sense of the business being run. It is the basis for defining the tasks as well as the approaches which will be destined to become the tools of achievement of the results set by the organization. Therefore, the vision, in a way, designs the future perspective of the position both in the context of endo and exogenic elements of an enterprise in the perspective of its development. However, it should be remembered that the vision as an element of management is still an extremely enigmatic aspect for many organizations. It is an element that is not easily understood let alone properly formulated, not to mention using it as a competitive advantage of the organization as well as a factor of effectiveness of management. On the other hand, we may observe examples of enterprises that understand the vision, compete using it, thanks to which they achieve particular economic goals, acquiring the potential of growth and development. Examining the vision and pondering its sense, particularly in the context of comprehensive depictions, becomes extremely interesting and important for the theory and practice of management, particularly when we face situations in which the goals of the organization do not bear for any values the company as well as its environment.

The change of the condition of functioning of an enterprise has entailed the need for evolution of the very theory of management. It had not only a dimension systematizing the knowledge as the effect of improvement discoveries, but also over time it grew to become the basis for development of knowledge and introduction of innovative solutions developed in the first phase as concepts and then implemented into business practice. Since the end of the 19th century people have established an extremely a rich collection of knowledge being the effect of work and research conducted in the field of management sciences. One of the fundamental objectives was and still is finding the answer to the following question: What is an enterprise and what are its basic mechanisms?

The vastness of knowledge in general, including the immensity of knowledge about management, often results in an impression of not only diversity, but also obvious antagonisms in defining. In this particular case of problems of defining what an enterprise is and what management itself is. This contributed to the establishment of a specific statement formulated by one of the most important researchers of the described issues - H. Koontz. He said that when it comes to trying to systematize and describe the basic approaches management science resembles a "management jungle" (H. Koontz, 1969). The notion was established not only because or perhaps mostly despite the intricacy of this science, but, among others, its multi-aspectuality and overlapping and supplementation of particular theories. Therefore, it should be remembered that the abovementioned vastness caused the established of a diversity of perspectives and points of view regarding the mechanism and the system which a company is, which is the foundation of development of management sciences.
However, the pursuit of systematization of management science is necessary, mainly due to its increasing practical usability. This provides a better understanding of the changes arisen in the field of enterprise management, not only in the context of a retrospective views, but also the necessary awareness of understanding of current changes in the principles of functioning of today's organizations, mainly in the perspective of outlining and designing the development directions. In general when putting the characterized problem of looking at the problems of an enterprise and management into perspective we can systematize them in three basic definition dimensions, which have been included in the chronological sequence:

- mechanical dimension,
- organic dimension,
- systemic dimension.

In the mechanical dimension a company is perceived as a rational mechanism which bases its grounds for functioning on the ability to achieve goals set mainly in the economic dimension. The recommended economic rationality is reflected in the decision-making method which refers to the dilemma of choosing what to produce and the price at which it should be sold. An enterprise in the dimension of the principles of functioning finds its rationality in the bureaucratic model of an organization proposed and propagated by M. Weber, and the dominant idea of management is scientific management created chiefly by F. W. Taylor. Scientific management bases its assumptions on a stating that just like the whole organization people in functioning it behave rationally, therefore, the whole system can by subjected to a constant analysis, seeking the areas of rationalization of processes and used resources thanks to acquired information.

The assumptions of the mechanical perspective in the look at the organization found its effect in the administrative management model proposed by H. Fayol. The administrative management model was a result of systematization of practical knowledge with regard to functioning of enterprises as well as work and managerial tasks. It introduced the traditional manner of defining the managerial function and the activities performed within it, which come down to planning, organizing, giving orders, coordination and control, which clearly show the classic manner of understanding of an enterprise.(H. Koontz, C. O’Donnell, 1969).

The mechanical dimension of understanding of an enterprise is focused on three basic elements: strategy, process and resources understood in a manner characteristic for this perspective. This method consists in preparation of an effective strategy using properly formulated and organized processes based on an effective technology permitting proper management and use of mainly material and financial resources (fig. 1).
Chapter 2: Concepts and Conditions of Running Business Activities

The effectiveness of an organization is achieved as a result of using a proper system of administration allowing to achieve the desired capital profitability, indebtedness, costs, working capital and investments (P.Cardona, C.Rey, 2009). It should be remembered that an organization designed in such fashion is not found only in descriptions from books published several decades ago. The described logical and inherently simple model of understanding and functioning of an enterprise is found even today as one of the models of designing of a business.

The second dimension of understanding of an enterprise is the organic dimension. We can say that the main proponents of the mechanical dimension looked at an organization from the point of view of the problem of organization of a system and controlling it. They understood the organization as a some kind of a machine, and the employee as an element of it, a cog in the machine. They did not deny the importance of an individual in the functioning of an enterprise. However, they focused their attention on the importance of work control and work results with simultaneous pursuit of standardization of the behavior of individuals (R.W. Griffin, 1998). The individual has become the basis of the behavioral dimension in modeling an organization. The role of the organization and control has not been belittled, but the employee along with his motives in behavior as well as interpersonal relations as an effect of teamworking are considered key in creation of grounds for human labor in an enterprise.

The basis for the development of the behavioral view were the results of research and experiments carried out by E. Mayo and his co-workers during their work in the Western Electric plants in Hawthorne near Chicago between 1927 and 1932. They resulted in a theory, which said that the growth in work efficiency of people employed in the plants was not affected by modified working and employment conditions, but the mere fact of focusing attention on the employees. We can boldly say that the thing observed by E. Mayo was not what he initially assumed as the hypothesis. On the other hand, he paved the way to the application of it in the issues of management in such sciences as psychology and sociology.

In the organic dimension the ground of functioning and development of an enterprise is man. As a result of growth in interest the effect of the human factor on the increase in operational efficiency of an organization, the second half of the 20th
century saw an intensive emergence of various models of organization management focused on the human resource or seeing its basic role in the potential of an enterprise. We can specify the fact that only a part of the human activity can be subjected to planning and control, while most of human labor definitely depends on the initiative and creativity at the grounds personal involvement is dependent on as the main premise of such a view. Secondly, an enterprise cannot come down only to the formal space because the social space of its functioning is a parallel space ensuring proper work atmosphere, motivation and communication.

This problem was described in an extremely communicative manner by J. Pfeffer who constructed seven dimensions of the area of human resources which affecting the increase in productivity of people in the organization (J. Pfeffer, 1998):

- safety of employment,
- selective process of hiring new employees,
- self-managed teams and decentralization of decision-making as a basic principle of designing an organization,
- relatively high remuneration dependent on work results,
- complex training,
- reduction of barriers resulting from differences in the status of organizations of employees,
- complex exchange of information on finance and work results in the organizational space.

Like in the case of other authors in this field, J. Pfeffer's indications in his numerous publications depict the enrichment of the dimension of knowledge of management with such elements as: skills, involvement of people in the pursuit of objectives and results as well as a management system (P. Cardona, C. Rey, 2009) (Fig. 2).

![Figure 2. Organic dimension of definition of organization](source: prepared by the author.)
Chapter 2: Concepts and Conditions of Running Business Activities

The approach in creation of organizations based on the human resource and the social context of functioning of an organization the basis of which is, apart from economic objectives, the awareness of the need to satisfy the needs of members and building the potential of their motivation goes far beyond the ordinary rationality of an enterprise. However, it appeals to the natural dimensions of functioning of a person, that is the group and social rationality. Therefore, we can define this system as an organization with an organic dimension. Such a system is certainly a more complex system, however, it is capable of interpretation of managerial reality and pragmatism. It allows to appeal to a broader set of factors, including factors related directly to human motivation and, at the same time, affect the work environment and the potential of generated results more fully by developing a creative and entrepreneurial environment.

Finally, the last dimension of defining an organization is the systemic dimension. The dynamics of recent decades in all dimensions of functioning of the world and human activity has caused turbulent changes in many sciences, including management sciences. The reasons for the described changes may be sought in four basic processes that are currently leading in the world. We may indicate the following among them:

- technological changes (common digitalization) – they allow to expand the understanding of the limits of organizations, creation of virtual working space, increase in employee mobility, introduction of flexible forms of labor, increase in decision-making competences of employees;
- growth in the impact of risk on the safety of operations – this trend is associated with the balance between professional life and personal life of people, dominant restructuring processes, the growing influence of the problem of broadly understood discrimination, globalization processes, cultural changes, increasing employee protection, etc.;
- growth in the accent of ethics in the dimension of organization and management – changes in systems of values, resurgence of the importance of trust, the increasing importance of responsibility;
- increase in the intensity of competition and the importance of competitiveness – changes in the importance of innovations, quality, customer service, globalization of markets and products, internationalization of companies, the fundamental role of efficacy and effectiveness in the development of an organization.

The indicated trends affect the need to change in defining an enterprise force necessary changes space management. These changes do not refer only to management itself and have an interdisciplinary character. This led to a gradual need of resignation from the previous classic paradigm consisting in explaining complex phenomena with simpler elements separated from them. Sciences such as physics, biology, social sciences (including organization and management science) finally adopted a relatively new (though with origins in the thought in Aristotle) paradigm that the whole is more than the sum of its parts. Therefore, is became necessary to examine particular elements not separately from one another, but taking account of relationships between them. This became the basis of the victory
of the relational concept proposed by G.W. Leibniz over the absolutist concept of I. Newton. It brought about the establishment of the currently dominating holistic approach (K. Perechuda et al., 2000).

Perceiving organizations as systems is a source of not only an interesting view of the organizational reality, but also allows to identify and understand new elements which are important because of the need of further enrichment in the knowledge in this field. The most important assumptions include (R. Griffin, 1998):

- assumption of openness of a system – enterprises as systems are the elements of the environment and as such enter into multi-dimensional interactions with the environment,
- assumption of complexity – an enterprise as the so-called wider system consists of subsystems that are, on one hand, independent, and, on the other hand, constitute a part of a greater whole,
- assumption of presence of synergy - cooperation of many subsystems within a larger system allows to generate added values, which would not be possible in the case of individual activities,
- assumption of presence of entropy – each system naturally drifts towards decomposition as a consequence of its development however, enterprises have the ability to counteract this phenomenon by being able to reconstruct and regeneration, restoring their endurance potential.

An organization in the systemic dimension is thus a complex system operating within a multi-dimensional environment that basically determines the possibilities and the direction of its development. On the other hand, the development itself is defined by the aforementioned phenomenon of entropy, which must compensate by being able to respond, adjust and change, if an organization wishes to survive in the environment.(Fig. 3).

![Systemic dimension of definition of organization](image-url)

Figure 3. Systemic dimension of definition of organization
Source: prepared by the author
Chapter 2: Concepts and Conditions of Running Business Activities

The indicated abilities are the grounds for such elements of an organization as skills, the ability of effective leadership, strategic and process-related skills. The necessary aspect of the indicated skills is the ability of holistic depiction of them in the dimension of a management system. The ability to adjust and change them allowing to achieve coherence in an organization in the aforementioned dimensions allows to develop a consistent organizational culture. Hence, we can see that in this perspective an enterprise is something more than only a mechanist system or a group of people characterized by entrepreneurship and creativity. One may thus say that an enterprise is a multi-dimensional system fitting within the framework and conditions created by the environment which has its own identity defined by realized vision and professed values of all its members taking up rational actions with regard to the pursued objectives.

**A change in approach in management as a strategic dimension of an enterprise**

One can say that the need to increase complexity of the view of the problems of functioning and development of a business and related changes in the strategic dimension of company management is a consequence of evolution of perspectives of defining the enterprise itself. Of course the indicated changes correspond to the challenges identified in management practice and the solutions used in this respect. The purpose of these changes is to provide the enterprise with the ability to reconfigure the image of its reality depending on the needs dictated both by endo and exogenic conditions. The requirements associated with a growing competitiveness, rapid development of technology, globalization of markets and economies results in generation of a huge pressure associated with achievement of appropriate efficiency of the effectiveness of activities of an organization. It means, in turn, searching for new methods of not only running business, but also the principles and the forms of its functioning and, first of all, forces changes in the strategic, and, as a consequence, the normative dimension of management (D.K. Carr, K.J. Hard, W.J. Trahant, 1998).

In the discussed area of ways of strategic thinking of an organization used in the last decades we can point to three characteristic ways. Two of them illustrate specific extremes in the attitude towards organization management and construction of development potential. The third one can be considered integrating, where an attempt is made to integrate the seemingly irreconcilable (K. Machaczka 2010).

The first one has been evolving since as early as the 1980s and is associated with the so-called "strategic analysis of industries and competition" approach. The first one to develop the concept of exogenic strategic changes in the 1980s was M. Porter. This approach (also known as MBV – Market Based View) is based on a model of five forces of competition and a value chain model. The foundation of this concept is adopting an assumption which states that the purpose of strategy is achievement of competitive advantage. The competitive advantage of an enterprise is generated as a result of a proper interpretation of the
market on which the organization operates. The most important assumptions of this approach are the following statements (K. Oblój, 2007):

1) the basis for construction and analysis of a strategy is the environment,
2) strategies should be always formulated having competition in mind,
3) there are two main strategies leading to an enterprise to success: minimization of costs and diversity,
4) it worth being big or relatively small.

The basis for this approach is stressing the key role of the strategic level in development management and the decision-making process using the organization of the dimension of the product and the market. These two factors subsequently become the basis for activities and selected strategies of an enterprise. The development of an organization is determined by the ability of an entity to determine market possibilities and supply to this market with an accordingly defined product.

The second approach centers around resources and strategic competences. In this process the present shape of a company is assumed as the starting point. The proponents of this concept believe that a strategy should be built around the opportunities offered by the environment, but around the strengths of an enterprise. According to them, competences cannot be acquired – an organization must develop them. It is believed that it is difficult for an organization to present itself within the scope of basic competences, even if the market requires it. The main determinant of the decision made by a company is not thus what opportunities the market provides, but what the enterprise may offer it in consequence.

The creators of the RBV approach (Resource Based View), otherwise referred to as the endogenic concept are e.g.: E. Penrose (*The Theory of the Firm*) and J. Barney (article entitled *The Resource-Based View of the Firm: Ten Years After 1991*). We should also draw particular attention to G. Hamel and C.K. Prahalad and their paper entitled: *Competing for the Future. Breakthrough Strategies for Seizing Control of Your Industry and Creating the Markets of Tomorrow* published in 1999. This approach has been evolving since the beginning of the 1990s and is actually opposing the first approach. The essence of this approach in construction of the idea of organization management is emphasizing the outstanding role of resources and skills in shaping the competitiveness of an organization, its strategic potential as well as the ability to survive and develop (Y. Allaire, M. E. Firsioletu, 2000) the main thought behind this approach can be summarized by the following statement: "an opportunity for development of an organization depends on properly chosen and developed resources and skills which allow it to survive in the environment"

Typical characteristics of an endogenic enterprise are thus constant improvement, learning and adaptation. Employees need to be motivated to constant development and build their own learning potential. They should always supplement their knowledge, which means not only absorbing new information, but also questioning the beliefs rooted in the organization.

The proponents of the exogenic concept believe that when establishing a strategy a company should not focus on its possibilities, but on the specific nature
of the environment. On the other hand, the proponents of the endogenic concept believe that companies should at first appeal to their competences and try to construct the elements of their strategy on this basis. The primary analysis of both concepts can reveal a clearly antagonistic attitude between them. The comparison of the exogenic and the endogenic concept has been illustrated by table 1.

Table 1: Comparison of exogenic and endogenic concept

<table>
<thead>
<tr>
<th>Specification</th>
<th>Exogenic concept</th>
<th>Endogenic concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pressure point</td>
<td>Markets at the expense of resources</td>
<td>Resources at the expense of markets</td>
</tr>
<tr>
<td>Orientation</td>
<td>Use of opportunities (external potential)</td>
<td>Use of strengths (internal potential)</td>
</tr>
<tr>
<td>Starting point</td>
<td>Demand and structure of industry</td>
<td>Resources and system of operation</td>
</tr>
<tr>
<td>Adjustment by industry</td>
<td>Adjustment to the environment</td>
<td>Adjustment of the environment</td>
</tr>
<tr>
<td>Strategy focused on</td>
<td>Achievement of position providing advantage</td>
<td>Generation of unique resources</td>
</tr>
<tr>
<td>Strategic activities</td>
<td>Positioning</td>
<td>Development of resources</td>
</tr>
<tr>
<td>Tactical activities</td>
<td>Acquisition of necessary resources</td>
<td>Positioning</td>
</tr>
<tr>
<td>Competition tools</td>
<td>Bargaining power and entry barriers</td>
<td>Better resources and imitation barriers</td>
</tr>
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However, in practice it turns out that managers face a paradox, that is "a situation in which two seemingly opposing or even mutually exclusive facts turn out to be simultaneously true". It also appears that this problem does not actually have an actual solution, since it is impossible to logically integrate two opposites in an internally consistent manner of understanding of the problem.

However, a question if this is the case in reality should be asked. Of course a simultaneous use of extremes is impossible, at least theoretically, but wouldn't it be possible to build a system that would allow to integrate them. The answer turns out be positive and the search for solutions should be conducted in the strategic and the normative dimension of management. Thus a claim that managers should attempt to replace the traditional "either, or", approach with the "and, and" approach seems valid.

The intellectual – analytical approach, which is a some kind of integration of partial approaches, dominant for years in the ways of strategic thinking of companies requires a proper environment in the organization in order to emerge. This environment should be mainly characterized by a proper level of integration.
and readiness for changes so as to allow to mobilize resources and competences. In consequence a system designed this way should be capable of providing proper support to the strategic choices made by the management.

The approach based on values, the so-called Value Based View (VBV) seems to be a unique integrator of the antagonizing models of management of the strategic dimension of an enterprise presented above or a supplementation of them. Thus in the 80s this system was expanded with a third element, namely a system of values. In later year it was justifiably identified with the organizational culture. The problem turned up particularly noticeable in the sphere of strategy implementation. In this case J. Stoner, E. Freeman and D. Gilbert use the term institutionalization of company strategy (J. Stoner, E. Freeman, D. Gilbert, 2001). According to them, in order to institutionalize a strategy of an enterprise its management must lead to the creation of a system of values, standards, roles and groups which will develop the potential to achieve the strategic objectives. Hence, a strategy can be considered institutionalized when there is consistency among the hard and the soft elements of management. Such a situation is called a dynamic commitment, namely the idea that time and mutual relations between people force the management to rethink the traditional views when facing continuous and sudden changes.

One of the most famous expressions of such thinking is the model and the concept of management developed as part of a project of one of the most important consulting companies in the world. In 1982 organizational advisors T. J. Peters and R. H. Waterman, freshly employed by McKinsey & Company published a book entitled "In Search of Excellence: Lessons from America’s Best Run Companies". The book became a worldwide bestseller, and, at the same time the beginning of a new trend in management known as excellence in management which drew the attention to integration of all dimensions of organization management through the element known as a system of values.

For centuries understanding the notion of excellence itself in science has been a popular, extremely interesting and extremely important aspect. Of course, in the broadest context it is the subject of philosophy. Searching for its essence in a much more down to earth field of science which is management has also turned out to be by no means baseless. Of course it is generally known that it is difficult to achieve excellence in daily life. This probably results from human nature itself, because if refer the term excellence to the world as a dimension, we will find ourselves to be surrounded by multiple cases of excellence. However, despite the obvious limitations of human beings in creation or achievement of excellent objects we are able to see them and even more, quantify them. Therefore, it can be assumed that despite the absence of the possibility to achieve the state of excellence in human works nothing is in the way of the pursuit of this state and even more, we can say that it is our duty. Likewise in management, it is impossible to achieve excellence in it, though it does not mean that it should not be sought. However, an extremely important question arises: What is the source of potential of the aforementioned possibility to pursue excellence?
T.J. Peters and R. H. Waterman’s research on 43 American companies recognized as "perfectly managed", including, among others: IBM, Eastman Kodak, 3M, Boeing, Bechtel, Procter & Gamble and McDonald’s has resulted in the so-called 7-S McKinsay Framework (7-S McKinsay diagram, Fig. 4).

![Figure 4. 7-S McKinsay diagram](source)

The companies taking part in the research directed by T. J. Peters and R. H. Waterman, had not only constantly achieved profits for 20 years, but also extremely effectively reacted to customers’ needs, set challenges to their employees and, at the same time, created a satisfying working atmosphere, fulfilled their civil responsibilities by effectively pursuing the obligations towards the society and the environment.

Thanks to their research the authors came to a conclusion that these companies are excellent in basic cases. They achieve this status not by using some secret strategy or a particular marker situation, but simply as a result of very well fulfilled basic organizational tasks. The potential of the examined companies to survive and thrive on the market understood by the authors exactly as this difficult to outline management excellence resulted from their continuous ability to provide innovativeness of their systems. The indicated innovativeness actually comes down to mastering the ability to react to changes and search for new paths of development. Here we should emphasize the problem of the ability to react to changes along with the ability to search for new, better ways of activity and development. It results in a clear conclusion that apart from the decision-making itself the equally important thing in company management is to look for new, unhackneyed methods of operation and implementation of programs. It is
associated with the ability to stop putting an excessive emphasis on the narrowly understood rational aspect of operation (T.J. Peters, R. H. Waterman, 2000).

Therefore it turns out that traditional analytic thinking represented by rational models is simply insufficient. Treating a strategy like a "good idea" to outsmart competitors brings the operation of a business down to only the activity in the field of the size of market shares, costs and positioning on the market. This leads to the establishment of a detached from reality, and thus an abstract, impersonal philosophy, encumbered with a tendency to examine the obvious, simple and logical while being prone to ignore the whole context of operation. In consequence, such an approach must lead to a depreciation of values, which, on the other hand, are, after all, without any doubt, the source of aspirations, resourcefulness and commitment of people in implemented projects. For this reason, the authors pay attention to the central meaning of the system of values to organization management, which invokes a sense of a broader mission, perspective of operation and, finally, deep motivation. Thanks to the conducted research they prove that this is exactly the values support skills and relevant style leadership are able to ensure of an organization necessary flexibility and innovation of business operations conducted to success its reflection in the respective strategies, structures and systems of operation. Hence, they draw attention to the link which allows to create a system integrating the analytical with the intellectual approach by developing a new dimension of strategic thinking.

**Integrated model of management of the strategic dimension of an enterprise**

The practice of application the aforementioned approaches as well as the conclusions which appear in this case from observation of changes in the environment suggest that on the one hand the important thing is the ability to respond to product and market factors, but also with regard to those factors of formation of relevant resources and skills which will provide a better ability to respond to these factors in the future. Hence, it turns out that the proper approach in the field of organization management is the ability to integrate these seemingly extreme concepts (Fig. 5).

As a result of the aforementioned examples we can quite unambiguously state that both from the point of view of changes in the field of the way of thinking about management inside the organization, management methods as well as changes in the field of management focused on the market position we can see the pursuit of the need of development of a management model integrated with the strategic dimension, which, on the one hand, allows to initiate multi-dimensional internal changes with simultaneous construction of a proper system of response and adaptation to complex and dynamic external changes.

The necessary objective of each organization, particularly including enterprises, is development, understood as counteracting entropy and striving to improve its position in the environment. The function of development understood in this way becomes the main tool of formation of identity and increasing the competitiveness of an enterprise in a market economy.
This approach certainly requires the skills associated with the repeatedly stressed and accentuated holistic approach in management. In this case an organization more and more often appears as a proper configuration of a certain complexity. It is a one-of-the-kind cultural system equipped with proper character thanks to its own system of values, beliefs, expectations and, first of all, vision.

Figure 5. In the direction of contemporary models of strategic thinking. Source: own study on the basis of Y. Allaire, M.E. Firsrotu, Myślenie Strategiczne, Wyd. Naukowe PWN, Warsaw 2000, p. 21.

When concluding the problem outlined above from the perspective of the consistency of the strategic company management system it can be seen that the challenge faced by contemporary companies (particularly e.g. international ones) is choosing and fitting into decision-making processes on the border between what may be fulfilled by an organization and what this organization currently is. It is associated inseparably with the ability to design the future as well as the pragmatism of assessment of capabilities of an enterprise. As a result, we can choose and accept a specific orientation, which is the product of what can be implemented as well as the definition of the ability to provide appropriate involvement in the pursued strategy and undertake long-term strategic activities.
As a result, we can acquire the ability to produce a proper formal strategy, which nowadays is supposed to rather serve as a well-chosen intention or a reasonable assumption resulting from a proper assumption of the vision of an enterprise and the adopted system of values.

The formal strategy in turbulent environmental conditions as well as high risk of uncertainty in activities of an organization must be supplemented with the so-called updated strategy, which is in turn a reaction of the organization to any changes taking place within the organization as well as the environment. The updated strategy is the effect of the held potential of a company in the sphere of previously defined flexibility and innovativeness of action and thinking of a company. The driving force is also a proper system of values of a company, which allows such potential to exist. It should be also remembered that in the event when the values are incorrect or simply absent a company's ability in the field of perception of the future will become effectively limited (Fig. 6).

![Diagram of formal and updated strategy](image)

Fig. 6. Coherence of formal and updated strategy in respect of vision. Source:Prepared by the author.
Observing the coherence of these phenomena allows to depict the essence of a company's value in management of contemporary organizations at the strategic level. Values are the element which, apart from the ability to outline the kind of actions and create space to undertake them, provide the consistency of the whole system in time. They also create the ability of the system to provide mutual interaction of its elements, thus building the synergy potential of the system. Values also allow the system to develop necessary reconfiguration potential in respect of the changes generated by endo and exogenic factors stimulating its potential and development opportunities.

Bibliography

Organizational Culture – Main Cognitive Problems

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Abstract

The concept of organizational culture creates many epistemological problems. The popularity hides basic problems with understanding and managing of organizational culture. The subject of this article is thus the analysis of cognitive and practical problems of the organizational culture trend in management concluded with an attempt to outline the perspective of solving them.

Keywords: organizational culture, organization identity

Introduction

The notion of "organizational culture" may be interpreted as an extensive family of words. On the one hand, it originates from a cultural stream that is ambiguous and crucial for social sciences and the humanities, on the other hand, however, it reaches interpretations of organizational reality in sociological and anthropological categories. The wealth of interpretation of the essence of organizational culture suggests usability of open approach. Organizational culture has many senses and meanings, depending on the interpreter and the context in which it is used. Theorists will accept diverse definitions depending on the paradigm they rely on [Smirchich, 1983]. Practitioners will have a tendency to define organizational culture operationally and instrumentally. It means the need to discuss the paradigm and the adopted definition of organizational culture before undertaking any kind of research and analyses.

The concept of organizational culture creates many epistemological problems. The popularity hides basic problems with understanding and managing of organizational culture. The subject of this article is, thus, an analysis of cognitive and practical problems of the stream of organizational culture in management concluded with an attempt to outline a perspective of their solving [Sułkowski, 2008]. The most important cognitive problems of the stream of organizational culture in management include problems of defining and paradigms of organizational culture.
Organizational culture paradigms

The cultural stream in management faces basic epistemological problems pertaining to the manners of defining organizational culture. Among researchers there is consensus neither to the manners of interpretation nor to organizational culture paradigms. In any case, it is an issue related to the ambiguity of cultural research in general [Kroeber, 1952]. We can distinguish a number of paradigms of understanding of culture and thus of organizational culture. When seeking paradigms of understanding of culture, in general, it is required to indicate at least three orientations: functionalist-structuralist trend, interpretative-symbolic approach and postmodernism and post-structuralism [Sułkowski, 2005]. A classic approach in cultural research was functionalism with bases created in the first half of the 20th century, which resulted in creation of structuralism. The development of hermeneutics and humanistic sociology and cultural anthropology became the basis for development of the symbolic-interpretative paradigm. In the 1980s and 1990s, owing to critical philosophy and cultural anthropology, the meaning of poststructuralist and postmodernist orientation increased.

A similar distinction of paradigms can be applied with reference to organizational culture. M.J. Hatch proposes distinction of four paradigms in management sciences: classic, modernist, interpretative-symbolic and postmodernist [Hatch, 2002]. The trend of organizational culture did not function in classic approaches to management. Modernism includes organizational culture in functionalist and structuralist categories, as one of subsystems of organization refers to the methodology of representative comparative research. The need is suggested to control organizational culture leading to its instrumentation. The interpretative-symbolic approach describes it as a process of constructing and reading social reality of the organization in symbolic language activities of an individual in the group. The preferred methodology is of qualitative character, e.g. organizational ethnography. The assessment of possibilities of instrumental shaping of organizational culture is sceptical. Postmodernism stresses defragmentation, cultural and epistemological relativism, textual and narrative approach. The sense of creation of methodology is denied, deconstruction becomes a leading "anti--method" [Hatch, 2002].

L. Smircich carries out a review of paradigms underlying the concepts linking culture with organization [Smircich, 1983]. He finds five common areas: comparative intercultural research, internal organizational culture, cognitive theory of organization, organizational symbolism, unconscious and subconscious processes in the organization.
Table 1. Typology of cultural research in the theory of organization in terms of the assumptions concerning culture and its role in the organizational reality.

<table>
<thead>
<tr>
<th>Culture as an independent variable</th>
<th>Culture as an internal variable</th>
<th>Culture as a core metaphor</th>
</tr>
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<tbody>
<tr>
<td>Intercultural management</td>
<td>Corporate culture</td>
<td>Cognitive approach</td>
</tr>
<tr>
<td>National management styles.</td>
<td>Corporate culture management.</td>
<td>Organization as cognitive</td>
</tr>
<tr>
<td>Similarities and differences in</td>
<td>Association between</td>
<td>project</td>
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<tr>
<td>the way of managing in</td>
<td>effectiveness and</td>
<td>Symbolist approach</td>
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<tr>
<td>different countries.</td>
<td>organizational culture.</td>
<td>Organization - symbolic</td>
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<tr>
<td>Association between</td>
<td>Changes and</td>
<td>discourse</td>
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<tr>
<td>effectiveness and national</td>
<td>classifications of</td>
<td>Dramaturgic approach</td>
</tr>
<tr>
<td>culture.</td>
<td>organizational cultures.</td>
<td>People as organizational</td>
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<tr>
<td>Globalization of</td>
<td></td>
<td>actors.</td>
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<td>organizational culture.</td>
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<td>an intentional construct of</td>
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<td>Interpretative approach</td>
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<td>Organizational reality as</td>
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<td>a form of human expression.</td>
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<td>Psychodynamic approach</td>
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<td>Research of the organization</td>
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<td></td>
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<td>as a form of human expression</td>
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</tbody>
</table>

FUNCTIONALISM

NON-FUNCTIONALIST PARADIGMS


Organizational culture may be interpreted as an independent (external) variable – as a result of the environmental impact on the organization, internal variable of the organization or core metaphor [Thompson, Luthans, 1990]. Organizational culture perceived in the perspective of comparative intercultural research in management is an independent variable having impact on the organization [Kostera, 1996]. In this perspective, it is understood in functionalist categories and is a unique context which affects management process. This approach covers research of social and national management styles and comparative research of impact of cultural context on organizations. Culture – an internal variable is created as a result of the organization's operations, it is unique for the organization. Organizations in this perspective can shape organizational culture. Research relates, above all, to its creation and development, typologies and associations with efficiency of the whole organization. Culture may be understood also as a core metaphor, in the categories of paradigms different from functionalism. Within their scope organizational culture is identified with the organization itself. Organizations are understood, first of all, as symbolic actions, forms of human expression and creation, cognitive projects or signs of deep structures of the human mind or community. On the grounds of these paradigms, the perspective is changed. Business organizations cease to be above all business
undertakings, and other – psychological, social and symbolic aspects of their existence are stressed.

J. Martin classifies the concepts of organizational culture, analyzing the approach of more than 70 researchers and classifying them to one of three theoretical perspectives. The integration perspective is focused on pursuit of uniformity and stability of organizational culture in which it resembles the functionalist-structuralist paradigm. The diversity perspective accepts any possibilities of divisions, tensions, conflicts, development of subcultures and separations in which it is closer to the interpretative-symbolic paradigm. The fragmentation perspective is focused on flow, division and constant change in elusive culture, is closest to the postmodernist and poststructuralist paradigm [Martin, 2002].

Definitions of organizational culture

An obvious consequence of the lack of one paradigm and even consent of researchers to one manner of arranging approaches of organizational culture is multiplicity of definitions of organizational culture itself as well as description of its components, typologies, dependences with other organizational spheres and with the environment. In the subject literature we can encounter a few dozen various definitions that can be classified into various paradigms (Table 2).

Table 2. Definitions of organizational culture.

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition of organizational culture</th>
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<tbody>
<tr>
<td>E. Jacques</td>
<td>A customary or traditional way of thinking and acting, which is, to some extent, shared by members of the organization, and which must be accepted by new employees, at least partially.</td>
</tr>
<tr>
<td>Likert and Likert (1976)</td>
<td>A prevailing model of values, myths, beliefs, assumptions, norms, their embodiment in language, symbols, artefacts as well as in technology, goals and practices of management, feelings, attitudes, actions and interactions [Likert R., Likert J., 1976].</td>
</tr>
<tr>
<td>E. Schein</td>
<td>A model of shared, fundamental assumptions created by a given group while solving problems of adaptation to the environment and internal integration. The model can be considered effective. It is inculcated in new members of the organization as a correct manner of problem solving.</td>
</tr>
<tr>
<td>H. Schenplein</td>
<td>Values, norms and beliefs commonly accepted in the organization and constituting a system.</td>
</tr>
<tr>
<td>G. Hofstede</td>
<td>&quot;programming of minds&quot; of members of the organization, i.e. a set of organizational values, norms and rules effectively inculcated by the team [Hofstede, 2000]</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Description</td>
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<tr>
<td>------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Siehl and Martin (1984)</td>
<td>… organizational culture may be regarded as a glue that joins the organization by sharing models of meanings. Culture focuses on values, beliefs and expectations that are shared by members of the organization [Siehl, Martin, 1984].</td>
</tr>
<tr>
<td>P.M. Blau</td>
<td>Specific, unwritten &quot;rules of social game&quot; in the organization that make it possible for participants to understand organization and identify with it [Blau, Scott, 2003].</td>
</tr>
<tr>
<td>Pettigrew (1979)</td>
<td>Culture is a system of publicly and collectively accepted meanings for a given group over given time. This system of notions, forms, categories and images makes it possible for people to interpret their own situation [Pettigrew, 1979].</td>
</tr>
<tr>
<td>J. van Maanen</td>
<td>Culture refers to knowledge that is transferred to group members for the purpose of sharing it; such type of knowledge, which serves notifying, placing, shaping and bearing responsibility for routine and non-routine actions of members of a given culture. Culture is expressed (or constituted) only through actions or words of its members and must be interpreted by employees of the organization. Culture as such is not visible; it starts to be visible only through its representation [Van Maanen, 1988].</td>
</tr>
<tr>
<td>L. Smircich</td>
<td>Webs of meanings woven by people in the process of organizing [Smircich, 1983].</td>
</tr>
<tr>
<td>Louis (1980)</td>
<td>Organizations are culturally burdened environments, namely distinguishing social groups having a set of common agreements concerning organizing actions, languages and other symbolic carriers of shared meanings.</td>
</tr>
<tr>
<td>Morgan (1997)</td>
<td>Organizational culture usually refers to the model of development reflected by social systems of knowledge, ideologies, values, rights and daily rituals.</td>
</tr>
<tr>
<td>Denison (1996)</td>
<td>Culture refers to deep structures of the organization that are embedded in values, beliefs and assumptions owned by members of the organization. The meaning is established through socializing with different groups, gathered at the workplace. The interaction reconstructs symbolic discourse that gives to cultures large stability and some nature of uncertainty and fragility rooted in the system's dependence on particular actions.</td>
</tr>
<tr>
<td>R. Deshapande, R. Parasurman</td>
<td>Unwritten, often subconsciously perceived principles that fill the gap between what is unwritten and what truly happens in the organization [Deshapande, Parasurman, 1987]</td>
</tr>
<tr>
<td>J.M. Kobi, H. Wüthrich</td>
<td>Not only do organizations have culture but organizations themselves are also culture [Kobi, Wüthrich, 1991]</td>
</tr>
<tr>
<td>Lewis (1997)</td>
<td>Interpretative and basic frames of values forming a unique sense of meanings in the organization.</td>
</tr>
</tbody>
</table>

Source: prepared by the author.
Trouble with operationalization of organizational culture

A consequence of dispersion of paradigms and meanings of organizational culture covers difficulties in building consistent research and practical programs. Organizational culture becomes a notion which is too broad and very difficult in operationalization. The research of the cultural trend still misses the effect of accumulation of scientific achievements, and researchers use research results of one another to a small extent. There is also no certainty as to the relations between organizational culture and other spheres of organization, such as: structure, strategy and environment of the organisation. Here, we can indicate several approaches and criteria of differentiation.

An important problem is the issue of separating organizational culture from other elements of the organization. Functionalists usually opt for the possibility of theoretical and practical separation of the cultural, structural and strategic sphere, whereas interpretativists and postmodernists usually assume silently or even indicate explicite the inseparable connection of those areas of meanings [Smircich, 1983].

The second issue is determination of the priority, that is the answer to the question of whether organizational culture is superior in relation to other areas of management or equivalent or even less important. Of course, the majority of researchers of cultural phenomena opt for the superiority or at least the equivalence of culture in the management of the whole organization [Kobi, Wüthrich, 1991]. However, apart from the cultural trend, it is easy to indicate supporters of the dominance of strategy over organizational culture [de Wit, Meyer, 2007].

The third dilemma is determination of the relations between organizational culture and the environment of the organization. In the reference books, we can find a lot of research and analyses about the dependence between culture in general and other elements of the socio-economic environment [Bogalska-Martin, 2007]. Starting from the classic studies of M. Weber [Weber, 2002] through the analyses of relations between culture and wealth of nations by: F. Fukuyama [Fukuyama, 2001], D.S. Landes [Landem, 2000], up to comparative intercultural research: G. Hofstede, A. Trompenaars and Ch. Hampden-Turner, R. House and R. Inglehart [Hofstede, 1997]. This abundance of research, however, does not apply to relations of the organizational culture with the social, economic, and even cultural environment. If we assume that organizational cultures are "submerged" in cultures of societies and are a different range of values, what is the transmission between these areas? The vast majority of researchers assume that there is a diffusion of values and standards from the culture of the society towards the organizational culture. Of course, there is also a possibility of return impact, though is occurs predominantly on a smaller scale due to the size of a community and the strength with which values and standards are rooted. However, there is no model describing the associations between the culture of the society and the organization culture.

There are no decisive results allowing to state the degree of consistency between the culture of the society and the organization culture. Some authors describe organizational cultures and the cultures of societies using completely different
models and dimensions of values [Hofstede, 2007]. Others assume greater consistency and use the same or similar models and dimensions of values [Sułkowski, 2002]. Lack of decisions in the sphere of relations of the organizational culture and other elements of the organization, as well as organizational culture and the environment result in making very diverse research and practical assumptions in this area. Among theoreticians and managers, we can find both enthusiasts and sceptics of organization management using organizational culture.

Another cognitive problem associated with gathering the models and the typology of organizational culture is the issue of distinguishing them from the models of the organization in general or its selected spheres. Since we have both theoretical and operational problems with separation of organizational culture from the entire organizational system, we will encounter the barrier of its description and classification. H. Mintzberg, suggesting five basic configurations of the organization: simple structure, bureaucratic machine, professional bureaucracy, divided form, adhocracy, actually refers to a large extent, to the organizational culture, though in the declarations, he focuses on the structure [Mintzberg, 1983]. Ch. Perrow creating the technology matrix based on the parameters of: variability and analyzability of tasks (routine, engineering, craft and non-routine) describes, at the same time, types of organizational cultures [Perrow, 1967]. The model of a sieve and human capital is, at the same time, the model of organizational culture in its two contradictory ideal types. Similar situation occurs with models of leadership, power, organizational learning or human resource management. They are descriptions of the whole organization or its selected aspect, and, at the same time, a model or a typology of organizational culture. Excessive broadness and ambiguity of the concept of organizational culture results here in the inability of analytic separation of organizational culture from other areas of the organization.

If, therefore, achievements of the organizational culture and, in more detail, of the cultural trend in management, are assessed positively, how should tests be conducted, in respect of the above critical comments? First of all, we have to come to terms with the plurality of paradigms and definitions of organizational culture, and assume a position of methodological pluralism or eclecticism. An important thing is also openness to concepts and methods arising from other scientific fields. The field of research on organizational culture includes not only disciplines related to humanities and social sciences, such as: sociology, cultural anthropology, culture studies and linguistics, but also new exact sciences: cognitive science, information technologies, neuroscience and evolutional psychology. Perhaps explanations of cultural processes will become a part of a scientific revolution combining problems of social sciences and natural science. I hope that thanks to interdisciplinary nature and openness, it will be possible to solve the problems of organizational culture, which cannot be eliminated from the analyses of social groups functioning. It also seems purposeful to increase the research in the field of organizational culture and develop strict criteria of rejecting the concepts of low cognitive value or which are not supported by credible empirical research.
Chapter 2: Concepts and Conditions of Running Business Activities

Multi-paradigm analysis

The suggestion for solution to the problem of the multiplicity of concepts of organizational culture may be multi-paradigm analysis. We have been educated according to paradigms, epistemic and methodological ideals of selected scientific disciplines. Both theoreticians and managers have various intellectual backgrounds. Some of them followed the path of economic education, others - of management education, and some others technical, exact, social, artistic or humanistic education. Professional and educational path formed our cognitive network, consisting of, among others, values, standards and patterns of "erudition" and "usability". Therefore, we will have a tendency to build a coherent interpretation of terms matching our cognitive network acquired in the course of socialization. Of course, we are not dealing here with determinism, after all, also in the scope of many fields of science, especially humanistic and social fields, there is no agreement with regard to the paradigm. Education overlaps, in fact, with a filter in the form of professional and life experience, which can adjust, and sometimes even radically change, the initial orientation resulting from education. The notion of organizational culture also absorbs, by analogy or metaphor, interpretations of culture in the strict sense. Therefore, what initial judgements can we indicate with reference to the organizational culture? First of all, coherence with thinking taken from the exact, technical and economic sciences more often addresses organizational culture in analytical and operationalist categories. This means a tendency to recognize: the possibility to separate organizational culture from other organizational components such as: strategy or structure, possibilities of management and prediction of development directions of the culture and recognition of the need for precise definition and measurement. Generally speaking, this is a tendency to interpret organizational culture on the basis of the functionalistic paradigm. It is also often possible to encounter considerable scepticism as to the value of the cognitive concept of organizational culture. Representatives of social and humanistic sciences, on the other hand, are more often in favour of interpretation of organizational culture in the interpretative-symbolic paradigm, radical structuralism or even radical humanism. Organizational culture is then the core metaphor of the organization as a whole, without the possibility of separating the structure and the strategy. There is a greater awareness of the inevitability of ambiguities and inconsistencies of organizational culture research results. Usually, also belief in the possibility of operationalization, management and control of organizational culture is smaller. The impact of education (intellectual background) can be connected with a more evasive impact of professional and life experience that selects our beliefs, preserving some of them, and eliminating others. With regard to organizational culture, experience shapes our deep beliefs and intuition with regard to the possibility of having impact on people, their behaviour and systems of values. In consequence, we will either be in favour of more universalistic and scientistic interpretation of organizational culture or we will be oriented on the relativism and the ambiguity of these concepts.
An important thing is also understanding culture in general, which will be a kind of a pattern for interpretation of organizational culture. If culture is interpreted, quite clearly, above all, as: civilization with its technological-material aspects or other measurable factors, there is a preference for functionalist-structuralist views on organizational culture. The awareness of ambiguities of interpretation of culture and its issues more often may lead to accepting, *implicite* or *explicite*, non-functionalistic paradigms.

Many authors try to understand the essence of organizational culture, using metaphors, analogies, paradoxes and symbols. Culture seen as a metaphor of organizations in general was suggested by G. Morgan and is used by many other authors (among others, L. Smircich, B. Czarniawska, M. Kostera) [Smircich, 1996]. Organizational culture is described metaphorically as: an organizational glue, a mental program, a theatre, a happening, or even a text. Symbols fill the models and typologies of organizational cultures, proposed, among others, by: T. Deal and A. Kenned, as well as Ch. Handy [Peters, Waterman, 1980]. The symbols of a web, analogies to Greek gods, comparison to social roles (e.g. macho) are the rhetorical effects commonly used by researchers of organizational cultures. They make it possible to more accurately and synthetically describe the dominant outline of a given cultural configuration. Metaphorical understanding of organizational culture complies with the spirit of humanities, in particular hermeneutics. First of all, it is bringing closer and interpreting the sense, which can, however, be ambiguous. In addition, this is an evident use of the apparatus of art and aesthetics for interpretation of social reality. In the opinion of many researchers, first of all, interpretativists, management of organizational culture is based not only on scientific terms and methods, but is also an art. It is possible to indicate the role of non-open knowledge, as well as creativity of management of such an ephemeral sphere of organization as culture. We are submerged in culture, we feel it, we interpret it and act within it, both as a habit and reflexively. For both kinds of activities, intuition based on non-open knowledge and experience is used. It enables making decisions, convince other people to them and implement them with necessary determination. In the opinion of most interpretativists and postmodernists, the sphere of culture management is out of control, it is accompanied by poor power of prediction where we are dealing with creation and shaping of social reality rather than social engineering associated with determinism and algorithms of actions.

**Summary**

Shaping organizational culture carries along axiological, aesthetic and praxeological aspects. It is a valuating action, conveying ethical and moral contents. Building the identity of an organization around specific values carries with it consequences for all groups of stakeholders. It is crucial to answer questions about development of values and standards, considering e.g. social responsibility, orientation on sustainable development, as well as a subjective manner of treating employees and other stakeholders.
The axiology of organizational culture involves implementation the idea of "good", and the aesthetics concentrates around art and the idea of "beauty". Aesthetics is the key to understand culture, which is also an activity related to creation of beauty or its antithesis. It is therefore difficult to assume that a derivative of culture in the form of organizational culture could be completely deprived of aesthetic ideals. Aesthetic topics, though constantly marginal in management, appear more and more often with regard to organizational culture. Anthropology of organization is more and more often the basis for documentation texts constituting a specific organizational literature. Creation of organizational stories, as well as playing roles and performances is used in the cultural diagnosis [Brown, Denning, Groh, Prusak, 2005].

The praxeology of organizational culture focuses on the analysis of organizational culture from the point of view of the function of efficiency of operation. It is related to the practical character of this issue that may differentiate the research on organizational culture from the analyses of culture in general. Cultural studies do not have to be oriented praxeologically, and the research on organizational culture, at least those being the object of management sciences, should be.

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Chapter 2: Concepts and Conditions of Running Business Activities
Importance of a Postmodernist Approach in Contemporary Conditions of Business Management

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Cracow University of Economics

Abstract

The conditions in which business operations have been conducted over the recent decades are characterized by, among other things, an increase in the territorial range of the companies’ operations, exacerbation of competitive fight and resulting from it pressure on effectiveness but, above all, pressure on innovation and aporic tendencies becomes stronger, both in the environment and within companies, complexity continues to increase, including uncertainty and dynamics of the environment. These factors make the decision-making rationality problematic and result in growth of importance in management of soft factors, difficult to measure, such as, among other things, intuition, openness to other views, which favour creativity and facilitate dealing with functioning in conflict situations, and this means growth in the importance of postmodernist approach in management.

Introduction

The literature related to management of the last decades shows an intensive discussion on the management paradigms. There are different classifications of these paradigms and their different evaluations. This situation may prove some deficit in previously dominant approaches to management problems, which turn out to be insufficient in contemporary conditions of the organization's functioning. The purpose of this discussion is, as a result, identification of suitability of basic management paradigms under such conditions, examples of which are the modernist and postmodernist paradigm.

The basic hypothesis is that the postmodernist approach corresponds to the maximum extent to the challenges of management faced by contemporary companies. At this point, it is assumed that the strength and the character of changes in the conditions of company's operations contributed to increase in the
importance of postmodernist approach as well as that the contemporary companies operate in conditions of high variability of the environment, which, on one hand, requires high effectiveness from them, which is favoured by stability of an organization and, on the other hand, requires high creativity and innovation, which, in turn means changes. This means that the contemporary organizations operate in the conditions of tensions caused, among other things, by the aforementioned contradictions. Therefore, in the first place, operation conditions of contemporary organizations will be outlined, along with the resulting desired characteristics of these organizations, followed with presentation and evaluation of suitability of basic management paradigms, with particular focus on the postmodernist paradigm.

**Conditions of functioning in contemporary companies**

The discussions of both theoreticians and practitioners of management concerning the conditions of functioning of companies emphasize a changing nature of the environment of an organization from a stable one - 2nd Tofler's wave (Tofler, 1985) to the one characterized by abrupt and strong changes within both further and closer environment of an organization. Attention is above all paid to the following phenomena:

- globalization of sectors and global competition
- exacerbation of competitive fight, what results in, among other things, growth in pressure on innovativeness of enterprises and innovative cycle shortening
- functioning of companies in conditions of aporic tendencies, both in the environment and as part of organization's environment,
- growth in complexity, including dynamics and uncertainty of environment.

Globalization means, on one hand, standardization of customer requirements, but on the other hand, as a result of development of the consumer market, we are dealing with increasing demand individualization. These seemingly contradictory tendencies prove the phenomenon of growing market segmentation in particular countries, with the addition that particular segments are globally homogeneous. Thus, a basic characteristic of the world market is development of more and more market segments, scattered all around the world. These circumstances make it possible to perceive the world market as one single market, with all its segments being similarly structured, allowing producers to make use of the experience effect by servicing selected segment(s) on the global scale. The size of the demand decreasing within segments leads to intensification of competitive fight, and consequently to increase in the importance of innovations. It is true that Schumpeter has already paid attention to the meaning of innovativeness of enterprises, but with reference to competing as part of the world's environment, this meaning is especially clear. This is confirmed by the model of competitiveness of nations (diamond concept) of M. Porter (Porter, 1990). Innovation is important both in the event of a company using a cost strategy
The globalization tendencies understood as emphasis on integration and standardization cause counteraction, that is emphasis on individualization, disintegration, regionalization.

The basic, interacting on each other, globalization attributes involving opposing tendencies include:
- microeconomic character of globalization,
- asymmetry of economic, political and cultural globalization
- weakening states and their sovereignty
- expansion of Western culture and seeking own cultural identity
- uncertainty with regard to development of political globalization and political situation
- impulsiveness, instability of economic processes
- fast development of technologies and shorter and shorter innovative cycles
- hyper-competition.

The unification tendencies related to globalization cause development of contradictory tendencies, focusing on regional (cultural, market and other) aspects, which means intensification of globalization and regionalization aporias and any tensions and uncertainties related thereto (Łyszczarz, 2010). This situation means presence and intensification of two contradictory tendencies in the environment of companies, significantly complicating their decision-making situation, placing these companies in an aporic situation.

The global competition means, among other things, that on a given specific geographic market or in a given market segment, the enterprises having their seats are functioning and operating on the international scale, with the addition that strong competitive fight may result in substantial variability of competitors, which means reduction in the stability of markets. The market relations become less clear (this applies to e.g. determination of the company's ownership, to whom and what taxes it should pay, and even its legal form, which may be different in particular foreign branches of the company). The sensitivity of the entities and markets in one part of the world is growing in relation to the actions taken elsewhere.

S. Kauffmann, indicating non-linearity of economic processes, states that "even an insignificant change of initial conditions may result in great changes in final conditions (Kauffmann, 1996). Thus, an improperly addressed mail with certain content or invalid statement of an employee may lead to a fall of the company. Similarly, large activities may bring small effects, and minor mass media information may shake a great company. The specified characteristics of the environment indicate its substantial instability, dynamics and uncertainty, and thus, growth in complexity of the environment.

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1 Therefore, it may be concluded that the changes occurring in the global environment are a logical consequence of the socio-economic development, providing evidence that a new era in this development has begun, the era of knowledge-based society (A. Tofler's third wave).
Requirements towards companies

Such factors as:
- short time for taking decisions under conditions of instability of the environment, whose further development direction may sometimes be determined by a very small event (both in terms of short- and long-time horizons), with the addition that it is difficult to determine in the starting event which of the encountered events will have a substantial effect on future conditions of the environment,
- growing quantity of information that must be collected, filtered according to the importance for the organization, processed and analyzed
- bigger and bigger uncertainty of information describing the problem situation
- shorter and shorter time of validity of obtained information, resulting from increasing instability of the environment makes it difficult to make well-thought-out decisions, creates a problem of rationality of decision-making and means growth in the importance of the decisions made intuitively.

The dynamics of economic processes, increasing with time, results in smaller and smaller amount of time for reaction, but on the other hand, owing to growing complexity, the time needed for reaction is growing, thus a paradox occurs consisting in the fact that owing to growing complexity it would be best to have more time as compared with previous periods for making decisions with regard to reaction, but this growing complexity, meaning also faster dynamics, results in the fact that the response time should be far shorter than in more stable conditions of the markets (Bleicher, 1990).

Intensification of competitive fight, its transfer from the local to the world level as well as strong innovative pressure requires increase in creativity and knowledge of an organization.

As a result, another paradox appears – on one hand it is required to demonstrate knowledge of employees, which in fast changing conditions of the environment is also undergoing rapid outdating and, on the other hand, disposal of expert knowledge is an obstacle for creativity. Fast absorption and use of knowledge causes acceleration of changes in an organization and its environment, which, in turn, results in outdating of knowledge. A kind of paradox is that science creates the conditions making itself less useful as a means of predicting and control – in the society based on knowledge changes occur so rapidly that the acquired knowledge becomes an obstacle in achieving creativity and flexibility (Morrisson, Ricks, Roth, 1991). In addition, searching for creative solutions is based, among other things, on bisociation, which requires openness to new ideas, views, perspectives. The requirement of this openness and understanding other cultures, sensitivity to specific conditions of regional markets results also from a tendency of increasing territorial range of functioning of particular companies, until reaching functioning on the global scale. Continuous pressure on supplementation of knowledge and creativity may cause excessive stress of employees and their

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2 Bisociation is understood here as making associations, overlapping methods, notions, ideas from two different domains, as a result of which a new quality may appear
discouragement to act and even professional burn-out. It requires from managers, but also from co-workers, to employ considerable sensitivity to situation of others, understanding their situation, empathy.

At the same time, apart from innovative pressure, intensification of competitive fight requires provision of appropriate organization effectiveness, which may result in striving for maximization of the experience effect and synergy effect, which, in turn, leads to increase in competency approach in management and vertical disintegration of activities, and this means growth in the number of entities, both cooperating with a given company and operating within the whole chain of creating values. Effective cooperation requires understanding of not only interests, but also views, prospects, systems of values of the partners of cooperation, which is particularly reflected in the case of entities from different cultural regions.

Thus, another organizational aporia appears: on one hand, pursuit of creative and innovative activities, whose effectiveness carries high risk with it and may cause temporary drops of effectiveness and, on the other hand, simultaneous pursuit of high effectiveness, which is more related to perfection of implementation of operational activities.

The conducted analysis indicates significant importance in management of both soft, non-measurable factors, often difficult to see, having special importance in the case of management, under the conditions of aporia and needs of creativity and these "hard", measurable factors, used mainly to ensure effectiveness.

The below analysis of the features of management paradigms, recognized as basic, may be helpful in determining a management philosophy, which may be useful in the presented conditions of company's operations.

**Characteristics of the modernist and postmodernist paradigm**

The classifications of paradigms/perspectives of management sciences found in literature can be divided into two basic groups. The first one is formed by those theories, approaches and trends, which presume objective cognition principles as well as those that are based on subjectivity. The first group includes such approaches detailed by M. J. Hatch (Hatch, 2002) as: a classic approach (for instance taylorism, fordism, based to a significant extent on analytical approach, Cartesian and mechanist method of perception of the world) as well as a modernist approach (in which, above all, a system trend, including concepts of complex systems and deterministic chaos can be mentioned). On the other hand, the second group includes interpretative – symbolic as well as postmodernist

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3 Literature discusses many classifications of management paradigms. They include, among other things, classification of M. J. Hatch (Hatch, 2002), which specifies 4 perspectives in the theory of organization: classic, modernist, symbolic-interpreting and postmodernist. On the other hand, G. Burrel and G. Morgan (Burrel, Morgan, 1979) distinguish the following as paradigms: functionalism, radical structuralism, interpretative and radical humanism. On the other hand, P. Drucker distinguished three consecutive types of paradigms in management sciences (Drucker, 1957): pre-modernist, modernist, post-modernist.
approach. The currently basic perspectives in management sciences can be considered as the modernist as well as postmodernist perspective. Basing on studies on more approaches, e.g. consideration of both modernist and postmodernist paradigm can be named eclecticism or a pluralist paradigm.

Modernist paradigm

The modernist paradigm is based on positivism as well as, especially, on neopositivism of the so-called Vienna Circle, and the basic components of positivism are (Anzenbacher, 2003):
- empiricism, assuming that any cognition can be brought down to sensual impressions, and the whole mental and physical reality consists of sensual impressions
- materialism, rejecting everything which is not sensually tangible
- scientism, denoting faith in science, understood as close natural knowledge, based on facts. Consequently the positivists were rejecting what was metaphysical, not offering a possibility of physical experience. Therefore, what was not sensually noticeable and measurable for positivists could not have been an object of studies.
Neo-positivists of the Vienna Circle\(^4\) uncritically assumed empiricism and scientism as the starting point of research. They aimed at creating a generalized science theory, with the addition that they assumed that natural sciences are the only sciences, and consequently as part of any other "sciences", it would be important to apply only the methods typical for natural sciences, and thus all problems, regardless of the field, would have a natural character (naturalism). This also applied to management, which, as a science, was developing almost simultaneously with a positivist and neo-positivist concept. Precursors of organization and management sciences were predominantly engineers and in their research used the methods applied in natural sciences and based on natural knowledge, especially physics, including the analytical, Cartesian approach.\(^5\) Continuing the positivistic approach, they rejected metaphysics and metaphysical notions beyond the area of science.
Neo-positivists also looked for verifiable scientific knowledge, which, in their opinion, could be achieved only based on measurable parameters (and those to be experienced sensually and the non-measurable ones were rejected), allowing logical – mathematical generalizations (reductionism)\(^6\). The neo-positivists also

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\(^4\) The main representatives of the Vienna Circle are: M. Schlick, R. Carnap, H. Reichenbach, O. Neurath, H. Hahn, (Anzenbacher, 2003, Sułkowski, 2005)

\(^5\) Cartesius assumed that the nature as a whole and all natural things should be regarded as machines, but the natural sciences show the manner of operation of these machines. Due to the fact that weight and movement are measurable, there is nothing in nature that could not be expressed mathematically. However Cartesius himself stated that only material nature is subject to mechanistic interpretation (Anzenbacher, 2003)

\(^6\) This approach became the object of criticism of K. Popper as a representative of critical rationalism that questioned the possibility of full verifiability and ascertained that science
assume a possibility of an objective description of reality and cause-effect dependencies present in it, using a uniform terminology, one dictionary of science whose construction was postulated by them.

The modernist approach is identified with a general theory of systems, for which a basic category is the system understood as a consistent set of elements with regard to a defined goal. The systems show a hierarchy, consisting in the fact that each of them consists of other systems (subsystems) and is a part of other systems, called supra-systems. The hierarchy of systems created by one of the representatives of the general systems theory, K. Boulding (Boulding, 1956) may be useful for evaluation of suitability of particular modernist/system theories in management sciences as well as in other social sciences. K. Boulding conducted hierarchization of systems according to the criterion of their growing complexity. According to the logic of this hierarchization, the systems present at higher levels contain characteristics of the systems from lower levels, but also new features, not present at lower levels. This means that when testing a given system, it is possible to use the theories concerning levels of lower order, but not the other way round.

In this hierarchy, Boulding specified the following levels in the hierarchy of systems (from the lowest in the hierarchy):

1. scheme
2. mechanism
3. control
4. open (life)
5. genetic
6. animal
7. human
8. social organization

According to this hierarchy, the systems, which are of interest to management, are located at the last but one, eighth level. This means that when testing an organization, it is possible to use the theories referred for natural sciences, however, they will not include specific/additional features present in social systems. The enthusiasts of a modernist concept assume possibility of identification of cause-effect dependence, and on this basis, the possibility of predicting the future, thanks to which the applied theories can also be verified. However, taking account of the fact that the organizational systems include people, whose behaviours as the so-called great systems (particularly complex probabilistic systems) are hardly predictable, then one may consider any possible predictions concerning behaviour of an organization as considerably more uncertain. The scale of difficulty is proven, among others, by the fact that the forecasts concerning economic systems located only at the second level of hierarchy of the economist, K. Boulding, are often unreliable in practice. Certain problems are also created by the very determination of cause-effect relation in the event, when we are dealing

can only be, when a given claim can be classified (Popper, 1989). This type of assumption can be considered as a kind of paradox.
with plurality of interactions among particular parts of systems, which results in the 
fact that even in the systems deemed as determined, there are unexpected 
phenomena (deterministic chaos). This can prove limited adequacy of application 
of system methods (and thus modernist approach) for solving problems of an 
organization.

Postmodernist paradigm

The postmodernist approach is often regarded as post-industrial, post-Ford or post-
capitalist. It may be assumed that emergence of postmodernism was a reaction to 
obvious failure of modernism that aspired to the name of a concept enabling 
explanation of any phenomena. The very notion of postmodernism may raise 

doubts about its sense, because the direct translation means "time after modernity", 

hence it refers to the future. On the other hand, modernism applies to the present. 
However, if we detach these notions from the context of time, they mean certain 
ways of thinking and proceeding.

It is assumed that in management sciences, postmodernism was used first by 
P. Drucker in his book published in 1957 Landmarks of Tomorrow (Drucker, 1957) 
to determine a shift in perception of the world in the categories of Cartesian 
mechanicism to the new world, the world of patterns, meanings, processes. 
Postmodernism, for P. Drucker, constitutes a post–Cartesian concept, and thus he 
uses this notion in a slightly different meaning than present postmodernists, whose 
representatives are present in philosophy, social sciences, linguistics, art. A very 
good characteristics of the idea of postmodernism is presented by Ch. Jencks in 
a book published in 1977 "The Language of Postmodern Architecture" (Jencks, 
1977), in which the modernist architectonic style, dominant in the previous period, 
focused on functionality, is assessed as uninteresting and deprived of life, because 
it has no symbols and meanings. In the opinion of postmodernist architects, the 
structures and their spatial layout should be full of symbols, whose reading is based 
on traditional values, associations and which stimulates reflection. Consequently, 
the postmodernist architectonic designs are often a conglomerate of different 
styless, for implementation of which various building materials are used, which, as 
a result, leads to emergence of often surprising solutions, which cannot be just 
ignored.

Thus, it can be assumed that one of the basic characteristics of postmodernist 
approach is return to symbols, meanings and intuition intended for their 
interpretation. It is implied by postmodernists based on a constructivist philosophy, 
whose main representatives are: G. A. Kelly as well as K. E. Weick. The first of 
them is the author of a fundamental work concerning psychological theory of 
personal constructs, in which he assumes, among other things, that the reality is 
available to a person only through its subjective construction, with the addition that 
the process of constructing is also significantly affected by subjective anticipation, 
prediction of events (Kelly, 1955). The expected events do not however, have an 
objective nature, but are again built by a given entity (replication).
From the point of view of organizational research, the socio–constructivist theory of an organization is a significant method prepared by K. Weick (Weick, 1979), also called as a theory of establishment. According to him, using such definitions as "organization" or "environment", determining what they include (organization, environment are created as a result of a conducted analysis), we create a phenomenon, which we intend to analyse, we create a language, terminology applied to their description, that is: materialize, reify a given phenomenon. This type of approach is also represented by the theory of social constructing of reality (Berger, Luckmann, 1966) assuming that the existing solutions and social systems are the outcome of solutions, agreements accepted by the members of societies and evolving historically, with regard to perception of objects and interpretation of their meanings, and this results in specific patterns of behaviours, which are then perceived as existing regardless of their interpretation (they are objectified).

In his work, K. Weick formulates the conclusions concerning rationality, orientation on purpose and competence of organization with regard to problem-solving. He claims, namely, that the goals of an organization become clear only after the end of the process of organizing, that organizations do not operate and do not make decisions in a reasonable manner, but at a given time there are more contradictory reasons in an organization (Weick, 1979). He explains functioning of an organization comparing it to a "waste bin", into which problems, people, decision situations, solutions are thrown. However, through such actions as escape from a problem or ignoring it, the organizations may still make decisions, not solving however their organizational problems.

In the post-modernist approach, in the process of cognition, language gains crucial importance in the meaning of terms used for description of the object of research or the observed phenomena. The terms are defined as ideas created as a result of disregarding (removal of detailed features in order to determine significant features), that is forming ideas by thought-separation from particular cases. Thus, understanding of a given notion depends on the knowledge of particular cases and experiences, which a given person has in connection with given phenomena. Since experience of particular people, especially coming from different cultural areas, may significantly vary and, apart from this, with passing time and appearance of new experiences of a given person, the image of the phenomenon, which the term is supposed to reflect, also changes, different people interpret and perceive the observed phenomena differently. Thus, it may be concluded that postmodernism is characterized by cognitive relativism, resulting from the fact that a person interferes with the object of cognition, particular people interpret the examined phenomena differently, the possibility to reach an objective is truth discredited. Postmodernists state that we can never be sure that our perception of the world and interpretation of the phenomena are authentic. For postmodernists, the truth actually does not exist, there are, on the other hand, our variable ideas about ourselves and the observed phenomena. Usurping the right to learn the objective truth by modernists as well as their adopted assumption that their research methods based on the laws of nature are the only real ones, are a symptom of dogmatism for
postmodernists. The postmodernists assume diversity of the ways of perception of the world, diversity of the applied (also contradictory) research methods, which enable a more multifaceted description of reality (epistemological and methodological pluralism). They reject the assumption that sensual perception is the only way leading to cognition, they assume that intuition or aesthetic experience may often have greater cognitive quality. Adoption of the assumption on various possible methods of perception of specific phenomena as well as the right of each person for individual interpretation is a symptom of a more democratic treatment of a human being, as compared with the previous concepts, makes sensitive to opinions of others, is a more humanistic approach and, apart from this, continuously questioning the existing theories, in a dialectic manner, seeking the assumptions underlying them (deconstruction) helps in getting rid of dogmatism in thinking, increases tendency for use of various, even contradictory, perspectives and concepts, increases ability to function in the conditions of feeling conflict, forces self-reflection, criticism, allows distancing to the existing opinions and theories (also own), increases openness to new views, in a way teaches humility towards science, increases uncertainty and stress, but on the other hand, contributes to increase in flexibility of thinking, and, as a consequence, also creativity. To sum up, it can be stated that the basic characteristics of postmodernist approach are: both cognitive and cultural relativism (perception and interpretation of phenomena vary depending on cultural conditions), fragmentariness of perception of reality, entangling in language (it is impossible to go beyond the language that determines basic cognitive schemes, creating the identity of individuals and specifying the structure of the entity and object of cognition, (Sułkowski, 2005), puts emphasis on ethical problems, democracy, power, tolerating various cultures, criticism, self-reflection.

The postmodernist approach, in a strict sense of this notion, may be identified with criticism, deconstruction, based only on subjective epistemology, extreme rejection of empiricism. In the broad meaning, postmodernism does not reject other research perspectives, but accepts that they are not ideal not sufficient to examine the phenomena. The diversity typical of postmodernism may also apply to the employed perspectives and research theories. Such a situation occurs in management, when, at making e.g. location decisions, not only economic, but also e.g. aesthetic considerations are taken into account. In such a situation postmodernism is characterized by pluralism of the employed perspectives, complementary or in conflict towards one another, and may be named a humanistic approach.

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8 As stated by the representatives of the so-called Edinburgh school of sociology of knowledge (Bloor, Barnes) the criteria of rationality and truth, the method of perception of reality are determined culturally and socially, scientific theories are reflections of social ideologies, we live condemned to cognitive and moral relativism (Sułkowski, 2005)
### Tab. 1. Modernist and post-modernist concept – comparative analysis

<table>
<thead>
<tr>
<th>Modernism</th>
<th>Postmodernism</th>
</tr>
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<tbody>
<tr>
<td><strong>Objectivity</strong> – belief in the existence of a world independent from our knowledge about it – possibility to separate the object from the study subject (correspondence concept of truth)</td>
<td><strong>Subjectivity</strong> – entity interferes with the study subject – impossible to perceive reality objectively (constructivism, epistemological relativism)</td>
</tr>
<tr>
<td><strong>Development of uniform terminology</strong></td>
<td><strong>Sensitivity to language, diversified, individualized interpretations, associations with a given term</strong></td>
</tr>
<tr>
<td><strong>Based on knowledge as the means of predicting and control, priority of science – is to lead to confidence</strong></td>
<td><strong>Growth in the importance of intuition, aesthetic impressions, associations</strong></td>
</tr>
<tr>
<td><strong>Development of one meta-theory</strong></td>
<td><strong>Many theories, analogies, metaphors, inspirations, questioning past meanings through seeking and testing conflicts, diversity of perception of a given problem, deeper look at the problem, capturing conflicts, fostering creativity, development of science</strong></td>
</tr>
<tr>
<td><strong>More totalitarian nature</strong></td>
<td><strong>Rejects all hierarchies</strong></td>
</tr>
<tr>
<td><strong>Objective epistemology (positivism) – organization of an object with measurable parameters</strong></td>
<td><strong>Subjective epistemology, e.g. anti-positivism, idealism, relative knowledge about the studied matter</strong></td>
</tr>
<tr>
<td><strong>Myth of progress</strong></td>
<td><strong>It is not possible to build a vision of the future desired by all, because people see it differently</strong></td>
</tr>
<tr>
<td><strong>Rationalism</strong></td>
<td><strong>Underlining the importance of intuition, associations, considering many interpretations of given factors inside and outside the organization useful in decision-making</strong></td>
</tr>
<tr>
<td><strong>Objectivity</strong></td>
<td><strong>Underlining the importance of the examining entity (subjectivity), human knowledge is constructed, thus objectivity is impossible</strong></td>
</tr>
</tbody>
</table>
reductionism – exists only this, to what empirical data can be found and what can be translated into mathematical generalizations and reduction | something that cannot be measured and is not felt sensually is not necessarily inexistent and has no impact on behaviour of a given phenomenon

aims to create common scientific language | impossible development of a common scientific language owing to subjectivity of assigning meanings to particular notions; assumes different interpretations of notions by various people, our mind interprets the notions on the basis of the knowledge of cases, experience, but our understanding of the notions may sometimes change, because our knowledge of a given phenomenon changes

quantitative, statistical methods, based on measurable data | also intuitive methods, plays on words, scholarism

verifiability of statements, falsification | scepticism falsification on the basis of recognized construction errors, function interruptions

Source: author's own study on the basis of source materials quoted in the study

Assessment of suitability of analyzed approaches
The conducted analysis makes it possible to state that in the specified environmental conditions, the postmodernist approach may turn out to be more useful than the modernist approach (table 2). The modernist approach, based on a conviction of the possibility of predicting, planning and control, aimed at order and stability, using measurable parameters, may turn out to be highly effective for maintaining effectiveness in operating activities of companies. On the other hand, requirements of creativity, decision-making in the described conditions of complexity, functioning on many various markets, understanding and sensitivity towards other entities both in the environment and as part of an organization as well as dealing with aporic situations may be met more easily in the event of using the postmodernist approach. Taking account of the assumption that one of aporic situations of the contemporary organizations is aporia of effectiveness and creativity, the statement, which accepts the postmodernist approach, parallel use of both perspectives and methods connected to them appears justified.

9 Classification of the deterministic chaos theory to the modernist approach as well as seeking system analogies, which is a feature of a general systems theory raises a possibility of creative modernist approach.

10 Such an approach can also be called eclectic (multi-pragmatic or paradigmatic pluralism).
Table 2. Assessment of suitability of the modernist and postmodernist approach in contemporary environment conditions of companies
[“−” – low; “0” – medium; “+” – high]

<table>
<thead>
<tr>
<th>Environment conditions</th>
<th>Challenges towards the organization</th>
<th>Assessment of the modernist approach</th>
<th>Assessment of the post-modernist approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>globalization and regionalization</td>
<td>openness to diversity, understanding of various cultures</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>exacerbation of competitive fight (efficiency aspect)</td>
<td>efficiency</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>exacerbation of competitive fight (innovative aspect)</td>
<td>innovation</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>growth in complexity</td>
<td>dealing with limited rationality of decision-making situations</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>presence of aporic tendencies</td>
<td>dealing with aporic situations</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Source: author's own study

The modernist approach assumes that an organization should be managed using such disciplines as cybernetics, theory of decisions or e.g. the game theory. Emphasis is put on the importance of planning in achieving order, the aim is to achieve homogeneity, it is assumed that growth in effectiveness favours division of work and specialization, routine, formalization.

On the other hand, the use of postmodernist approach in management means, among other things:

- considering views of many stakeholders at decision-making (which, among other things, indicates the importance of the ability to cope with the most important aporias that arise e.g. between the local cultural values and the global priorities of a company as well as the global business ethics, and indicates the importance of a corporate supervision model). Such an approach is favourable for increase in knowledge and creativity, as the particular entities are characterized experiences, ways of perception and interpretation of specific phenomena which are diversified and changing in time, and this also means various concepts of solving a given problematic situation (and favours bisociation) as well as finding solutions acceptable by various entities, which is especially important in case of actions of an organization on a global scale.

- considering views of all members of the organization, which increases their activity and subjective nature in the organization, democratization, avoiding dogmatism,
- adopting the principle that solutions are not universal (it results, among others, from the cultural relativism),
- increasing the importance of intuition at decision-making (and consequently assuming the possibility of committing errors), because, as ascertained by P. Senge "if anyone wants to learn to cope with complexity, he must learn to live more intuitively (Senge 2003)".
- need for deconstruction – bringing the arguments down to their fundamental assumptions, questioning assumptions,
- paying attention to symbolic, aesthetic and language aspects
- using metaphors as means of imagining various problematic situations and solutions and consequently narration, stories, dialogue as means of replacing interpretation - e.g. "Storytelling organization" (Boje, 1995) concepts,
- supporting diversity, because diversity favours occurrence of the bisociation phenomenon
- adopting many points of view, self-reflection, learning to get rid of treating something as obviousness, tendency to use many even contradictory, paradoxical perspectives,
- supporting development of generalist (universalist) employees
- not avoiding aporia, but discovering it (favouring creativity and development of knowledge)
- using the dialectic methods to cope with aporias and with complexity of the environment and organizational life.

**Conclusions**

The completed analysis indicates that the contemporary organizations operate under conditions of high dynamics, environmental uncertainty, intensified competitive struggle, which, on the one hand, require increase in effectiveness, and, on the other hand, increase in innovation and, thus, creativity of the organization, also under the conditions of many aporic trends, both in the environment (including those related to the increased territorial scope of activities of companies) and within the organization itself. The presented factors mean growth in the level of complexity of the conditions of organizational functioning which hinder rational decision-making.

Dealing with so understood complexity requires from the organization (and thus from its members), on the one hand, knowledge, which, however, owing to constant changes, undergoes quick superannuation and, on the other hand, creativity, which, however, may be blocked by this knowledge. Additionally, a tendency to reduce the degree of vertical integration of companies and increase their territorial scope of activities results in the need for provision of effectiveness and innovation not only on the local market, but on many various markets, which, in turn, means the need for opening and understanding more diverse entities from different, broadly understood cultures. A special challenge for the organization is the ability to handle many aporic situations and their changeability, which, among others, contributes to growth in importance of
intuition, both in the process of analyzing a problematic situation and finding solutions.

The presented desired characteristics of the company functioning under contemporary environmental conditions indicate the importance of "soft" factors, such as intuition, emotionality, symbols, tolerance, empathy, sensitivity, openness to new views and ideas, understanding and respect towards others. Support for such characteristics of the organization is fostered by the postmodernist perspective, rejecting the integrity of perception and interpretation of problems and characterized by subjectivist orientation, which developed particularly strongly in the second half of the 20th century in such fields as art, psychology, sociology, namely in the fields that focus on the abovementioned soft factors. In the broad meaning, as anti-dogmatic, rather multi-pragmatic approach, assuming and approving subjectivity of perception of reality (including organizational reality), it does not reject absolutely any concept, namely it does not reject fully the modernist perspective, which is particularly crucial under the conditions of aporias of organizational effectiveness and innovation, since, as indicated by the conducted analysis, the modernist approach is more conducive to achieving organizational effectiveness, while postmodernist approach - to organizational innovativeness.

To sum up, it can be stated that the conducted analysis indicates a dominant importance of the postmodernist approach under the present conditions of high complexity and thus dynamics and uncertainty of environment as well as in situations of aporic tendencies occurring both in the environment and within the company.

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Chapter 2: Concepts and Conditions of Running Business Activities

Strategic Conditions for Operations of Polish Companies on Eastern Markets in the Context of International Cooperation Being Implemented in the Times of Intensifying Global Crisis Phenomena

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Cracow University of Economics

Introduction

Deliberating on the issues connected with long term companies' operations, one of the basic issues requiring fairly clear and precise analyses seems to be the issue concerning development processes. The reason being the occurrence of dilemmas of strategic character, in relation to which the main axis of considerations applies either to initiation of development processes or their maintenance, if they have taken place before.

On the other hand, the second perspective of these problems and the need to search for new ideas is connected not so much with continuation of the development process, but sometimes means the need for company's survival in view of the phenomena posing a threat to its further existence.

Based on these topics of considerations, in the paper the aim was adopted of indicating an outline (owing to the article's volume) of the conditions for possibilities of operations of Polish companies on the international stage, on eastern markets, sometimes culturally close to us (though not always), but, at the same time, often determined as difficult. At the same time, it was assumed that the basis for existence on them is the understanding the essence of cooperation, familiarizing with its scale and the basic areas of the conducted international trade,
which is often reflected in strategic decisions\(^1\). It also seems important to familiarize with the dynamics of the phenomena occurring in this respect and, what is very important, drawing conclusions from this analysis with regard to the possibilities of selection and creation of new development directions for Polish companies. In order to illustrate the analyzed processes, in the paper, among other things, statistical data analysis was employed and main aspects of macroeconomic situation of selected states were shown. Attention was paid to special character of economies of selected states and their raw material character\(^2\).

At the same time, emphasis should be put on significant potential of these markets, according to the authors, still significantly pending management. Taking into account the symptoms of crisis phenomena, both arisen before (2008) and taking place now, it should be assumed that the approaching another unfavorable economic phenomena on the global scale seem to give a signal to the need for familiarizing with possibilities of starting business operations or its intensifying on the eastern markets, which may sometimes decide on a fundamental matter: the company's possibility of survival and development.

**Economic cooperation of Poland with the selected CIS states**

Trade turnover of Poland with Russia have been developed very dynamically. From 2000, the value of the Polish export to the Russian market increased more than **10-times**, from USD 0.86 billion in 2000 to USD 8.917 billion in 2008 (growth by ca. 39% as compared to the same period of 2007). Volume of import in 2008 was USD 20.545 USD (growth by 43.1%). The development of export was fostered by accession of Poland to the European Union (1.5.2004). Economic development of our country, favorable economic situation of economy in Russia, which caused growth in the demand for imported goods. As a result, Poland reached a very high, 4th position in terms of the value of export to Russia, among the European Union member states. In export the increasing role is performed by the highly processed goods.

Trade of Poland with Russia is presented in table 1.


\(^2\) see more: P. Bula, J. Fudaliński, The Chaos Theory In Managing an International Company; Example of PKN Orlen, Review of General Managemant, Volume 12, Issue 2, Year 2010
Table 1. Trade of Poland with Russia in 2007-2011 (1st half-year) [USD million, EUR million]

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<tbody>
<tr>
<td>Turnover</td>
<td>20785</td>
<td>29462</td>
<td>141.7</td>
<td>17849</td>
<td>22404</td>
<td>140</td>
<td>11332.7</td>
<td>135.8</td>
</tr>
<tr>
<td>Export</td>
<td>6432</td>
<td>8917</td>
<td>138.6</td>
<td>5015</td>
<td>6036</td>
<td>132</td>
<td>2854.1</td>
<td>131.4</td>
</tr>
<tr>
<td>Import</td>
<td>14353</td>
<td>20545</td>
<td>143.1</td>
<td>12834</td>
<td>16368</td>
<td>143</td>
<td>8478.6</td>
<td>134.8</td>
</tr>
<tr>
<td>Balance</td>
<td>-7921</td>
<td>-11628</td>
<td>-7819</td>
<td>-10333</td>
<td></td>
<td></td>
<td></td>
<td>-5624.5</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors on the basis of: GUS [http://www.mgip.gov.pl/Wspolpraca\+gospodarcza/Handel-zA\+zagraniczny.Analizy/Handel-zA\+zagraniczny]

Russia is the second, after the EU countries, trade partner of Poland, though its share is decreasing. In terms of the value of export, in 2010, Russia occupied 6th place in total Polish export, and 2nd place in Polish import. In 2009, decrease in turnover was recorded (by 60.6% as compared to 2008), as a result of the world financial-economic crisis and economic recession in Russia. However, in 2010, the situation was developing successfully. Increase in turnover with Russia was observed. From I-XI 2010, turnover amounted to USD 22.404 million, including export USD 6.036 million, import USD 16.368 million. According to the data for the 1st half-year of 2011, the Polish-Russian turnover from export increased by 35.8% and from import by 31.4%, as compared to the same period of 2010.

Export from Russia includes goods processed in exchange for fuel and raw materials from Russia. The structure of Polish export to Russia is presented in table 2. Within commodity structure of export from Russia, the dominant role is played by: electromechanical industry goods chemical industry goods, Polish food (Polish live animals, dairy products, horticultural products, sugar and confectionery), metallurgical industry goods, wood-paper industry goods, light industry goods.

Table 2. Structure of Polish export to Russia in 2010 (I-XI)

<table>
<thead>
<tr>
<th>Trade</th>
<th>Share in % (I-XI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electromechanical industry goods</td>
<td>33.8 %</td>
</tr>
<tr>
<td>Polish food (Polish live animals, dairy products, horticultural products, sugar and confectionery)</td>
<td>14.9 %</td>
</tr>
<tr>
<td>Chemical industry goods</td>
<td>22.5 %</td>
</tr>
<tr>
<td>Wood-paper industry goods</td>
<td>8.3 %</td>
</tr>
<tr>
<td>Metallurgical industry goods</td>
<td>9.50 %</td>
</tr>
<tr>
<td>Light industry goods</td>
<td>4.5 %</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors on the basis of: http://www.mgip.gov.pl/Wspolpraca+from+zagranica/Wspolpraca+gospodarcza+Polski+.../Rosja.html]
Poland imports mineral products from Russia (oil and natural gas). For many years, it has enabled Russia to keep surplus in the trade balance with Poland. This surplus has structural character and it also exists in trade relations of Russia with the EU and with majority of important trade partners. The value of Polish investment projects, accumulated in Russia at the end of September 2010, amounted to USD 558 million, including FDI constituted 76.7% and amounted to USD 428.5 million. Within the 3rd quarter of 2010, the Polish investment that flown to Russia amounted to USD 73 million (34.2% were direct investments). The largest number of accumulated investments reached the processing industry (wood processing and goods of wood) and amounted to USD 341.2 million, including FDI USD 271.9 million (79.7%).

The structure of accumulated of investments according to the regions of Russia is presented in table 3.

### Table 3. Structure of accumulated investments according to the regions of Russia in 2010

<table>
<thead>
<tr>
<th>Region in Russia</th>
<th>Value of the investment in USD million</th>
<th>Change in Polish investments as compared to Russian investments in % in total</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-Western Federal District, of which in the Novgorod Oblast</td>
<td>258.8</td>
<td>46.4 %</td>
</tr>
<tr>
<td></td>
<td>158.9</td>
<td></td>
</tr>
<tr>
<td>Central Federal District, of which in the Moscow Oblast and the capital</td>
<td>222</td>
<td>39.8 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50.4 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26.8 %</td>
</tr>
<tr>
<td>Siberian Federal district, of which in the Kemerovo Oblast</td>
<td>58.3</td>
<td>99% (for wood processing investments)</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors on the basis of: [http://www.mgip.gov.pl/Wspolpraca+z+zagranica/Wspolpraca+gospodarcza+Polski.../Rosja.html], op. cit.

The largest investments are observed in the North-Western Federal District, in the Novgorod Oblast, in the Central Federal District, in the Moscow Oblast and the capital, smaller investment projects occur in the Siberian Federal District, in the Kemerovo Oblast.

---

The important investment projects with Polish participation include the investments in:
- production and distribution of hygienic articles;
- production of liquefied gas;
- wood processing;
- production of sanitary ceramics, furniture and packaging.

On the other hand, the Russian investments in Poland amount approximately to USD 1.85 billion. These are mainly investments in fuel-power sector.

Economic cooperation of Poland with Kazakhstan has quite dynamic form, illustrated in subsequent tables (4, 5 and further).

**Table 4. Trade of Poland with Kazakhstan in 2007-2011 (1st half-year)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>884.4</td>
<td>135.7</td>
<td>950.6</td>
<td>107.5</td>
<td>748.5</td>
<td>79.0</td>
<td>835</td>
<td>112</td>
<td>364.8</td>
<td>-</td>
</tr>
<tr>
<td>Export</td>
<td>472.6</td>
<td>136.10</td>
<td>438.9</td>
<td>92.9</td>
<td>446.5</td>
<td>102.0</td>
<td>413</td>
<td>93</td>
<td>178.3</td>
<td>149.3</td>
</tr>
<tr>
<td>Import</td>
<td>411.8</td>
<td>135.2</td>
<td>511.6</td>
<td>124.2</td>
<td>302.0</td>
<td>59.0</td>
<td>422</td>
<td>140</td>
<td>186.5</td>
<td>113.0</td>
</tr>
<tr>
<td>Balance</td>
<td>61.9</td>
<td>-</td>
<td>-72.7</td>
<td>-</td>
<td>144.5</td>
<td>-</td>
<td>-9</td>
<td>-</td>
<td>-8.2</td>
<td>-</td>
</tr>
</tbody>
</table>


According to the Kazakh data, in 2010, export from Kazakhstan to Poland amounted to USD 1215.5 million. According to the Central Statistical Office (GUS) of the Republic of Poland - to USD 835 million.
The deliveries from the Republic of Kazakhstan to Poland are dominated by:

- mineral fuels,
- oil and oil products,
- bituminous masses.

They constitute total 96.5%. The Polish export to Kazakhstan amounted to USD 376.6 million, according to Kazakh data. In total, trade turnover from the Republic of Kazakhstan to Poland amounted to USD 1592.1 million. In 2011, growth in trade is recorded, in the period from I-IV 2011. the Polish export amounted to USD 150.2 million (increase by 44%), and import - USD 176.6 million (increase by 18%). Total turnover amounted to USD 326.8 million (increase by 29%).

In 2010, the Polish export to Kazakhstan decreased by 7%. On the other hand, the Polish import from Kazakhstan increased by around 40%. According to the data for the 1st half-year of 2011, the Polish-Kazakhstan turnover from export increased by 49.3%, and by 13.0% from import, as compared to the same period of 2010. The beginning of 2011 is the growth in trade between Poland and Kazakhstan by 1/3.

Turnover between the countries is bigger and bigger, influencing good trade relations.

The structure of export from Poland to Kazakhstan is presented in table 6. Deliveries from I group electromechanical industry goods drop by 34% due to decrease in export of vehicles and vessels, as a result of a contract completion (in I). In II group, including goods of chemical industry, cosmetics as well as construction chemicals, growth of deliveries of cosmetics is observed, also increase in deliveries of construction chemistry by 67%, decrease in turnover of drugs by 4%. In III (agricultural and food goods) and IV group (cellulose-paper goods increases in all items is observed. Deliveries of agricultural and food articles increased by 92%, with addition that the increases related to deliveries of: animals and animal-origin products, ready-made groceries and vegetable-origin products. Growth in the Polish export also concerned such product groups as: plastics and articles of plastics (increase by 13%) as well as light industry goods (growth by 50%).

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4[http://www.mgip.gov.pl/Wspolpraca+z+zagranica/Wspolpraca+gospodarcza+Polski+z+kr
ajami+wschodnimi+i+pozaeuropejskimi/Kazachstan.html...], 2012-07-05
5[http://www.mgip.gov.pl/node/13782], 2012-07-05
Table 5. Structure of export from Poland to Kazakhstan in the period I-XI 2010

<table>
<thead>
<tr>
<th>Group no.</th>
<th>Product group</th>
<th>Turnover in USD million</th>
<th>Change in % (as compared to the same period of the previous year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Electromechanical industry goods:</td>
<td>102.7</td>
<td>-34 %</td>
</tr>
<tr>
<td></td>
<td>Machines and equipment</td>
<td></td>
<td>-4 %</td>
</tr>
<tr>
<td></td>
<td>Personal automotive vehicles</td>
<td></td>
<td>- 2.5-times</td>
</tr>
<tr>
<td></td>
<td>Electric equipment and apparatus for heating soil and rooms</td>
<td></td>
<td>+41 %</td>
</tr>
<tr>
<td></td>
<td>Water heaters, dryers</td>
<td></td>
<td>+ 35 %</td>
</tr>
<tr>
<td></td>
<td>Electrical ovens</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aircraft industry deliveries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>Chemical industry goods</td>
<td>98.1</td>
<td>+19.5 %</td>
</tr>
<tr>
<td></td>
<td>Cosmetics</td>
<td></td>
<td>+ 23 %</td>
</tr>
<tr>
<td></td>
<td>Preparations for beautifying, makeup and skin care</td>
<td></td>
<td>+40 %</td>
</tr>
<tr>
<td></td>
<td>Toilet waters</td>
<td></td>
<td>+ 11 %</td>
</tr>
<tr>
<td></td>
<td>Preparations for bath</td>
<td></td>
<td>+ 23 %</td>
</tr>
<tr>
<td></td>
<td>Soaps preparations for hair</td>
<td></td>
<td>+ 42 %</td>
</tr>
<tr>
<td></td>
<td>For teeth hygiene</td>
<td></td>
<td>+ 45 %</td>
</tr>
<tr>
<td></td>
<td>Construction chemicals articles, sealing agents, putties medicines</td>
<td></td>
<td>+67 %</td>
</tr>
<tr>
<td></td>
<td>Medicines</td>
<td></td>
<td>- 4 %</td>
</tr>
<tr>
<td>III</td>
<td>Agricultural and food goods articles</td>
<td>42.8</td>
<td>+92 %</td>
</tr>
<tr>
<td></td>
<td>Animals and animal-origin products, including frozen beef</td>
<td></td>
<td>+ 3-times</td>
</tr>
<tr>
<td></td>
<td>Ready-made food articles</td>
<td></td>
<td>+ 7-times</td>
</tr>
<tr>
<td></td>
<td>(including export of animal food and stuffed goods with chocolate)</td>
<td></td>
<td>+ 35 %</td>
</tr>
<tr>
<td></td>
<td>Products of vegetable origin, including apples</td>
<td></td>
<td>+ 68 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>+ 74 %</td>
</tr>
</tbody>
</table>
Chapter 2: Concepts and Conditions of Running Business Activities

### Table 6. Export from Poland to Kazakhstan in 2010 - change in % (as compared to 2009)

<table>
<thead>
<tr>
<th>Decrease in export</th>
<th>Change (decrease in deliveries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-ferrous metals and non-ferrous metals goods</td>
<td>57 %</td>
</tr>
<tr>
<td>Deliveries of steel structures</td>
<td>53 %</td>
</tr>
<tr>
<td>Blades, razors, shaving machines</td>
<td>79 %</td>
</tr>
<tr>
<td>Seamless pipes to pipelines (actually ceased to be the object of export in 2010)</td>
<td>30 %</td>
</tr>
<tr>
<td>Building materials, including ceramic tiles, insulation materials</td>
<td>12 %</td>
</tr>
<tr>
<td>Insulation materials - lack of export of articles from cement, concrete, artificial stone, brick</td>
<td>66 %</td>
</tr>
<tr>
<td>Wood and goods made of wood, including chipboards by 25%, millboards by 33%, carpenter's products by 31%,</td>
<td>25 %</td>
</tr>
<tr>
<td>Furniture</td>
<td>32 %</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors on the basis of: [http://www.mgip.gov.pl/Wspolpraca+z+zagranica/Wspolpraca+gospodarcza+Polski+z+krajami+wschodnimi+i+pozaeuropejskimi/Kazachstan.html], op.cit.

The above product groups experience decreases in export from Poland to Kazakhstan. In 2010, import from Kazakhstan grows by approx. 40%. The commodity structure of import from Kazakhstan to Poland is presented in table 7.
Poland imports from Kazakhstan mainly mineral products, which constitute 80% of all import. Deliveries of fuels increased by more than 80% and were caused by increasing deliveries of propane, liquefied butane. At the same time, coal delivery decreased by 4%.

The Polish investments constitute small percentage of all FDI. In 2010, the Polish investments in Kazakhstan constituted USD 119 million, including direct investments of USD 52.3 million (44%). In Kazakhstan there are 100 companies running business activities, with participation of Polish capital, in many ownership forms. In 2004, there were 73 of them, in 2002 - 42. The most important area of operations of Polish companies in Kazakhstan is oil-gas industry, including seeking and development of oil and earth gas deposits. The investments include: machine industry and transport devices, production of plastic pipes, building services as well as utility chemistry industry.  

The trade and investment policy does not create constraints in access to the Kazakhstan market. There have been created special economic zones, where special reductions and preferences have been applied in order to encourage the investors to invest. On the other hand, there are impediments in the visa system, problems with obtaining work permits, problems with licensing system, changes in customs codes by customs officers and goods brought in from abroad, problems with execution of protection of trademarks and preference towards national companies with regard to access to public procurement.

Assessment of economic cooperation between Poland and selected eastern countries

Analysis of the volume of Polish-foreign turnover in 2007-2011 (I half-year) indicates clear reduction in Polish turnover from total export and import at the end of 2008 and 2009 with the CIS countries. Trade was affected negatively by the contemporary world economic crisis, started in the US in 2007, which reached Europe and Poland with delay. It caused a collapse of the economic situation on most world markets, also on the markets of the countries of the former Soviet Union republics (CIS). The year 2009 witnessed unfavorable macroeconomic phenomena, such as: GDP falls, collapse of demand for international markets (crucial for the Polish export), collapse of internal demand and depreciation of zloty as compared to major currencies, high inflation, growing unemployment. These phenomena caused decrease in competitiveness of goods coming from the eastern markets. The effects of the crisis had negative influence on the pace of changes in product, foreign turnover, with addition that larger slopes of dynamics were observed in import than in export. The worldwide financial and economic crisis has caused reduction in the pace of Polish export and, as a consequence, reduction in the rate of economic growth. Collapse of the pace of dynamics of import affected the growth rate of export and the rate of economic growth in Poland. The falls of foreign turnover were accompanied by decrease in GDP. Trade of Poland with foreign countries has developed according to the dynamics of the Polish import and export. This phrase leads to a conclusion that the dynamics of import and export is a derivative of dynamics of gross domestic product (GDP). Together with reduction in GDP in 2008 we witnessed slopes of turnover with foreign countries, the largest in 2009. It is presented by the following specification (table 8).

Table 8. GDP dynamics in 2007-2010 in CIS countries [in %] - summary specification

<table>
<thead>
<tr>
<th>State</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>13.7</td>
<td>6.8</td>
<td>-14.4</td>
<td>2.6</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>24.7</td>
<td>10.8</td>
<td>9.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Moldavia</td>
<td>103.0</td>
<td>107.2</td>
<td>93.5</td>
<td>106.9</td>
</tr>
<tr>
<td>Ukraine</td>
<td>N.a.</td>
<td>2.1</td>
<td>-15.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Belarus</td>
<td>8.6</td>
<td>10.0</td>
<td>0.2</td>
<td>7.6</td>
</tr>
<tr>
<td>Russia</td>
<td>8.1</td>
<td>5.6</td>
<td>-7.9</td>
<td>4.0</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>7.8</td>
<td>7.8</td>
<td>n/a</td>
<td>0.5</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>11.6</td>
<td>10.5</td>
<td>6.1</td>
<td>N.a.</td>
</tr>
<tr>
<td>Kirghizia</td>
<td>N.a.</td>
<td>107.6</td>
<td>102.3</td>
<td>98.6</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>N.a.</td>
<td>102.1</td>
<td>101.1</td>
<td>107.0</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>9.5</td>
<td>9.0</td>
<td>8.1</td>
<td>N.a.</td>
</tr>
</tbody>
</table>

Source: Prepared on the basis on: [http://www.mgip.gov.pl//Wspolpraca+z+zagranica/Wspolpraca+gospodarcza+Polski.+z+krajami+wschodnimi+i+pozaeuropejskimi (...), html], op.cit.
Decrease in GDP on the CIS markets amounted to 6.6%, with addition that in Russia GDP decreased by 7.9%, by 15.1% in Ukraine. The scale of the decrease in GDP on the CIS markets was very high. Slopes of GDP were reflected in slopes of foreign turnover in 2009. And such a collapse of trade turnover was not recorded from the end of War World 2. The CIS countries are the region of the largest economic collapse in trade in the period of crisis, but, at the same time, with the highest dynamics of trade. Export in 2010 increased by 31.9%, and import by 46.6%. Together with reduction in GDP, slopes of Polish-foreign turnover (export and import) CIS countries can be considered, the largest in 2009. It is presented by the specification included in table 9. The specification indicates clear collapse of dynamics in foreign turnover in 2009 and slopes of turnover as compared to high turnover from export and import in 2008. In the year 2010, we witnessed improvement - clear recovery of turnover. The majority of countries observed economic increase and GDP growth. The analysis of commercial turnover in 2010 indicates dynamic growth of foreign turnover, which means growth in commercial exchange. The dynamics of change in the volume of turnover was higher in import. In 2011, we witnessed further reconstruction of foreign turnover. But the difficult situation in the field of public finance as well as increasing socio-economic problems are the factor of uncertainty as to further development of the world.

Table 9. Dynamics of changes in 2007-2009 in USD million / EUR million - summary specification

<table>
<thead>
<tr>
<th>STATE</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Dynamics as compared to 2008 in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>export</td>
<td>import</td>
<td>export</td>
<td>import</td>
</tr>
<tr>
<td>Armenia</td>
<td>10.2</td>
<td>8.3</td>
<td>23.4</td>
<td>12.2</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>69.3</td>
<td>4.4</td>
<td>104.9</td>
<td>167.1</td>
</tr>
<tr>
<td>Moldavia</td>
<td>173.6</td>
<td>121.4</td>
<td>184.2</td>
<td>130.1</td>
</tr>
<tr>
<td>Ukraine</td>
<td>5511.2</td>
<td>1693.5</td>
<td>6436.7</td>
<td>2354.7</td>
</tr>
<tr>
<td>Belarus</td>
<td>1121.5</td>
<td>1140.0</td>
<td>1602.4</td>
<td>1312.6</td>
</tr>
<tr>
<td>Russia</td>
<td>6432</td>
<td>14353</td>
<td>8917</td>
<td>20545</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>17.0</td>
<td>12.8</td>
<td>15.6</td>
<td>10.7</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>16.6</td>
<td>7.7</td>
<td>22.1</td>
<td>1107.0</td>
</tr>
<tr>
<td>Kirghizia</td>
<td>27.6</td>
<td>2.2</td>
<td>33.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>472.6</td>
<td>411.8</td>
<td>438.9</td>
<td>511.6</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>63.3</td>
<td>671.9</td>
<td>95.1</td>
<td>53.7</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors on the basis of data of:
[http://www.mgip.gov.pl/Wspolpraca+z+zagranica/Wspolpraca+gospodarcza+Polski.+z+krajami+wschodnimi+i+pozaeuropejskimi (...), html]
Trade between Poland and particular analyzed countries CIS (Russia, Ukraine, Belarus, Moldova; the states of the South Caucasus: Armenia, Azerbaijan and the states of Central Asia - other countries beyond Europe: Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan, Kazakhstan) presents a specification of turnover from export and import for 2010 (I-XI) – table 10. The largest trade turnover in 2010 with eastern countries was witnessed by Poland with the Russian Federation. Turnover amounted in total to USD 22404 million, including export - USD 6036 million, and import - USD 16368 million. In 2011 (I-VI), turnover amounted to USD 11332.7 million; export amounted to USD 2854.1 million; import amounted to USD 8478.6 million.

Poland with Ukraine were on the second place in terms of turnover. Total turnover (I-XI) in 2010 amounted to USD 5207.7 million (increase by 26%), including USD 3582.9 million from export, and USD 1624.7 million from import. In 2011 (I-VI), turnover amounted to USD 2487.6 million; export amounted to USD 1506.9 million; import amounted to USD 980.7 million. Belarus was on the third place. Turnover (I-XI) in 2010 amounted to USD 2195.5 million (increase by 20.7%), including USD 1419.3 million from export, and USD 776.2 million from import. In 2011 (I-VI), turnover amounted to USD 1158.8 million; export amounted to USD 725.8 million; import amounted to USD 433.0 million.

Table 10. Polish-eastern trade in 2010 [ USD million / EUR million ] - summary specification

<table>
<thead>
<tr>
<th>State</th>
<th>Total turnover (I-XI)</th>
<th>Export</th>
<th>Import</th>
<th>Dynamics turnover (2009= 100)</th>
<th>export</th>
<th>import</th>
<th>turnover</th>
<th>export</th>
<th>import</th>
<th>turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>22404</td>
<td>6036</td>
<td>16368</td>
<td>140</td>
<td>132</td>
<td>143</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ukraine</td>
<td>5207.7</td>
<td>3582.9</td>
<td>1624.7</td>
<td>126.0</td>
<td>115.0</td>
<td>156.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belarus</td>
<td>2195.5</td>
<td>1419.3</td>
<td>776.2</td>
<td>120.7</td>
<td>129.6</td>
<td>107.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>835</td>
<td>413</td>
<td>422</td>
<td>112</td>
<td>93</td>
<td>140</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moldavia</td>
<td>188.8</td>
<td>142.0</td>
<td>46.8</td>
<td>133.0</td>
<td>131.0</td>
<td>139.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>135.6</td>
<td>125.4</td>
<td>10.1</td>
<td>156.0</td>
<td>162</td>
<td>101.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>88.6</td>
<td>51.8</td>
<td>36.8</td>
<td>116.1</td>
<td>93.6</td>
<td>175.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kirghizia</td>
<td>25</td>
<td>24</td>
<td>1</td>
<td>88</td>
<td>89.0</td>
<td>80.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td>23</td>
<td>19.1</td>
<td>3.9</td>
<td>102.5</td>
<td>97.8</td>
<td>134.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tajikistan</td>
<td>19.8</td>
<td>18.6</td>
<td>1.2</td>
<td>312.7</td>
<td>797</td>
<td>29.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>18.4</td>
<td>13.8</td>
<td>4.6</td>
<td>9.0</td>
<td>132.0</td>
<td>2.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Prepared by the authors on the basis of data of:
[http://www.mgip.gov.pl//Wspolpraca+z+zagranica/Wspolpraca+gospodarcza+Polski.+z+krajami+wschodnimi+i+pozaeuropejskimi (...), html]

With Moldova, the turnover in total amounted to USD 188.8 million (increase by 33%). With Azerbaijan total turnover amounted to USD 135.6 million (increase by 56%). The smallest total turnover was witnessed by Poland with Armenia - USD 23 million (increase by 2.5%), and with Georgia turnover...
amounted to USD 59.9 million (increase by 13%). In all these countries Poland witnessed increase in trade, foreign turnover as compared to the same period in 2009. This growth is caused by improvement in the economic situation, increase in GDP and regulating economy after the last slopes observed in 2009 as a result of the world crisis.

From the non-European countries-of Central Asia, the highest turnover of Poland was in relations with Kazakhstan (fourth place in turnover with the CIS markets). The turnover amounted in total to, according to Kazakh data, USD 1592.1 million, including export - USD 376.6 million, and import - USD 1215.5 million. According to the Polish statistics of the Central Statistical Office (GUS), turnover amounted in total to USD 835 million (increase by 12%), USD 413 million from export, and USD 422 million (growth by 40%) from import. The data for I-VI 2011 indicate growth in exchange with Kazakhstan by 30%. The smaller turnover in Poland had with Uzbekistan, and Kyrgyzstan. Turnover with Uzbekistan, and Kyrgyzstan (I-XI) in 2010 amounted to USD 88.6 million (growth by 16%) and USD 25 million, respectively. Turnover with Tajikistan in 2010 (I-VII) amounted to USD 19.8 million, export - USD 18.6 million, and import - USD 1.2 million. The non-European countries have smaller trade turnover with Poland, and foreign investments are insignificant. They have, however, high economic and market potential. These states may be of importance in the future, as they have, in prospect, the areas of industry which can attract foreign investors.

The analysis of foreign Polish-eastern turnover for the first half-year of 2011 does not introduce greater changes. This is illustrated by table 11.

Table 11. Trade turnover of Poland in I-VI 2011 [million EUR] - summary specification

<table>
<thead>
<tr>
<th>Country</th>
<th>Total turnover</th>
<th>export</th>
<th>import</th>
<th>Dynamics as compared to I-VI 2010</th>
<th>Share in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>export</td>
<td>import</td>
<td>export</td>
<td>import</td>
</tr>
<tr>
<td>Russia</td>
<td>11332.7</td>
<td>2854.1</td>
<td>8478.6</td>
<td>135.8</td>
<td>131.4</td>
</tr>
<tr>
<td>Ukraine</td>
<td>2487.6</td>
<td>1506.9</td>
<td>980.7</td>
<td>117.9</td>
<td>177.1</td>
</tr>
<tr>
<td>Belarus</td>
<td>1158.8</td>
<td>725.8</td>
<td>433.0</td>
<td>141.9</td>
<td>134.1</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>364.8</td>
<td>178.3</td>
<td>186.5</td>
<td>149.3</td>
<td>113.0</td>
</tr>
<tr>
<td>Moldavia</td>
<td>77.3</td>
<td>56.2</td>
<td>21.11</td>
<td>108.6</td>
<td>117.8</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>56.4</td>
<td>39.4</td>
<td>17.0</td>
<td>158.7</td>
<td>76.3</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>37.9</td>
<td>36.8</td>
<td>1.1</td>
<td>107.6</td>
<td>22.1</td>
</tr>
<tr>
<td>Kirghizia</td>
<td>26.6</td>
<td>26.1</td>
<td>0.5</td>
<td>433.6</td>
<td>199.7</td>
</tr>
<tr>
<td>Armenia</td>
<td>7.3</td>
<td>7.1</td>
<td>0.2</td>
<td>114.9</td>
<td>11.6</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>7.4</td>
<td>6.5</td>
<td>0.9</td>
<td>109.2</td>
<td>44.7</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>2.7</td>
<td>2.3</td>
<td>0.4</td>
<td>19.6</td>
<td>43.00</td>
</tr>
</tbody>
</table>

Source: Prepared on the basis of data as above in: [http://www.mg.gov.pl/Analysis+forecasts/trade+Foreign/], op.cit.
In 2010, trade deficit of Poland with Russia amounted to EUR -5624.5 million, which means that Poland imported more from Russia than exported to Russia. Russia, in turn, has commercial surplus in trade balance with Poland, which means that it imports more than exports with Poland. It has structural character and is present in trade relations of Russia with the European Union, in the majority of important commercial partners. With other states Poland had the commercial surplus, i.e. it exported more to these states than imported.

The most important Polish trading partners remain: Russia, Ukraine and Belarus. In 2010, they constituted 93.3% of total Polish export to the CIS markets as well as 97.4% of import to Poland. The share of Russia in the Polish export in the first half of 2011 amounted to 4.28%, and 11.56% in import. The share of Ukraine was 2.2% in export and 1.34% in import. The share of Belarus amounts to 1.09% in export, and 0.59% in import. Russia is on the 7th place on the list of the largest export partners (following Germany, France, UK, the Czech Republic, Italy, the United States). Russia is the second most important import market for Poland, after Germany. Growth of import to Russia was caused by growth in world prices of raw materials, especially energy resources. It caused deepening negative balance of commercial exchange with Russia in 2010.

The geographical structure of the Polish foreign trade in 2010-2011 (I half-year) is presented in table 12 below.

### The 12. Geographical structure of turnover of the Polish foreign trade in 2010-2011 as compared to Europe and the world (1st half-year) [EUR million]

<table>
<thead>
<tr>
<th>State</th>
<th>2010</th>
<th>1st half-year of 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>export</td>
<td>import</td>
</tr>
<tr>
<td>Germany</td>
<td>31427</td>
<td>29362</td>
</tr>
<tr>
<td>France</td>
<td>8156</td>
<td>5797</td>
</tr>
<tr>
<td>Great Britain</td>
<td>7558</td>
<td>3669</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>7202</td>
<td>5074</td>
</tr>
<tr>
<td>Italy</td>
<td>7141</td>
<td>7646</td>
</tr>
<tr>
<td>Russia</td>
<td>5031</td>
<td>13730</td>
</tr>
<tr>
<td>Hungary</td>
<td>3404</td>
<td>233</td>
</tr>
<tr>
<td>Ukraine</td>
<td>2980</td>
<td>1384</td>
</tr>
<tr>
<td>United States</td>
<td>2190</td>
<td>3394</td>
</tr>
<tr>
<td>China</td>
<td>1229</td>
<td>12615</td>
</tr>
<tr>
<td>Belarus</td>
<td>1122</td>
<td>632</td>
</tr>
<tr>
<td>Japan</td>
<td>347</td>
<td>2729</td>
</tr>
<tr>
<td>India</td>
<td>255</td>
<td>747</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>210</td>
<td>3687</td>
</tr>
</tbody>
</table>

In the structure of turnover of the Polish foreign trade in 2010-2011 (1st half-year), Russia holds the 6th place in Polish export and 2nd place in Polish import. Ukraine holds 8th place in Polish export and 11th place in Polish import. Belarus holds 11th place in Polish export and 13th place in Polish import.

Poland is one of the leading countries exporting to Russia, within EU and in the world. Share of Russia in trade turnover of Poland with foreign countries increased and in 2011 amounted to: in export - 4.3%, in import - 11.6% (in 2010, in export - 4.2%, and in import - 10.2%). With regard to exporting to Russia, Poland holds 4th place among EU countries that export to Russia (after Germany, France, Italy). Meanwhile, from among countries of the world – it holds 10th place (after China, Germany, Ukraine, USA, Japan, France, Italy, Republic of Korea). Export from Russia covers processed goods in exchange for fuel and raw materials (raw and processed oils, natural gas, liquefied gas, oil and different derivative materials).

Ukraine is a very important economic partner of Poland, due to vicinity, historical and cultural heritage linking both countries. Besides Russia, Ukraine is the main direction of beyond-EU trade and investment expansion for Polish entrepreneurs. Trade, after a slowdown due to the world crisis in 2008, has been restoring. Ukraine joined WTO. New opportunities of cooperation were created through the establishment of a free trade area between Ukraine and EU countries. The integration of Ukraine with EU countries would be a factor influencing improvement in competitiveness and economic stabilization of this state.

Commodity structure of Polish export and import is presented in the summary specification – table 13.

Table 13. Commodity structure of Polish export and import – specification

<table>
<thead>
<tr>
<th>State</th>
<th>Import from...</th>
<th>Export to...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>Fuels and raw materials, Mineral products (oil, natural gas)</td>
<td>Processed goods, Electromechanical industry products - 33.8%, Polish food, Polish live animals, dairy products, horticultural products – 14.9 % of total, Sugar and confectionery, Chemical industry goods, Wood-paper industry goods - 8.3%, Metallurgical goods - 9.5%, Light industry goods- 4.5%</td>
</tr>
</tbody>
</table>
## Chapter 2: Concepts and Conditions of Running Business Activities

<table>
<thead>
<tr>
<th>State</th>
<th>Import from...</th>
<th>Export to...</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ukraine</strong></td>
<td>Mineral goods (mainly of iron ore)- increase by 8.8 %</td>
<td>Electromechanical industry goods (increase by 25.65%)</td>
</tr>
<tr>
<td></td>
<td>Metallurgical goods +30.6%</td>
<td>Vehicles</td>
</tr>
<tr>
<td></td>
<td>Chemical goods +9%</td>
<td>Machines and equipment</td>
</tr>
<tr>
<td></td>
<td>Agricultural and food products decrease by 13.4%</td>
<td>Chemical industry</td>
</tr>
<tr>
<td></td>
<td>Wood-paper industry goods - decrease by 6.7%</td>
<td>Plastics and rubber goods</td>
</tr>
<tr>
<td></td>
<td>Machines and devices - decrease by 7.2%</td>
<td>Agricultural and food products and products of animal origin</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ready-made food products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wood-paper industry goods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Metallurgical goods</td>
</tr>
<tr>
<td><strong>Belarus</strong></td>
<td>Mineral products-petrol derivatives and casein- 37%</td>
<td>Electromechanical industry goods</td>
</tr>
<tr>
<td></td>
<td>Chemical industry goods (fertilizers and wood goods) tractors</td>
<td>Meat, mainly pork</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Metallurgical goods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chemical industry goods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Plastics</td>
</tr>
<tr>
<td><strong>Moldova</strong></td>
<td>Supply raw materials:</td>
<td>Mechanical and electrical devices</td>
</tr>
<tr>
<td></td>
<td>Non-precious metals and goods made of them (bars, rods) and semi-finished</td>
<td>to record sound</td>
</tr>
<tr>
<td></td>
<td>cast-iron products</td>
<td>Plastics and plastic goods</td>
</tr>
<tr>
<td></td>
<td>Ready-made food products:</td>
<td>Rubber and rubber goods</td>
</tr>
<tr>
<td></td>
<td>wine, fruit juices, preserves, rapeseeds and sunflower seeds</td>
<td>Textile materials and products</td>
</tr>
<tr>
<td></td>
<td>Miscellaneous goods:</td>
<td>Chemical industry products</td>
</tr>
<tr>
<td></td>
<td>furniture, bedding articles, lamps, lighting fittings, light advertising</td>
<td>Ready-made food products</td>
</tr>
<tr>
<td></td>
<td>Products of vegetable origin (cereals, oil seeds, edible nuts) - decrease in</td>
<td></td>
</tr>
<tr>
<td></td>
<td>turnover</td>
<td></td>
</tr>
<tr>
<td><strong>Armenia</strong></td>
<td>Non-precious goods: iron, cast-iron, steel</td>
<td>Mechanical and electrical devices</td>
</tr>
<tr>
<td></td>
<td>Products of mineral origin or</td>
<td>chemical industry products</td>
</tr>
<tr>
<td></td>
<td>their derivatives-rubber and rubber goods</td>
<td>ready-made food products</td>
</tr>
<tr>
<td><strong>Azerbaijan</strong></td>
<td>Chemical industry goods - 77 %</td>
<td>Mechanical and electrical devices</td>
</tr>
<tr>
<td></td>
<td>Products of vegetable origin – 18%</td>
<td>to regulate and receive sound - 52%</td>
</tr>
<tr>
<td></td>
<td>Ready-made food products - 5.4%</td>
<td>Chemical industry goods-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13.6 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ready-made food products - 9.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-precious goods and non-precious metal goods - 5.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wood pulp, paper, cardboard - 4.7%</td>
</tr>
</tbody>
</table>
The countries of Central-Eastern Europe, including Poland, are the region in deficit in terms of production of energy, especially mineral fuels (oil, raw and processed oils, natural gas, liquefied gas and miscellaneous derivative materials) that are imported in large quantities. Directions of import, especially pipeline transport, determine power safety. Share of power carriers in import remains an important item. Most imported goods come from the Russian Federation. This is the reason for dependence of economy from one direction of deliveries. Projects are prepared for diversification of import of oil and natural gas, excluding Russia, above all, from the region of the Caspian Sea.

| Country       | Mineral fuels (propane butane, coal - decrease in deliveries) | Oil and oil products | Bituminous masses | Chemical industry goods | Electromechanical industry goods | Chemical industry goods | Agricultural and food goods | articles | Agricultural and food goods | Chemical industry goods | Cellulose-paper goods, plastics | Machines and equipment | Ready-made food products | Car accessories | Pharmaceutical goods | Cosmetic preparations |
|---------------|---------------------------------------------------------------|----------------------|-------------------|------------------------|-------------------------------|-----------------------------|-------------------------|-----------------|--------------------------|--------------------------|------------------------------|------------------------|---------------------|----------------------|-----------------------|
| Kazakhstan    | Cotton                                                        | Low processed textile goods | Power raw materials (periodically withheld) |                        |                               |                             |                         |                 |                          |                          |                               |                        |                     |                      |                       |
| Uzbekistan    | Natural gas                                                  | Cotton derivative materials | Low processed textile goods |                        |                               |                             |                         |                 |                          | Sugar                | Furniture, mechanical and electrical devices | Pharmaceuticals | Chemical industry goods |                       |                       |
| Turkmenistan  |                                                           |                        |                                |                        |                               |                             |                         |                 |                          |                       |                               |                        |                     |                      |                       |
| Kirghizia     | Agricultual and food products - 44%                         | Cotton derivative materials | Low processed textile goods |                        |                               |                             |                         |                 |                          |                       |                               |                        |                     |                      |                       |
| Tajikistan    | Cotton                                                       | Cotton fabrics (70-80% of total) | Unprocessed aluminum |                        |                               |                             |                         |                 |                          | Sugar                  | Machines and equipment | Cosmetic preparations |                       |                       |                       |

Source: Prepared by the authors on the basis of previous data [http://www.mgip.gov.pl//Wspolpraca+z+zagranica/Wspolpraca+gospodarcza+Polski+z+kr ajami+wschodnimi+i+ pozaeuropejskimi (…), html], op. cit.
The eastern countries open to foreign economy. We can observe increased turnover of the EU states with states from outside CIS and Russia. Economic reforms, privatization of economies are carried out; these countries accede to international organizations (e.g. CIS.). Cooperation with the International Monetary Fund and the World Bank affect openness of these economies to liberalization of trade and investment policy. The sign of openness of economies is also the level of direct investments (FDI).

Direct investments are the source of funds for states. They contribute to economic growth, reduce unemployment, improve work efficiency and affect trade. Economic cooperation between countries is favorable to their economic development. Opening of the economy to trade with foreign countries contributes to economic growth of the country.

Cooperation, including trade between countries, was affected by trade and investment policy of different countries. Specification of major instruments of this policy is presented in Table 14. Armenia is classified to the "in principle free" category, restrictions relate to a limited group of goods. Azerbaijan applies, in relation to some goods, EU customs preferences (rate)% or reduced rate of 3.5%. Export tariffs are imposed on goods particularly important from the point of view of national interest (oil, cotton). In Central Asian countries liberal trade policy is in force. The largest impediments are in Belarus, Ukraine, Kazakhstan and Russia. From 2010, the common customs tariff of the Customs Union of Russia, Belarus and Kazakhstan is in force.

### Table 14. Specification of impediments in access to the market in different countries

<table>
<thead>
<tr>
<th>State</th>
<th>Tariff and non-tariff barriers, such as:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>- quantitative levies (pork, beef, poultry)</td>
</tr>
<tr>
<td></td>
<td>- certificates for agricultural products, approving for export to the Russian market</td>
</tr>
<tr>
<td></td>
<td>- procedures of access to the market of services construction and hiring of specialists</td>
</tr>
<tr>
<td></td>
<td>- problems with protection of trademarks</td>
</tr>
<tr>
<td></td>
<td>- From 1.1.2010, the common customs tariff of the Customs Union of Belarus, Russia and Kazakhstan (new customs tariff that changes the conditions of access of goods to the market). Beneficial conditions for export of such goods as: electrical cookers, air-conditioners, mills and mixers, tops and lids, overhead cranes for the shipbuilding industry. Deterioration was recorded in the conditions of access to the Russian market for: swine, packaging of paper and cardboard, chocolate products, tires for trucks and buses</td>
</tr>
<tr>
<td></td>
<td>- Within the Customs Union levies on meat import are in force.</td>
</tr>
<tr>
<td>Country</td>
<td>Restrictions and Barriers</td>
</tr>
<tr>
<td>----------</td>
<td>---------------------------</td>
</tr>
</tbody>
</table>
| Ukraine  | Hindered access to the market through system barriers:  
  - tariff restrictions, such as: export tariffs (export from Ukraine of specific types of farm animals, leather, seeds, non-precious metal, scrap and waste, non-precious metals, natural gas); temporary export tariffs (cereals - wheat, spelt, barley, corn - until 1.1.2012;  
  - non-tariff restrictions and certificates of imported goods, licenses and levies. Licenses cover export and import of the following goods: printing paints, paper, polycarbonate, chemical substances, alloys of non-precious metal goods, oil, natural gas, silver, gold, precious metal scrap. Levies on: import of matches, sugar from sugar cane  
    - veterinary certificates  
    - sanctions in trade turnover with foreign countries  
    - state attestation  
    - registration of contracts  
    - bans on export (of scrap, non-precious metals of military origin, including machines, units, train sets of military origin)  
    - natural persons cannot import feathers, rare metals, scrap and leather |
| Belarus  | From 2009, we can observe protectionist actions that are aimed to protect the economy of the country through import restrictions.  
  - Import tariff rates  
  - From 1.1.2010, the common customs tariff of the Customs Union of Belarus, Russia and Kazakhstan (new customs tariff, which resulted in growth in rates on meat, pressed goods, goods made of steel, bars, aluminum sections)  
  - Possibility of additional funding costs of product certificate, system of financial support for Polish export from the budget funds |
| Moldova  | It is beneficiary of the EU Generalized System of Preferences (GSP), from 2008 - of the Autonomous Trade Preferences (ATP). Goods are exported from Moldova to EU countries on the basis of the "GSP plus" system.  
  - As a WTO member, it executes liberal foreign trade policy. It does not use quantitative restrictions, in export or import  
  - It uses licensing of export and import of selected products  
  - Bans relate to old vehicles, restrictions in export of scrap and non-ferrous and ferrous metals  
  - Until 2012, special specific tariff, in sugar import  
  - In Moldova special economic zones operate  
  - It uses EU aid (EU-Moldova action plan, which is to bring this country closer to the EU requirements |
| Armenia  | Restrictions relate to a limited group of goods, mainly re-exported goods,  
  - Non-tariff restrictions (licenses, levies), bans. In import, two tariff rates (0 and 10%) are applicable, Value Added Tax is 20%, on imported goods and excise  
  - Some exported goods are covered by special qualitative certificates (agricultural and food articles, fertilizers, hygiene agents, household appliances) |
Foreign investors have guaranteed equal treatment with national entities. Thus, they can count on various additional reliefs and preferences of the authorities of Armenia (special CIT reliefs when investment contribution exceeds dram 500 million).

Trade and investment policy - Armenia is classified to the "in principle free" category (39 from 179)

<table>
<thead>
<tr>
<th>Country</th>
<th>Details</th>
</tr>
</thead>
</table>
| Azerbaijan | It belongs to the EU Generalized System of Preferences  
- customs preferences (0 rate% on some goods, other goods can be imported at a lower rate of 3.5% (import of textile means, trade in diamonds, monitoring in footwear import)
- export tariff rates (goods particularly important from the point of view of the national interest (oil, oil products, polyethylene, caustic soda, steel pipes, products of iron ores, bronze, cotton and caviar)
- goods manufactured by foreign investors are exempted from export tariff rate
- export of strategic goods is regulated by the government, it is required to have consent to exporting these products in the state-owned Committee of Foreign Trade Supervision (oil, cotton, electric energy, non-ferrous metals) |
| Kazakhstan | Commercial investment policy does not create restrictions in access to the market  
- Special economic zones were created  
- For investors reliefs and preferences are used  
- Impediments concerning the visa system, work permits, problems with system of licensing, changes were observed by customs officers in codes, preference towards national entrepreneurs, problems with protection of trademarks, with access to public procurement, no plane connections (with Astana and Almaty)  
- From 1.1.2010, the common customs tariff of the Customs Union of Russia, Belarus and Kazakhstan is in force - lowered, rates on some items were increased. It will also influence Polish export of some goods to this country.  
- Tariff levies on import of meat (beef, pork, poultry) |
| Uzbekistan | Liberal trade policy that has to encourage investors to invest                                                                                                                                              |
| Turkmenistan | It opens to foreign contacts  
- Legal changes are introduced (law on foreign investments)  
- The authorities declare open door policy for foreign investors  
- Freedom of exportation from T. of capital and property  
- It enables to the foreign entities use land, use tax reliefs  
- Licenses can be granted for use of natural resources |
| Kirghizia  | Liberal trade policy, WTO requirements are binding, convenient conditions for foreign investments are created                                                                                               |
| Tajikistan | Tajikistan aims to attract foreign investors and liberalize trade and investment policy                                                                                                               |

Source: prepared by the authors on the basis of previous data
Prospects and opportunities of strategic actions of Polish companies on eastern markets

Prospects of cooperation between the analyzed states will depend on the economic situation in those states and situation on world markets. The most recent data indicate a very good condition of the Polish economy as compared to other EU countries, although forecasts include basic decrease in economic dynamics in the second half of 2012. A development impulse was, undoubtedly, organization of the European Football Championship. Also a new prospect of distribution of EU budget funds, under which Poland will keep on being their beneficiary, seems positive. Activity of Polish entrepreneurs seems also an undoubted asset. The fact that Poland is outside the Eurozone and depreciation of zloty improve competitiveness of the Polish economy. In foreign trade, after a periodical acceleration in trade, a turnover slowdown trend is visible, as a result of deteriorating economic situation on markets of our major commercial partners. It is affected by not good macroeconomic indicators, increase in unemployment, financial crisis in the Eurozone (situation in Greece, Spain, Italy, Portugal and others), events in North Africa and Japan.

Economic growth in CIS countries is planned at the level of 5%, including in Russia- 4.8 % and in Ukraine - 4.5%. GDP increases in CIS countries result from growth in prices of power resources.

In trade of Poland with Russia a trade deficit is recorded, of objective character. It is caused by and created by necessary import of power resources: natural gas and oil. Volume of import of these raw materials depends on the level of world prices which affect economic situation in Russia. The authorities of Russia take steps, under the economy modernization program, which aim at increase in the degree of economic diversification. Russia's accession to WTO has influenced improvement in trade, improvement in access to the Russian market and extension of cooperation between Russia and the EU. To extend economic dialogue between Poland and Russia the Polish - Russian Intergovernmental Commission for Economic Cooperation has been established. Trade turnover between Poland and Russia was developing dynamically. In the first months of 2011, dynamics of import of goods exceeded dynamics of export. The Ministry of Economic Development of the Russian Federation forecasts that GDP in the years 2012-2013 will be growing by approximately 4% annually, and the level of inflation will be no higher than 8.5%. Increase in GDP will be possible as a result of a high level of prices of raw materials, exceeding budget indebtedness. Development of trade and economic cooperation between countries is to be provided by the Customs Union of Russia, Belarus and Kazakhstan. The authorities of Russia execute the policy of openness. An example may be the project "EU-Russia Modernization Partnership", thanks to which the entrepreneurs will have ensured, better access to the Russian market. In 2011, 70% of Polish export reached the Customs Union (Russia, Belarus and Kazakhstan). Poland proves that it is a stable and reliable trade partner. According to forecasts for 2012, Poland is to become one of the most rapidly developing EU countries.
Kazakhstan conducts negotiations on the accession to WTO. It is a state with high investment attractiveness, due to ease in establishing companies, protection of investors’ rights, taxation of entrepreneurs, international trade, safety of the concluded contracts, availability of workforce. Situation on the international market influences economy of Kazakhstan. It is classified to 50 most attractive economies of the world. The economy of Kazakhstan depends on export of non-processed mineral raw materials. However, its reconstruction is assumed. It executes the strategy of industrial – innovative development of Kazakhstan for the years 2013-2015. An important role is attained to seven departments of economy, the so-called clusters (metallurgical industry, transport and logistics, textile industry, building industry and production of building materials, agricultural industry, food industry, tourism, machine industry, mining sector).

In order to support interests of Polish entrepreneurs, in Kazakhstan the Polish - Kazaks Intergovernmental Commission for Economic Cooperation was established. It relates to bilateral cooperation, solving problems in bilateral relationships. Directions of development of cooperation between Poland and Kazakhstan are determined during meetings of the Polish - Kazakh Intergovernmental Commission for Economic Cooperation. Dialog is planned for the needs of economic cooperation and development of companies. Prospective directions of business activities of Polish entrepreneurs in Kazakhstan relate to the possibilities of extending cooperation of Polish companies in the power sphere, pharmaceutical industry, mining, construction-road and agricultural machinery sector as well as in construction, deliveries of Polish food and agricultural products and environmental protection. Poland has good trade relations with this country. Poles participate in construction projects, in investments related to environmental protection, they operate also in the power sector. Discussions at the meetings of the Commission cover problems in access to Kazakh research, procedures of issuing work permits, preferences towards Kazakh companies concerning public procurement, problems of protection of trademarks by the Customs Office, procedures of issuing visas, differences in interpretation of Kazakh and European regulations concerning tender documentation. Removal of these barriers would result in dynamized Polish - Kazakh economic relations.

To sum up, it can be stated that the development of cooperation between Poland and the analyzed states is fostered by the following factors: market absorbency, rich raw material base (deposits of oil, natural gas, iron ore, etc.), gradual introduction of economic reforms, foreign trade liberalization, growing share of foreign direct investments. Factors limiting cooperation are: small diversity of the commodity structure in trade, large degree of instability, especially in Central Asian countries, barriers resulting from difficult transport possibilities.
Summary

The international cooperation between Poland and eastern countries is characterized by large diversity. It relates to volume of Polish-eastern trade turnover, level of foreign investment (including Polish investment abroad and foreign investment in Poland), access to markets, structure of goods of Polish - eastern export and import, largest commercial partners and prospective areas of further foreign cooperation. Dynamics of changes in turnover from export and import was influenced, first of all, by the financial economic crisis (end of 2008). It had a significant impact on deterioration in the economic situation, deterioration in macroeconomic indicators in particular economies and, as a result, on decrease in bilateral foreign turnover. Another hazard seems the possibility of its repeating at the end of 2012, and symptoms for Poland are already noticeable in the dynamics of export and import level.

The economic cooperation of Poland with CIS results from treaty-related commercial relations of the EU with CIS countries. It is based on Agreements on Partnership and Cooperation with particular countries of the Commonwealth of Independent States. The international cooperation of Poland with the former republics of the Soviet Union (CIS ) results from economic relations, access to natural resources and power resources. The economy of these states, especially of Russia, Ukraine, Belarus as well as Azerbaijan, Kazakhstan is especially exposed to unfavorable changes on world markets. As a result of the world economic crisis, in 2009 GDP dynamics reached in these states (CIS ) the highest unfavorable changes. On the one hand, these countries experienced to the greatest degree effects of the world economic crisis, but, on the other hand, changes in dynamics of foreign turnover, in later periods of improvement, were the most beneficial.

In the conclusion, it can be stated that dynamics of cooperation and operations of the Polish companies on eastern markets were affected by the following conditions:

1. **legal**-forming legal grounds of international, trade relations of the EU with CIS countries and shaping of mutual relations between states, including relations between Poland and the Baltic states and states of the Commonwealth of Independent States (contracts and agreements between states);

2. **economic** - determined by GDP, current economic potential, level and dynamics of development, existing commercial and political risk, and resulting from the collapse of the economic situation as a result of the world economic crisis. The crisis was more experienced by the countries of the Commonwealth of Independent States than by the Baltic countries, as confirmed by GDP dynamics-the highest in the countries of the Community of Independent States, especially in Russia (decrease in GDP by 7.9%) and Ukraine (decrease in GDP by 15.1%). The global financial crisis caused the collapse of the economic situation on most world markets. Deterioration in the world economic situation was the cause of decrease in foreign turnover, export
and import, at the end of 2008, including in foreign turnover of Poland with CIS countries;

3. **geographic-economic**, resulting from the economic special character of CIS countries and Baltic countries, geographic location, size of states, population, climatic conditions, raw material base and natural resources, economic relations, power dependence of Poland on Russia and CIS (natural resources, mineral and power raw materials [oil and natural gas], transmission possibilities), structure of goods of trade and investments;

4. **market** (commercial, legal) resulting from the executed trade policy of different states and their affiliation to international organizations and groups (WTO, CIS, EU). The European Union determines a common trade policy among its members, on which international cooperation is based. It determines also conditions of the trade with third countries, namely not belonging to the EU. The CIS countries are covered by the Generalized System of Preferences – GSP, which may lead to reduction in customs rates in trade between Poland and CIS countries and the EU and the CIS. There are also impediments of access to CIS markets. An important barrier for the Polish entrepreneurs is the customs tariff of the Russian Federation, Kazakhstan and Belarus, administrative impediments (concerning certification of products, public procurement principles, preferences towards national entities in Russia), impediments relating to KUKC (Export Credit Insurance Corporation) due to high costs of these operations and small scope of operations;

5. resulting from **prospects of further international cooperation** that depend on the continuation of reforms in those countries (especially non-European countries of the Commonwealth of Independent States), mutual priorities of foreign policy, general socio-economic situation;

6. **political and socio-economic** (internal conflicts in states and between states (Armenia, Azerbaijan-conflict for Nagorno-Karabakh between Armenia and Azerbaijan; Moldova - problem of the status of Transnistria and a conflict with Russia in 2008) which affected the present economic situation.

However, the whole of the outlined conditions, in spite of their level of complication and difficulties of forecasting changes on these markets based on a simple extrapolation formula, induce to conclude that Polish companies, taking into account difficulties of functioning in those countries, are able to overcome gradually the existing barriers and, what is the most important, in the face of progressing specter of sharpened crisis phenomena in Europe and in the whole world, they should already now examine the possibilities of entering these markets or strengthening the position already obtained on them.
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Organization of Accounting of Tourist-Agency Activity in the Republic of Kazakhstan in the Conditions of Realization of International Financial Reporting Standards

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Abstract

For the Kazakhstan’s entrepreneurs tourist activity is a new type of business which is capable to bring in the large income. In the Republic of Kazakhstan number of tourist firms from year to year increases. Efficiency of activity of tourism organizations is impossible without clear organization of the accounting, which is the most important source of information in management decisions. The activity of tourist organizations is subdivided into tour operators and travel agents. Tourist's agency activity has its features which influence the account organization in this sphere.

Article

Tourism is one of branches which quickly reacted to occurring reformist processes and it appeared more susceptible to economic transformations that predetermined formations of the market of tourist services, emergence of new private tourist firms alternative to the state. From year to year of Kazakh businessmen are showing the great interest to tourist business as to a new highly remunerative looks.

The surprising natural contrasts, nice history and original culture of Kazakhstan are more increasing involves tourists, as from near, and foreign countries. Development of tourist activity in the Republic of Kazakhstan, also is promoted by an exit of our country to the world market and its recognition as market state. Tourism is an effective step to integration of Kazakhstan into the world community and strategically integral part for the solution of macroeconomic problems of adjacent structures in the sovereign state.
The optimum economic environment for development of tourist activity is the market economy. The number of the tourist enterprises grows in modern conditions of the market in the Republic of Kazakhstan. So according to the statistic data, the number of tourist firms in Kazakhstan for January 1, 2011 is 1203.

The industry of tourism is a branch which brings the country the positive sides promoting development of national economy of the country, as: steady inflow of currency to national economy; development of adjacent sectors of economy - transport, communication, development of hotel economy, production of consumer goods, an improving complex and others.

Efficiency of activity of tourism organizations is impossible without the accurate organization of the accounting, which is the major source of information for adoption of administrative decisions. In modern managing system one of the most important conditions of being effective enterprise and to achieve successes is competently right account work, which is quite often called «business language» of business communication of participants in the developed market.

Nowadays working in the sphere of tourism is very difficult as in the country there are no instructions and methodical recommendations about maintaining the account in this branch. Therefore they should rely on the experience and professional judgments which assume the International standards of accounting first of all.

Tourism organizations are subdivided into tour operators and travel agents. Depending on it, maintaining the account at them is various. Tourist operator activity (tour operator activity) – is a business activity of the physical and legal entities having the license for this kind of activity, on formation, advance and realization of the tourist products to tourist agents and tourists. The tour operator develops tourist routes, sates them with services by means of interaction with service providers, provides functioning of rounds and service, prepares advertizing information publications on the rounds, counts the prices for rounds, transfers rounds to a travel agent for their subsequent realization to tourists.

Not less the importance in system of tourist branch is occupied by the tourist's agency activity which role is reduced to advance and realization of tourist's products. In the Republic of Kazakhstan’s law «About tourist activity in the Republic of Kazakhstan» tourist agency activity (tourist's agency activity) – is a business activity of physical and (or) the legal entities, which have the license for this kind of activity, on advance and realization of a tourist product is made. [1]

Russian economist V.E. Kerimov in his works notes that tourist's agency activity is activities for advance and realization of the tourist product, carried out on the basis of the license the legal entity or the individual businessman. [2, p.9]

The sale of the vouchers through an agency network allows tour operators to save huge amounts of money on advertizing, a personnel salary, on rent of rooms and to enclose them in development of the agency network, and also at the expense of the released resources to increase quality of preparation of a tourist product. For example, in Germany, Spain and in Switzerland it is legislatively forbidden to sell the vouchers to tour operators.
In our opinion, advance of a tourist product represents a package of measures, directed on realization of the created by operators tourist’s products. These types of measures are advertizing, participation in specialized fairs and exhibitions, organization of tourist information centers, the edition of booklets and catalogs and others. On the basis of it follows that a travel agent is the specialized retail enterprise of the tourism sphere, engaged with sale of vouchers of various tour operators, and also separate tourists’ services (transport, services of registration of exit documents, sale of tourist literature etc.). Below is shown the scheme of advance of the tourist products provided by the tourist enterprises.

Figure 1. Scheme of advance of the tourist products

The contractual relations between tour operator and a travel agent are carried out by the conclusion of agency contracts. In the agency agreement there are two participants: principal and agent. Therefore it is important to be able to distinguish: whether is the seller of a tourist product the principal or the agent.

The principal (from lat. principalis - main) - the person participating in the transaction at own expense, and also the physical or legal entity authorizing other person to operate as the agent. The agent (from lat. agents - operating) - legal or the individual person, that is the principal, at his expense and from his name, without being thus his employee. Thus, in tourism the principal is a tourism organization which forms cost of the tourist permit (i.e. tour operator) by acquisition of services in tourism (placement, feeding, transport service, etc.).

The order of the conclusion of agency contracts, according to the Constitution of the Republic of Kazakhstan, provides that under the agency contract one party (agent) undertakes to make for compensations on the instructions of other party (principal) legal and other actions on its own behalf, but at the expense of the principal or on behalf of the principal and at his expense.

Realization of tourist products by travel agents can be carried out in two options:
1. The travel agent realizes vouchers as the goods, i.e. gets at tour operators and resells;
2. The travel agent acts as the intermediary, i.e. accepts vouchers on the commission.
At the first option the tourist product at a travel agent is reflected as the goods. In accounting to category of "goods" are carried the finished goods of other enterprises bought for wholesale or retail trade i.e. for the purpose of resale and receiving profit. As we see, in this case the tourist firm is a travel agent carries out the activity not in a services sector, and in the trade sphere.

According to International Financial Reporting Standards 2 (IFRS) "Stocks" stocks are the goods bought and intended for resale, including, for example, the goods bought by the enterprise of retail trade and intended for resale, or the ground and other property, intended for resale. Finished goods or an enterprise work in progress also belong to stocks, including raw materials and the materials intended for use in the course of production. Sale of the goods joins the goods made or bought for resale, for example, the goods, acquired by retail shops for sale in a trading floor.

Thus, in tourist activity tourist firm - the travel agent gets the ready voucher at other tourist firm or tour operator and resells it. In this case the voucher gets the status of a "good" which is realized with a trading margin. With this it takes place transition of the property right to tourist's products, which are reflected as travel agent’s part of assets.

For example: receipt of tourist's production from tour operator on the basis of the contract is reflected in account 1330 debit "Goods" the working account (subaccount) 1331 «Obtained vouchers» and in account 3310 credit «Short-term accounts payable to suppliers and contractors» for the sum of 150000 KZT.

With realization of the voucher with a margin of 15 % for tourists, this operation will find reflection in account 1010 debit «Money in cash desk» and the credit 6010 «The income of implementation of the tour» for the sum of 172500 KZT. Then the travel agent should reflect write-off of purchased cost of bought voucher and to reflect in account 7010 debit «Prime cost of the realized tour» and account 1330 credit "Goods" the subaccount «Tours acquired» for the sum of 150000 KZT. At the end of the reporting period it is necessary to close accounts 6010 «The income of realized production, works and services» working account 6010 «the Income of implementation of the tour» and 7110 «Prime cost of realized production, works and services» working account 7110 «Prime cost of the realized tour», i.e. to define financial result from implementation of the tour. Closing accounts 6010 and 7010 accounting records are given:

1. 6010 «The income of obtained voucher» 5610 «Total profit (a total loss) » - the income is written off by increase in total profit of travel agency- travel agent;
2. 5610 «Total profit (a total loss) » 7010 «Prime cost of obtained voucher» – expenses write off on reduction of total profit of a travel agent.

As we see, the account at travel agents in this option can be conducted similarly as at the enterprises of wholesale trade and at the enterprises which are engaged in realization of the goods for the resale purpose.

At the enterprises of tourist's agency activity proceeds from sales of the goods, according to IFRS 18 "Revenue" admits at observance of the following conditions:
the company transferred considerable risks and the compensations connected with possession of the goods to the buyer;
the company doesn't participate any more in management in that degree which usually associates with the right of possession, and doesn't supervise the sold goods;
the sum of revenue can be reliably measured;
there is a possibility of that the economic benefits connected with the transaction, will arrive in the company;
the suffered or expected expenses connected with the transaction can be reliably measured.

Successful work of the enterprise depends not only on a made product. It is not enough to make the qualitative goods, it should find the consumer. The meeting of a product with the potential consumer is the most important condition of its realization. Therefore many producers offer the market the goods through intermediaries, forming own channels of sales.

The modern tourist market is characterized by existence of a large number of intermediary links without which, producers of the tourist goods and services simply couldn't function normally. Intermediaries are between the producer and the consumer and are an indispensable element of a market economy, and a sale process.

The channel of sales (or distributions) is a set of firms or individuals (intermediaries) which take up or help to transfer to other person the ownership to the concrete goods or service to their ways from the producer to the consumer, thus helping to the producer to provide normal process of its commercial activity.

Formation of the subsequent canals of sales in tourist activity acts as an urgent need owing to specifics of this sphere, but also is a pledge of successful functioning of the tourist enterprise in the market, increases in sales volumes and maximizing arrived at the expense of wide coverage of real and potential sales markets.

Intermediary activity, being a version of business activity and an independent type of business, so far has no accurate legislative definition (definition) and consequently in practice it is treated from three positions:

1. In its own sense – as a middle link between the various parties of business cooperation;
2. Economic – as the mechanism of making the economic relations between subjects of economic activity with the help of the third party (physical or legal);
3. Legal – as commission by the intermediary on its own behalf and at own expense (or from a name and at the expense of one of the parties) the actual (legal) actions directed on establishment of the civil-law relations between the parties of the economic transaction (the contract and the agreement).

In enterprise practice intermediary activity is made out by legally civil-law contracts of an assignment, commissions, rendering of onerous (intermediary) services, transport expedition, the agency contract and some other, having representation or commission elements.
By the second option, the tourist agency sells the voucher to other firm or the tourist, without being her owner, and gets profit in the form of a commission. In other words, the travel agent carries out operations on implementation of tours on a consignment basis, i.e. the travel agent acts as the commission merchant.

With a view of complete sale of tourist products and for securing of the image the tour operator provides to a travel agent a tourist's product at the fixed price. In this case the travel agent receives a commission in the form of a discount from tourist's product cost. Thus the property right of vouchers doesn't pass to a travel agent. Tourist's products realized by a travel agent aren't its property and are reflected in balance accounts.

For example: for travel agent, who received from tour operator vouchers, we recommend to open and use balance account 004 «Tourist product accepted for a consignment». At acceptance by a travel agent commission merchant from tour operator of the voucher (a tourist product) on the basis of the contract gives record: the debit of balance account 004 « Tourist product accepted for a consignment», for example for the sum of 10 vouchers on 25000 KZT, all for the sum of 250000 KZT.

According to the contract from the realized sums of permits compensations at a rate of 10 % i.e. 25000 KZT are paid to a travel agent. Obtaining the vouchers, receiving of money is reflected in the debit 1010 «Money in cash desk» and accounts 1210 credit «Short-term receivables of buyers and customers» - 250000 KZT.

Then the commission merchant defines the income sum according to the contract (25000-25000*12/112 =22321 KZT) and it will be reflected by entry in the debit 1210 «Short-term receivables of buyers and customers» and the credit 6010 «The income of implementation of the acquired permits» (record without the VAT) and for the VAT sum in the debit 1210 ««Short-term receivables of buyers and customers»» and 3130 "VAT" of 2679 KZT (12 % from 22321 KZT).

The sum subject, delivery to tour operator consignor will make 225000 KZT (250000-22321-2679). This operation should be reflected in account 1210 debit «Short-term receivables of buyers and customers» and account 3390 credit «Other accounts payable». At transfer or delivery, from cash desk of this sum it is reflected by entry in account 3390 debit «Other accounts payable» and account 1010 credit «Money in cash desk» or accounts 1030 «Money in the current bank accounts».

The travel agent after obtaining of vouchers makes their write-off on account credit 004 «Tourist product accepted for a consignment».

The sum which the travel agent receives from vouchers sale, is revenue of tour operator. The revenue of a travel agent is only commission compensations.

The main document certifying implementation of the contract by the intermediary is the report i.e. existence of the act of the executed works (the rendered services) in principle is not necessary – the report can replace it.

Thus should emphasize that there is no established form of the act and consequently, the parties develop it independently. The act should contain information about assignment performance by the intermediary, on size of his...
compensation and on expenses which the contractor should compensate. The order and terms of submission of the report the intermediary are established by the parties in the contract.

Researching the accounting of tourist activity in Kazakhstan, it is necessary to draw a conclusion that tour operators and travel agents work in common as subjects of the tourist market if the tour operator is engaged in creation of tourist’s products, travel agents promote their advances. At the same time it’s important to emphasize that in Kazakhstan small and medium-sized tourist companies are carried out generally by a travel agent role. Large travel agencies are engaged in formation of tourist’s products, i.e. the number of travel agents advances numbers of tour operators. It is the natural phenomenon for tourist business.

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Chapter 3
Organization’s Resources Management - Methodological Aspects
Corporate Ownership and Intellectual Capital Efficiency: Evidence from Polish listed companies

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Abstract

The modern approach to business is dominated by a view which states that the effectiveness of the intellectual capital is a source of a long-term competitive advantage. This is particularly important in the developing countries, which have to reduce the distance separating them from the developed countries. This study touches this problem and is supposed to examine the associations between ownership structures and the efficiency of intellectual capital in Polish public companies. It has described the empirical research concerning the impact of ownership concentration and the members of the Board of Directors, the state, foreign investors as well as financial investors' share in the ownership on intellectual capital performance measured by VAIC™ index and its three components (human capital efficiency, structural capital efficiency and capital employed efficiency). The research was conducted on the basis of 1119 observations in 336 companies quoted on the Stock Exchange in Warsaw between 2007 and 2010. The conducted analysis of panel data has allowed to determine that ownership concentration positively affects the effectiveness of human capital and the members of the Board of Directors' share in the ownership stimulates the effectiveness of the structural capital in the same manner. On the other hand, the share of foreign investors in the ownership negatively affects the effectiveness of the intellectual capital as well as, separately, the human capital. The results of this research may be essential for the regulators of capital markets and other policy-makers on emerging markets.
Introduction

Since the beginning of 1990s the theory and practice of business management has been dominated by a new approach, according to which the sources of firm’s competitive advantages should be most often sought among intangible assets (Barney, 1991; Hamel and Prahalad, 1990; Fiol, 2001). This approach has found its reflection in the theory of corporate finance, in particular in the methods of explanation of the sources of surplus of the market value of companies over their accounting value. The prevalent idea of today is that these sources should be sought in the intellectual capital of a company, which consists of intangible assets based on knowledge. This view has been supported by the results of research conducted by a number of authors, e.g. Lev (2001), who noticed that as much as 80 percent of the market value of companies was not presented in financial statements in the course of his research conducted on the American market covering a period of twenty four years (1977-2001).

The new way of perceiving the competitive advantage is known as the "resource-based" approach. This approach assumes that an organisation is a set of resources and skills, while a company's competitive advantage is built by means of configuration in core competences (Galunic and Rhône, 1998; Hamel and Prahalad, 1990; Wang et al., 2004). Resources and skills are the most valuable when a company is able to protect them from being imitated (Obłój, 2007). A broad definition of company resources was presented by Barney (1991). According to him it comprises all assets, abilities, processes, attributes, information, knowledge, controlled by a company, allowing it to develop and pursue a strategy which improves the effectiveness of the company. Therefore, company resources contain both tangible and intangible factors. The most important elements are among all company resources are the strategic resources, that is such which constitute the basis for a sustainable competitive advantage of the company. They are characterised by four features: they are valuable - they create value for customer, rare – they are not found commonly at the competitors’, difficult to copy and do not have substitutes of a similar strategic value. The strategic resources which fulfil the abovementioned conditions are intangible assets and the intellectual capital.

Creation and effectiveness of the intellectual capital are extremely important, both for single companies and entire economies. However, the research on this topic is filled with a number of gaps – such as a deficit of studies which would allow to assess the conditions favourable for the increase in the effectiveness of intellectual capital. This is especially important for the emerging markets, which undergo constant changes, while the policy-makers need a strong, scientific support in the decision-making process. This study refers to this problem and is supposed to examine the relationship between ownership structures and the efficiency of intellectual capital in Polish public companies. Apart from cognitive aspects, demonstration of the presence of such dependencies may be practically important by showing which type of ownership structures is favourable for creation of and effectiveness of intellectual capital, which, in turn, influences the value of a company.
The article has been divided into three parts. The first one describes the assumptions of the theory of agency which constituted the theoretical basis for explaining the relationship between ownership structures and the efficiency of intellectual capital. Then it describes the process of creation of ownership structures in Polish companies as well as the Polish corporate governance system during the period of transition from a centrally planned economy to a market economy and finally hypotheses are formulated regarding the influence of ownership concentration and the share in ownership of investors typical of Polish companies on the effectiveness of the intellectual capital. The second part presents the research sample and method applied when testing the hypotheses. The third part describes the results of the research as well as the held discussion. The whole paper ends with a summary, which referring the synthetic conclusions as well as limitations in the reasoning.

**Literature review and hypothesis development**

**Theory of agency**

Agency theory describes contractual relations between shareholders and managers. Its grounds were established as early as in the 1930s, when Berle and Means (1932) published their pioneering research on changes in ownership structures of American companies. They noticed that most of those companies had dispersed ownership structures and that the ownership and the control over the companies had been separated. However, agency theory began to become popular as late as in the 1970s and 80s when the problem of agency was described by Jensen and Meckling (1976), Fama and Jensen (1983) or Eisenhardt (1989).

According to agency theory, the shareholders being the principals, delegate their rights to manage the company, and hence the ability to make decisions, which should stay in their domain, due to the ownership possessed by the principals, to the managers. Under these circumstances, managers become their agents. Both parties strive to maximise their utility, but their goals differ substantially. The owners' objective is to increase the value of their equities. The managers strive to increase their own income, using different instruments and not always acting in line with the expectations of their principals. Monks (2008) emphasised that billions of dollars had been brought out of American companies by managers abusing their power.

Managers can maximise their own utility quite easily due to an asymmetry of information in the described relationship, while the company managers know much more about planned strategies, operational activities as well as the sources of financial performance than the shareholders, deprived of such information to the full extent. Under these circumstances, agents can initiate a number of clandestine activities and often treat their companies as their property using their privileged position. Research shows that any of ownership concentration in the hands of a single shareholder enhances their tendency to monitor the managers as well as motivating them to be more diligent in the pursuit of the company owners'
objectives. For this reason, it is deemed to be one of the most effective corporate governance mechanisms (La Porta et al., 1998, Oviatt, 1988).

In the beginning agency theory focused mainly on describing the relationships between managers and shareholders and most of the research was being conducted in the United States and the United Kingdom, where ownership was strongly dispersed. Meanwhile, the ownership in continental Europe, also in Poland, is concentrated (Aluchna, 2007; Becht and Röell, 1999; Tamowicz and Dzierzanowski, 2001). However, it appears that a strong ownership concentration can act as a double-edged sword, since it simultaneously alleviates one conflict and generates another caused by the shareholders using most of private benefits from the control (Bebchuk, 1999). In this case, a strong conflict of interest appears between the major shareholder and the minority shareholder (Faccio and Lang, 2002; Renders and Gaeremynck, 2012; Thomsen et al., 2006), which may even lead to asset tunneling, that is transferring the resources performed by the dominant shareholder by means of transactions with themselves (Johnson, 2000; Przybylowski and Tamowicz, 2011; Zalega, 2002).

Numerous research studies carried out on the basis of agency theory have demonstrated that the conflicts of interest described by it lead to formation of agency costs (Ang et al., 2000; Bohdanowicz, 2012; Singh and Davidson, 2003) and, as a result, affect the financial performance of companies (Gadhoun et al., 2005; Jezak et al., 2009; Morck, 1995). Some research also provides the basis for a statement that the conflict of agency affects the effectiveness of the intellectual capital (Saleh et al., 2009; Zanjirdar and Kabiribalajadeh, 2011).

**Shaping the corporate governance system and ownership structures of companies in Poland**

Until 1989 Polish economy was dominated by the state ownership. The fall of communism resulted in the emergence of the challenge of establishment of market economy as well as the entire corporate governance system. This shaping was started, among others, by privatising state-owned companies, promoting private ownership, establishing the capital market as well as of the Warsaw Stock Exchange and restoring the Commercial Code, which, although introduced in 1934, had been virtually defunct for more than 50 years (Koładkiewicz, 2001). Later reforms included the implementation of e.g. the Polish code of good practices in corporate governance system known as the Best Practices of WSE Listed Companies (Bohdanowicz and Jeżak, 2007).

Many barriers were encountered in the early days of formation of the market economy in Poland. There was no consistent scientific theory which would have demonstrated how serious transformations should be done, while this period simultaneously involved economic experiments and difficult political choices (Kornai, 2000; Mesjasz, 2011; Wedel, 2001). Aggestam (2004) identified the barriers which Poland encountered when introducing its new socio-economic system. These included: lack of experience, lack of patterns of behaviour, weak
legal system, poorly developed market institutions as well as a financial system, inadequate human capital, insufficiently developed ownership structures.

The most difficult challenge faced by the Polish government in the transition period was the selection of the methods of privatisation. Privatisation in Poland was conducted following the direct and the indirect way. The direct privatisation was applied in the case of small as well as middle-sized enterprises in poor financial or market situation and consisted in selling the business, making it a part of a company it to or giving it to a company in paid usufruct. The indirect privatisation consisted in transforming a state-owned Company into a commercial company, in which 100% of stock belonged to the State Treasury and then selling all or part of its shares following a public tender, public offer or by allowing an employee company to purchase the shares. Other ways to get rid of shares employed by the State Treasury included supplying the insurance system or providing individual employees or a group of employees with shares free of charge (Koładkiewicz, 2001; Savas, 1992). Additionally, in 1994 the Polish Parliament approved the Mass Privatisation Programme, which allowed privatise 512 state-owned companies (Jeżak, 2003; Koładkiewicz, 2002).

The process of privatisation of Polish companies had an impact on the level of concentration as well as ownership structures of Polish companies. Tamowicz (2011) stressed that initially it had led to establishment of dispersed structures, following the Anglo-Saxon corporate governance models. However, later the Polish government changed its privatisation strategy and preferred selling large blocks of shares to foreign inventors combined with making them available in a public offer. Interestingly, this was the way chosen by all countries of Eastern Europe (Berglof and Pajuste, 2003; Grosfeld and Hashi, 2003). This resulted in the fact that their corporate governance systems became similar to the German system, included by Weimer and Pape (1999) to network-oriented systems. Kozarzewski concluded that it was more beneficial for Poland for three reasons. Firstly, the corporate control market did not exist or was insufficiently developed. Secondly, the investment potential of the Polish society was weak. Thirdly, Polish companies suffered from inadequate know-how as well as limited number of managers with sufficient skills. On the other hand, foreign strategic investors were able to cope with this problem.

The privatisation policy of the Polish government has determined the level of concentration and ownership structures of Polish companies. A characteristic feature of the Polish corporate governance system is high ownership concentration (Grosfeld and Tressel, 2001; Tamowicz and Dzierzanowski, 2001). However, it should be stressed that the twenty years of functioning of the market economy has been the period of establishment of new companies, which have been playing a more and more serious role in their sectors. As a result, the dominant investors in Polish companies include: The State Treasury, foreign investors, financial investors and managerial or family ownership.
Hypotheses regarding the impact of ownership structures on the effectiveness of the intellectual capital

Agency theory points to the concentration ownership and ownership structures as one of the basic mechanisms bringing the interests of owners and managers closer together as well as generating stimuli necessary motivate them actively and directly. The positive impact of ownership concentration on the financial results of companies was confirmed by, for example, Palmer (1973), Levin and Levin (1982) or Leech and Leahy (1991). However, on the other hand, the conflict of interest on the principal-principal line may result in abuse of the position of the majority shareholder at the cost of the minority shareholders and this may adversely affect the performance of companies. Perhaps this was the reason no positive relationship between ownership ownership and financial performance or sometimes even a negative relation was noticed in the research carried out by Demsetz and Lehn (1985), Grant and Kirchmaier (2005), Thonet and Poensgen (1978) or Kuznetsov, Kapelyushnikov and Dyomina (2008) conducted in Russia. The researchers mentioned last have also indicated that cultural and institutional conditions specific for a given country may have impact on the described relation. The quoted research findings seem to imply that the impact of ownership concentration on financial performance of companies is unclear. It might also be the case with its effect on the effectiveness of the intellectual capital. Based on this, following the general assumptions of agency theory, we can formulate the following hypothesis:

\[ H1: \text{The level of ownership concentration is associated with the efficiency of intellectual capital. However, the direction of this dependence is not clear.} \]

Agency theory assumes that managers holding significant shares in the ownership begin to behave as the owners of companies and the interests of the principals and the agents get closer as their share in the ownership grows. This was confirmed by, for example, the research done by Mork, Shleifer and Vishny (1988). This relationship may be also strengthened by the institutional context. Andreyeva and Dean (2001) carried out research among the companies quoted on the Ukrainian Stock Exchange, where they noticed that the enterprises which manage to prosper well in an environment with strong informal standards, severe information asymmetry, constant lack of transparency present in Ukraine are companies with ownership structures concentrated in the hands of the managers managing the companies. Therefore, it can be assumed that stronger commitment of managers in ownership will provide better value creation and creation of competitive advantage, thanks to a more effective utilisation of the company's resources, including the intellectual capital, and thus it will it with higher efficiency. On this basis we can put forward another hypothesis:

\[ H2: \text{The ownership of members of the Board of Directors' is positively correlated with the efficiency of the intellectual capital.} \]
Investments of foreign investors in the shares of the companies in the developing countries in the initial phase lead to improvement in their competitive capacity, implementation of new technologies as well as higher effectiveness in action (Chhibber and Majumdar, 1999; Douma et al., 2006; Goedhuyes, 2007). Djankow and Hoekman (2000) noticed that being acquired by foreign investors results in an increase in the productivity of a company. Similar dependencies in banks from the developing countries were noticed by Bonin et al. (2005) and Sabi (1996), who emphasised that banks with a foreign owner have a technological advantage over domestic banks. On the other hand, in contrast to them Lensink and Naaborg (2007) found a reverse dependence and stressed that it results from higher agency costs associated with the distance between the principal and the agent. For this reason, it is necessary to remember that in reality companies controlled by foreign investors are subsidiaries and have to play their role in the group. In the long run it may turn out that, for example, investing in the intellectual capital is more important at the level of the whole group of companies, rather than a single subsidiary. The described premises imply the following hypothesis:

**H3: The ownership of foreign investors affects the effectiveness of the intellectual capital. However, the direction of this dependence is not clear.**

State ownership is different and involves different motives to act than private ownership. Razak, Ahmad and Aliahmed (2008) emphasised that, as an owner, the state is characterised by social altruism and responsibility. For this reason state ownership is often seen as less effective in the economic sense, though simultaneously more focused on the pursuit of social goals as well as more susceptible to cave in under the pressure exerted by trade unions. The public choice theory as the motive of such state of affairs suggests, first of all, own interest of politicians and officials whose activities focus on the pursuit of taking advantage of and maintaining their power (Cuervo and Villalonga, 2000; Wong, 2004). It is necessary to remember that politicians are agents appointed in the course of political choices and that their superior is the society. To maintain their power they must behave according to the social expectations and avoid conflicts with different stakeholders, even the risk of deteriorating the financial performance of companies. The observations made by Brouthers, Gelderman and Arens (2007), who noticed that managers are less willing to behave in an innovative and enterprising manner in companies controlled by the state, are also significant in this respect. On this basis we can put forward another hypothesis:

**H4: Participation of the state in the ownership is negatively correlated with the efficiency of the intellectual capital.**

Institutional investors have been playing a more and more active role in corporate governance (Gillian & Starks, 2003). Their involvement in the shares of the companies has been increasing all over the world, though they usually hold a relatively low amounts of shares of single companies (Goergen & Rennenboog, 2001). This type of investor is particularly interested in the highest possible rate of return from the owned investment. Contrary to, for instance, strategic investors,
who must maximise it at the level of the group of companies, financial investors aim at this at the level of the company they invest their shares in, most using often a low-cost strategy at the same time. However, it is necessary emphasise that the cause-and-effect relationship is not clear in this case. It is often determines that companies with good perspectives and in a good condition are more likely to attract those investors, while in weak companies they "vote with their feet" by selling the shares (Bjuggren et al., 2007). Nevertheless, in many cases we have managed to confirm the positive impact of participation of institutional investors in ownership on the financial performance and the value of companies (Barzegar and Babu, 2008; Han, 1998), and additionally the positive impact of commitment of institutional investors in ownership of companies on their innovativeness (Kochhar and Parhiban, 1996). Since innovativeness is a constituent part of the intellectual capital and the value of companies is generated to a significant extent by intangible assets, we can put forward another hypothesis:

**H5:** Ownership of financial investors has a positive influence on the effectiveness of the intellectual capital.

**Research methodology**

**Sample and data selection**

The research sample consisted of public companies from non-financial (industrial as well as trade and services) sectors quoted on the Stock Exchange in Warsaw between 2007 and 2010. The sample does not contain observations in which the companies had negative equity or a negative structural capital and at the same time a negative value added calculated for the needs of calculation of the VAIC™ index, which served as a dependent variable in the model. Because of its formula, in such cases the structural capital effectiveness ratio, being a constituent part of the VAIC™ index, would not reflect the real extent of this effectiveness. In total 1119 observations have been conducted in 336 companies. Due to a variable number of companies quoted on the Warsaw Stock Exchange during the research period, each of them could have undergone between one and four observations, while the panels were unbalanced. The information on the values of the variables came from annual reports provided by the companies or from the Amadeus database. The analyses have been carried out using the LIMDEP software.

**Method of analysis**

The following model has been applied to test the hypotheses:

\[
Y_{it} = \alpha_i + \beta X_{it} + \gamma Z_{it} + \varepsilon_{it}
\]

Where: vector \( Y_{it} \) contains dependent variables i.e. depending on the model, the effectiveness of the intellectual capital measured with the VAIC™ (model 1) intellectual value added coefficient, human capital efficiency HCE (model 2), structural capital efficiency SCE (model 3) or capital employed efficiency CEE (model 4). Vector \( X_{it} \) contains independent variables i.e. the level of ownership.
concentration as well as the share of foreign investors, financial investors, members of the Board of Directors as well as the State Treasury in the ownership. Vector $Z_{it}$ consisted of control variables. On the other hand, $\varepsilon_{it}$ described random disturbance. The object of interest in this study included vectors $X_{it}$.

Due to the fact that the data had come from four years, the first stage was designed to examine whether it was still possible to conduct a regression analysis using the ordinary least squares method. It would have been possible, if the individual effect had not been present (Kufel, 2007). This possibility was verified using the Breusch-Pagan test (1979), which allowed to ascertain whether the phenomenon of heteroscedasticity was present in the model - in other words, let assess the variance of the random component. Heteroscedasticity occurs when this variance is not constant. Eliminating it is important, since in the event of presence of heteroscedasticity, LM estimators become ineffective and the assessment of the variance corrupted, which causes the significance tests to become invalid.

The value of LM statistics for this test for different models amounted to: model 1 with dependent variable VAIC $^{TM}$ 252.83 ($p < 0.001$); model 2 with dependent variable HCE 480.31 ($p < 0.001$); model 3 with dependent variable SCE 42.79 ($p < 0.001$); model 4 with dependent variable CEE 372.56 ($p < 0.001$). High values of LM statistics indicated the presence of the individual effect as well as the grounds for application of the a fixed effect model or random effect model.

A Hausman test was conducted in order to choose the proper model (1978). It allows to determine whether the estimators of both effects are convergent to the same vector. The null hypothesis in this test assumes that the estimator of the generalised least squares method is consistent and effective. In the event when there are no grounds to reject the null hypothesis, the estimators for fixed and random effects are compatible, but the random effects estimator is more effective. Rejection of the null hypothesis points to the fixed effect as the consistent one and that the model employing this effect should be used (Kufel, 2007). The values of Hausman statistics amounted to: model 1 with dependent variable VAIC$^{TM}$ 27.87 ($p < 0.01$); model 2 with dependent variable HCE 29.14 ($p < 0.001$); model 3 with dependent variable SCE 14.80 ($p < 0.1$); model 4 with dependent variable CEE 71.15 ($p < 0.001$). High values of Hausman statistics indicated the selection of the fixed effect model (LIMDEP, 2007). Any doubts could have been raised only by selection of model 3. However, a decision was made to apply the fixed effect model at the lowest level of testing probability for the Hausman test. Furthermore, a model with groups and period effects was applied to all models.

**Variable definition**

**Independent variables**

**Ownership concentration.** According to the assumptions of agency theory, the increase in the level of ownership concentration leads to reduction in agency costs. Different measures can be used to identify this variable. Some allow to simultaneously include the share in the votes of all investors with significant share blocks, e.g. the Herfindahl index or the total share of several largest investors
(Lee & Neill, 2002), other take account only of the share of the largest investor (Earle et al, 2005). These variables are strongly correlated with one another. This study employed the last option. The symptomatic variable describing the level of ownership concentration was the variable regarding the share of the largest investor. When calculating it an attempt was made to take account of both blocks they possess, both directly and indirectly. The values of this variable were taken into account as decimal fractions. If the greatest shareholder had had 35.75% of shares of the company managed thereby (voting rights), then the value of 0.3575 was entered to the calculations.

**Free float** This variable was measured as the share in the voting rights of the owners of blocks smaller than 5%. Its introduction to the model was justified because of the method of measuring the variable describing the ownership concentration. In practice there are frequent agreements between the shareholders which strengthen the ownership concentration. For instance, shareholder agreements (voting trusts) in Italy known as patti di sindacato are registered and the knowledge of them is publicly available (Tricker, 2009). In Poland only some companies inform about such agreements and, apart from this, informal agreements can occur. For this reason, the measurement of the ownership concentration for Polish companies only as the block of shares of the largest shareholder does not allow to take account of all formal or informal agreements. Introduction of the free float variable allowed to minimise the measurement error resulting from not including the other large blocks of shares. It is necessary to remember that the link between the efficiency of intellectual capital and the degree of ownership concentration measured using a free float variable will be reverse.

**Share of different groups of shareholders.** In the case of this variable direct and indirect shares of the four following groups of investors in the votes at the General Meeting of Shareholders have been taken into account: non-financial foreign shareholders, financial investors, members of the Board of Directors as well as of the state. The group of financial investors includes Polish and foreign: banks, insurance companies, brokerage houses, open pension funds, open and closed investment funds as well as venture capital and private equity funds. Dominant industry investors, e.g. banks with the largest blocks of shares other banks, were not considered financial investors. Family ownership was also taken into account apart from direct shares of the members of boards of directors. In the case of participation of the state, indirect ownership by agency of financial investors was not taken into account, while indirect participation of the state by agency of companies controlled by the State Treasury was included.

**Dependent variables**

**Intellectual capital effectiveness** The dependent variable in this study was the intellectual value added coefficient (VAIC™). The VAIC™ coefficient was drawn up by Pülic (2000), who based it partially on the Skandia Navigator method. Among others, it was also in the research on the efficiency of intellectual capital by Firer and Williams (2003) as well as Nazari and Herremans (2007).
The structure of VAIC™ index was established on the basis of papers on intellectual capital by and is based on measures which represent the structure of the conceptual model prepared on their basis. Its particular components are calculated as rates of effectiveness and calculating them requires measuring the value added (VA). The general formula assumes the following form:

$$\text{VAIC}^{\text{TM}} = \text{HCE} + \text{SCE} + \text{CEE}$$

where: The HCE is the human capital efficiency, the SCE - the structural capital efficiency and the CEE - the capital employed efficiency.

Particular rates and the value added are calculated according to the following models:

- human capital efficiency:
  $$\text{HCE} = \frac{\text{VA}}{\text{HC}}$$

- structural capital efficiency:
  $$\text{SCE} = \frac{\text{SC}}{\text{VA}}$$

- capital employed efficiency:
  $$\text{CEE} = \frac{\text{VA}}{\text{CE}}$$

- value added
  $$\text{VA} = \text{OP} + \text{HC} + \text{D} + \text{A}$$


**Control variables**

**Debt ratio** The debt ratio has been calculated as the relation between the total liabilities and the total assets. This control variable has a special meaning at the evaluation of the results of companies, since it is also influenced by the structure of capital. It is associated with the cost of capital as well as a different investors' perception of the risk of investment in the shares of companies with various debt level (Jerzemowska, 1999).

**Size of company** The size of a company is most often described using such proxy variables as the value of the company’s revenue (Hillman *et al.*, 2007) or the accounting value of total assets (Kiel and Nicholson, 2003). In the research described in this study the size of a company was measured using the natural logarithm of total assets.

**Sector** The variable describing the sector was a dummy variable. The companies were assigned a 1 when they belonged to industrial sectors and a 0 when they belonged to trade or services sectors (Kowalewski *et al.*, 2008).
Results

Descriptive statistics

Table 1 includes descriptive statistics for the examined variables. The average value of the intellectual value added coefficient (VAIC$^{TM}$) was 2.7635, which is a slightly higher value than the one in the research performed by Saleh et al. (2009) in which it amounted to 2.019. Larger differences between these two examinations appeared in the values of particular rates. And so, the human capital efficiency was lower and amounted to 1.8890, when the one in the study conducted by Saleh et al was 2.221. The degree of structural capital efficiency was higher and amounted to 0.3179, as compared to -0.202. The employed capital efficiency was also higher. In this study it amounted to 0.5566 as opposed to 0.043 in the compared study. The differences may result from a different sectoral structure of the sample as well as the time when observations were conducted. The VAIC coefficient is not completely free of the impact of the macroeconomic situation (Urbanek and Bohdanowicz, 2011), which may affect its value in the entire sample, but will not have a substantial effect on comparisons between the companies.

The mean of ownership concentration was 0.4508 and the median 0.4603. They were quite similar to the values that appeared in the research performed by Tamowicz and Dzierżanowski (2001), in which the median was 0.458, or Bohdanowicz (2011), in which the mean was 0.4595. Insignificant differences may result only from different periods research was conducted. All this research confirms strong ownership concentration in Poland.

The mean for other variables describing ownership structures amounted accordingly to the following: ownership of foreign investors: 0.0757, ownership of financial investors: 0.1188, ownership of the state: 0.0271, members of the board of directors: 0.2083. It is worth emphasising that only the ownership of financial investors had the median higher than 0, which points out that these investors hold shares in a large number of companies, however these are small shares, as the mean of this share is lower than those of the members of the board of directors and only slightly higher than the ownership of foreign investors. The least common type of ownership in Polish public companies is the state ownership, but in Poland the State Treasury has left itself substantial shares in the largest and the most important sectors, that is the fuel, chemical, mining as well as power sectors.

The mean for free float in the studied sample was 0.3540 and the debt ratio 0.4498. On the other hand, the mean size of the natural logarithm from total assets was 19.2424.
Table 1. Descriptive statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Median</th>
<th>Standard deviation</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual value added coefficient (VAIC™)</td>
<td>2,7635</td>
<td>2,6066</td>
<td>1,4372</td>
<td>-5,6727</td>
<td>9,2532</td>
</tr>
<tr>
<td>Human capital efficiency</td>
<td>1,8890</td>
<td>1,5920</td>
<td>1,0833</td>
<td>0,1465</td>
<td>8,2786</td>
</tr>
<tr>
<td>Structural capital efficiency</td>
<td>0,3179</td>
<td>0,3719</td>
<td>0,4598</td>
<td>-5,8261</td>
<td>0,8792</td>
</tr>
<tr>
<td>Capital employed efficiency</td>
<td>0,5566</td>
<td>0,4451</td>
<td>0,5126</td>
<td>0,0060</td>
<td>7,7747</td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>0,4508</td>
<td>0,4603</td>
<td>0,2252</td>
<td>0,00</td>
<td>0,9992</td>
</tr>
<tr>
<td>Ownership of foreign investors</td>
<td>0,0757</td>
<td>0,00</td>
<td>0,1955</td>
<td>0,00</td>
<td>0,9816</td>
</tr>
<tr>
<td>Ownership of financial investors</td>
<td>0,1188</td>
<td>0,0572</td>
<td>0,1638</td>
<td>0,00</td>
<td>0,9732</td>
</tr>
<tr>
<td>State ownership</td>
<td>0,0271</td>
<td>0,00</td>
<td>0,1184</td>
<td>0,00</td>
<td>0,8500</td>
</tr>
<tr>
<td>Ownership of members of the Board of Directors</td>
<td>0,2083</td>
<td>0,00</td>
<td>0,2809</td>
<td>0,00</td>
<td>0,9960</td>
</tr>
<tr>
<td>Free float</td>
<td>0,3540</td>
<td>0,3238</td>
<td>0,1843</td>
<td>1,00</td>
<td>0,0008</td>
</tr>
<tr>
<td>Debt ratio</td>
<td>0,4498</td>
<td>0,4558</td>
<td>0,1800</td>
<td>0,0255</td>
<td>0,9474</td>
</tr>
<tr>
<td>Company size (natural logarithm from total assets)</td>
<td>19,2424</td>
<td>19,0822</td>
<td>1,5387</td>
<td>15,3429</td>
<td>24,7205</td>
</tr>
</tbody>
</table>

Source: own study

Hypothesis verification

The results of the panel data have been outlined in table 1. One of the most important results of the conducted research is identification of negative relationships between the share of foreign investors in the ownership and the intellectual value added coefficient (VAIC™) as well as the human capital efficiency HCE. In both cases at significance level p <0.001. The direction of dependence between these variables is opposite than the one expected in hypothesis 3. The first dependence may indicate that although in the first years after the privatisation there was an increase in the value of privatised companies along with an increase in the effectiveness of intellectual capital as a result of restructuring and activation of simple reserves, then in the long run the effectiveness of the intellectual capital of these companies is lower. It may be associated with the optimisation of the business effectiveness of foreign investors at the level of the whole capital group (pursuit of profit outside Poland). What is important, the received results correspond with the results of the research conducted in Malaysia by Saleh et al. (2009). As a matter of fact, the abovementioned research did not identify any relations between the share of foreign investors in the ownership and the values of the VAIC™ coefficient, but it confirmed the adverse effect of this ownership on the human capital efficiency.
The decrease in the effectiveness of this capital is unfavourable, since human capital is the source of strategic innovations (Bontis, 1999; Stewart, 1997). It should also be remembered that foreign investors, which most frequently include foreign capital groups, maximize the effectiveness of the intellectual capital at the level of the whole corporations, rather than a single company, therefore, there is a clear conflict of interest between the efficiency of the intellectual capital and its generation in international corporations as well as subsidiaries located in a developing country. Our results imply that it is unfavourable for the subsidiary and, in a broader context, for the country. On the other hand, developing countries are forced to privatise because of technological backwardness and deficiency of capital.

Another significant result of our research is confirming the relationships between ownership concentration and the human capital efficiency. Tab. 5 implies that the free float variable negatively influenced the human capital efficiency (HCE). The level of significance in this case was $p < 0.05$. It should be remembered that the relation between the free float variable and ownership concentration is inversely related. The lower the free float, the greater the concentration. Therefore it may be concluded that the higher the level of concentration, the higher the human capital efficiency. This relationship supports hypothesis 1. It is in accordance with the main assumption of agency theory indicating that a concentrated owner is able to supervise his/her company and affect the creation of value by the company better. In this case, it is reflected in a favourable effect of ownership concentration on the human capital efficiency.

Another result of the research is identification of a positive impact of the ownership of the members of the board of directors on the structural capital efficiency (SCE). The significance level in this case is $p < 0.05$. This relationship is consistent with adopted hypothesis 2. The structural capital is the knowledge which remains in the company at the end of a business day. It consists of organisational routine activities, procedures, systems, cultures, databases etc. Some of them might also be legally protected and will become the intellectual property possessed exclusively by the company (Urbanek, 2008). The conducted analysis implies that the growth in the share of the members of the board of directors in the ownership makes the company become more innovative, which results in the fact that the share of structural capital in the value added grows along with its effectiveness.

On the other hand, the conducted research has failed to identify any relations between the dependent variables and other independent variables i.e. the ownership concentration measured with the block of shares of the largest shareholder, financial investors' ownership and state ownership.

The analyses have also found relations between some the dependent variables and the control variables. It is about the link between the intellectual value added coefficient (VAIC™) and the debt ratio (positive, $p < 0.1$), the human capital efficiency (HCE) and the debt ratio (negative, $p < 0.001$) as well as the size of a company (positive, $p < 0.001$), the rate of structural capital efficiency (SCE) and the size of a company (positive, $p < 0.01$) and the capital employed efficiency...
(CCE) and the debt ratio (positive, p <0.001) as well as the size of a company (negative, p <0.001).

Table 2. Ownership structures and the effectiveness of the intellectual capital

<table>
<thead>
<tr>
<th>Explanatory and control variables</th>
<th>Explained variables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
</tr>
<tr>
<td></td>
<td>Intellectual value added coefficient (VAIC TM)</td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>0.5623 (0.6141)</td>
</tr>
<tr>
<td>Free float</td>
<td>-1.0011 (0.6106)</td>
</tr>
<tr>
<td>Ownership of foreign investors</td>
<td>-1.5746 ** (0.5374)</td>
</tr>
<tr>
<td>Ownership of financial investors</td>
<td>0.4156 (0.5028)</td>
</tr>
<tr>
<td>State ownership</td>
<td>0.3399 (0.8934)</td>
</tr>
<tr>
<td>Ownership of members of the Board of Directors</td>
<td>0.2415 (0.3161)</td>
</tr>
<tr>
<td>Debt ratio</td>
<td>0.7233† (0.4003)</td>
</tr>
<tr>
<td>Company size (natural logarithm from total assets)</td>
<td>0.1071 (0.1402)</td>
</tr>
<tr>
<td>Sector</td>
<td>No</td>
</tr>
<tr>
<td>Constant</td>
<td>1.4834 (2.9009)</td>
</tr>
<tr>
<td>N</td>
<td>1119</td>
</tr>
<tr>
<td>Adjusted R-square</td>
<td>0.5646</td>
</tr>
<tr>
<td>Statistics F</td>
<td>5.24 ***</td>
</tr>
</tbody>
</table>

Source: own study

Note: † p <0.1; * p <0.05; **p <0.01; *** p <0.001. Values of standard error in parentheses.
Conclusions

This study has made it possible to assess ownership structures in Polish companies after about twenty years following the commencement of the period of transition from a centrally planned economy to a market economy from the point of view of their associations with the efficiency of the intellectual capital of enterprises. The conducted analyses indicate that ownership concentration stimulates the use of the human capital, while the ownership of members of the Board of Directors positively affects the structural capital of companies. On the other hand, the results proving the adverse effect of foreign investors on the effectiveness of the intellectual capital and the human capital efficiency may seem surprising.

The results of presented research are subject to several limitations associated with the measurement of variables and the applied method. The first limitation of is concerned with the dependent variable. The intellectual value coefficient is easy to calculate and is based on audited financial data, which allows to apply it in comparisons between companies (Firer and Williams, 2003; Kasiewicz et. al, 2006). However, this ratio is plagued by a number of flaws which limit its application as a fully objective measure of the level and the effectiveness of intellectual capital (Andriessen, 2004). Nevertheless, its simplicity along with basing the calculations on easily accessible and comparable data allow the VAIC™ coefficient to be used quite often as a proxy variable in research on the effectiveness of intellectual capital (Bontis et. al, 2001; Firer and Williams, 2003).

The second limitation is concerned with model 3 with a dependent structural capital effectiveness rate. When analysing the impact of ownership structures on this variable we have selected the fixed effect model at relatively low values of the LM statistic and, at the same time, fairly low values of the Hausman test. Hence a relatively low value of testing probability for this test (p <0.1). For this reason, the subsequent studies should strengthen the reasoning regarding the dependencies confirmed in this model.

The analyses conducted in this show possible directions and areas of further research in this field. For instance examination of the relationships between the efficiency of the intellectual capital in dominant companies from the developed countries and the effectiveness of this of capital in subsidiaries from the developing countries might also be important from the point of view of the emerging markets. The results of such research would make it possible to identify transnational strategies with regard to the place of implementation of the effects of intellectual capital. From the point of view of the developing countries it could provide arguments for or against the policy of encouraging international corporations to invest in these markets.
Acknowledgments

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Information Management of Domestic Enterprises

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Abstract

It is emphasized that the global growth in recent years is characterized by the widespread introduction of information technology. The achieved level of development of information technology in Kazakhstan has been analyzed. As the information is being processed, it is proved that the managers at the enterprises face or feel the need for different types of information. It is noted that high-quality information has the characteristics that determine its usefulness in solving specific problems at the enterprise. Scientifically grounded advice on using the information in a variety of management actions at the companies and firms is proposed to the domestic managers.

Transition to an information society as the modern stage of the development of most of the countries in the world

The ongoing transition to an information society characterizes a modern stage of development of most of the countries in the world. Information Society (IS) is formed locally, the transition to it - is a general trend for both developed and developing countries.

At the same time, each country goes its own way to the IS according to historical, political, socio-economic and cultural conditions. Analysis of different programs and concepts makes it possible to identify the following characteristics which are common to the transition to the IS (Rakitov, 1989):

- The complex approach is used in developing the concepts of the transition to an integrated IS. This approach is based on maintaining the balance between the interests of the state, society, business-sector and the individual;
- IS economics - it is an economy based on information and knowledge;
- Information society - a society of lifelong learning;
- The concept of IS has a humanistic orientation.
The development of IS is being talked about everywhere now: in Europe, Asia and America. Kazakhstan, keeping up, aims to follow the path of economic globalization through diversification of sectors of economy and staged setback from raw materials orientation. The immediate step in this direction is to implement the State program of forced industrial-innovative development of the Republic of Kazakhstan in 2010 - 2014 years. (Nazarbaev, 2010).

Kazakhstan has initiated the formation of nuclear technology parks, biotechnology and regional technologic parks. A key focus of the upcoming phase of development of the republic is made on building a number of high-tech enterprises in priority sectors of the country. Currently, the state program "Electronic government" is being implemented in Kazakhstan, which proceeds in two stages: first - the information, second - interactive. Web portal of "Electronic government" has been also launched. This portal combines all the Internet resources of government agencies.

The development of information technology is the global process

In recent years, the priorities in the development of IS have changed in Kazakhstan, on a background of rapid introduction of new information technologies.

Information technology (IT) – is a set of methods, techniques, procedures and means of processing of documentary information, including applied software, and restricted order of their application.

Information technology – is a combination of methods, techniques and tools that implement the information process in accordance with specified requirements.

Information technology – is a basic tool of information management.

Information Management – is a set of methods and tools of managing the information and monitoring the activities of the company or organization with the help of information (Greenberg & Korol, 2003).

At the present time, there is every reason to consider the information technology as an integral component of management technology. Almost all of the newly emerging structures of the coordination of human activity, such as office systems, are based on advanced telecommunication systems and resource centers, equipped with modern computers. Quite traditional manager can’t imagine his work today without a computer on the desk. You can give a long list of items of new management techniques, penetrating into the cultural sphere due to the Internet. Among these items are:

- Operational communication means (e-mail, mailing lists, news sections of the museum sites);
- Distributed resources and means of access thereto (databases, portals, terminals, computer networks);
- Means of activity coordination ( bulletin board systems, forums, electronic surveys);
- Forms of feedback and organization of collaboration (guest books, newsgroups);
- Finally, the means of production (resources and partners searching tool, standard and specialized software tools).

New information technologies include:
- Provision of an integrated electronic support of operational processes of the delivered products on the basis of CALS-technology (system of integrated logistic support) by a supplier.
- Presentation of technical maintenance documentation in electronic form that meets the requirements of the international CALS-standards.
- Availability of quality control computer systems that meet international standards of quality management ISO 9000 and international CALS-standards, ensuring the reception and analysis of information on all the details, nodes, components and products in general at all stages of its life cycle.
- Presentation of design and technologic documentation in electronic form that meets the requirements of international CALS-standards (data management system of the product in the process of development and production).

At the present day, the level of IT development achieved in Kazakhstan makes it necessary to move from policies aimed at the development of separate industries - communications, computing and Informatization, to the formation of a common strategy for integration into the global information society. In view of the available technological possibilities the mainstream policy is transferred to the formation of the unified information space of the republic, development of information resources, databases, knowledge and information infrastructure, which can be equally used by government agencies and as well as civil society as a whole. This, naturally, leads to the improvement of information law, technologic base and organizational support (Mukanov, 2004).

Today, Kazakhstan is far behind in the implementation of information computer technology to basic industries.

**Data and information**

IT applied at domestic enterprises include hardware, software, telecommunications, database management systems and other technological means of data storage and its usage in the form of information for making organizational decisions. Management has the opportunity to obtain large data arrays, which means that today's IT help to increase efficiency and productivity at every stage of the strategic decision-making process. IT accelerates operational processes as well as decision-making processes by computerized production, communicating with customers in real-time mode and control of inventory.

The possibility of obtaining large amounts of information becomes a serious problem to computer engineers, managers and other users of information. In order to find the necessary information for solution of a specific task, we have to "look through" an enormous amount of data.
Data - is “raw” facts and figures, which may not be useful in itself. It begins to benefit when it is processed and converted into information, i.e., into data converted in the specific context, meaningful and useful for specified users.

Information is knowledge about a particular fact, event or situation. Managers at organizations use information to analyze and solve problems. They depend on information. People tend to think about the information any more than they think of air to breathe. Information existed everywhere, it was free and people used it for their needs. Environmentalists started then to assure the public opinion that the air is not so available; at least, clean air is becoming less available. And like this, managers began to assure that the information isn’t so available. The way people can manage the things that influence the quality of air they breathe, so the same way managers can control things that affect the quality of their information.

Types of information

As information is processed, the managers are facing, or feel the need for different types of information (Radugin, 1997):

1. The first type of information is – general information. General information - this is information that arises by chance or in response to non-specific queries or searches. It answers to the questions like "What do you want to know?" Or "Is there anything you are interested in?" For example, when managers are exploring strategic environment, they do it for obtaining general information.

   Since the general information is so broad, it is difficult to determine it in advance and maintain in computer systems. General information is mostly used at the strategic level than operational. By its definition, general information isn’t used at the level of transactions.

2. Transactions are totally focused on specific information, i.e. information that meets specific requirements. Specific information may be requested when you check the balance on your check account in an automated cash machine. Specific information may be unsolicited, for example, when you get a notification that the cost of using your mobile phone has increased.

3. Stimulating information is similar to specific information in being too specific. If specific information just makes the recipient aware of something, stimulating - requires actions. The requested action is almost automatic, it is pre-programmed. Stimulating information can be requested or not, and stimulated action can be of any type.

4. Exceptional information is similar to stimulating information, in the sense that it stimulates the action. However, there are difficulties due to the fact that it stimulates a specific type of action, and it is requested by general requirement when the exception occurs. It should be noted that neither stimulating, nor exceptional information requires complex decision-making.

5. When the plan is accepted, managers exercise control over it to ensure its implementation. The fifth type of information – is checking information, which is required for monitoring the deviations from the plan, provided that these
adjustments were not previously foreseen. This quality distinguishes checking information from stimulating one.

6. The sixth type of information is the information for distribution decisions. The distribution (or distributing) information is useful for decisions on how to allocate people, time, equipment or money, in accordance with the project. When the manager has the information on two alleged projects, he must decide how to allocate the resources, which he has at his disposal. Here, he needs the data that enables him to obtain information about the relative costs and revenues from these two projects.

7. Finally, when the principal managers weighed the pros and cons of entering into a new market, they pondered the guidance information in order to make a decision on a vast area of economic inclusion of the firm. In order of spreading, the guidance information is used before the distribution information (used in the transfer of resources of interest) and which is used before the checking information (used to correct deviations from the plan).

Characteristics of the useful information

Development of strategic plans by enterprises, identification of emerging issues and interaction with other organizations is largely determined by the level of information quality. High-quality information has the characteristics that determine its usefulness for specific tasks solution. All the characteristics of useful information can be divided into three categories (fig. 1).

![Characteristics of high-quality information](image)

Figure 1. Characteristics of high-quality information
1. Time characteristics. Information should be available as needed, kept up to date, correspond to a certain period in the past, present or future.

2. Content Characteristics. Useful information does not contain mistakes; meets the needs of a particular user. It is complete, concise, relevant (i.e., does not contain redundant data) and accurately describes the object.

3. Structural characteristics. Information should be presented in a simple, understandable to the user form and have the necessary level of detail. It should be presented in an orderly verbal, numeric or graphical form. In addition, the information carrier (printed document, video or audio) also must be convenient for the user (Daft, 2008).

**Recommendations for managers on the use of information in a variety of management actions**

As long as managers need to know different ways of using the information in the various management actions, they should remember the following guidelines (Radugin, 1997):

1. Information that is extracted from the data is an integral part in the work of a manager.

2. Information management cannot be delegated. Delegating information management to the department that handles the data is a departure from an important part of management responsibilities. This is not to say that the technical aspects of the management of information technology cannot be buck passed, but managers need to be very active in managing their own information and the necessary data.

3. Computer systems handle only data, not information. It is important to the manager to extract information from data. And computers can be viewed as tools that extend the capabilities of managers. They are no substitute for managers, but they definitely can replace clerks, as well as "managers" who are actually performing functions of the clerk.

4. Managers should think about how they use information. Information used, like the level of management activity, has a strong influence on the type of information system that should be used. Low-level managers most often use specific, stimulating and exceptional information. Top managers, use checking, distributive and guidance information more frequently, than stimulating and exceptional information.
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Repositories of Knowledge - Implementation of the Project SYNAT(System for Science and Technique)

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Abstract

The article discusses the role of national information systems for science and technique based on the example of the implementation of the SYNAT (System for Science and Technique) project in the development of the system of supplying content to education. This is so as new publications and scholarly reports come into being every day. To be able to teach, universities must possess up-to-date information and knowledge. It is an opportunity to obtain the highest possible quality level of education they provide.

The development of a national information system for science and technique is recommended. The system being an element of the global network can reduce the gap in the absorption of the latest scientific achievements in countries which do not possess the adequate ICT infrastructure. The implementation of the concept of open science, i.e. Open Access (OA) is highlighted. The implementation of this concept favors the development of science as well as the processes of a more complete use of unique scientific equipment. It is also conducive to the development of individual researchers and research teams.

In the final part of the article proposals for strategic organizational solutions in the field are recommended. The suggested solutions are based on the analysis of the strategies’ dependencies on two variables, namely the system of coordination, i.e. a management system and a financial solution. The two variables have been selected as the ones which have the biggest impact on the choice of the organizational form and a way of funding the project.

The article also outlines a collection of issues that require further research.

Keywords: SYNAT, National Information Systems, project management, content management, Systems of Education, information society, knowledge management
On the need to create national information systems for science and technique

Current systems of education, especially postgraduate and doctoral ones, need to be constantly supplied with and updated by contemporary knowledge as new publications and scientific reports are published every day. To be able to teach, universities must have up-to-date information and knowledge. This is an opportunity to achieve the highest possible quality of education. At the same time, as we will show later, even in Europe (not to speak about other parts of the world like Asia, Africa and South America) there are big differences in how scholarly institutions are equipped in the infrastructure necessary to do scientific research. It is similar with the unequal deployment of scholarly personnel. How can this be changed? Each country’s ambitions are very high. Each country wishes to have a system of education that can compete against the most developed countries in the world. As a result, the economy and the system of education will be modern and competitive. But do we have adequate ICT means to achieve this goal? And if we have them, do the existing procedures support their effective and successful use?

In literature, many gauges are proposed to make such an assessment. One of them is the analysis of the position of a particular country’s universities in the international ranking of the best universities in the world. As the example of Poland is analyzed more thoroughly here, we can state that this position is not very high. Poland, which is in the middle position in the world in terms of economic and social indicators, has only two universities placed between the 300th and 500th position in the world ranking. The position of a country in the world is determined by credible synthetic indicators that are calculated based on reliable sources. Research done by the World Economic Forum together with INSEAD is especially interesting and supported by scholarly authorities. The position of a country in this kind of research is assessed based on the Networked Readiness Index (NRI). There are many different definitions of the NRI in the publications, e.g. “network readiness indicator”, “internet potential” and “readiness to transform on the way to information society”. The index evaluates a country’s readiness to exploit the opportunities offered by ICT. In terms of the NRI, Poland has been classified on the 65th position among the total of 133 countries under examination. The reports on the analyzed measurements are published annually. Thus, the NRI is a composite of 68 data grouped in three main components:

- the environment index: market, political and regulatory, infrastructure environment;
- the readiness index: readiness of individuals, businesses and public administration;
- the usage index: usage by individuals, businesses and public administration.

Out of the 68 analyzed data, 27 can be defined as the so-called hard-quantitative ones. They were created by reputable international institutions, e.g. the United Nations, the World Bank or the International Telecommunication Union. Other data come from surveys commissioned by the World Economic Forum. Table 1 presents the European countries (in column one in the brackets next to the
NRI values, there are positions of the countries in the world ranking). The table presents only the European Union countries’ indicators of the broadband Internet access in descending order (middle column). Access to the Internet is one of the leading indicators of the transfer of science to the system of education. The fourth column shows a relatively wide spectrum of the analysis of the Internet access at workplace. The examined employees were those who use the Internet at least once a week. However, independent contractors (freelancers) are not included in this category.

Contemporary ICT enables developing countries to bridge the gap between them and the developed countries in building the communications infrastructure of the scientific research system that supplies content to the system of education. The current delays will probably not be completely eliminated but they will surely be weakened. The use of the stores of knowledge depends not only on the possession of hardware. Information and knowledge bases are decisive, since they are supplied by scientific information systems of the best world-class organizations.

Based on the example of my participation in and management of the research team working on a strategic program devoted to building a national information system for science and technique, I would like to present the activities that are carried out in this field. The program that is called SYNAT (in Polish: SYstem Informacji NAukowo Technicznej, i.e. Information System for Science and Technique) (Niezgódka, 2009, Kisielnicki, 2011) aims to create in Poland a universal, open, repository hosting and communications platform for network stores of knowledge for science, education and open knowledge society that will be linked to the adequate solutions worldwide. SYNAT is supposed to be the basis of the national information system for science and technique. The project that is financed by the National Center of Research and Development with the use of the state budget funds is implemented by seventeen scholarly institutions. Within that project, the author of the article manages the building of a long-term funding model that is to guarantee the durability of the information system for science and technique. One of the tasks of the undertaken activities is to propose solutions for supplying educational systems with information and knowledge and the role of the state budget as the administrator of the information systems for science and technique.

The article aims to justify and present the characteristics of the proposed organizational solutions in the field of the system of this class that is supposed to provide supplies for the system of education. The presentation takes into account the ideas included in the postulates of the so-called Open Access (OA). The research in this field is continued. The article presents the stage of the research concerning the proposals of organizational solutions. The stage is a proverbial milestone in the implementation of the SYNAT project.
On the building of the national repository hosting and communications platform for the stores of knowledge for science, education and open knowledge society

Institutional repositories are defined by R. Crow (Crow, 2002) as digital collections that capture, preserve and disseminate intellectual output of scholarly communities of one or several universities. They are more and more commonly entering university structures, changing the paradigm of communications in science at the same time. The content of the repositories is defined by the institutions; it has a scientific, cumulative and perpetual character, it is available within the Open Access, and it is interoperable. We can observe an enormous increase in the number of repositories existing worldwide as well as publications on this subject. It refers especially to guidebooks describing the process of developing digital archives (Gibbons, 2004; Barton, 2004). Scholarly material contained in them includes scientific articles, scientific research results (reviewed or not, published or not) and M.A. theses or doctoral dissertations in an electronic form. Sometimes repositories contain typical administrative documents, thematic notes or other teaching material.

Institutional repositories are network servers which enable parallel (to paper-based) on-line publication and long-term archiving and dissemination to authorized circles of users (e.g. scholars, university students, members of a professional association, etc.) or broader community without discrimination and unnecessary limitations. Such repositories also provide authors with legal advice on methods and scope of protecting their rights.

In general, we deal with three entities taking part in the process of using scholarly repositories: authors (production), users (consumption) and a service platform (distribution). Graph 1 illustrates relations between those entities:

It is estimated that 24 thousand scholarly journals are published worldwide (Björk et al., 2009). This enormous scholarly potential requires dissemination to the broadest possible circle of users. For years, world publications have been drawing attention to the necessity to disseminate this great intellectual capital (Castells, 1996; Soete & Weel, 2005; Tansey, 2003; Arlt, 2006). It is one of the decisive factors in the process of developing an open society or information society (Köhler et al., 2008; Maytham & Khaled, 2012; Papadopoulou et al. 2011). How is this great scientific potential going to supply the system of education with content? In our opinion, the goal can be achieved by creating a national commonly accessible information system for science and technique. Its implementation requires considerable financial outlays. We can list the following elements constituting the cost of such a commonly accessible system implementation:
Outlays on the system contents. It accounts to 50% of the total expenditures incurred within the information system for science and technique.

1. Outlays on the absorption of stores in the adequate databases and knowledge bases (e.g. digitalization, new documents development).
2. Outlays on the development of the infrastructure, including communications network and access points to the possessed stores of information and knowledge.
3. Outlays on the system exploitation; both on people and software and hardware means. These include appropriate license purchase and copyright-related costs. This group of costs results from the increase in fees for bases, services, platforms etc. It depends on a product market value and the size of the ordering institution measured against the number of employees and students (full time equivalent). In general, fees do not depend on the use intensity (number of sessions or access length).

The incurred outlays make it possible to develop the national information system for science and technique that can play a significant role in the creation of information society based on knowledge management. This will result in the increase in the intellectual capital of individual corporations as well as the whole country.
The detailed effects achieved are as follows:

1. Increase in the scholarly level of a university or institution involved in that activity.
2. Provision of scholarly communication between individual domestic and international organizations.
3. Popularization of scholarly achievements on international forums.
4. Profits obtained from commercialization of selected activities (services, patents, license sales).
5. Reduction of losses resulting from double or triple cost incurrence on the same kind of research.
6. Strengthening the activities of the consultancies involved in the transfer of science to the economy, i.e. the increase in the innovation of the economy.

Quantitative calculation of costs and effects is difficult. It is due to various reasons, including the lack of a method to calculate the cost of developing non-material goods such as any kind of intellectual work. The mechanisms for producing added value are also complex; there, an extensive link between the contents and the system of consultancies and other firms involved in transferring scientific research to the economy takes place.

Contemporary development of ICT makes the cost of providing service to one client get close to nil. With a rapid development of the web technologies we can expect further improvement of such free of charge tools as CiteSeer or a little newer but rapidly growing Google Scholar, or finally Microsoft Academy gaining more and more supporters. We can derive patterns from the achievements of Open Source Software and business models created around it, including those combining free and commercial software. The cost results from legal regulations which either are an outcome of economic models or create them. The contemporary progress in technique and technology, including broader use of cloud computing, can totally change economic calculations and the proposed organizational solutions. It is more and more difficult to identify every device owner in a ‘cloud’ who takes part in the implementation of our project. In the world information practice, the significant part of the cost is the purchase of the right to use the chargeable database resources.

National information system for science and technique, its elements and functions

The basic source for supplying the educational system with content is a national information system for science and technique. It is linked to other similar systems in the world. As far as Poland is concerned, it is the link with the European Union countries, although there is also a strong connection with the systems in the USA, Japan and Canada. With the use of a computer network, it forms one whole from these system elements which are related to the issues of scientific and technical information and its application.
The national information system for science and technique is characterized by the following formula:

\[ \text{KSINT} = \{ P, I, T, O, M, Z, R \} \]

Where:

KSINT – a national information system for science and technique which provides services for all entities on the territory of a country and is responsible for generating, processing, storing and disseminating scientific and technical information and its derivatives independent of the organizational and legal forms;

P – a collection of entities which are passive and active users of the system; most often these are universities, institutes, corporations, businesses, hospitals, etc.;

I – a collection of information resources related to science and its application. These include open resources of libraries and scholarly institutions, commercial scholarly stores, stores of digital libraries, economic and technical information, university teaching materials, including e-learning stores;

T - a collection of technical means which constitute the management infrastructure. This is a part that depends on a rapid scientific and technical development, including the above-mentioned web technologies and cloud computing;

S – a management formula, i.e. the adopted organizational model and the role of the state budget and private institutions in it;

M – a collection of meta-information, i.e. information about scientific and technical information;

Z – a collection of para-information, i.e. information about sources of formerly-mentioned information;

R – a collection of relations that take place between formerly mentioned elements of the information system for science and technique.

One of the basic tasks of the national information system for science and technique is to increase the quality of scientific research and the supply of the newest knowledge for the system of education. The use of ICT in the process of education is becoming more and more essential. Learning tools are created based on the methodology of learning objects, which is more and more important in the field of e-learning. The main idea of the above-mentioned methodology is a possibility to define and create knowledge components and then group them in learning objects. They are stored in databases and described by educational metadata. Such a structure creates conditions for sharing learning objects and putting them together in order to develop a lecture or a course.

What are the relations between the national system and SYNAT that is being developed? SYNAT, as it was mentioned, is supposed to be the nucleus of a national information system for science and technique. It is one of the most important stages of developing a coherent domestic system. A national information system for science and technique is a concept describing the strategic directions of the state actions rather than a system functioning in the real world. As far as SYNAT is concerned, we know its range, there are implementers and there are means necessary to implement it. Of course, there are elements of a national information system for science and technique such as scientific and public libraries, universities’ and institutes’ systems, etc. But is it a coherent system? We can doubt.
KSINT is a term we use to show a direction of activities in order to develop the existing national information system for science and technique. In its destination layer, the system should make the systems of education be constantly supplied with the newest knowledge based on scientific research. Such a target national information system for science and technique can also be defined as a multi-level structure. It enables the users of the system to transform information from the field of science and scientific and technical progress into desired exit information through the use of adequate procedures and models. KSINT can also be defined as a sub-system of a countrywide information system within which we deal with: an organized collection of people (authors and their collaborators), processing procedures, bases of data, models and knowledge, and devices used to provide the members of the public with information in the field of science and its application which they are interested in. Similarly, although in connection with the management information system, E. Turban (Turban, 1999) writes: “Management Information System is a formal computer system, built to prove, select and integrate information obtained from many different sources in order to guarantee up-to-date information necessary for decision-making in management”.

Systems of education require a constant supply of information, especially in the field of scientific achievements. Information obtained during multi-layer communication is treated as a specific intellectual store of knowledge of individual organizations and a particular country’s economy. Possession of this information makes it possible to provide supplies for educational processes. There has been a 15-fold increase in the number of communications network nodes in the last 10 years (Laudon & Traver, 2011). In this space, the time of information transfer, as well as the duration of a decision making process, is very short and is limited to fractions of a second.

Scientific repositories fulfill a range of functions, e.g. they register the acknowledgement of a particular work’s authorship, certify the work as scientific or technical information, select and verify the quality of the work, disseminate it, archive it for the prospective users, microfilm it etc. (Szpringer, 2011).

Open access strategies aim at reconfiguration of cost burdens: from end users towards the entities providing works (universities, libraries and authors themselves).

Proposals for the organization of a national information system for science and technique exploitation

An organization propagating a strategy of open science is a dominating concept in some circles. The term “open” means commonly accessible. Scientific and research organizations do research in cooperation with independent partners who are located all over the world. The approach of open (common) science that in literature is called Open Access is conducive to the development of science and the processes of a more complete use of the unique scientific equipment. It is also favorable to individual scholars’ or research teams’ development. Open Access (OA) is defined as a free, common, durable and immediate one (Weber, 2004;
Suber, 2007). As a result, every user has access to digital forms of recording data and scientific or educational contents. The development of the Internet and a quasi-monopolistic market position of editors, who dictate prices and limit access to scientific, educational and cultural publications, as well as more and more limited budget possibilities of public institutions responsible for popularization of the results of scientific research and cultural output constitute the key reasons for the OA initiative to come into being (Szpringer, 2011).

A concept of OA is strictly connected with the scholarly movement called Open Access Movement, which has been developing since the 1990s and acts for the development of a new, open model of scholarly communications. Around the concept of open access, there are many initiatives which support and promote this idea. The main communications channels used to distribute knowledge in the Open Access model are open journals and repositories. It is necessary to remember that the term ‘repositories’ first of all refers to storage places, not places providing access. As a result, activities connected with OA are conducive to treating scientific research as a social process. Scientific results and achievements become a basis for gaining prestige by individual scholars and organizations they work for. Most countries’ legal systems regarding the assessment of universities and scientific institutions (including the so-called parametrization) emphasize the openness of publications. Most scholarly institutions’ strategies concentrate on the creation of conditions for publications and making them available. Open Access issues in its different dimensions are the subject matter of a worldwide discussion. It is conducted in many circles, especially in institutions that finance scholarly research and at universities. In the time of economic crisis individual governments show interest in open access. Financial resources are limited and there are doubts whether scholarly research financed from public funds is addressed to the appropriate beneficiaries. There is also a fear that public funds can be wasted as a result of multiple payments for research (first for doing the research, next for obtaining access to the results, finally there is a possibility of doubling it).

Open Access activities are connected with the Open Source movement and can be associated not only with open science, but also with other actions such as open software, open standards and open research. The term ‘open’ is not the same as ‘free of charge’. Research results are commonly accessible but sometimes they are payable, especially if some extra services are provided to a user. The general tendency is to make the state budget support activities connected with open science, especially in the part that supports science and education. It applies to activities undertaken by individual users to a lesser extent.

The development of the concept of open science will influence organizational and economic solutions for a national information system for science and technique. Based on the conclusions of the scientific conferences on Open Access issues (Budapest and Berlin ones), P. Suber (Suber, 2007) formulated a definition of the new initiative’s frames: “Access to Open Access literature must be free of charge for all users who have access to the Internet. All applications that serve scholarly purposes, i.e. reading, saving on a computer hard disc, copying,
disseminating, printing, searching and linking are allowed. The only limitation imposed on a user is correct citing and specifying who the authors are”.

Can all the collections of scholarly information be commonly accessible? J. Ziman (Ziman, 2002) separated two types of science: academic and industrial ones. They have different objectives. What they have in common is the implementation of knowledge management processes. This is obtaining, developing and retaining knowledge, sharing knowledge and personalization and codification of knowledge. In general, there are no basic differences between the actions related to: preparing publications of scholarly research results, developing repositories of documents and the systems of searching for information.

Economic models of funding scholarly research and making them available are different. The American Institute of Health (NIH), which is the biggest institution that finances medical research in the USA, introduced a rule that all beneficiaries of the so-called ‘grants’ from the NIH funds should publish the results of their research in a reviewed, commonly available journal in a period of 12 months. This Open Access publication of the results of research financed by the NIH is mandatory; an adequate Act was passed by Congress and signed by the United States President, Barak Obama. However, the rule is not always implemented by the users in the most desirable way (that is full archive available as soon as possible, free of charge and without limitations). Some special limitations and conditions are often imposed to protect the interests of publishers.

Interesting conclusions in this area can be found in the reports on Open Access costs and benefits developed under the supervision of J. Houghton of Victoria University in Australia (Houghton, 2008, 2009). They compare three models from three different countries: Great Britain, DURF in Holland and DEFF in Denmark. According to the report, the biggest benefits are obtained from the Open Access model, in which the research institution or a party providing finance for the research pays for the authors’ publications. Such publications are available on-line free of charge. In Denmark, the adoption of this model provides savings of 70 million euro, in Holland 133 million euro and in Great Britain 480 million euro.

World solutions analysis (Hollender, 2011) shows that the range of solutions acceptable for a building strategy is varied. Table 1 shows the strategy dependence only on two variables, i.e. on the coordination system which is a management system and a financial solution. We have selected two variables: a management system and a financial solution as those which have the biggest impact on the choice of an organizational form and a way of funding the project.
Table 1. Proposals of strategies for the implementation of a National Information System for Science and Technique

<table>
<thead>
<tr>
<th>Management system</th>
<th>State budget finances the System</th>
<th>All user are charged for using the System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centralized system of coordination</td>
<td>Strategy I</td>
<td>Strategy III</td>
</tr>
<tr>
<td>Decentralized system of coordination</td>
<td>Strategy II</td>
<td>Strategy IV</td>
</tr>
</tbody>
</table>

Source: Author’s own output

In practice, we deal with many other variants of the strategy to build the National Information System for Science and Technique. In the time of high demand for scientific works and a simultaneous post-crisis situation in the country, we have many dilemmas. In practice, it is difficult to use one strategy. Most often, hybrid strategies are used. Most institutions use various variants of strategy I (centralization and state budget funding in various forms) – as shown in table 1. But what strategy should be recommended for a particular country, e.g. Poland, in the existing conditions?

Of course, to make a decision it is necessary to analyze a profit and loss account and calculate outlays and effects of every of the four strategies presented above. However, a profit and loss account should not always be a ground for taking particular decisions. Very often, it plays the role of an economic advisor.

Strategy I: Centralized system; the state budget covers all the costs and some institutions take part in the project and provide the contents, and - via a central institution – purchase access to other databases of scholarly institutions and publishers. It is a very attractive solution but is it possible in the conditions of a particular country? The basic problem would be a big number of participating institutions. As a result, coordination of their participation and expectations can prove to be difficult. Finally, this solution is very expensive and difficult to implement. Due to the participation of the state Treasury, finance and coordination of actions can be secured on the central level.

Strategy II: dispersed management System. As the costs are covered by the State Treasury, this strategy is similar to the former one. However, the management system is decentralized, i.e. some actions are implemented on the level lower than the central one. In many countries, like in Poland, strategy II dominates and there are repositories managed this way. In Poland, they operate at Warsaw University (ICM) and in Poznan Computing Center. There is no centralized coordination system but the state budget finances most of the scientific projects. Solutions adopted in Open Access are a very strong support for the implementation of strategy II. The examples of Open Access solutions are characteristic for the present direction in the development of the strategy for
supplying the SYNAT platform with the newest and most valuable scientific publications. The European Commission introduced a special regulation, the so-called Clause 39, which obliges institutions to make publications developed as European Union projects available in Open Access repositories. More specifically, they are repositories of the OpenAire program ordered by the European Commission and financed within the 7th Framework Programme. Warsaw University ICM is one of the major technological partners developing the OpenAire system portal (www.openaire.eu). Here, it is also necessary to take into account a suggestion that information about the present scholarly activity should appear in the place where research is done. It is necessary to forecast a dispersed character of the information system for science and technique and it can be expected that repositories will come into being at universities and other research institutions.

Strategy III: All users are charged for using the System. Elements of this strategy are found in Poland. It relates to scientific information collected by the Central Statistical Office. A fee is charged for the use of resources. Funding can also be provided by public-private partnership (PPP). About 680 corporations have been participating in providing finance for scientific research in Poland in the last 5 years.

Strategy IV: This strategy has many supporters. Participation in obtaining resources is based on market principles. The state does not incur considerable expenses on designing and using the System. It can be assumed that this is a route that strategy II will try to follow. At the beginning the State Treasury is a stakeholder of the information System for science and technique and later its stake in the undertaking is getting smaller. In Poland, like in most countries, the Ministry of Finance is in favor of this solution.

Conclusion

The relation between the system of education and the information system for science and technique is very strong. A good information system also means a good system of education and vice versa. A country with a good system of education is sure to have a high level of science. Countries which have an inefficient system of education certainly do not have a modern domestic information system for science and technique. The development of the coherent domestic system is a very difficult and expensive undertaking. That is why in many countries, like in Poland, the information system for science and technique is being implemented gradually. The SYNAT project is a stage in this process. It aims to create a universal, open, repositorial hosting and communications platform for network stores of knowledge for science, education and open society of knowledge linked to the adequate solutions in the world. Common access to information and knowledge in the field of science is an important stage in the development of every country.
A complexity of the issue makes it difficult to recommend one way of implementing a national information system in this field. Every country has specific conditions, both economic and political ones. In every country there are specific development priorities. That is why the presented strategies are outlined as a material for discussion.

One of the proposed routes for a scientific publication to get to the economy is creating small thriving advisory organizations. They would be responsible for supplying educational systems. In this area, there are various economic and organizational solutions possible. However, this issue goes beyond the framework of the presented article.

**Bibliography**


Chapter 3: Organization’s Resources Management - Methodological Aspects


Niezgódka M., *Modele otwartego komunikowania w nauce i edukacji – perspektywy dla Polski*, In:

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Methodical Aspects of Examination of Information Needs of an Enterprise

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Cracow University of Economics

Abstract

The purpose of the article is to present the methodical aspects of research on information needs of an enterprise. It presents the premises and the growth in the importance of the function of examination of information needs of an enterprise. It explains the essence and identifies the components of information needs in the managerial information system. It discusses the assumptions, principles and strategies of examination of information needs. It characterizes the procedure in the study of information needs of management.

Introduction

The development of the information society and the growth in the importance of information as an economic resource and a competitiveness factor indicate that one of the challenges faced by organizations is the improvement of information management.

Functioning of contemporary economic organizations becomes increasingly determined by the quality of information processes (Procesy informacyjne, 2010). Information processes go beyond the boundaries of organizations involving a growing number of organizational positions from various areas of operations of companies and outside them. The need of fast response to changes occurring in the environment makes various functions noticed again and the importance of information for the efficient functioning and development of organizations is growing. As a result one of the key business domains of operations of an enterprise becomes information management, the goal of which is to provide information to the users, depending on their needs (Stabryla, 1995).
Despite the dissemination of telematics, there are still many flaws in information management such as deficiency or excess of information, its ambiguity, deposition and distortion of information or delays in transmission of information. They reduce the value of generated information and increase the costs of the information function of an enterprise.

The main cause of the information overload is imprecise determination of information needs and the lack of positions responsible for analyzing and evaluating information in the structures of boards of directors.

Hence, the study of information needs, generally consisting in defining what information should be received by whom and when becomes one of the key functions determining the effectiveness of the management information system.

The purpose of this study is to present the concept of studying the information needs of an enterprise with particular focus on the assumptions, principles, research approaches and research procedure being an important element of a complex organizational endeavor focused on the improvement of the managerial information system.

**Information needs in the management information system**

One of the basic factors determining the effectiveness of management of an organization is the management information system (MIS) consisting on the one hand of resources and information needs, and on the other hand of a communication subsystem (Stabryła, 1996a). This system fulfills two basic functions: identification and diagnostic. It is located in the organizational structure as an information division or section, however, in practice of many organizations it most often functions in a dispersed system.

The structure of the managerial information system is formed by four elements, namely:

- **functions**, this is objectives and tasks demanded from the information system,
- **information needs**, that is the data objectively recognized as necessary in connection with a specific goal of the user and in terms of expected or arisen circumstances of a given activity and the forms of transmission of information,
- **information resources**, that is the data and their structure, information carriers, their content and form,
- **informing system**, that is a set of work posts or organizational units, both internal and external, performing specific information functions such as examination of information needs, acquisition, gathering, processing and sending information as well as administration of data and information resources (Stabryła, 1996).

The considerable importance of information in functioning of a contemporary organization as well as a frequently occurring phenomenon of information gap causing the prolongation of decision-making process, weakening the "field of vision", increase in expenses on selection and processing information cause that precise examination and identification of information needs is a significant factor determining the effectiveness of the managerial information system.
Generally speaking, information needs constitute a set of information necessary to pursue the objectives of an enterprise, while their description gains significant meaning in the practice of analysis and design of the MIS. Among the set of Polish depictions developed so far attention should be paid to the descriptive models of information needs formulated by E. Kolbusz, A. Stabryła and J. Kisielnicki (table 1).

**Table 1. Selected descriptive models of information needs**

<table>
<thead>
<tr>
<th>Author</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Kolbusz</td>
<td>1. identifier (entity, object, type), 2. postulated characteristics, 3. relations (place, needs and source of information), 4. content.</td>
</tr>
<tr>
<td>E. Kolbusz</td>
<td>1. entity reporting the need (addressee), 2. object (management problem presented in categories of objects, characteristics, relations and time), 3. set of possible methods of solving the problem, 4. desired time limit for satisfying the need, 5. postulated characteristics of information.</td>
</tr>
<tr>
<td>A. Stabryła</td>
<td>1. information required by the user, 2. desiderata, 3. information message, 4. functional form of information message.</td>
</tr>
<tr>
<td>J. Kisielnicki</td>
<td>1. set of entities (addressees), 2. sets of objectives and results, 3. set of activities, 4. set of probabilities of taking actions, 5. set of hypotheses on the condition of the environment.</td>
</tr>
</tbody>
</table>


Information needs are generated by all members of an organization. They can be defined in reference to employees, employee teams and an organization as a system and also in relation to decision-making problems. Basically, they are related to the process of decision-making and broadening employees' knowledge necessary to analyze and solve problematic situations. The association between information needs and made decisions determines their variability over time. Alteration of the decision-making conditions triggered mostly by signals from the environment causes part of information to become outdated. As a result the structure and the role of information demands changes and the demand for related sets of information grows.

Information needs of an enterprise depend on many factors and the most important of them include: organizational structure, strategy of an enterprise, size of an enterprise (Mikołajczyk, 1998).
A derivative of information needs is the demand for information assuming an institutional or a commercial form (Falkiewicz, 1990). The institutional demand for information is generated by the organization (positions of the regulatory sphere operating only on information) or by institutionalized forms of acquisition of information from the environment. The commercial demand for information is satisfied by specialized institutions running paid service activities consisting in supplying the requested information constituting the object of market exchange and featuring costs-price characteristics.

The demand for information is determined with regard to two basic criteria: availability and time. The first criterion entails the division of information into commonly available and available only for some users. The factor of time points to a stable demand for specified information, especially when it is concerned with repeating or incidental problems. The demand for information related to solving incidental problem-related and decision-making situations shows an increase up to a certain temporary point corresponding to the critical moment for the solution of a problem and then drops to zero, regardless whether the specified information is provided or not. Failure to provide the required information on time usually causes a reformulation of the decision-making problems, eliminating the unsatisfied information need. Reformulation of a problem involves giving it a different information description, usually a more generalized one, reducing the effectiveness of its solution. If such situations repeat, we will be able to say that there is a permanent demand for information. Incorporation of them to a standard information system causes modifications to the operational information minimum.

The demand for information may have a working or a conceptual nature, depending on whether an organization is able to precisely specify what information it needs, or whether it must carry out research works which make it possible to acquire theoretical information (Falkiewicz, 1990).

**Assumptions and guidelines for examination of information needs**

Starting the examination of information needs we should differentiate two situations. The first one applies to designing an information system for a newly established organization or an organization which undergoes thorough changes. In the first case it is necessary to use active and dynamic methods, such as: discussions and non-standardized interviews supported by creative thinking methods. The second situation appears in the event of improvement of the information system in an already existing organizations. In such a situation we can use simpler methods and techniques, such as, e.g.: surveys, standardized interviews, logs or observation techniques. In the practice it is recommended to use at least two methods or techniques. Such conduct allows to quickly verify the received results (Kisielnicki, Sroka, 2005).

The study of user information needs requires specialist knowledge, knowledge of information, knowledge of psychology, sociology and computer science. Specialist preparation minimizes the pressure exerted by routine actions and habits allowing the study to be objective and rational.
Effective implementation of this preparatory function of information management requires examination of the users in information and the system of action (Falkiewicz, 1990). When determining information needs of an enterprise, particularly the management staff, we should hence determine who is its user, which interests him/her, in which time period and why (Kisielnicki, 1976).

Identification of the users of information is the main factor determining the effectiveness of the MIS measured with the degree of satisfaction of their needs. For this reason, examination of information needs can lead to an answer to the several following questions (Falkiewicz, 1990):

- who is the relevant user of information with regard to the purpose and program of observation of a given section of extra-verbal reality agreed in advance?
- what information does the user lack (working demand) due to a given objective and program of observation?
- how to provide such information?

Determining who is the user of information requires earlier determination of the category of the user. The demand for information is generated both by individual users and groups of them. J. Kisielnicki and H. Sroka specify information users functioning both in an organization and in its environment (Fig. 1).

Fig. 1. Main groups of users of the information system of an enterprise
Source: (Kisielnicki, Sroka, 2005).

W. Flakiewicz suggests specifying four classes of information users in the group of users of information in an organization:

- potential users, who are interested in specific information for different reasons,
- possible users, who have direct or indirect access to given information,
- actual users, who benefit from of given information as part of their professional responsibilities,
- benefiting users, who gain a direct benefit from the possessed information due to using it for a given purpose.

Every class of users represents specific characteristics, e.g. organizational status, performed functions etc., shaping the information needs both due to the
The second criterion of examination of information needs is the system of operation, within which we can distinguish three planes: cultural; social and personality (Falkiewicz, 1990). Examination of information needs from the perspective of these planes corresponds to the analysis of relations between the user of information and the level of its operational minimum in an organization. However, the more proper and focused is examination of information needs of users according to the substantive scope and the degree of completeness as well as the forms of requested information, the set of which consists of operative and directive information.

When examining information needs of users we should take account of several rules. Firstly, the examination should have postulative nature, referring to what may appear in the future. Secondly, information needs recognized on a current basis should be confronted with the existing managerial problems. Thirdly, the placement of the analysis and its character results in the fact that the methods and techniques of conducting it must be consistent with the general strategy of design of the system. The general strategy constitutes a framework of a research procedure. Fourthly, information needs of the user can be identified as a quantitative and a qualitative demand for information. Diagnosing them is not easy to carry out due to the lack of awareness of users with regard to the scope and the importance of information necessary for providing effective solutions to problems which are sometimes difficult to define (Kisielnicki, Sroka, 2005; Flakiewicz, 1990).

When investigating information needs we should take account of distortions in information streams resulting from transmission, toning down the content, development of information syntheses as well as the time of waiting for information. Therefore, it is necessary to take account of the variables affecting the operational quality of information, such as for instance the cost of communication, encumbrance of the sender and the recipient with work, threats perceived by people associated with the content of information, the importance of information, the degree of freedom in selection of information.

It is recommended that the process of identification and determination of information needs would be implemented by each manager. They should self-assess the needs and the role of information in fulfillment of the needs of the work environment (Zygała, 2007).

**Strategies of examination of information needs**

Examination of information needs is based on two approaches: diagnostic and prognostic (Bieniok et al., 1999, Kisielnicki, 1986).

The diagnostic approach involves a detailed analysis of the elements of the existing organizational system. H. Bieniok points to a universal character of this approach, finding its application in examination and improvement both of work organization and production systems and management systems (Bieniok et al., 2000; Bieniok, 2001).
It is based on collection and recording the characteristics of the organizational solution used so far. The previous condition is the starting point of a future project, which mostly comes down to rationalization of the information system by envisaging the solution for deviation and optimization problems. The advantage of the diagnostic approach is its simplicity and possibility of a quick acquisition of quite considerable effects. The diagnostic procedure distinguishes three basic stages: depiction of the actual condition, analysis, specification of the desired condition. The analysis of the actual condition is intended to identify any flaws, methods of their removal and leading to a new, improved form. The first step is identification of the object of examination which may be a whole system or a selected part of it. The next step is analysis which covers the whole of the activities related to searching for and discovering possibilities of improvements of the information system. They are determined as a result of a diagnosis of errors or deficiencies in the existing information resources. The process of diagnostic analysis also involves comparing the existing condition to the desired one. The image of the desired condition is generated on the basis of the knowledge and the experience of the designing team. As a result of the procedure the deviations of the actual condition from the desired one are determined along with the causes of the occurring differences allowing to identify the directions and possibilities of improvements. Further procedure in the diagnostic approach consists in designing and implementing changes (Kisielnicki, 1986).

The prognostic approach envisages creation of a concept of a new, perspective system. The process of design takes account of the functions of the system generated as a result of creative problem solving, while collecting detailed information is postponed until a later stage, after the adoption of the desired concept. An important factor determining the shape of the model of the system is knowledge of the designers of its anticipated action in the future. The most important stage of the prognostic approach is establishing the model system. Therefore, the research procedure begins with preliminary tests which precisely determine fairly the area of activity of the system. The later stage is synthesis allowing to prepare and analyze a comprehensive concept of the system. The object of design is initially treated as a whole. Later subsystems of lower degrees are distinguished. The advantage of the prognostic approach is the possibility to stop at some level of division, if the subsystems of the lower level have been provided with proper solutions can be based on typical patterns (Kisielnicki, 1986).

Considering the criterion of the scope of requested information it is recommended that the approved diagnostic or prognostic approach should take account the "only what is the most important" principle (Kisielnicki, 1993). This means selecting matching the requested information with the most important information.

In the course of a research procedure attention should be paid to the thematic scope of information allowing to set the priorities in fulfillment of the needs of the user, the source documentation, particularly the credibility of the sources, the technique of informing the users, the quality of information and the costs of its acquisition, the time limit for delivery of information measured with the
time that elapsed between the moment it is requested and the moment of notification of the user of the size of delivered information.

Regardless of the adopted approach, examination of information needs requires acquisition of information functioning both in an organization and its environment. For this purpose, we can use a number of classic techniques, such as: observation (direct, indirect, clandestine), standardized and non-standardized interview, questionnaire (surveys), logs, discussions. Their set is supplemented by the method of audit of the information environment (Zygała, 2007) and the morphological method analysis (Kisielnicki, 1976).

**Methodology of examination of information needs of the management**

The considerations made so far imply that examination of information needs is one of the key elements of diagnosis and improvement of the managerial information system. The examination should have permanent nature, include all managerial positions and the received results should be used for optimizing the level and the structure of informational resources of an organization.

Effective implementation of this process, focused on identification and operationalization of objectified information needs of the management staff at various management levels requires a proper course of research determining the stages of the procedure and recommended methods and techniques.

The presented methodology of examination of information needs of the management is based on the diagnostic approach and the general methodology of examination of information needs developed by K. Woźniak (Woźniak, 2005) improved with additional stages and recommended research methods (table 2).

**Table 2. Diagram of methodology of examination of information needs of the management**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Stage</th>
<th>Selected methods and techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1. Orientation research</strong></td>
<td>1. Identification of the rationale for research</td>
<td>Interview, questionnaire, checklists, MIS audit, qualitative analysis method, SPIN method, communication audit, analysis of critical success factors</td>
</tr>
<tr>
<td></td>
<td>2. Determination of the purpose of research</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Determination of the scope of research</td>
<td></td>
</tr>
<tr>
<td><strong>Phase 2. Identification of information needs of the management</strong></td>
<td>1. Identification of information demands</td>
<td>Analysis and study of documentation, interview, questionnaire, checklists</td>
</tr>
<tr>
<td></td>
<td>2. Identification of sources of information</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Identification of methods and forms of information message</td>
<td></td>
</tr>
</tbody>
</table>
Phase 3. Analysis and assessment of information needs of the management

<table>
<thead>
<tr>
<th>1. Classification and hierarchization of managerial decisions</th>
<th>Decision boards, ABC method, method, Word method, ranking, dendrograms</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Objectification, categorization and hierarchization of information needs</td>
<td>Information parametrization method, method of objectification of information needs, method of paraalgorithmization of sets of information, model of set of managerial information, task-based and information method, ranking, Delphi method</td>
</tr>
<tr>
<td>3. Analysis of sources of information as well as methods and forms of information message</td>
<td>AWPI method, KIWA method, communication audit, method of analysis of ways of flow of information, technique of analysis of content of information</td>
</tr>
<tr>
<td>4. Analysis of relations in the subsystem of information needs of the management</td>
<td>Matrices of relations, coherence test</td>
</tr>
</tbody>
</table>

Phase 4. Synthesis of diagnostic determinations

<table>
<thead>
<tr>
<th>1. Assessment of the degree of satisfaction of information needs</th>
<th>AWPI, ratio analysis, Delphi method, morphological analysis,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Identification of changes in the structure of informational resources of the management</td>
<td></td>
</tr>
<tr>
<td>3. Identification of changes in the methods and forms of information message</td>
<td></td>
</tr>
</tbody>
</table>

Source: own study

At the stage of orientation research the important stage is the stage of determination of the purpose and the scope of examination of information needs of the management. Its implementation is based on the organizational diagnosis, in particular it covers identification of symptoms of flaws in the MIS, the occurring information gap, excessive management costs, the organizational structure, information systems and the environment of an organization as well as requirements and remarks reported by the management.

The main goal of the study is to rationalize the information needs of the management, particularly to optimize the relations in the information – decision-making subsystem in the following system: decisions – information needs – sources of information – information collecting methods.

The basic optimization criteria may be considered the degree and the costs of satisfaction information needs in the set of made managerial decisions. The bundle of detailed research objectives covers identification, objectivization and classification of information needs as well as identification of changes in the
structure of informational resources of the management and the methods and forms of the information message.

The scope of research is determined according to two criteria: subjective and objective. As a result the subjective scope of research includes managerial positions of various levels, while the objective scope applies to solutions in the organizational structure, kinds of made decisions, information associated with them, both internal and external, courses of information and communication processes, forms and methods of transmission of information message. Considering that information needs are determined by organizational solutions, it is recommended to examine them from the perspective of the current organizational structure. In the process of identification of distinguished components in the description of information needs of the management staff, it is suggested that apart from traditional, direct and indirect research methods, one should also use detailed methods, among others the technique of SPIN feedback, communication audit and the analysis of critical success factors as well as decision tables. As a result, we can determine the place of a management position in the organizational hierarchy, performed competence functions, used information sources and channels, preferred forms and methods of communication, responsibility for made decisions, etc.

The second phase, based on the plane of the organizational structure, covers three stages: identification of information demands of managers, used sources of information and applied forms as well as methods of transmission of information message, given that these tasks may be performed in parallel. In the process of identification of requested information and used sources of information we should take account of their attributes (among others quality and punctuality of requested information, availability and credibility of sources). We should also characterize basic methods, forms and types of available information from these sources. A set of instruments recommended to use includes such direct methods as: questionnaire, checklists, direct observation, interviews with superiors, subordinates, co-workers, etc.; as well as indirect methods: descriptions of work posts, documentation analysis (reports received by the manager, activities log), analysis of generated inquiries. An important and additional - apart from the list of information needs of the management staff - effect of this phase of the research procedure is the catalog of flaws of the managerial information system.

The key thing in the implementation of the main purpose is the third phase, in which a detailed analysis and assessment of information needs of managers is conducted. Basically, it is based on the analysis of organizational courses in the management information system, requiring the use of a complex and diverse set of detailed methods and techniques.

An important stage in this phase is classification and hierarchization of managerial decisions. The classification procedure should be conducted having several criteria in mind, namely: type of decision (strategic, tactical, operational), decision-making subject (individual, team), structure and repeatability (programmable, non-programmable), nature (regulatory, controlling, innovative) and implementation conditions (decisions made in the following conditions: confidence, risk, uncertainty). For the needs of classification and hierarchization of
decisions it is recommended to use - from among various methods of classification - the ABC method and the Word method. As a result, we can determine the set of priority decisions by additionally them linking them to the key areas of operations of an enterprise.

The second stage of this phase involves objectification and categorization of information needs of managerial positions of particular entities in the management system. For this purpose, we can use many various methods, such as objectification of information needs, parameterization of information, paraalgorithmization of sets of information, task-based and information method or the model of a set of managerial information. They allow to identify the type and the nature of objectified information demands, the amount, the scope and the level of detail of required information, which are hierarchized in a system of decisions, positions and organizational cells.

The third stage - the analysis of the sources of information as well as the methods and forms of information message transmission - is the most labor-consuming stage. Its implementation requires detailed recording of the course of information and decision-making processes, which can be to carried out using such methods as: analysis of the value of information processes (AWPI), analysis of values of information and communication (KIWA), communication audit, the method of analysis of ways of flow of information and the technique analysis of the content of information in documentation (Czekaj 2000, Potocki 1975]. The results of recording constitute the basis for a critical analysis and evaluation of significant components of information needs of the management.

The last stage of this phase involves the analysis of the relations within the structure of information needs of the management (decisions – information needs – sources of information – information collecting methods - form of information message) in terms of two basic criteria: present connections (consistency, adequacy) and conformity to specific categories of managerial decisions. The helpful things in the implementation of these tasks are matrices of relations and coherence tests.

The final phase – syntheses of diagnostic determinations – is based on the results of conducted studies and includes on the one hand the evaluation of the degree of satisfaction of the information needs and on the other hand identification of changes in the structure informational resources of the management and the methods and forms of information communication. Its implementation envisages the use of the ratio analysis methods, the AWPI method, the Delphi method and morphological analysis. The received results containing the evaluation of the degree of satisfaction information needs, identification of unsatisfied, or unrealized information needs, the evaluation of used and the specification of potential sources of information, specification of the impact of the course of information processes on the effectiveness of made decisions constitute a starting point in designing changes in the managerial information system.
Final remarks

The presented concept does not cover all aspects of examination of information needs of the management. For instance, it leaves the semantic analysis of information needs, examination of the synergy effect in the information-decision subsystem or the effectiveness of the methods of examination of information needs out of the account. Nevertheless, it provides, as it seems, a sufficient methodological framework for an effective implementation of this extremely important function of management of information and improvement in the managerial information system.

Bibliography


Attitude Towards Work – Qualitative Approach

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Abstract

The purpose of this article and undertaken research was to present how different approach towards work can be. The author decided to use qualitative methods such as Individual In depth Interviews (IDI). 10 recorded interviews took place, on average 30 minutes each. During the interviews respondents were asked what is important for them in work, what do they like and do not like, what rewards from work they see. The purpose for the research was also to gather material for preparation of further quantitative studies.

What is attitude toward work

At the very beginning it is worth to clarify how the work attitude will be understood in this article. Both sociologist and psychologist developed many own definitions. S. Mika describes it as “relatively stable emotional or evaluating approach towards a subject or predisposition to show such attitude. It can be described as positive, neutral or negative.” (S. Mika, 1975). M. Fuson emphasized behavioral aspect of the term attitude and define it as: “probability of certain behavior occurrence”. Polish encyclopedia PWN explain attitude as “part of personality which express tendencies to behave in a certain way when facing particular situations” (PWN, 2012). The author of this article tried to summarized and reconcile all found definitions and described attitude toward work as emotional approach, believes and behaviors connected with work.
Work attitude in last 20 years

Before undertaking primary research the author analysed how attitude toward work in Poland changed in time. To do so the database of Polish General Social Survey (pgss.iss.uw.edu.pl, 2012) was used. The total sample in the chosen years was 11084. In this survey one of the question was: what do you desire the most at work. Possible answers were: job assurance, high salary and sense of work.

Graph 1. The most desired job quality.

Considering the period between 1992 and 2008 we can see that the changes do not show one stable pattern in any of the answers. There were years when “sense of work” was the most desired job quality, in others it was high salary or job assurance.

When adding to the graph the unemployment rate we can see that it behaves almost the same as “job assurance” among people answers. To check if the observation is right the author counted Pearson correlation between unemployment rate and respondents answers.

The only correlation (table 1) of unemployment rate which has statistical significance was with “job assurance”. The result of 0.871 shows that it’s a strong relation. The higher unemployment rate is the more people state that “job assurance” is the most desired job quality. It is important thing to notice that people answers were immediately influenced by the unemployment rate. There is no time gap between changes in unemployment rate and changes in respondents answers.
Table 1. Pearson Correlation with unemployment rate

<table>
<thead>
<tr>
<th></th>
<th>unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>job assurance</td>
<td></td>
</tr>
<tr>
<td>Pearson correlation</td>
<td>0.671</td>
</tr>
<tr>
<td>Statistical significance</td>
<td>0.069</td>
</tr>
<tr>
<td>N</td>
<td>8</td>
</tr>
<tr>
<td>high salary</td>
<td></td>
</tr>
<tr>
<td>Pearson correlation</td>
<td>0.871</td>
</tr>
<tr>
<td>Statistical significance</td>
<td>0.005</td>
</tr>
<tr>
<td>N</td>
<td>8</td>
</tr>
<tr>
<td>sense of work</td>
<td></td>
</tr>
<tr>
<td>Pearson correlation</td>
<td>0.234</td>
</tr>
<tr>
<td>Statistical significance</td>
<td>0.577</td>
</tr>
<tr>
<td>N</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: own study

Primary research method, sample description

The author decided to use Grounded Theory Method. The main idea of this research approach is to start with data collection instead of building hypothesis first. This procedure ensures that the researcher, on unconscious level, will not follow certain aspects that confirm his hypothesis or will be focused on it so hard that will not notice other ideas.

The research goal was to explore attitude towards work. To do so the author decided to start with qualitative research – In Depth Interviews. The script of the interview was prepared (see appendix 1). To ensure that the result will present various attitude toward work the author interview people from both big city (over 400 000 inhabitants) and small villages (less than 5000 inhabitants). Apart from that there was the author effort to invite to the interviews people in different age, with different education level and work background.

Between 17 of April and 6 of June 2012, ten interviews were done on the area of Poland and in polish language. The shortest took 14 minutes, the longest over 40 minutes. The average interview duration was half an hour.
People who took part in the interviews:

1. Woman, age 21-30, higher education, living in a big city
2. Woman, age 21-30, higher education, living in a big city
3. Woman, age 21-30, higher education, living in a big city, earnings higher than twice country average
4. Woman, age 21-30, higher education, living in a small village
5. Woman, age 41-50, higher education, living in a small village
6. Woman, age 51-60, higher education, living in a big city
7. Man, age 21-30, secondary education, occasionally working in black, living in a big city
8. Man, age 21-30, secondary education, living in a big city
9. Man, age 21-30, higher education, living in a big city
10. Man, age 31-40, technical education, living in a small village

Research Results
Two ways of looking at work

One of the first findings was the fact that people understand work in two different aspects. The question asked was: what are your associations with the work?

The first group of interlocutors connect work with duty and making money, “earning money, to provide for family”; “you have to work, it won’t be easy”.

The other group focus on different aspects. They do not mention money, rather self-development. One of the respondent said:

Researcher: What do you associate with work?
Respondent: fun, challenge, computer game.
Researcher: why computer game?
Respondent: going from one level to another, I can’t imagine working for money
Woman, age 21-30, higher education, living in a big city

It seems that the type of the answer depended on person’s life situation. The respondent from smaller town, or those who during discussion implied that they have not enough money presented the first type of the answers: duty, money. Highly educated people with a good job gave type two answer: self-development.

As, in qualitative research, the author cannot generalize based on the result, the recommendation is to develop this topic and dichotomy of those attitudes in wider qualitative research.
Things important at work, things people enjoy

One of the important aspects of the research was to find what people enjoy and do not enjoy at work. Almost every of the interviewed people pointed that like contact with others. What was interesting some of the respondents pointed that working together with other people “makes the time goes by”. This sentence appeared in the statements of interlocutors in different age and with different background.

“If people are fine the time goes by faster. I have a great laugh at work. I come to work, smile and time flies”
Man, age 21- 30, higher education, living in a big city

“Time flew, everyone was making jokes, it was a constant laughter. Once you are always smiling it is good to work.”
Man, age 31-40, technical education, living in a small village

“The time goes even faster in a pleasant way”
Woman, age 51- 60, higher education, living in a big city

The lesson we may learn from this answers is to manage work environment in order create the atmosphere which somehow positively influence perception of time. If employees will feel that “time flies” problems such as burnout or absenteeism may be partially solved.

Apart from this aspect interlocutors mentioned: rich and diverse work duties, prestige. People also mentioned not only things that they like but also things that “are important”. In this group were mentioned: emotional bond, satisfaction, possibility of promotion, chance to self-development. What is interesting no one mentioned money.

“For sure satisfaction from work, feeling that you are in the right place, treat it as a passion not only something you have to do to make both ends meet.”
Woman, age 21- 30, higher education, living in a big city, earnings higher than twice country average

“What I do not like…”

The natural consequence of the questions about positive aspect of being at work was the question what people do not like. Respondents mentioned various things: monotony, not typical work hours, low salary, scope of duty.

The answers were not surprising, nevertheless together with the previous questions they are base for a conclusion: we do like and do not like different aspect of work. The answers were compliant with Herzberg Two-factor theory (Herzberg, 1959), where he distinguished

- Motivators (factors that gives satisfaction) such as challenging job, recognition, chance for personal development
Hygiene factors (which creates dissatisfaction) such as salary, work conditions.

We can see that aspects mentioned by respondents in “I like” group are called by Herzberg motivators and most of the answers in “do not like” part is compliant with hygiene factors. Even though the research was purely qualitative and the task was only the topic exploration we may see that it somehow confirms Herzberg quantitative research.

What the work gives

The idea of the interviews was also to bring material for further studies, which aim is to help employers to create and maintain appropriate motivation level. Keeping that in mind the author tried to ask people what benefits from work they see. Except money of course, there were answers “to feel that you are needed”, “the brain need to function – it is important”

There was only one respondent who recognized almost all of employer costs.

“insurance, dues for retire pay, card to fitness centers, cinema, corporate parties”

Man, age 21-30, higher education, living in a big city

Most of the people either mentioned not material aspect (eg. satisfaction) or ca. one benefit like “lunch for the cost of employer”

Of course there are many labor costs but some of them (putting money for employee retirement) are benefits for employee. This confirms how much the people responsible for HR area need to do. Such things should be shown and be used during motivating people. In general people are aware of such employer expenses but to not remember about it. One of the good HRM practice is to use tool such “Total Reward Statement”. It provides employee detailed information about their salary, bonuses, incentives, benefits and other cost for employee. People cannot be motivated by benefits, which they are no aware of.

What the “good employer” is?

The most of the associations of responded started with their current employer. Some people mentioned that their own employer is good because….... The findings came when the author asked about good employer quality. Surprisingly the most common quality was that “good employer pays in time”.

“ensures job, decent conditions, salary – maybe not high but stable, it means pays in time. That bring people stability”

Woman, age 41-50, higher education, living in a small village

“more or less regularly ensures payment, you know, is able to keep financial liquidity”

Men, age 31-40, technical education, living in a small village
In this research (once again worth to be reminded: qualitative research) the problem with salary payment was raised by people with not very good economic situation (mentioned by interlocutors during discussion). On the certain level we may notice that this result fits Maslow’s hierarchy of needs theory. He mentioned that basic level need such us physiological and safety are the first we need to satisfy. They dominate other needs (Maslow, 1954). We may assume that the respondents who mentioned such needs felt its deficiency. The other possible reason is that they simply had experienced with such situations. Another argument is that respondents, who assessed own life and socio-economical situation as good focused on different aspects: once again self-development.

“I wish I had a boss who would inspire me”
Woman, age 21-30, higher education, living in a small village

“...the one which gives me possibility for become better, someone who will work with me and help me instead of disturbing”
Woman, age 21-30, higher education, living in a big city, earnings higher than twice country average

It is recommended to undertake further research using quantitative tool to check how someone’s economic situation influence their opinion about employer. Interlocutors speaking about “good employer” from time to time focused on work superiors. In such answers they pointed competences of good employer.

“A person who is able to communicate perfectly, is a leader who knows how to delegate task. The one, who shows the company goals and the borders of our activities”
Woman, age 21-30, higher education, living in a big city

“It important that he knows what he’s doing”
Man, age 31-40, technical education, living in a small village

Among other answers people mentioned that good employer provides flexible work hour, and is tolerant.

**The role of comparisons**

When building motivation systems in company there are several things that needs to be considered and balanced. On the one hand, it is good to provide benefits which fits employees’ needs or simply give them a choice how to do so. It is good to make system flexible and appropriate for different groups of workers. On the other hand, the system needs to be justice. The system needs to be clear and communicated efficiently, another thing is that some people may feel uncomfortable about reveling information about their salary or even the system they are in.
In all those aspects there is human factor. Every day people exchange information about their life, so also about their work life. The author tried to ask respondents how often they talk about work and how do they compare their work life with others. The declaration of people were surprising. Almost all stated that they do not compare their work life with others.

*I would rather not compare. The results are never good. You should not compare simply have satisfaction from what you have.*

Man, age 21-30, higher education, living in a big city

*Not really. I do not look if someone live better or worse. I like my job I do not need to do it.*

Woman, age 21-30, higher education, living in a big city, earnings higher than twice country average

One has to remember that it was only people declaration. There are many scientific evidences and theories that people gain information from environment and from other people. It is worth to mentioned Social Comparison Theory (Festinger, 1954) where the author focus on how people assess their own abilities by comparing them with others.

Probably the declaration of interlocutors were rather their first thoughts, or the idea of “comparing with others” has slightly negative meaning. During further research it recommended to ask more detail questions in this subject and give the respondents more time to answer and then gather declarations.

The author during interviewed also asked about salary level comparison. Most of the answers were negative.

*“It is not a good subject. For sure no. Because people evaluate themselves in this way. If I earn more it means I am better, if not he is the boss”*  
Woman, age 21-30, higher education, living in a big city, earnings higher than twice country average

Only one respondent mentioned that he feels completely comfortable with this subject, even though he does not earn so much.

*“I do not have problems with such discussion. If the other side of discussion feels comfortable for me it is fine. Why not talk about salary level? ”*  
Man, age 21-30, higher education, living in a big city

In general it is a matter of culture, how open one is about revealing information about themself. People taking part in the interviews were rather opponents of comparisons and exchanging information about salary.
Conclusions

Thanks to quite diverse sample the author achieved the goal of showing different attitudes and opinions. What was noticed during the research:
People shared two different kinds of opinion. One: work is a duty and a way to make money in exchange. Other: work is a source of satisfaction and the possibility for self-development.
The answers with the set of questions about what respondents like and do not like at work are compliant with Herzberg Two Factors Theory. Things that caused dissatisfaction (because of insufficient level) like for example low salary, when fulfilled and improved were not mentioned as factors which people like at their work. No one mentioned “high salaries”
Interviewed employees do not see many kinds of rewards form work. They focus in general on salary. Only one person thought that employment cost such as insurance are employees benefits.
Research participants declared that they are not willing to compare their work life with others and that they feel uncomfortable with salary comparison.
The result of interviews were also recommendations for further quantitative studies.

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www.pwn.pl
Appendix 1: Script of the interview.

The researcher introduce himself, stress that works on Cracow University of Economics, describe the purpose of the interview. Important thing to mention that will not ask about salary level or things that may be unpleasant for interlocutor. The interview may be stopped at any time. The researcher ask for the permission to record (voice only) the discussion, as everything that interlocutor mention is important.

Thank you that you decided to talk with me a little bit

1. Please tell me where do you work now, what is your work experience?
2. How do you think your work life will look like in the future?
3. When you hear the word “work” what are your associations?
4. What does it mean for you “to work”?
5. Are you satisfy with your job? Why?
6. What do you like at work, what are the things you do not like?
7. What are the qualities of good employers?
8. What are the rewords you have from work?
9. Why do you think some people work harder than others?
10. If so, why did you changed your job?
11. What makes you to engage at work more?
12. Do you compare your work with others?
13. Are there any benefits in exchange for which you will decide to decrease your salary?
14. If you had a lot of money, would you still be actively working?

Thank you, at the end some technical questions:
Where do you live?
What is your education?
How old are you?

Once again thank you.
Theory and practice of education managers for non-profit organizations

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Tomasz Kusio, M.Sc.
Cracow University of Economics

Abstract

Growing role of social economy and development of non-governmental organizations are the challenge for creating new role of manager. From the perspective of more and competitive economy, human factor becomes still more important. Staff skills and experiences are crucial for the welfare and development of the organizations from the local point of view and humans’ abilities influence the welfare of economies from the national point of view. Increasing role of third sector in economies, and especially the NGO organizations activities aimed at achieving social good are recognized as the future of societies. The role of the social dimension is reflected not only in the growing importance of organizations such as NGOs, but also by the growing importance of Corporate Social Responsibility (Teczke, 2011). As CSR goal is companies’ interest in good public opinion, positive company image in closer and further neighborhood provides valuable assets. Therefore proper management becomes increasingly important. The ability for efficient management finds its basis in the theory of management sciences. A distinctive role is to examine the relationship between theory and practice, as well as issues of aporia and reactive and prospective view. The role and importance of managerial skills is gaining therefore new significance in the situation of the "new economy", that is knowledge-based economy. The social dimension in the context of management, refers to both a for-profit organizations where effective management is a necessity due to the implementation of the company's profits, but also to entities of the public nature. Entrepreneurship should therefore apply equally to profit-oriented company manager, as well as public manager or NGO manager, but also social economy consultant. Influencing on entrepreneurial attitudes of future managers should take place as soon as possible (Teczke, Kusio, 2008). Skills appear when the need for the proper management arises. Professional work, as well as various life situations affect the acquisition of skills, knowledge, attitudes of entrepreneurial informal nature. Information presented in this article referring to the objective of the Leonardo da Vinci Transfer of Innovation project, tends to confirm the project thesis about the need for formal confirmation of the nature of entrepreneurial skills.
The modern manager

The modern manager is, in the opinion of many business owners, a man from whom extraordinary abilities to achieve lifelong success are expected. General characteristics describing the manager's job can be reduced to the following collection:

- the conceptual nature of the work consisting on marking out the objectives, directions and methods of operation,
- very high level of risk and uncertainty of actions taken,
- responsibility for performance management, property entrusted and subordinated employees,
- the selection, creation, processing and collection of dynamic information,
- performing the functions of management at various levels of government;
- varied work rhythm,
- variation of tasks, methods and operating conditions,
- lack of easily observed and measurable effects of work, both in the planning and implementation

To achieve such diverse tasks, the manager is constantly forced to go beyond its own system of values and knowledge possessed in pursuit of a changing world society. Manager may not only use, in a limited extent, traditional patterns of behavior prepared by the predecessors, but even his own experience very quickly becomes obsolete. Experience is a very important part of a manager education. Empiricism, as the knowledge acquired through observation by its apologists, is the source of all human knowledge, according to its critics, the thought makes you understand and organize the experience gained. It is also the second part of the managers’ educational process stemming from the theory of rational cognition. The theory or system of basic, well-substantiated claims relating to a specific area of reality, fulfills its functions: explanations, predictions and systematization of knowledge. The theories are developed by reason, which by categorizing starts what is immutable, breaks into pieces, what is complex, simplifies and reduces, qualifies and diminishes, because what is changing, ambiguous and spontaneous is also elusive for him. Manager therefore uses both from what experienced and from what understood. Ability of proper usage of intellectual potential largely depends on the current manager's role, by which is meant the general expectations towards the holder of a particular position (the equivalent in a dynamic approach would be status) in the social system, ie, organization, group, etc. The expectations towards the role capture the rights, privileges, duties, and the holder's particular social position in relation to other people who occupy different positions. Expectations towards the roles, acting as an injunction against the holder of the role, increase the ability to predict human behavior, which in turn will facilitate the diagnosis interactions, which consequently determines easiness in recognition of mutual interactions (Sarbin, 1969).
Theory and practice in management

Formed in the late nineteenth and early twentieth century, the management as a science, ignored in the initial stage of development, the tension between praxis and logos, and very quickly reached its maturity and effectiveness, obtained during the period of creation, are the result of a reduction made on the subject of research. Management schools raised and widely described in the literature, among many differences of a methodological nature, are also often characterized by a different attitude to the importance of theory and practice of management development. Variability, complexity, individuality of the empirical world, to be overcome by the reason, is not only a management problem, but it is one of the fundamental problems of philosophy, both ancient and modern. The interaction between theory and practice make it necessary to seek a compromise or consensus, which makes sense when we deal with the aporic situation.

Aporia is determined by three properties:
- two mutually contradictory statements,
- both are true,
- both are dependent on each other, and when a claim is true, the latter may also be true and vice versa.

Aporia as a source of conflict makes it impossible to resolve them by using the classical methods for their elimination, destruction, fight, or subordination. Aporic situations solution must be made in the process of dialectical development in which the contradictions create a new system. This process consists of five mutually interdependent and successive phases.

The first phase, a phase in which the conflict arises. In the case of the relationship between theory and practice, there is a dilemma of consequence. Does the principal purpose of conditioning the development of science is to create a theory and then their possible practical use? Or must first appear a practical problem, which solution allows for the formulation of theoretical generalizations? For each of the above formulated possibilities and in the history of schools of management, there were cited many arguments for and against. Acceleration and accumulation of differences leads to the second phase, ie the fight. Advocates of the primacy of the theoretical considerations of the practical applications proclaimed that only the pure theory and generally-theoretical considerations are a prerequisite for the development of a scientific discipline. Supporters of a practical approach, acknowledged that the source for the development of science organization and management can be only such theoretical considerations, which are or may be found in the empirical verification. Polemics and disputes lead to the emergence of the third phase which is a compromise. In this phase there is no full acceptance of the views of the opposing party, there is a willingness to recognize, at least partially, the pertinence of presence of compounds between theory and practice. The theory should find practical application, and for practical cases there should be made attempts of their theoretical solutions. At this stage of the relationship of theory and practice the fourth phase appears, in which contradictions are entering into both views. The perception of the importance of
both theoretical and practical development of science is an element that enhances the learning. Adoption of this view is the basis for the emergence of the last phase, ie synthesis. Theory and practice of management science can not be separated, they are mutually bound by the opposition and are a source of mutual inspiration.

The above process of changes in the perception of the role of practice and theory in the science of management seems to be a necessary precondition for the proper designation of the training manager.

**Training managers - reactive and a prospective view of theory and practice**

The arguments about the sustainable meaning of theory and practice for development of management forces to such formulate demands for the education process which would take into account this equivalence. If education of manager would be considered as all activities and processes leading to the achievement of intellectual development and skills enabling to perform the functions of management, then the implementation of this process would take place both in connection with the history of management development and its future-oriented speculation. The training of a manager has both reactive and prospective dimension.

Reactive dimension is defined as a collection of ideas, theories and concepts formulated the past, which are used in solving current problems. This group of theories should include the elementary analysis of FW Taylor, the theory of autonomy and decentralization of T. Baty, or theories of X and Y Mc Gregor.

Prospective dimension includes hypotheses, speculation, predictions that have not yet been proven in a scientific manner, but which already are of scientific interest and attempts are being made for their verification (such as coaching or mentoring).

Prospective nature of education is at the present the growing importance of the social economy and non-profit organizations.

**Managers’ education for gaining skills**

The managers in terms of managing organizations are regarded in different variants:
- managers of NGOs,
- public managers
- managers / consultants for social economy organizations.

Undoubtedly, the characteristics that are desirable to be obtained by the manager or a non-governmental organization or organizations which are profit oriented, relate to entrepreneurship. In effect, therefore, such the approach to the training of managers or future managers is important, where the main objective is the dimension of entrepreneurship.

The characteristic features of the social economy consultant, as the person who supervises the activities and initiatives undertaken in the spirit of social
entrepreneurship can be helpful in determining the scope of competence of those involved in organizing the development and implementation of initiatives designed to perform the functions of corporate social responsibility. Moreover, characteristics of the function should not be limited to the social economy consultant competence from the for-profit organizations point of view, but also from the non-profit organizations point of view, where outstanding initiatives and solutions in the spirit of social entrepreneurship are performed (Vasilisiadis et al., 2010). Manager of the social economy turns people into business, trying to make them empowered, become self-employed by economic activity in the belief that as a consequence, some of them may return to activity on a commercial basis. Every social enterprise is led by a charismatic personality. Manager tries to use previously inactive resources in a way that creates economic value. Trying to bring the manufacture of products or services having an economic value, help people to solve a specific problem (Hausner, 2009). Also when speaking of attributes of effective governing (Hausner, 2008) it is important to underline the public discourse, citizen participation and partner evaluation. Good governance requires a professional development workshop and practice of evaluation of public projects.

One should also take into consideration the present global economy situation. The speed of transformation imposes need of leadership on managers of public institution changes as well as improvement of skillful diagnoses of a situation and making right decisions leading to realization of public interest (Karna, 2007). Therefore it is important to have a look at the permanently changing economic environment.

In order to clarify the nature of the concept of a public manager, as sufficient attempt it was agreed the presentation of the typology according to areas of responsibility. Two types of management areas are agreed, characterizing the activities of effective public managers. The first type includes (Virtanen, 1996):
- value competence (refers to the objectives of the action),
- instrumental competence (refers to the methods of operation).

The second type includes:
- task competence,
- professional competence,
- political competence,
- ethical competence.

Based on the literature sources dedicated the process of educating of NGO managers and social economy consultants, the consortium of five teams representing five different EU countries performed the research on the possibilities of measuring the experiences and skills of NGO managers in Europe.
Practical dimension of training managers – based on survey results of the project titled *Certification of volunteers and executives of NGOs*

**Project objectives**

The Project “Certification of Executives and Volunteers of NGOs” aims towards the development of a certification system for executives and volunteers working for NGOs and in particular to evaluate and accredit non-formal and informal education and training (knowledge, skills and competencies they have been acquired through their experience).

In the past years, a vast increase in the interest of social institutions that operate outside the market and state has grown throughout the world. These institutions, NGOs, provide a number of services in a number of different fields and have grown largely in importance. NGOs have, over the years, played a significant role in social problem-solving and public affairs. This has led to a rise in voluntary activities in all parts of the EU. Despite developments, obtaining a formal education and training in the field has not yet been developed to its full capacity and potential, leading to a majority of executives, employees and volunteers in the field without any formal education or training or recognition of their knowledge, skills and competencies. For this reason, this project ensures that these executives, employees and volunteers are given the opportunity to certify and validate the knowledge, skills and competencies they have received informally through work (or volunteer work) over the years.

The aim of the project is the development of a process of certification which gives individuals working or volunteers of NGOs the possibility of accrediting their competencies across Europe, particularly those acquired at work. This process will achieve the following objectives:

- give a chance to people who work or perform volunteer work for NGOs to get their competencies recognized andvalorized, which has a clear added value,
- facilitate the recognition of the competencies in the third sector (non-profit),
- help the development of professionals of NGOs,
- establish European standards and relevant training for individuals working for NGOs,
- facilitate the comparison of the knowledge, skills and competencies of persons working for NGOs and volunteers beyond national frontiers, contributing to geographic mobility,
- provide with higher transparency and efficiency to the selection processes and recruitment of NGOs,
- raise awareness of the social dimension relating to NGOs and the third sector, integrating gender equality.

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1 Based on the materials of the project „Certification of volunteers and executives of NGOs” funded within Leonardo da Vinci Transfer of Innovation Project.
The project focuses on the transparency and recognition of competencies and qualifications and aims towards the development of tools within Europe to promote the transparency and recognition of skills and competencies acquired non-formally and informally through experience.

**Findings of competence areas of NGO Manager – Polish case**

Modern, professional manager of non-governmental organization should examine the motivation of volunteers and staff. Regardless of the size of the NGO, its tasks and priorities should create the space to acquire knowledge, its usage and its share with the next groups of new members of the organization.  

**Personnel management**

While searching for the professionalization of the third sector, it becomes necessary to have the professionalized approach to managing resources in a non-governmental organizations (NGOs), including human resources. It is worth realization that people are the resources of an organization and due to them the institutions may function effectively and achieve the objectives facing them. As well as setting development strategies for most organizations for one, two or five years, it is worth considering the staff development strategy. Research in the environment of Polish non-governmental organizations show that most of them do not have a coherent and strategic approach to managing human resources.

In managing people in an organization it is not just about management or leadership skills of managers and leaders and who will better manage their teams (which is obviously very important), but a broader look at people as a resource of an organization, including those leaders. Striving to create strong organizations and attractive job positions entails drawing from best practices and patterns, both from their own institutions, as well as from other NGOs and the business and continuous improvement. Not all organizations use the existing solutions developed by Polish or foreign organizations - NGOs and business. Some are skeptical and say that business solutions cannot be adapted into an NGO, because completely different realities are present there. The objectives of functioning of business organizations and NGOs are different - the first run for profit, the second implement statutory purposes, often social, civic, public. However this should not interfere in the pursuit of professionalization, realized also by the use of business best practices and adapting them to the NGOs.

In developing strategies of human resource management, which is often focused on providing dedicated and competent human resources, it is important to both search for new employees or volunteers, continued care over current members of the organization, as well as planning their future, parallel to the planning the future of the organization. It is worth noting that, despite the fact that NGOs do not

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2 Text based on own findings and corresponding texts from the Podręcznik PMNGO (Iwińska, 2010)
produce goods, it does not mean that they cannot benefit from good practices coming from managers of companies/factories. The NGOs are doing something far more precious - make changes in people – and it is worth doing to help them doing this in the most efficient and professional manner, learning from the best.

**Creating team skills**

When planning each of the actions it should be considered what resources are needed and how to find them. Third sector is often supported in its activities by the volunteers, it is good to plan the process of their recruitment and have the plan of their development. There are a lot of ideas to attract volunteers, activists or employees, ranging from hearing to the grapevine and using people recommendation through extensive external recruitment, advertising on portals or newspaper. In looking for a particular person for specific tasks, the activities should be indicated with the job description and responsibilities as well as tasks. This should provide a profile of ideal candidate, having adequate knowledge, skills and experience required to realize, for example, projects or training in particular area. Then the continuation should refer to the selection of sources and tools of recruitment. If it turns out that, for example, support for PR is needed from the candidate, it is good to search for students studying relevant topics. When experienced projects managers are needed – it would be better to use the Internet or newspaper ads.

Adjusting the candidate to the culture of an organization is an important element in the process of acquiring new employees. An important element in the process of acquiring new employees is also a candidate to fit the organizational culture. In the case of NGOs, the relationship between co-workers are often informal, but it also happens - especially in larger organizations with complex formal structure – that the relationships in the group of staff are difficult, and sometimes even comes to the conflict. In that case it is good, before introducing new staff or volunteers, devote some time for "treatment" of the institution from within.

Motivations of people are different and their good identification allow matching the staff and volunteers to the profile of the organization, as well as thought-out planning of their further development. Motivation of candidates to work in an NGO is often linked – apart of a will to help others – to a concern for their own future, so it is always worth to know one’s interests, the expected and planned directions of development and activities of new members and staff. In the process of introducing new people to the organization, it is important to present the role it will play and what does institution expect from him/her. Careful preparation of the profile of the desired candidate, together with the tasks assigned, than the material for creating a job description is prepared.

Necessity of design and planning should be treated as good practice as it also applies to other fields of organization’s activities. It will allow to avoid frustration and loosing of uninformed employees, that everyone has once met.
Describing employee’s responsibilities and tasks (if possible, in writing) prevent from misunderstandings.

Definition of terms of reference (preferably in writing) helps to prevent misunderstandings, it creates an employee or volunteer's sense of belonging, underlines his important role in the project, gives adequate knowledge concerning requirements, and finally allows to use work evaluations tools. Transmission of effective feedback and evaluation of work is then much easier.

Self-improvement

The results of research on non-governmental institutions show that over half of these organizations train employees occasionally, as far as possible and as appropriate, while 21% do not offer training to its employees and volunteers. Justification of this argument is usually associated with budget deficits for this purpose.

Such a barrier is not impossible to overcome. The solution is based on the use of the potential of members and activists of the organization, as well as cooperating institution. It is worth to draw on own resources through the introduction of internal training program, or habit of "knowledge sharing", eg in the form of reports from attended or external courses. It is necessary to think also about the options of barter, such as training exchanges in various fields with another organization or participation in a course in exchange for a service in which the organization is specialized in. An additional factor enhancing staff training is also a wide offer of trainings for NGOs, carried out also under funded projects. It is worth to benefit from them, but also take into consideration the participation in these trainings which corresponds with the plans and a strategy of development of the organization and its members. This is not always obvious, given the fact that 2/3 the organization does not analyze training needs of their employees. And yet, in order to effectively plan the development and training of staff and volunteers, the need should also be known.

Communication skills

One of the elements of concern for staff and volunteers is the flow of information within the organization. Especially at a time when the institution is growing, changing and implementing new projects, it is very important to provide staff members with information about what is happening in other departments, who and what does on the new job position, what has been achieved, what are the plans for the future.

There are a lot of internal communication tools, from meetings, deemed as the most effective, through communication boards, leaflets, bulletins, newsletters, website, up to discussion forums and groups. It is worth considering the state of internal communication in the organization (making research is also possible) and reflecting on what is possible to be done, which tool may be useful to improve it.
Competencies and motivation for self-education

Professional future may is treated very subjectively by employees, therefore the knowledge about the self-development expectations is very important and should be confronted with the development plan of the organizations.

Conscious staff and volunteers development means giving them new tasks, possibilities, challenges, constructive feedback. It is done with a focus on a particular employee, but also on the future of an organization (including preparing of successors. Interesting survey results have been achieved in the research on motivations of NGO’s staff changing their job. The survey has been made both in the group of managers of NGO’s and in the group of staff and volunteers. One of the reasons for changing job indicated by the respondents was the level of salary (mentioned by 53% of employees and volunteers, and 46% of managers). It is interesting that, according to staff and volunteers, almost equally important is the lack of development opportunities - 43% of responses, which unfortunately is not recognized by NGO’s executives and managers - noticed by only 8% of them. This shows that management and boards do not consider the lack of development opportunities as a factor which could push the employee to leave the organization, but the staff members may think in the opposite way. Taking into account the fact that the will to self-development is one of the motivation factor for the engagement in social and volunteer activity, thinking about the future and sensible plans for future activities do not have to be perceived as a surprise for these managers who care for attracting and keeping in the organization new staff and volunteers.

Project evaluation methodology

As a result of mutual consultation between the partner countries in preparing valuations of individual areas of competence NGO manager, and bearing in mind the instruments measuring different areas of competence in knowledge, skills and competence, there were prepared guidelines for the initial measurement of their characteristics (Table 1).

Table 1. Category and percentage by which each learning outcome is being evaluated.

<table>
<thead>
<tr>
<th></th>
<th>CV</th>
<th>TEST</th>
<th>CASE STUDY</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Knowledge</strong></td>
<td>70%</td>
<td>30%</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td><strong>Skills</strong></td>
<td>20%</td>
<td>60%</td>
<td>20%</td>
<td>100</td>
</tr>
<tr>
<td><strong>Competences</strong></td>
<td>30%</td>
<td></td>
<td>70%</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Methodology of the process of certification of managers of NGOs (from the cited project)
The final weighting of each learning outcome, as resulted after the editing of the results of the process of allocation to the EQF from each partner are presented in table 2.

Table 2. Weighing of categories in %.

<table>
<thead>
<tr>
<th>Category</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>36%</td>
</tr>
<tr>
<td>Skills</td>
<td>26%</td>
</tr>
<tr>
<td>Competences</td>
<td>38%</td>
</tr>
</tbody>
</table>

As the result of the category percentage as well as weighing values, the percentage of weighting each category was received (curriculum vitae, online test, case study). The calculation was performed as the total score of each participant (Table 3).

Table 3. Total score for each pilot process participant.

<table>
<thead>
<tr>
<th></th>
<th>CV</th>
<th>TEST</th>
<th>CASE STUDY</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>16,6</td>
<td>40,8</td>
<td>42,6</td>
<td>100</td>
</tr>
<tr>
<td>Skills</td>
<td>5,2</td>
<td>15,6</td>
<td>5,2</td>
<td>26</td>
</tr>
<tr>
<td>Competences</td>
<td>11,4</td>
<td>26,6</td>
<td>38</td>
<td></td>
</tr>
</tbody>
</table>

Source: Methodology of the process of certification of managers of NGOs (from the cited project)
The practical dimension of using the elaborated methodology is presented by means of a virtual candidate is presented in table 4.

Table 4. Example of the virtual candidate scores as calculated according to the methodology.

<table>
<thead>
<tr>
<th>Category of Evaluation</th>
<th>Score of Participant</th>
<th>Weighting</th>
<th>Total Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>CV</td>
<td>80%</td>
<td>16,6%</td>
<td>13,3%</td>
</tr>
<tr>
<td></td>
<td>(80*16.6/100)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TEST</td>
<td>60%</td>
<td>40,8%</td>
<td>24,5%</td>
</tr>
<tr>
<td></td>
<td>(60*40,8/100)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASE STUDY</td>
<td>70%</td>
<td>42,6%</td>
<td>29,8%</td>
</tr>
<tr>
<td></td>
<td>(70*42,6/100)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>67,6%</td>
</tr>
</tbody>
</table>

Source: Methodology of the process of certification of managers of NGOs (from the cited project)

The successful virtual candidate obtained the result estimated at 67.6%, which allows him to be rewarded with the European NGO manager certificate. The presented method of measuring knowledge, skills and competencies of the candidates was, apart from consortium own elaborations and studies, prepared with reference to the EQF (European Quality Framework), which adaptation was the result of the transfer of innovation from another LdV project successfully previously implemented. The successful realization and feedback from the original project was the reason of transferring the good practice to the presented NGO managers’ project.

The next step, after the methodology preparation of the consortium, was to engage candidates for the piloting process. Each of the consortium partners were obliged to gather the adequate number of potential candidates for the European NGO manager candidates as well as for the European Volunteer certificate. As this paper refers mainly to training managers, the project outputs were reduced to this particular group of beneficiaries.

Results of pilot survey of the informal competence recognition – Polish case

The results below present the pilot action research outputs, carried out in for the purpose of the certification process of managers involved in the third sector. There were 41 people who participated in the study / pilot project, of which 13 participants represented Poland. People who reported participation in the pilot represented the following countries:
- Italy (7),
- Greece (11),
- Poland (13),
- Portugal (5),
- Sweden (5).
Graphically, the structure of the people who declared to participate in the pilot is shown in graph 1.

Graph 1. Structure of NGO managers listed for the pilot testing process (by countries)
Source: Own elaboration based on survey results.

The participation of people who decided to take part in the pilot was determined by the range of promotional activities of the project partners. The highest level of NGO managers’ participation is represented by the Polish partner – Cracow University of Economics, which involved 13 NGO representatives. Despite the high amount of initial declaration of participation in the pilot, not all participants were fully involved in all stages of the pilot. Lack of full participation in the pilot project resulted from (as reported by the participants):

- lack of time
- technical problems with Internet access,
- technical problems with hardware,
- lack of certainty about their own competence,
- fear of an adequate knowledge of English.

The pilot included the following steps:

- sending CV in European format (EUROPASS),
- filling out the online version of a personal questionnaire,
- answering the online test 100 questions,
- responding in writing to case study questions sent to all participants via email.
As a result, the pilot was completed fully by only 6 candidates (just Polish case, not calculating the other participants from partnering countries), which exceeded the established rate of 5 persons required, also this was the only such result within the consortium. The candidates represented such entities as:
- 2 foundations (4 people),
- 2 associations (2 persons).

Graphically the evaluation process of Polish candidates is presented in graph 2.

Graph 2. Structure of Polish NGO managers overall piloting results (succeeded are those above 60% - 4 candidates)
Source: Own elaboration based on survey results.

Apart from the fact that there were 13 attendees and five has all the piloting stages, only 4 NGO managers may be characterized as successful candidates who passed everything and are qualified for the European NGO manager certificate. The piloting process objective was to try to measure the informal skills, competencies and knowledge gained through the everyday work practice. This practice is related to the NGO functioning, which in European countries are pretty important entities. The growing role of NGOs is also determined by the social economy role, which underlines the importance of activities relating to activate unemployed and socially-excluded citizens. As was obtained during the pilot testing process, all the participants were very positively describing the idea of recognizing the informal knowledge, competencies and skills. Also it is important to indicate that 4 out of 5 participants, being not specifically prepared for the pilot testing, managed to exceed the 60% level. Such results, taking into consideration pretty high level of requirements also based on EQF standards, indicate the importance of practical knowledge of managers. In case of training programs curricula as well as their preparations, the growing role of updating the information from practice should be underlined.
Conclusions

The results of the carried out pilot testing allow to find the confirmation of the existence of informally acquired competencies and skills by persons engaged in the functioning of NGOs. Despite the small percentage of people who are eligible, in accordance with assumptions adopted in the methodology, to obtain a certificate of a European NGO manager, comments from participants indicate that such methods of measuring as presented in pilot, may show the true competencies of managers, not only as those represented by formal papers. The practice gained in daily work is of course an excellent source of acquiring knowledge, skills, including those managerial. However, it should be mentioned that adequate preparation, in terms of knowledge acquired through school, university, or extracurricular is also a valuable element in the creation of the modern NGO manager's professional profile. More and more emphasis put on the effectiveness of managers underlines the need to create a set of high competence standards. In the process of the appropriate managers’ training of executives appropriate and properly communicated knowledge, drawn from management theory is very important, but not to be underestimated is the knowledge of a practical nature, resulting from the most current issues and observations that relate to the business units of the NGO sector. Still very important, from the perspective of NGO managers competencies, is the changing market and the realities of a modern, knowledge-based economy. Efforts to increase the competitiveness require from managers increasingly higher skills and experiences. This is an indicator of a modern approach to training managers, where in great extent knowledge drawn from practice will determine the success of effective leadership training.

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Legal and Social Conditions of Brand Safety in Poland

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Abstract

The article raises the problem of legal protection of brands in the Polish market as well as analyzes the relation of the Polish society to the phenomena using brands against manufacturers' rights. Nowadays, developing a strong brand, enjoying consumer trust and bringing profits requires the involvement of a significant capital and professional marketing activities. Often the brand is the main capital of an enterprise on which it bases its competitive advantage. Therefore, the protection of the trademark and the image of a company should be the brand managers' priority. At the same time the already developed trademark is attractive for competitors willing to take advantage of the accomplishments of other entities. Therefore, is there a way to effectively protect one's own brand in Poland? Which factors affect the safety of the brand on our market? Are manufacturers able to influence consumer attitudes with respect to the counterfeit trade? These very issues are the subject of the author's deliberations in the following article.

The importance of a brand as a value

When facing the multitude of goods and services available on the market every day consumers are forced to make dozens of choices, basing their decisions based on their assumptions or earlier experiences associated with trademarks, and, strictly speaking, with goods or services marked with these trademarks. There are many factors determining consumer choices, one of the most important of which is knowledge of and trust to the brand. Enormous competition on the market forces the manufacturers to fight for customers' attention using any possible means. It is the power of the brand (its attractiveness and recognition) which may decide which product will be chosen by the consumer. By creating a strong trademark an enterprise builds its position on the market as well as gains and maintains customer loyalty. In this way, a trademark may become a decisive factor in the success of a company. A well recognizable logo is often the basis for a company's success.
A lot of time is needed to and even more work to place a given brand in the customers' consciousness as a synonym of class and high quality. Therefore, a company willing to become a force to be reckoned with needs specialists and substantial funds for advertising. Associations evoked by particular signs may be both positive and negative. Creating and maintenance of a positive image of a brand requires caution in action as well as multi-directional marketing activities protecting the brand, and, at the same time, bringing the company many measurable benefits. Profits from a well-positioned brand are so attractive that the competitors often do not hesitate to take advantage of its potential. Counterfeiting trademarks has been becoming a more and more frequent practice, especially on the market of premium and luxury goods. A recognizable brand acts on customers like a magnet, regardless of how rich they are. A known brand means safety, trust, luxury, and a counterfeit, even a clumsily made one, gives people a glimpse of this feeling. In spite of being threatened by fines, manufacturers of counterfeits know that this is a high-stakes game. The value of the counterfeit goods market is not exactly known. It is estimated that only in the European Union it accounts for as much as 7 percent [data of the Ministry of Finance, 2011]. The losses on this account may reach even 400 billion euros. According to the Ministry of Finance, the market of counterfeits in Poland has been becoming bigger and bigger. The proof thereof are the effects of the work of the Customs Service, which encounters attempts at smuggling forged goods to the Polish market virtually every day (often Poland is only a transit country), and, after all, the CS is unable to capture all cargo of falsified goods.

**Legal conditions of brand protection in Poland**

A trademark is a graphical sign (drawing, word, color, spatial form) or a sound signal (melody) used by an enterprise or an institution which allows to identify the type of business in an unambiguous manner and allows the consumer to distinguish it from the competitors [Encyklopedia Zarządzania]. A trademark (popularly: brand, logo, company sign) distinguishes and identifies goods or services on the market. A trademark serves an important information and marketing function, therefore it is put on products, materials, industrial goods or e.g. buildings. The purpose of a trademark is to create the image of a company - in a sense it serves as a company's business card. Among a company's assets a trademark often holds the highest value. It also serves three functions:

- informs about the commercial origin of a product
- guarantees a specific product quality
- acts as an advertisement

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1 The value of the global market of counterfeits increases because they are manufactured on the industrial scale; sometimes in the same factories as the original products. In many Chinese plants production is in progress 24 h a day: products with a trademark are made during the day, while products without it at night. Thanks to that China has become a world potentate in counterfeit manufacturing. It is estimated that every year as much as 10 percent of the GDP this country may be produced in this way.
A key factor for the power of a brand is its recognition as well as the ability of the consumers to associate a trademark with a specific company. This allows to develop a consistent image and fosters the policy development of a business. Above all, brand/trademark management consists in reserving and registering it in a relevant industrial property office. The Polish authority responsible for protection of trademarks is the Patent Office of the Republic of Poland. A formal registration of a mark gives the exclusive right to use it as well as forbids the competitors copy and use the reputation and the power of the mark (both in terms of designation of a company, a product or a service). A trademark may be an effective tool for marketing and advertising, it can be pawned, sold, contributed to a company in the form of an in-kind contribution, licensed etc.

The basic legal acts regarding you legal protection of trademarks on the Polish market is the Industrial Property Law Act of 30 June 2000 (Journal of Laws of 2003, no. 119, item 1117 with later amendments); the Regulation of the President of the Council of Ministers of 8 July 2002 on making and examination of trademark applications (Journal of Laws No.115, item 998 and with 2005. Journal of Laws no. 109, item 911) as well as the Regulation of the Council of Ministers of 2 March 2004 amending the Regulation on fees associated with protection in inventions, utility templates, industrial models, trademarks, geographic symbols and topography of integrated circuits (Journal of Laws no. 35, item 309).

The patent process is time-consuming, but it is of critical importance to the owner of the brand. Possession of rights to a trademark is reflected in numerous economic benefits. An entrepreneur willing to legally protect his trademarks will be able to select the form of protection in a variety of ways. In the present, competitive economy, a multitude of manufacturers as well as produced goods, finding a sign available on various markets it is becoming harder and harder. Therefore, it is not worth hesitating in registering a trademark on a market, both national and foreign. Protection of a corporate/trade mark may be provided in three ways [Patent Office of the Republic of Poland]:

1) notification of the mark following the national procedure. The national registration of a mark covers the territory of Poland. The legal basis for this type of activities is article 153 of the Industrial Property Law (Journal of Laws of 2003 no. 119, item 1117 with amendments) The condition for reporting of a mark is being in possession of copyright to it,

2) notification of a mark following the European procedure. In such a case it becomes a trademark of the Community, which entitles to receive protection on the territory of the European Union. However, if there are circumstances preventing the community registration in even one member country, it will not be granted at all. A mark on the European market is registered in the Office for Harmonization in the Internal Market (OHIM); the registration is done in all countries of the European Community in the course of a single procedure, in one language, before one authority, represented by a single authorized representative. This provides not only substantial savings (50 euros per country as compared to 400-600 euros for a single registration in each country), but also simple, quick protection
(registration already after a year, while in Poland the procedure lasts ca. 2 years). Furthermore, it should be remembered that the territorial scope of an obtained registration of a Community mark will be automatically expanded whenever the Community is joined by another member state. In the case of violations of registration of a Community mark the violation procedure can be initiated before a single national court, rather than before each national court separately. A court's decision on Community trademarks is effective on the territory of the whole EU,

3) a particular type of registration of a trademark is the international registration. As opposed to the national and the European of registration, the international registration itself does not entail being provided with protection. Protection is provided only after the country appointed by the applicant as the one where it is willing to receive protection does not object to it. In accordance with the Madrid agreement on international registration (Journal of Laws of 1993 no. 116, item 514) as well as the additional protocol to this agreement (Journal of Laws of 2003 no. 13, item 129), the authority entitled to register trademarks is the International Office of the World Intellectual Property Organization based in Geneva; the costs of registration depend on many factors, among others, on the type of the mark (color or black and white), the number of freight classes, the number of designated countries. The international registration is not a uniform registration, but rather a bundle of national registrations, thus it is possible to sell a registration in one country while simultaneously keeping it in another.

Registration of a trademark involves specific benefits. The most important of them are: the exclusive right to use a trademark in business trade across the whole country for goods and services covered by the registration, the right to place a trademark on packages and documents covered by the registration, the right to use a trademark for advertising purposes, being allowed to highlight that a mark has been registered by placing the ® symbol near the trademark. The right to register a trademark will be effective for 10 years following the date of notification and may be prolonged repeatedly for subsequent ten-year periods and is transferable. Protection rights are granted to the trademarks. Granting such a right means that a company receives the exclusive right to use a given trademark for economic or professional purposes throughout the whole country. It is granted in order to protect the independence of the company mark, its identification and an exclusive the right to have it.

There are several exceptions, when protective rights are not granted. This happens at the time when "a mark cannot be recognized as a trademark as defined by the Act, there are no sufficient features differentiating a mark from other marks recognized as a trademark according to the Act, signs have become a part of the common language or are customarily used, using a mark violates the rights or personal property of third parties, a mark is in conflict with the public order or good customs, a trademark misguides the recipients, contains names, abbreviations of names or symbols which the submitting party is not allowed to use
in trade by a competent authority, signs have been reported in bad faith to the Patent Office, a sign contains elements being symbols, in particular of religious, patriotic or cultural nature using which would insult religious and patriotic feelings or national tradition " [Act of 31 Jan 1985 on trademarks]. The central government administration authority in cases within the scope of industrial property is the Patent Office of the Republic of Poland (Article 259 of the Industrial Property Law Act of 30 June 2000). The Patent Office carries out tasks of in industrial property cases resulting from the Act, separate regulations and international agreements. The Patent Office of the Republic of Poland was established on 28 December 1918. As early as on 10 November 1919 Poland joined the Paris Convention on the Protection of Industrial Property, beginning to take part in the international cooperation in this field. The first trademark was registered on 11 April 1924, while the first patent was granted on 24 April this year. The responsibilities of the Patent Office include in particular:

- receiving and examination of notifications relating to inventions, utility templates, industrial models, trademarks;
- ruling in cases associated with granting patents and additional protective rights for inventions, protective rights for utility designs as well as trademarks and rights associated with registration of industrial designs, geographic symbols and topography of integrated circuits;
- resolution of cases in disputable procedures as provided for in the Act;
- keeping registers referred to in Article 228 of the Act;
- publication of official journal under the name "Wiadomości Urzędu Patentowego" (Patent Office News);
- publication of "Biuletyn Urzędu Patentowego" (Patent Office Bulletin);
- participation in the works on international authorities as part of international agreements in the field of industrial property concluded by the Republic of Poland, in particular the Paris Convention on the Protection of Industrial Property;
- keeping a central collection of Polish and foreign patent descriptions.

The Patent Office of the Republic of Poland is also important in information terms, since it keeps databases of inventions, industrial models, utility templates, decorative models, geographic symbols, topography of integrated circuits, trademarks and trademarks international.

**Legal regulations protecting brands on the EU market**

Using a relevant procedure a trademark, may be protected by the law in all countries of the European Union. Community trademarks should be submitted in the aforementioned Office for Harmonization in the Internal Market (OHIM) in Alicante. Important regulations regarding protection of brands on the community market have been included in the Madrid Agreement concluded on 14 April 1891 as part of the Paris Convention. The agreement allows to register of a trademark in the member countries of the Madrid Union (established by virtue of the abovementioned agreement) on the basis of a national registration of the mark. The protocol to the Madrid Agreement allows to register of a trademark in the
countries that signed it, on the basis of both a national registration and a domestic notification of the mark. A trademark reported under the Madrid Agreement may receive protection in countries that are its parties and have been appointed in the application for an international registration. Such applications are submitted in the International Office in the World Intellectual Property Organization (WIPO) in Geneva via the domestic Patent Office. A necessary condition for obtaining an international registration is being in possession of a valid national registration or notification of the mark in the country of origin.

**Table 1 Number of forged articles on the EU market (in million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of articles seized</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>10,000,000</td>
</tr>
<tr>
<td>2000</td>
<td>15,000,000</td>
</tr>
<tr>
<td>2001</td>
<td>12,000,000</td>
</tr>
<tr>
<td>2002</td>
<td>11,000,000</td>
</tr>
<tr>
<td>2003</td>
<td>10,000,000</td>
</tr>
<tr>
<td>2004</td>
<td>11,000,000</td>
</tr>
<tr>
<td>2005</td>
<td>10,000,000</td>
</tr>
<tr>
<td>2006</td>
<td>12,000,000</td>
</tr>
<tr>
<td>2007</td>
<td>11,000,000</td>
</tr>
<tr>
<td>2008</td>
<td>15,000,000</td>
</tr>
<tr>
<td>2009</td>
<td>12,000,000</td>
</tr>
</tbody>
</table>

Source: European Commission

**Crimes and offenses against intellectual property**

According to the Polish law a party entitled to a trademark may request the entities using its trademark in an unjustified way to cease the activities violating its rights, may request them to repair any damage made, demand to be provided with the material benefit generated as a consequence of the breach of the right from registration as well as announce a respective statement. In any cases regarding a breach of the right under registration the court may also rule a seizure of goods, packages and other objects bearing the registered trademark or a trademark significantly similar to it as well as the measures used to advertise and mark the products with this trademark. Polish law regulates the principles of protection of brands both in terms of procedures designed to ensure safety of trademarks and identify penal liability for any violation of the rights protecting intellectual property. However, the existence of regulations and the procedure enforcing them, that is providing the law enforcement authorities with tools
allowing them to effectively combat crimes against brands, are two different things. The penal regulations (the Penal Code of the Republic of Poland) of the Act apply to copying products as well as misleading marking of the product and state that:

- anyone who copies an external form of a product or introduces a product copied in such a way to trade using technical means of reproduction, thus allowing to misguide customers as to the identity of the manufacturer or the products, which causes serious damage to the entrepreneur, is liable to a fine, the penalty of restricted liberty or deprivation of liberty of up to 2 years (Article 24 of the Act);
- anyone who misguides customers as to the origin, quantity, quality, components, the method of manufacture, suitability, application, repairs, maintenance or other significant features of goods or services by marking or not marking (contrary to the obligation) products or services or fails to informs about the risk associated with using them and thus exposes customers to damage, is subject to the penalty of arrest or fine (Article 25 passage 1 of the Act). The owner of a trademark may protect himself against forgery in several ways. One of the most effective and the cheapest methods to obtain information on the trade in counterfeits of a given product is submission of an application for the so-called border protection by a party authorized to the trademark. The application must be submitted to the Director of the Customs Chamber in Warsaw. It is not subject to any official fees and is valid throughout a year, with the possibility of further prolongation. On its basis, counterfeits are seized at the border of and the owner of protected rights or his representative is informed of this by the customs officers. The entrepreneur has 10 business days to take a stand in the case. This time limit can be prolonged once by further 10 days. The owner of the trademark who receives a notice on seizure of counterfeits of their product has four options: application of a simplified procedure, initiation of a penal procedure, initiation of a civil procedure or refraining from taking any actions. Introduction of counterfeits to the market is prosecuted following the public prosecution procedure at the request of the aggrieved party. Upon submission of the application such proceedings will begin ex officio, but failure to submit such an application makes it impossible to initiate a penal procedure. Prosecutions without the request of the aggrieved party can proceed only when the perpetrator turned the activity described above into a constant source of income or committed the offense with respect to goods of a considerable value (exceeding 200 000 PLN).

In view of the existence legal regulations regarding brand protection, the relation of the entrepreneurs to trademark copying operations seems to be perplexing. The number of counterfeits seized by customs officers has been growing with each year, yet the owners of the trademarks have not taken any actions against it. According to the data of the Department of Protection of Intellectual Property Rights of the Ministry of Finance as much as 22% of illegal
goods seized in 2011 during border inspections is released due to the absence of relevant actions on the part of authorized entrepreneurs. A product may be seized on the border also in the event when the application for protection has not been submitted. The scale of trade in counterfeit goods is proved by the data of the Polish Customs Service - more than 6 million products violating the intellectual property rights worth 33 million Euro were seized in 2011 (Gospodarka Podkarpacka, May 2012). Due to its specific situation geopolitical Poland is a kind of a commercial bulwark of Europe - intense inspections on the borders is the last opportunity for stopping counterfeit products before they reach the Community market. The smuggled goods include virtually everything, for instance in 2010 - according to the report of the European Commission on enforcement of intellectual property rights by EU customs services - the goods seized most often were cigarettes (34 percent), office materials (9 percent), other tobacco products (8 percent), labels and signs (8 percent), clothing (7 percent), toys (7 percent). 14.5 percent of confiscated objects were household appliances. In 2012 the particularly "popular" objects were forged gadgets associated with EURO 2012 - since the beginning of 2012 customs services have captured more than 50 thousand objects marked with forged trademarks related to Euro 2012.

Social aspect of brand safety in Poland

The key importance for brand safety on a given market is held by the relation of the society towards trademark forging and the trade in non-original goods. Consumer approval for such a practice and the demand for counterfeits forces the producers to fight for their own brand, image and, first of all, profits, often earned at a significant expense of resources and measures, by any possible means. Protection of intellectual property in Poland is legally protected, yet the problems with enforcement of penalties for its violations result in the fact the market is still infested with a demand for unoriginal goods. Nearly one third of all Poles knowingly buys unoriginal products bearing the labels or logos of world companies [Puls Biznesu, 7 Oct 2010]. The newspaper states that the market of counterfeits in Poland is worth 0.83 billion dollars. As it results from the research conducted a the order of the Allegro group by the SMG/KRC laboratory, 18 percent of Poles believe that selling counterfeits should be punished, while 28 percent of the surveyed does not see anything unethical in trading in this kind of goods. 43 percent of the surveyed by Allegro admits that they have bought a counterfeit, as much as 29 percent of whom confess they have done it knowingly. These results are not optimistic, especially for the producers of brands from the luxury goods sector, since exactly these are one of the most often forged. The relation of Poles towards was also examined in 2011 by the Public Opinion Research Center

2 The study entitled "Aktualne problemy in wydarzenia" (Current problems and events) (256) was conducted between 8 and 14 September 2011 on a representative sample of 1077 random adult inhabitants of Poland.
The examined issues included both the relation of consumers to the distribution of forged goods (ethical aspect of the illpractice) and whether the consumers reach for goods counterfeit during their purchases in practice. Nearly one third of the surveyed (30 percent) admitted to buying counterfeits. Most of them purchases them rarely (20 percent) and every tenth of them at least from time to time. Among the surveyed 74 percent condemned purchasing forged products, while 17 percent of the surveyed did not see anything wrong with this. The buyers of counterfeits most often admitted to buying counterfeit clothes and shoes (65 percent), as well cosmetics and perfume (24 percent). Other categories products appearing in the declarations of limited number of surveyed people (1- 3 percent) included automotive articles, tools, electronic equipment and computer software, foodstuffs, chemical articles and cigarettes. Most often unoriginal goods are purchased by pupils, students, unemployed people, workers, service employees, technicians and mid-level personnel. Their age is usually 25-34 years.

**Table 2 Relation of consumers towards counterfeit trade**

<table>
<thead>
<tr>
<th>Does it happen to you that you buy counterfeits, i.e. products illegally marked with a sign belonging to another and at the same time resembling the original products?</th>
<th>What is your opinion of purchasing products illegally marked with a label belonging to a different company and at the same time resembling the original products, i.e. counterfeits: (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>wrong</td>
</tr>
<tr>
<td>YES</td>
<td>62</td>
</tr>
<tr>
<td>NO</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: CBOS (Public Opinion Research Center)

Why do consumers buy counterfeits? In all studies when such a question was asked, the answers were identical. The main reasons indicated by the surveyed are: because they cannot afford the original products, because they are cheaper, because the want to impress other people with "brand products", counterfeits do not differ in quality from the originals. Easy access to counterfeits also affects the scale of the illpractice: usually forged goods are purchased in marketplaces, supermarkets and over the Internet (problems with controlling virtual shopping result in the fact that this form of counterfeit trade has been gaining in popularity the most quickly).
Summary

Brand safety is an important issue faced by the suppliers of goods and services on the Polish market. Despite the existence of specific and quite explicit legal regulations regulating the area of intellectual property, it appears that combating the distribution of counterfeits resembles "tilting at windmills". The main problems in this struggle are: attitude of the society towards counterfeit trade (and more specifically quite common social acquiescence) and a controversial attitude of manufacturers themselves to brand protection (lack of consistency in activities which are supposed to defend it). Another thing which is controversial and certainly not helping the combat against counterfeiting is the more and more often encountered idea that the existence of counterfeits raises the attractiveness of the brand and promotes it, while the calculations of the losses of manufacturers caused by the counterfeit trade are being grossly overestimated [British Journal of Criminology, 2010]. After all, not only the producers lose from this practice. The trade in the so-called "counterfeits" causes loses to the state budget, since nearly nobody pays any taxes from the profit from the sale of such goods. Over the last decade smuggling forged goods to Europe has increased 10 times. It is estimated that every year Poles spend ca. 150 billion PLN on counterfeits, while the state budget loses ca. 30 million PLN because of these operations [data of the Customs Office, 2009]. As compared to the same period from 2010 the number of products seized by customs officers that violate the property rights has increased from 1.9 million to 4.7 million pieces. The value of confiscated counterfeits is estimated to be higher than 100 million PLN. These data do not leave any illusions and the conclusions are pretty obvious - as long as the society fails to develop proper attitudes in relation to manufacturers of counterfeits and the trade in them, there will be no chance for effective provision of brand safety on the market ³.

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Kotler Ph., Marketing od A do Z, PWE, Warszawa 2004
Large J., Wall D.S., Jailhouse Frocks: Locating the Public Interest in Policing Counterfeit Luxury Fashion Goods British Journal of Criminology, 2010

³ An important role in raising consumer awareness with regard to industrial property in Poland is played by the ProMarka association the goal of which is to draw consumer attention to the problem of counterfeiting trade-mark products, present the dangers resulting from using counterfeits and warn the vendors of the penalties they may face for selling forged products
Code of Civil Procedure of the Republic of Poland
Penal Code of the Republic of Poland
Act of 31 January 1985 on trademarks
http://www.uprp.pl/akty-prawne/Lead03,13,1315,1b,index.pl;text/
http://www.lectlaw.com/filesh/il-3.htm
Chapter 3: Organization's Resources Management - Methodological Aspects
Exploring the Brand Strength-Shareholder Value Link for Selected Companies Listed on the Warsaw Stock Exchange

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Abstract

The view that a strong brand is a valuable strategic resource of a company, which may significantly contribute to creation of the company's value is widely accepted. The world literature on the subject describes many results of studies which empirically confirm the relationships between global brands and the financial performance of companies. This article presents the results of research on the impact of local brands on differently defined financial results of selected companies quoted on the Stock Exchange in Warsaw. Theoretical deliberations on the impact of the brand on the financial results of companies have been empirically confirmed in the course of conducted research. Therefore, the conducted research provides arguments for the thesis claiming a positive effect of strong local brands on the performance of domestic companies.

Introduction

During the times of knowledge and information-based economy intangible resources are more important for the company's success than tangible balance sheet assets. During the period of industrial economy the companies which used to dominate the stock exchange markets were big production companies from the automotive, aviation, chemical or engineering industries. Nowadays the most valuable companies of the world are involved in the widely understood service sector and their most valuable assets include knowledge, brands as well as relationships with customers and business partners. In the case of these companies the value of tangible and financial assets constitutes only a small part of their market valuation. The availability of capital results in the fact that physical and financial assets may be easy to acquire and replace, becoming commodity
resources, able to generate at most an average return (Lev, 2001). The resources which constitute the basis for a sustainable competitive advantage of a company must be: valuable, rare, difficult to copy and lack substitutes (Barney, 1991). These criteria are met by intangible assets.

The purpose of a company's strategy is to fulfil its main objective, which is to maximise value for the shareholders. Therefore, strategic management should be integrated with the company's value management, and the effectiveness of the strategy should be assessed in terms of its impact on the generated value.

In knowledge-based economy maximisation of the value for the shareholders requires implementation of a strategy which incorporates creation and proper utilisation of intangible factors. Intangible assets may be found in many forms. Among them the leading position - from the point of view of the ability to create value - is held by the brand. Possession of a strong brand may be the basis for a sustainable competitive advantage of a company that leads to high rate of return on invested capital and affects its value. From this point of view, the brand of a company is its strategic resource, which substantially and often decisively contributes to the fulfilment of the basic objective of the company. On the global scale brands constitute a third of the overall wealth. 100 most valuable brands of the world in 2008 were jointly worth 1.2 trillion $ (Clifton, 2009). In the case of a single company, the contribution of brand to its market value may be dominant - in the case of the Nike brand it is 84% of the value of the whole company, while in the case of the Prada brand it is 73% (Gerzema & Lebar, 2009).

The purpose of the article is to present a theoretical model describing the mechanism of the impact of the brand on the company's value and then to present the results of empirical research illustrating the link between brands and the value created for shareholders on the example of selected Polish listed companies. The article starts with a discussion on the evolution of the perception and significance of the brand to a company. The further part presents the concept of the mechanism of the impact of the brand on the company's value. The article continues with a review of various methods of measurement of value creation for the shareholders. The later part deals with presentation of the results of world research as well as the author's own research on the effect of the brand to the value for the shareholders. The article is summed up with conclusions and recommendations with regard to further directions of research.

**Evolution of the brand interest**

In the common perception a brand refers to the name under which a product is present on the market. The difference between a "regular" name and a brand consists in the fact that the name itself has no associations going beyond its primary meaning. A name becomes a brand when the consumers associate it with different things (Calkins, 2005). A strong brand constitutes the basis for

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1 For instance, during the 1994-2003 decade Procter&Gamble, which has many brands in its portfolio, received an average equity return in the amount of 29.42% [Dyer et. al., 2004].
a relationship with the consumer based on mutual trust. The way of viewing the objective features of a product, but also an organisation is shaped by the brand. For the recipient (consumer) this perception is often the determining factor in choices made by him or her. It is not important which product is the best (which the consumer is usually unable to determine), but which is perceived as the best.

Over the last twenty years brands have transformed from a symbol of property into a cultural phenomenon. In the beginning, the most important role of the brand was to provide a physical manifestation – brands used to be what they were embodying. Later, brands become what the consumers were feeling and experiencing. Nowadays brands have more and more often become a socio-cultural phenomenon - what the community feels in connection with its consumption (Berthon et. al., 2011).

The term "brand" is used in practice very often and may have different meaning, depending on the context. According to the "classic" marketing definition - a brand is a particular name, term, sign or symbol or a combination of the above designed to identify the product or service of a seller or a group of sellers and distinguish it from the offer of the competitors (Kotler & Armstrong, 1994). The brand allows the buyer to learn about the origin of a product or a service as well as protects the customer and the manufacturer against competitors who could offer products looking identically like the ones offered by a given seller.

From the point of view of the value of the brand to a company, it is important to treat it as an economic category – generating certain benefits both to its owner and the recipient - the user. In the case of the owner, the brand provides benefits in the form of income, in addition to what would be attainable when using the same offer, but not marked the brand. In the case of the recipient, the brand provides benefits which can be of functional, economic and psychological nature. The functional benefits are associated with the physical characteristics and the parameters of the offer, the economic ones result from the perception of the acquired value/paid price relation, the psychological are associated with the degree of satisfaction of intangible needs done by the offer.

Over the last 20 years we have witnessed a significant shift in the accents in the methods and the subject of brand management. The activities in this field evolve from those focused on promoting the product brand to promoting the company's activity philosophy, which constitutes the basis for the corporate brand. At the root of this philosophy is the assumption that the very personality of the organisation is a carrier of a certain value. Proper management of it requires consistent activities to be introduced over a long period of time. They are to be focused both inside and outside the organisation. In practical terms, using this philosophy means an increased focus on creation of corporate brands along with simultaneous reduction of the significance of product brands. In the event when the offer of many companies becomes parity, it is increasingly more difficult to distinguish the product on the market using only its characteristics. In this situation many organisations focus on becoming distinguishable based on their corporate identity. As a result the promises of the brand become the promises of the organisation.
Brands have been functioning in business for centuries, however they received a wider interest in the 1980s, in connection with numerous company acquisition transactions characterised by the fact that the price of purchase of companies considerably exceeded the value of their net assets. The main part of this surplus was being attributed to the values of the brands owned by the purchased companies, which were not disclosed in their balance sheets (Murphy, 1990).

The increased interest in brands caused the appearance of a number of publications which explained the essence of the brand and the mechanism whereby they generated value. A breakthrough publication in this field turned out to be D. Aaker’s book on brand equity, in which the author introduced the term brand equity as the sum of assets associated with the name and the symbol of the which may be the source of certain benefits for both parties of a transaction: companies (brand owners) and customers (Aaker, 1991).

Initially publications on brands focused mainly on the issues related to an attempt to break it down into components and explain the impact of the brand on consumer behaviour. In a later period, a greater research pressure was put on the issues of the methods of brand valuation and, subsequently, its impact on shareholder value. Determination of the impact of the brand on shareholder value is a constituent part of a broader research problem related to the attempts at estimation of the effectiveness of marketing activities in financial categories (Rust et. al., 2004). The latter research direction is a result of profound changes that take place in company management practice. Globalisation and dissemination of the Internet and IT technologies have caused a growth in competition and, at the same time, the significance of the competitiveness of companies. In these conditions, and increased emphasis has been put on the need to improve the effectiveness of any activities in the company, since the present competitive requirements punish companies for each sign of ineffectiveness in action. As a result any investment actions e.g. related to brand building must be supported by a reliable profitability analysis in order to receive an approval.

**Brand strength and shareholder value**

For a long time, marketing and finance were treated as separate fields, due to barriers resulting from differences associated with the subject of research and research perspectives. The source of information for financial studies are data from capital markets and financial statements of companies, while marketing analysts usually use data from market research. Financial analysts adopt the perspective of shareholders and examine the impact of the strategy and the activities of companies on the investors' expectations regarding future cash flows (Madden et. al., 2006). Therefore, the price of shares is the most important dependent variable, while the explanatory variables may include, e.g. advertising expenses or investments in research and development activities. Marketing analysts focus on examining the impact of marketing strategies on the consumers behaviour. Therefore, for them the main dependent variables are: customers' attitudes, their shopping behaviour,
loyalty, while the explanatory variables include: advertising expenses, alternative promotional campaigns or various marketing-mix sets. As a result, the most important interest group for financial analysts are shareholders, and the criterion for evaluation of the effectiveness of the activities is creation of shareholder value, while from the point of view of marketing analysts the most important interest group are customers, and the criterion for evaluation of the effectiveness of the activities is the increase in the value for customers, and indirectly - the increase in revenue or shares in the market.

Regardless of the abovementioned factors, the source of barriers between marketing and finance are methodological problems related to the possibility of demonstrating in practice that certain marketing initiatives (e.g. advertising expenses) result in measurable financial effects. Usually the actions within a marketing strategy are only one of many factors affecting company performance.

Despite these constraints, financial analysts have been becoming more attentive towards the brand in their decision-making processes. This results in, among others, conducting more frequently valuations of brands for various purposes. Some of these valuations are obligatory (for instance in the case of acquisition of a company aimed at allocation of goodwill of the purchased company, or in the event of liquidation of the company conducted in order to determine the liquidation values of its assets, including the brands), while some of them are performed "voluntarily" in order to acquire information necessary for better management of the company's resources. Finally, other ones constitute the basis for building the structure of a transaction the elements of which are the rights to the brand. As a result of appreciation the brand as valuable asset, the issue of brand management is no longer a sole domain of marketing and has been becoming a financial issue being a part of value based management process. The consequence of this fact is that brand risk assessment is becoming a key element in risk management of the whole company.

A theoretical model of the impact of market assets, including the brand, on shareholder value has been presented in the already classic article written by R. Srivastava, T. Shervani and L. Fahley (Srivastava et. al., 1998). A strong brand may affect four sources of generation of revenue for the company: an increase in the number of customers, an increase in the brand being used by the present customers, an increase in the loyalty of customers and a possibility of extension of the brand in use to new products (Schultz & Schultz, 2003).
The impact of the brand on the company's value can be subjected to analysis on the basis of a financial model which shows the key determinants of value creation. The basic value creation model takes the following form (Koller et al., 2005):

\[
W_{\text{artosc}}_0 = \frac{NOPLAT_1 \times (1 - \frac{g}{\text{ROIC}})}{\text{wacc} - g}
\]

Where:

- NOPLAT\(_1\) – net operating profit after tax,
- wacc – weighted average cost capital,
- ROIC – return at invested capital,
- g – operating profit growth rate.

The brand may affect all parameters of the model, in consequence affecting the value of the company. In the case of a strong brand it can influence earned margins (higher NOPLAT and ROIC), sales level (higher NOPLAT and g), a volatility of company’s profits (lower wacc). In the last case the high level of customer loyalty contributes to stability in the profitability of the company, thus reducing its risk. Brands also serve as a unique channel of communication with the investors. Investors prefer shares of companies that are exposed by the brand on the market. This causes growth in the number of shareholders, which improves shares liquidity and, as a consequence, leads to a decrease in the cost of equity (McAlister et al., 2007).

The cause-and-effect link between a strong brand and shareholder value may be presented using the following scheme (Figure 1):

**Figure 1.** Brand – shareholder value link

*Source: Own study*

**Measures of shareholder value**

Acceptance of the firm's strategy requires a specified criterion, which, when applied, will allow to assess its effectiveness. In the scholarly literature, as well as the business practice, we may come across various opinions on this subject – in other words, what should be the main objective of a company. Most of the authors seems to be leaning towards a view which states that the main goal of a firm is to maximize the shareholder value. The practice shows that in the countries where companies pursue this goal, the economy has been growing faster.
and the societies on average achieved higher average living standard (Koller et al., 2005). Very often shareholder value is identified with maximisation of share prices, since they are observable, reflect the long-term effects of made decisions (assuming the markets are effective), and, finally, they are the measure of the actual value, – they can be sold, and thus materialize generated value in practice (Damodaran, 2006).

The impact of the brand on shareholder value can be identified in a number of ways. One of them is to analyse the impact of changes in the brand strategy implemented by a given company on its market value. This approach is based on the assumption that on an effective market the prices of shares reflect all available information on the company. This type of approach is difficult to apply in practice due to a small number of potential observations and the impossibility to generalise the results of single events. Another problem in this case is the possibility of exact determination of the moment, when the brand strategy was altered (usually it is a process extended in time), as well as the feasibility of clear separation of the effects due to changes in brand strategy. Nevertheless, under favourable circumstances it is possible to estimate the impact of the events associated with the brand on the value of the listed company very precisely. It can be made by collating the information on the changes in the brand strategy with the change of the company's market valuation. For instance, such a situation occurred on the American market on 2 April 1993, when the Philip Morris announced a reduction in the price of Marlboro brand cigarettes by 20%. The announcement of price reduction resulted in a decrease in valuation of Philip Morris shares by 23% within one day, which meant a reduction in the capitalisation of the company by 13 billion $ (Smith & Parr, 2000).

A more universal approach to the analysis of the impact of the brand on shareholder value is examination of the relationships between the generated value and the strength of its brands. However, there is no agreement among the researchers and practitioners regarding which measure is the most appropriate in reflecting generated value for shareholders. The most widely used measures of shareholder value creation are: MVA – market value added, TSR – total shareholder return, AR – abnormal return (Fernandez, 2002).

In many studies the ratio of the equity market value to its book value (M/BV) or the market value added (MVA) are adopted as the measures of shareholder value creation. The MVA is the difference between the market value of a company and the economic book value of its assets. The economic book value of assets represents the funds the shareholders have invested in the company. Therefore, it may be concluded that the MVA constitutes a measure of created shareholder value, although its limitations should be remembered. Firstly, the economic book value represents the cash invested mostly in tangible assets, while the funds invested in internally generated intangible assets are not included. Another flaw of the MVA is that this measure does not distinguish between the recently generated value and the value generated a long time ago. If the economic book value is determined by the shareholders' contribution in the company, the problem arises about contribution of the shareholders who joined the company
(bought the shares) at different times. It should be assumed that the price paid per share by a given shareholder represents his or her contribution in the economic book value. Therefore, the economic book value (contribution to the company) is different for each shareholder as is the market value added (wealth generated for him or her as a result shares purchase). Another disadvantage of the MVA is that it is a nominal measure influenced by the size of the business.

Elimination of the abovementioned flaws of the MVA, i.e. concentration on the recent period, adoption of the market value in a given year as the initial investment, as well as standardisation of the difference between the new and the old market value by dividing it by the initial value, result in a measure known as the total shareholder return – TSR (Keef & Roush, 2002). The TSR is the rate of return based on changes in the prices of shares after taking account of inflows and outflows of cash to and from the shareholders. During a single period of time the TSR is equal to the sum of capital gains (increase in the value of shares) as well as the dividend yield during the period. In the case of several periods the TSR is equal to the internal rate of return calculated for the cash flows to and from the shareholders, which consist of the following: starting price (investment), received dividends and closing price.

The TSR is thus a rate which shows the actual return achieved by the shareholders of a company in a given period of time. However, it is not identical with the amount of value created for shareholders. The latter depends on the alternative cost, otherwise known as the required rate of return for them. Therefore, the actual value created for shareholders is the difference between the TSR and the required rate of return – this is the so-called abnormal return. If the observed return is higher than the expected return, this means that in a given period the company obtained an abnormal return, that is it generated value for its shareholders.

Literature review

Subject literature concerning the impact of the brand on generated value focus on two issues: firstly, the relations between the brand equity and the value of the company, secondly the relations between the brand equity and the shareholder value, without taking account of the risk (total shareholder return – TSR or MVA) or with the risk (abnormal return - AR). The issue of the links between the brand and shareholder value has been analysed in the number of publications worldwide. R. Kerin and R. Sethuraman have demonstrated the presence of a positive relation between the brand value and the market to book value ratio for firms with valuable brands according to the Interbrand 1995-1996 ranking (Kerin & Sethuraman, 1998). The research carried out by M. Conchar et. al has demonstrated a strong positive relationship between the advertising and promotion expenses and the market value of the firm. Therefore, a connection between brand building activities and the financial performance of the firm has been proved (Conchar et. al., 2005). C. Simon and M. Sullivan have presented a method utilising the market value of a company as the basis for valuation of the brand equity. The calculation conducted by the
authors has shown that the value of the brand equity may constitute as much as 150% of the replacement value of companies (Simon & Sullivan, 1993). D. Aaker and R. Jacobsen's research has indicated that the "perceived quality" measure which is the indicator of brand equity is statistically significantly and positively correlated with changes in share prices (Aaker & Jacobsen, 1994). M.Barth et. al have proved that the value of the brand is significantly and positively correlated with share prices and the return on shares (Barth et. al., 1998).

The research findings quoted above generally indicate the existence of a positive relation between brand equity and the company value. Therefore, they allow to understand the relations that occur between the brand and the company value as well as (indirectly) the shareholder value. As mentioned above, creation of shareholder value is not identical with achieving a positive return on shares and an increased market capitalisation of the company. From shareholders' point of view value is generated when the achieved return is higher than possible to receive from an alternative investment with similar risk. This issue has been covered in more recent studies on links between the brand and shareholder value creation.

According to N. Mizik and R. Jacobson's research (275 companies with a single brand over a period of 11 years) companies that increased the differentiation of their brands have managed to receive a return on shares (risk adjusted) in the amount of 4.8%, while companies that reduced the differentiation of their brands have managed to receive (risk adjusted) a negative a return on shares in the amount of – 4.3% (Mizik & Jacobson, 2005). The above effects occurred with a one-year delay. These results mean that companies which managed to increase their strength (differentiation) achieve a higher than expected shareholder return and vice-versa. The research conducted by T. Madden, et. al has indicated that companies with valuable brands (according to the Interbrand 1994-2000 ranking) have managed to achieve a higher monthly return on shares than the average return for the market, at a lower than average risk (Madden et. al., 2006).

**Empirical analysis**

The research on the impact of the brand on financial performance of companies in Poland is at its initial phase. This is caused by the presence of the abovementioned barriers between marketing and finance, as well as low “information culture” of Polish public companies, which leads to difficulties in acquisition of cross-sectional data on the market power of their brands, which are necessary to conduct studies. Fortunately, thanks to the research on the domestic brands strength systematically conducted in recent years in Poland, we are currently in possession of data which, when compared with the information on financial performance and market valuation of public companies, will allow to examine the relations between the brand power and the shareholder value\(^2\). These data have been used by the

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\(^2\) The quoted research is associated with the ranking of the most valuable Polish brands collected since 2004 by the "Rzeczpospolit" daily.
author to analyse the relationships between the brand strength and certain financial parameters of selected companies quoted at the Stock Exchange in Warsaw. In particular, the following three issues were investigated:

- relationships between the brand strength and the systematic risk of companies,
- relationships between the brand strength and the shareholder value,
- relationships between the brand strength and the performance of companies during a period of deep financial crisis 2008-2009.

The impact of the brand strength on the risk of a company and the shareholder return have been determined for selected companies from the Warsaw Stock Exchange for a period 2005-2010. 47 companies listed at the stock exchange for which the data on the brand strength index are known have been qualified for the research (Urbanek, 2011a).

The conducted analyses of the impact of brand strength on the systematic risk of companies have rendered ambiguous results. The average level of systematic risk for companies with strong brands has turned out to be lower than for companies with weaker brands, but the difference is not statistically significant. Also in the case of the analysis of total risk of companies, the received results do not point to a decrease in this category of risk along with the growth in the brand strength. A more informative test of the impact of the brand on the systematic risk can be done by comparing the systematic risk of market portfolios formed from companies with strong and weak brands. The conducted analyses indicate that the portfolio formed with stronger brands is characterised by a clearly lower systematic risk (beta ratio of 0.86 as compared to 0.99). These findings are consistent with the results of research conducted on other markets.

The impact of the brand strength on shareholder value has been determined using the following approaches (Urbanek, 2011b):

- by comparing the results achieved by sets of companies separated in terms of the brand strength index to the performance of the whole market,
- using a comparative analysis of selected parameters averages conducted for sets of companies separated in terms of the brand strength index,
- by comparing the results of portfolios formed of companies separated in terms of the strength of their brands.

The following parameters have been chosen as the measures of shareholder value in the examined period:

- P/BV ratio – share price to book value,
- average monthly return,
- Jensen's alpha ratio.

In the studied period, on average, as compared to companies with weaker brands, companies with stronger brands achieved the following:

- higher average monthly return on shares – statistically significant difference for \( p = 0.1 \),
- higher average Jensen's alpha ratio – statistically significant difference for \( p = 0.05 \),
• higher average P/BV ratio – statistically significant difference for \( p = 0.05 \).

In the studied period, as compared to the portfolio consisting of companies with weaker brands, the portfolio consisting of companies with stronger brands achieved a slightly higher average monthly return. Both portfolios also achieved a higher monthly return as compared to the whole market (0.83%) and risk-free investments (0.43%). On the day the analysis was made, the P/BV ratio for the portfolio of companies with stronger brands was significantly higher (3.08) than the same ratio for the portfolio of companies with weaker brands (1.87).

The results of research generally points to the presence of a positive relationship between the brand power and company value and shareholder value. Therefore, the results of similar research on brands on mature markets for global brands, have been confirmed on the Polish market.

The impact of the brand strength on the firms performance in the period of deep financial crisis has been determined on the basis of the analysis of selected companies from the Warsaw Stock Exchange (Urbanek, 2011c). 52 companies for which data are available on their brands strength in the studied period were qualified for the research. The research covered the period between 1 Jan 2008 and 30 Apr 2009 which saw a deep slump in stock returns due to the world financial crisis.

The impact of the brand strength on the shareholder value has been defined in three ways. Firstly, by comparing the results achieved by all of the examined companies to the results of the whole market. Secondly, using a comparative analysis of averages for selected parameters conducted for sets of companies separated in terms of the brand strength index. Finally, by comparing the results of investment portfolios formed of companies separated in terms of the strength of their brands. The following parameters were analysed:

- average monthly return on shares,
- total risk of shares,
- beta coefficient - the systematic risk,
- Jensen's alpha ratio.

In the studied period the researched companies achieved the average monthly return far lower than the return from risk-free investments, which is not surprising given the crisis conditions. At the same time, the analysed companies achieved a higher average monthly decrease in return as compared to the whole market, at a greater total risk and, at the same time, lower systematic risk (beta below 1). In the event of establishment of an investment portfolio which would have consist of all the researched companies in the proportion resulting from their capitalisation, such a portfolio would have achieved a higher average monthly return (that is a lower decrease in return) than the whole market. At the same time, the systematic risk of such a portfolio would have been higher for the whole market (beta above 1).
On average, in the studied period companies with stronger brands achieved the following results as compared to the companies with weaker brands:

- higher monthly return on shares (lower decrease in monthly return) – statistically insignificant difference,
- lower total risk – statistically significant difference,
- lower systematic risk – statistically significant difference,
- lower negative deviation of realized return from expected return – statistically insignificant difference.

On the whole, companies with stronger brands achieved better results with regard to the analysed parameters than companies with weaker brands.

Additionally in the analysed period the portfolio consisting of companies with stronger brands achieved the following compared to the portfolio consisting of companies with weaker brands:

- higher monthly return on shares (lower decrease in monthly return)
- lower systematic risk.

Generally the research results confirm the claim of the presence of a link between the brand strength and the shareholder value creation during financial crises, measured by: shareholder return, systematic risk, Jensen's alpha indicator. In particular, it has been demonstrated that on average, in the studied period companies with stronger brands achieved a lower decrease in monthly return on shares at a lower systematic risk, which means that strong brand to some extent worked as shield against crises.

**Summary**

The theory of marketing is treating a strong brand names as a corporate asset with an economic value that creates wealth for shareholders. Using various methodology, a number of research findings published over the past 15 years has confirmed a positive relationships between the brand strength and the financial performance of the firms. It is worth emphasising that these researches were focused on the strongest global brands. The results of research on the selected Polish companies presented in the present article, have provided a number of arguments supporting the claim about a positive effect of strong brands on the financial performance of companies, including the shareholder value creation, also in the case of strong local brands.

Apart from academic aspects, demonstration of a link between the brand strength and the performance of a company is important for business practice, since brand investments have to be justified by their contribution to the shareholder wealth. Therefore, the results of the research presented in this article may be used by marketing analysts as a prove for the profitability of brand investments. This should increase their bargaining position in negotiations on promotional budgets within companies.
However, due to a relatively low number of companies subjected to the study, the received results and thus the presented conclusions should be treated with caution. If they are to be further confirmed, they will require additional studies which should be conducted in two directions. Firstly, they should cover a larger group of companies and brands, secondly – they should take into account control variables which, in addition to brands, influence company’s performance.

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Inon as the Modern Logical Successor of the Capital

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Abstract

As an object of research we represent a new central economic category inon and connected with it the categorical device of information and economic relations. The research method of inon is based on the information position of vision of the world uniform picture or, particularly, on the information approach, including in aggregate such moments as materialization and dematerialization of information, forma transformation and morphogenesis, development through conflicts resolution and aspiration to stability by the account of unstable condition of economic structures.

Article

The term inon follows from first two letters "information" and last two letters "neuron". In other words in given article it is investigated and proved inon as the logical successor of the capital and as the main transformed form of the general and especial economic information. Inon is represented as unity and contrast of the cumulative material and ideal, objectively subjective, naturally artificial, whole individual and abstractly concrete form of the economic information.

It is known that traditional economic theories have today appeared in crisis position. The capital, cost, consumer value, cost, labour and other categories in their time played and were playing a positive role in progressive economic development and accumulation of global scientific and technical, technological, financial and economic potential, began to change radically their essence and structure and transform to essentially new informational and economic relations. In one word labour and capital began to transform to knowledge and information. Thereby time is coming to transform presented traditional economic categories consistently and scientifically soundly to such successive and fundamental categories as inon, value, purposefulness, generation, informational routine-creative activity.
Considering gnoseological questions of inon in this article we will underline that we are based on information position of vision of an uniform picture of the world. Such a position means that the general information is primary, its transformed substantive forms are secondary in the form of the substance and consciousness. In other words the substance and consciousness represent the transformed forms of initiate less and infinite general information. Thereupon scientific general laws of conservation, balance and change of information are known.

In the process of research of inon efforts go on search of semantic characteristics of coding and decoding of unknown aspects of difficult and becoming complicated modern economic structures. Here as the basic code key act those or other forms of the resolution of economic contradictions.

Economic secrets, their essence and the nature disappear in coded and decoded inconsistent relations and parities of the re-embodied and transformed information of various kinds, levels and degrees of following types: resonance oscillatory and asynchronous economic development, material and intellectual patterns of ownership, material and spiritual interests and requirements, the material and spiritual reproduction, the ordered and disordered economic process, organized and self-organized factors of economic growth and so on.

For example, let’s conduct research of such an important property of inon as the value which is representing itself as the successor of cost. For this purpose today consideration and measurement of values should be spent in the following interconnected information and economic-technological units as relation unit (informazion) - unit of action (quantum) - unit of labour (joule) - unit of the information (bit) - monetary unit (for example, dollar). In technical sense having picked up translation factors - parities between given units, it is possible to lead them to a uniform monetary denominator.

In economic sense it is important that according to the law of information unity each bit of the information purposefully has "its" potential consumer and the user. However that the given potentiality has turned to the validity and has expressed, thereby, the value the interrelation of all ensemble of units of measure of value is necessary. Thereupon in economy there is a severe need in association and integration of various information-economic fluctuations, forces and the factors forming and generating value, separated today and hidden from a society (for example, a trade secrets and through the high prices private aspiration to exclusively high profit).

However such integration of information-economic fluctuations can occur with the account of identical level and degree of the various saved up information. As a result there is a possibility of the coordinated periodic exchange and combination of the various information with each other with the subsequent growth of degree of coding and decoding, a materialization and dematerialization of inon values. The given possibility transforms to the reality if various kinds of the saved up economic information of one level consciously from a society and individuals
inherently aspiring to a free exchange actually begin to be liberated and applied in a necessary direction.

Such an approach in economic activities inevitably leads to the new form of public and individual consciousness because economic interest has here long-term and perspective character. For example, by global and fast distribution of results of functioning of various information forms of intellectual property values of inon raises in several times and the mass of received profit grows. Then the sense of competition consists not in monopoly concealment but in speed of distribution and sale of the information goods. Such a speed completely corresponds to the spirit and letter of all essence of the modern information-economic processes embodied in inon.

Thus it is possible to present structures of inon values in the form of conditional periodic table of levels of fluctuation of the various information reflecting possibilities of its coordinated exchange and combination in direction of this or that action, labour or activity (see Table 1).

According to the given Table 1 inon value personifies diverse combination of fluctuations of various degree and level of the individual, especial, general and overall information. Thereby in a basis of inon there are inconsistent-coordinated processes of combination of fluctuations of various types of information (information forces and factors) in a direction of this or that action, work and routine-creative activity.

At the analysis of inon as the capital successor economic processes are considered from the information position of vision of a uniform picture of the world. The matter is that the coming true information revolutions change in a root the cost form of economic relations and generate the self-regulated environment of three-stage formation of a new central economic category - inon.

The consecutive transformation and formation of a new category-inon is possible to present in the next form: simple commodity production (C – M - C), capitalist commodity production in the form of the overall formula of the capital (M - C - M1), information commodity production in the form of the overall formula of inon (EMC - ICI - EMC1), where C-commodity, M-money, EMC-electronic money, ICI-information commodity.

From information positions of vision of a uniform picture of the world the overall formula of inon shows that the information in one form reflects the information in other form. And, the form is understood as reflection in ideal-material subject of the information basis in the form of structure and the maintenance of complete object. So, in our example, the ideal form of the information as the overall formula of inon reflects the material-monetary form of the economic information.

It is known that at the first step of economic relations muscle labour and the land were the basic factors of production, at the second step were the mechanical work and industrial factors of production and on the third step is the information-automated labour. In the structure of high information neotechnologies the information-automated labour is expressed in the form of routine-creative and
innovative-intellectual activity and is based on the computerized artificial intelligence as the major after-machine factor.

At the first step the product of muscle labour as commodity was object of a simple commodity-money exchange. At the second step the capital is formed as the self-increasing cost (primary self-increasing on vertical in direction of owners of the capital appropriating results of its turnover and circulation), and at the third step inon is formed as self-expanding value (primary self-growth on horizontal in direction of cumulative inon, generating and using its turnover and a circulation results. Cost type of capital relations transforms to valuable type of inon relations. In other words the form transforms to content and the appearance - to the essence. How it occurred and occurs?

**Table 1. Levels of fluctuation of the various information**

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*Source: own study*

Note: in given Table 1 the presented symbols mean information embodied in values of inon:

- 10^0... 10^k - quantity of bits of the unite information;
- 10^0... 10^f - quantity of bits of the especial information;
- 10^0... 10^m - quantity of bits of the general information;
- 10^0... 10^n - quantity of bits of the overall information;
- SF (un) - level of the surface unite information;
- SB (es) - level of substrate especial information;
- DP (gn) - level of the deep general information;
- SS (ov) - level of superstancial overall information;
- k, r, m, n - degrees of unite, especial, general and overall information aspiring to infinity.
At first, production of goods gradually transformed and is now promptly transforming in mainly spiritual (not real but information-intellectual). In other words the mechanized labour and machine 3-chain factors of production participated in creation of the goods of mainly real character and mainly for mass basically material consumption, have generated objective conditions for functioning of self-increasing cost relations. Naturally at early stages of capital development the theory of labour cost and on late stages the theory of marginal utility had real economic base.

However eventually the information-commodity production connected with four-chained information-operating and self-operating artificially intellectual automatic machines and factors of high neotechnologies of spiritual production and routine-creative innovative activity of people, doesn't give full explanation by means of the given above theories. In these conditions external valuable forms of the real goods began to get in the cost content of non-real goods. Thereby as a result of the known permission of the contradiction between form and content of cost relations the form turns to the content.

This became inevitable due to the following circumstance: the importance of purpose has grown consisting in necessity to faster sell the product. It has influenced on value and cost characteristics of the product. The external form of expression of the given product is orientation on the individual consumer and the internal content is defined by its value.

Secondly in open nonlinear economic structures which pretty often reflect the economic reality transformation of accident into the objective and essential reason of the major economic changes is self-evident and natural self-organized information process. Continuous and discontinuous transformations and self-transformations of information and initialless-infinite set of every possible economic forms and metaforms create the economic environment for occurrence, functioning and fading of a chain of laws, regularities and tendencies.

In such conditions the form can turn and become the content, accident becomes regularity, appearance becomes essence, and consequence becomes the reason, ideal becomes material and on the contrary. Therefore value as the external form of development of product cost at the capital began to transform to the information product at the inon and replace "parent" in the face of cost.

Thirdly in the conditions of new information economy and functioning of the central economic category – inon itself as the product transforms to the information product, getting new properties: internal - value and external - purposefulness. At the heart of value lies routine-creative activity generated by the personnel, and in character of purposefulness lies the aspiration to satisfy individual inquiries and requirements of buyers. In other words customer value and utility of the product under the capital change and turn to purposefulness of the information product under the inon.

Transformations and changes of names of the given traditional economic categories are not simply mechanical change of a signboard but changes which have itself the deep informational structurally functional reasons. We can name at
least some of them: primary production and consumption of non-real information goods of spiritual character, flexible and fast orientation to creation and generation of the original innovative information goods, orientation to the individual consumer and other reasons.

As the first form of the resolution of the internal contradiction of overall formula of inon between value and purposefulness of the information product act self-expression of the individual and electronic quasimoney. The individual (the person, the personnel, the creator) is the main figure and crucial resource of information economy. Therefore the self-expression of the individual is the leading form of the resolution of the contradiction of inon in relation to the conducted form which acts in the form of electronic quasimoney. In previous structure of the capital the first form of the resolution of the internal contradiction of the product between its cost and consumer value act first of all money, and only then, as the conducted imperceptible side, self-expression of the working personnel.

As the second form of the resolution of the contradiction of the general formula of inon connected with the self-expanding size of electronic quasimoney and various growth of self-expression of the personnel acts intellectual force as the information product. It resolves the contradiction of inon between value and the added value. In becoming outdated structure of the capital as the second form of the resolution of the contradiction of its overall formula acted and acts as it is known the labor as the product. Under the influence of the information factor capital development was accompanied by its internal self-changing process.

Inon as self-growing, self-expanding and self-expressing value represents itself as process of coding and decoding, materialization and de-materialization of the industrial and commercial information. Such a process provides resonant mobile balance of all code structures and uniform information-network socioeconomic space. Thereby inon expresses information relations between people in the process of their routine-creative intellectual activity directed on reproduction of the spiritual and material vital things. Inon is represented as process, result and subject of the application of routine-creative informational and intellectual activity.

In the process of scientifically-economic study of inon it is found out that its functioning becomes the reason of transition from primary possession to primary usage of results of functioning of various forms of property and especially, intellectual property. Functioning of inon leads to fast up-dating of products, to frequent occurrence of essentially new products of the given assortment and to formation of internationally corporational supranational informational network routine-creative activity.

So in the conclusion we will notice that between the capital and inon are general and distinctive features. General features are:
1) both categories are central and backbone;
2) both categories are one of the transformed forms of the cumulative economic information;
3) both categories express basic economic laws, relations, contradictions and interests.
The distinctive features of the capital and inon concern:
1) the capital acts as the self-increasing cost mainly on vertical; inon is represented in form of self-expansion of value mainly in horizontal;
2) inon is the higher transformed form of the cumulative economic information, and the capital - the lowest one;
3) the purpose of functioning of the capital is only profit, the purpose of inon is profit and self-expression of personnel;
4) for the capital are typical relations of economic compulsion, distinctive social and economic structure of the type: capitalist-worker, economy is industrial, society is capitalist.

For inon are typical relations of the realized necessity, social and economic structure of type: managers, shareholders, creators and executors, economy is postindustrial and inon-intellectual, and society is informational.

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