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Management trends into turbulent environment

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## **CRISIS RESPONSE PLANNING IN THE EUROPEAN UNION**

The European Union is next to the North Atlantic Treaty (NATO) and the United Nations (UN) one of the leading international organizations engaged in world politics, which aim is to create security and order in the world and to fight for respect for democracy and human rights. The European Union was established in 1993 under the Treaty on European Union signed in Maastricht, also known as the Maastricht Treaty. Signatories to the treaty agreed that the Member States will create a common external policy, which might lead to a common defense if such need would arise. Within the Common Security and Defense Policy EU Member States conduct together the crisis response operations, which are an important tool of strengthening the European Union's position in the world and serve to provide greater security in Europe. Since its foundation in the mid-2013 the European Union has conducted or still conducts 28 civilian missions and military operations.

The need for fast response to emerging security threats and lack of effectiveness in solving potential conflicts (through the use of diplomatic or political means) have contributed to the increasing significance of peacekeeping missions of a military character. Previous long experience of the European Union concerning solving problems associated with this kind of threats to the security showed that the missions of that kind are in many cases the only way of solving problems or lead to at least temporarily stabilization of the situation. This also gave rise to the need of collecting experience by the EU member states, which could become the basis for development of specific directives and standards, which are indispensable elements to prepare plans concerning the effective fulfillment of complex military tasks in the areas covered by a crisis. This paper attempts to present and discuss the various stages of the planning process of a crisis, which are conditioned by the effectiveness of emergency response in the European Union.

### **Crisis management in European Union**

The Lisbon Treaty has introduced the so-called Mutual Defense Clause, which is the commitment to joint assistance of Member States in the event of aggression on the territory of a Member. This obligation also applies readiness to take action in the event of a terrorist attack, natural disaster or a catastrophe, and allows the use of all possible forces and means including military intervention (if there is such need).

According to the art. 222 of the Treaty on the Functioning of the European Union contained in Part V concerning the external action of the European Union's in Title VII, containing a clause of solidarity between Member States, "The Union and its Member States shall act jointly in a spirit of solidarity if a Member State is the object of a terrorist attack or the victim of a natural or man-made disaster" (Art. 222 TFEU) The task of the EU in such situation is to mobilize all the instruments at its disposal, including military resources made available to it by the Member States in order to prevent the terrorist threat in the territory of the Member States; protect democratic institutions and the civilian population from any terrorist attack; assist a Member State in its territory, at the request of its political authorities, in the event of a terrorist attack and assist a Member State in its territory, at the request of its political authorities, in the event of natural or man-made disasters. (Art. 222 TFEU) Moreover, in a situation, in which a Member State is the object of a terrorist attack, the victim of a natural disaster or the victim of a disaster caused by man, according to art. 222, paragraph 2 of TFEU, at the request of its political authorities the other Member States are obliged to help him. For this purpose, at the joint request of the Commission and High Representative of the Union for Foreign Affairs and Security Policy, the Council shall adopt a decision determining the conditions for the application of the solidarity clause by the Union. The information about the decision will be conveyed to the European Parliament. However, according to art. 222, paragraph 3 of TFEU,

the Council is assisted by the Political and Security Committee, which in turn is supported by the structures developed in the context of the common security and defense policy (CSDP) and the Committee referred to in Article 71 of TFEU - " A standing committee shall be set up within the Council in order to ensure that operational cooperation on internal security is promoted and strengthened within the Union", which, where appropriate, submit joint opinions. On the other hand – according to Art. 222, paragraph 4 of TFEU – in order to enable taking effective action by the European Union and its Member States, the European Council is committed to systematic assessment of threats facing the Union.

EU activities in the field of crisis management are carried out under the different instruments and using multiple tools, among which the most important are:

- Directorate General for Humanitarian Aid and Civil Protection (ECHO); ([http://www.europarl.europa.eu/atyourservice/pl/displayFtu.html?ftuId=FTU\\_6.3.2.html](http://www.europarl.europa.eu/atyourservice/pl/displayFtu.html?ftuId=FTU_6.3.2.html))
- The EU Civil Protection Mechanism; ([http://www.straz.gov.pl/panstwowa\\_straz\\_pozarna/europejska\\_ochrona\\_ludnosci\\_w\\_ty\\_m\\_mechanizm\\_ochrony\\_ludnosci](http://www.straz.gov.pl/panstwowa_straz_pozarna/europejska_ochrona_ludnosci_w_ty_m_mechanizm_ochrony_ludnosci))
- Civil Protection Financial Instruments;
- Early warning system of the European Union;
- Crisis management operations carried out within the framework of the Common Security and Defense Policy (CSDP).

The main body of the political decision making in the field of crisis management in the CSDP is the Foreign Affairs Council (FAC), which is supported by the following committees: Political and Security Committee (PSC); Military Committee (MC); Politico-Military Group (PMG) and the Committee for Civilian Aspects of Crisis Management (CIVCOM). These meetings of the mentioned EU institutions are attended by the representatives of national governments. (Brylonek, 2013) However, in the case of humanitarian crises the actions on behalf of the EU are taken by Directorate General for Humanitarian Aid and Civil Protection (DG ECHO). In addition to the above-mentioned institutions in the European Union there are other competences in this field. Full list of institutions that are responsible for crisis management in the European Union, along with the decision-making procedure and the scope of their competence has been presented in the "Manual on EU emergency and Crisis Coordination" adopted by the Council of the European Union on 19 May 2006. It contains the procedures under which the coordination of crisis management in the European Union took place, along with a list of institutions responsible for it. This manual has been supplemented and amended by the Council on 20 June 2007 and on 11 June 2008. The next edition of the Manual was adopted by the Council of the European Union on 5 March 2010. (<http://register.consilium.europa.eu/doc/srv?!=EN&f=ST%207154%202010%20INIT>)

It is worth pointing out that the European Union actively participates in all the phases of crisis management, starting from preventing crises, through preparing for possible dangers, ending on reacting when the critical situations occur and supporting the reconstruction after the crisis situations.

There are four levels of crisis management planning in the European Union and these are:

- strategic planning level, that is the European Union institutions;
- strategic level, that is the European Union Operational Headquarters for the military operations and Crisis Management and Planning Department (CMPD) for the civilian operations;

- operational level that is the European Union Operational Headquarters for the military operations and Civilian Planning and Conduct Capability (CPCC) for the civilian missions;
- tactical level, that is the military component headquarters. (Brylonek 2013)

Planning of crisis management in the European Union at the levels mentioned above have to be closely linked and synchronized.

European Union military planning, which takes place at the political and strategic level is guided by the following two institutions: the Department and Crisis Management and Planning Department (CMPD) and the European Union Military Staff. Supervision over these institutions is led by the European Union Military Committee. Military planning is to determine the military options, which include the full range of tasks under the Treaty on European Union and the European Security Strategy. According to EU procedures, two types of military planning exist: the first is the advance planning, which is divided into generic planning and contingency planning, while the second type of military planning is crisis planning. The purpose of the basic planning is to determine the basic general requirements regarding the demand for power and resources, and in contingency planning detailed planning documents are created, which form the basis to begin the process of emergency planning for a particular situation which enables shortening the time of response to the crisis. The planning is ended with the elaboration of Crisis Management Concept, which is the document defining the characteristics of a given operation CSDP. (Terlikowski 2011)

### **Crisis response planning in the European Union.**

Crisis response planning process in the European Union consists of the following phases:

- Phase 1, which is the phase before the onset of the crisis;
- Phase 2, which is the phase of occurring of a crisis situation. In this phase the project of the concept of crisis response is elaborated;
- Phase 3, which is the phase of approval of the concept of crisis response and developing the strategic options;
- Phase 4, which is the phase of taking up a formal decision to take action and elaborating of planning documents;
- Phase 5, which is the implementation phase;
- Phase 6, which is a phase that involves the reduction of forces and termination of activities.

The activities in the first phase include monitoring of threats, analysis of the situation and early warning. At the beginning of each Presidency, the EU Council adopts the list of threats that is updated periodically by the Political and Security Committee. Relevant services of EU member states and the European Commission carry out regular monitoring of the situation in the regions of interest of the European Union, together with the exchange of information. In the Military Committee of the European Union takes place military consultations, which relate to the prevention of conflicts and the potential need for crisis response. The EU Military Committee after evaluating the risk of a crisis submits their proposals to the Political and Security Committee. In case of civilian aspects of crisis advisory function is performed by Civilian Aspects of Crisis Management Committee. On the other hand, in a situation of potential common commitment to dealing with a crisis situations, the European Union consults with NATO and with countries that do not belong to either the European Union or NATO. In a situation in which a crisis occurs (second phase) Political and Security Committee, having access to all sources of information, examines the proposals and initiatives concerning the crisis. At the same time the EU Intelligence and Situation Center after the selection of

information which they receive, translates their collective summary to the High Representative for the Common Foreign and Security Policy (CSDP) and to the other EU institutions, which have competence in the field of crisis response. Political and Security Committee (PSC) analyzes all the information and on the basis of this analysis prepares further guidelines. Then, at the request of the Director-General of the European Union Military Staff native leadership of the potential headquarters, together with other institutions with strategic importance, provide support and help in planning the future operations. Political and Security Committee after informing the European Commission about the decisions which have been taken up consider the possibility of applying counter- measures. At the same time, the EU Member States also provide the information to the Political and Security Committee about the decisions that were made at the national levels. The Committee after analyzing the information, prepares a preliminary political assessment and then returns again to the EU Intelligence and Situation Center and to the European Commission for the further current information.

It is worth noticing that the Political and Security Committee may petition for the establishment of a team of representatives of the EU Council and the European Commission to carry out fact-finding mission. During this period, the European Union and NATO conduct intensified consultations and meetings to exchange conclusions about the situation of crisis. After another analysis of the situation and confirming the need for taking action by the European Union by the Political and Security Committee the work on the initial concept of crisis response are taken, prepared by the coordination ad hoc team. In this initial project of a concept prepared by the team comprehensive strategic options are prepared, which include the possibility of using a variety of options. In turn, the European Union Military Staff recommends the Political and Security Committee potential command of the planned operation. Draft of prepared concept of crisis response is consulted with by the Political and Security Committee, which on the basis of this document develop further guidelines. Simultaneously, European Union Military Committee advises the Political and Security Committee on issues concerning the military aspects of the developed concept as well as on forces and means, whose initial contributions were provided by the Member States. Political and Security Committee once again agree on the details of the prearranged concept and considers and evaluates developed strategic options. The concept prepared in this way is sent by the PSC to the Council of the European Union, suggesting the adoption of one of the proposed options, the most appropriate for the situation of crisis. (Brylonek 2013) The next step in the crisis management planning is the approval of the crisis management concept (phase three). In this phase, after the approval of the crisis management concept by the European Union Council, Political and Security Committee turns to the European Union Military Committee to prepare a directive of strategic military options. Then the Political and Security Committee at the request of the Military Committee of the European Union appoints the operation commander and prepares the guidelines for the activity of civilian instruments, and then coordinates information strategy, which is to be adopted by:

- the presidencies of the European Union Council;
- the European Commission and
- the Member States.

The next step which takes place in the third phase is to develop options for each strategy: the military, police and civilian one, after an earlier presentation by the Member States and third countries the initial national contributions to the potential operations. They should take into account the risk assessment, structure of command and control with the indications for commanders and command of planned operations and mission, the commander and command of forces, the anticipated needs for the type and size of forces and an indication of the size of

the forces declared by the Member States to participate in the mission or operation. The next step in this process is the assessment of strategic military options by the Military Committee of the European Union and in case of police and civilian strategic options the assessment is made by the Civilian Aspects of Crisis Management Committee. These assessments are sent to the Political and Security Committee, which evaluates received assessments and submit them to the European Commission and the Commission, in turn, after reviewing strategic options, presents the draft decision, which takes into account the preferred options, to the EU Council. (Brylonek 2013) The European Union Council's decision of taking action is the beginning of the fourth phase. In situations in which the proposed operation will be carried out without the participation of NATO, the European Union Council appoints a committee of contributors, asks the Member States for an opinion on the previously prepared strategic options and then takes a final decision on the use of the strategic options. A further step of the European Union Council is to decide whether to admit the third countries to the operation and to appoint:

- Commanders and headquarters of operations;
- Commanders and command of forces and
- Command of the Components. (European Union Council 2003)

At this stage it is also important to develop and approve the Concept of Operations CONOPS (also known as the operational concept document). (www.mitre.org 2016) For this purpose, the Military Staff, at the request of the European Union Military Committee, makes a draft of initiating military directive, which must be approved by the PSC. When these procedures are positively completed commander of the operation is preparing a draft of concept of operations and rules of the use of forces and requirements of the operation. When the project obtains the approval of the PSC, it is sent for the approval by the European Union Council. After developing the concept of operations CONOPS generating of power takes place. Proposals of the Member States' contribution of forces and means play a key role in the success of operations and missions crisis response of the European Union. The process of generating forces and means is conducted under the guidance of a previously designated the commander of the operation. The next stage of the phase four is to develop on the status of forces agreement (SOFA) or status of mission agreement (SOMA). (Chuck Mason 2012) They are either bilateral or multilateral agreements that regulate the legal situation of military forces and civilian personnel deployed by one or more Member States or international organizations on the territory of another state but with his consent. (Sari 2008) Status of forces SOFA and mission SOMA is developed by the European External Action Service. Then, the European Union Military Committee Military through the Military Staff consults the project with the operation commander, taking also into account the opinion of the Civilian Aspects of Crisis Management Committee, and then submit it for approval to the European Union Council.

After working out these arrangements, it is necessary to develop and approve the Operation Plan OPLAN, which determines the strength, resources, and support required to implement the plan. It is the plan to simultaneous or subsequent conduct of one or several combined operations. It is based on established assumptions and exists in the form of guidelines of higher authorities allowing the subordinate commanders to prepare supplemental plans and orders. OPLAN plan may be implemented on a given time or a signal, and then it becomes a command. (AAP6) This plan is developed by the command of the operation or mission. European Union Military Committee, after taking into account the opinion of the European Union Military Staff, submits its recommendation concerning Operation Plan to the Political and Security Committee. At the same time, the Civilian Aspects of Crisis Management Committee submits its recommendation for the civil plan of operations. Then the Political and Security Committee examines the submitted recommendations, considering taking them into

account and sends the plan of operations for approval to the European Union Council. After fulfilling all the formal requirements, the European Union Council approves the plan of operations, rules of use of forces, the agreement on the status of forces and decides to launch the operation. (Brylonek 2013) In the fifth phase, the Political and Security Committee under the supervision of the European Union Council controls and directs the strategic political crisis management operations. If necessary, it makes the appropriate modifications. Operation Commander Reports to the Military Committee of the European Union, which with the assistance of the Military Staff of the European Union oversees the operation. European Union Military Committee also sends information to the Political and Security Committee regarding the course of operations. (Brylonek 2013) The last phase is the sixth phase, it means the reduction of forces and the completion of activities. In this phase, the Political and Security Committee analyzes the need to reduce the military operation forces of the European Union and then directs its recommendations to the Council, which decides on the termination of the activities of some or all of the elements of power. It may also decide to use any possible substitutes. At the end it issue a request to the Commission of the European Union for a summary of the actions conducted at Member State level.

### **The conclusion**

For several years the European Union has been engaged in the planning and conducting of both military operations and civilian missions. Each of these activities has a different character and coverage. The most important is the fact that they take place with the use of the above-discussed procedures for crisis management. Its complexity stems among other things from the current rule of unanimity among EU member states in the decision-making process. It should also be noted that the submitted response procedures for crisis management in case of changing threats are regularly updated. Today, the weakness of these procedures lies in the decision making process, which requires the acceleration. In my opinion, it is the reason why that kind of changes of the procedures will be made.

## **ECOLOGY AND SUSTAINABLE ECONOMY VERSUS MANAGEMENT AND THE GLOBAL ECONOMY**

The article starts with an introduction into the topic of ecology and sustainable development in the context of managerial activities in the global economy. It continues with the formulation of problems: Do possibilities exist to effectively combine economical activities with pro-ecological ones in the spirit of sustainable development? Can contemporary management be useful in this purpose? If the answer is “yes” – in which way can this be achieved? Hence the hypothesis was formulated: It is possible to connect economical activities with the principles of sustainable development and to increase the importance of ecology in managerial work. In the process of gathering dates the documentary research method as well as the comparative historical research method were used.

### **Globalization**

The challenge of contemporary times which we have come to face seems to be of an unprecedented nature. Never before in the history of mankind has there been such a large technical potential for the solution of problems that torment human beings as in the current times, while at the same time, never before has there been so many possibilities for man to undertake such destructive action as to lead to the total destruction of our species. Thanks to the development of techniques, the global economy became more efficient than before. There

are positive achievements of civilization as evidenced by limitation of famine and the elimination of certain illnesses. (Kromolowski, 2014: 2124) The technical progress not only changes the ways of functioning in terms of economic mechanisms, while also having an impact on the forms of behaviour of particular people, as well as larger human communities.

(Galbraith 1963;165 ). As a result, over the past decades, the term "globalization" has emerged. (Steger 2009:8) The word becoming a synonym for progress and prosperity for its proponents, while for its opponents it became a slogan for a reactive system of capitalistic exploitation. (Akerlof, Shiller 2009: 175) Despite the continual controversy concerning the term's origin and conditions of emergence, its procedural character and global influence on economics, as well as on the exchange of goods and information, is undoubted. (Giddens 1993: 547)

In analysing the particular signs of the last stage in the process of globalization in which the term has become widespread in today's meaning of the word, it is possible to distinguish a wide range of characteristic features as follows:

- 1) Large increase in the significance of the USA, in which the country has become the unquestioned superpower with worldwide ambitions.
- 2) Continued concentration of capital – a growing amount of capital is at the disposal of fewer people.
- 3) Growth of disproportion of wealth in the world.
- 4) Acquisition by large enterprises of unprecedented opportunities to run business activities in the world (unimpeded movement in search of the most suitable area for production or trade – without the necessity of bearing responsibility for the social security of the people of the countries where they run their business operations, the consequence of which is the frequent market plundering ).
- 5) Reduction in the control of particular governments with regard to the activities of large multinational corporations causing negative consequences – first and foremost, social and ecological ones. This situation partly results from the dependence of politicians on large capital.
- 6) Growth in the significance of a group of managers who “manage”, concentrating great power in their hands, but who are not the “owners” in the true sense of the word.
- 7) Increase in the political role of large capital – among other areas, through the control of mass media, financing political parties and the opportunities of influencing the state of the economies in particular countries.
- 8) The prism of the neoliberal ideology and in its own sense –“naturalism”, associated with social Darwinism, leading to the laissez faire formula. Domination of this type of direction seems to be seriously threatened in the face of a severe economic crisis.
- 9) Emergence of the ideological globalization”, ideological glorification of neoliberal concepts of the “free market” associated with the justification of “repatriation” and the justification of the necessity of reducing the working standards in western Europe with relation to rivalry with Third World countries offering more convenient conditions of production, particularly manifested by the abandonment of restrictive policies in the area of environmental protection and the social security of people employed by western concerns. The “ideological globalization” indicates the ideological ties between ideologies and the economies in the period of the collapse of the communist system. This should not be mistaken for procedural globalization. In fact, this was to replace the “conflict of systems” with the concept of economic rivalry that brings enormous profits by serving the neoliberal ideology of international concerns.
- 10) Old age of the societies of the developed world (low birth rates), which is being compensated for by allowing in immigrants. This procedure leads to ethnic, social and cultural variation in Western Europe – causing a range of tensions.

- 11) Intensification of religious, ethnic and political tensions in the world, while simultaneously the spread of weapons of mass destruction (including atomic weapons) and the increased threat of terrorism.
- 12) Emergence of anti-globalization protests, criticizing the negative symptoms of the process of globalization while simultaneously negating the basis of the capitalist system. (Violent protests of anti-globalists often taking the form of spectacular action seem to achieve only limited success. This is in relation to, among other things, the colorful “origins “of the ideology of the protesters and the general nature of their criticism. Furthermore, the basis of the enemy of the process of globalization appears to be an anachronism In light of the fact that this process is of a worldwide nature and is the result of a wide range of events taking place in many countries. A more reasonable solution would be in which capitalists who by nature strive towards the maximization of profits, would be forced to adhere to the specified regulations of activities, thanks to which profits can be gained that is also of benefit to the community.
- 13) Realization of far-reaching cultural transformation which is to a large extent a reaction to the transformation occurring in the world itself. ( Steger, 2009: p. 8 )

### **Cultural and Social Transformation**

Globalization developed together with cultural transformation and remained in close ties with it. Transformation occurring in contemporary times in the area of the culture of the developed world would not be possible were it not for the dynamic process of urbanization. It is worth paying attention to the fact that the change of location of the population in the developed world constituted a colossal breakthrough in the history of mankind, as for thousands of years a decisive majority of people lived in rural areas and it was only after the commencement of the industrial revolution did the situation undergo rapid change.

Subsequent to the revolutionary changes in techniques –as in the case of the economy, various concepts, doctrines and ideological programmes are provided, with which we are confronted in an aggressive way. The technical progress not only changes the ways of functioning in terms of economic mechanisms, while also having an impact on the forms of behavior of particular people, as well as larger human communities. However, it also forces through far-reaching changes in the mentality and opinions of the representatives of the species of Homo sapiens living in the 21st century.

Without the evolution of human consciousness fantastic inventions, constructions, projects could not have been made, or in other words-everything that mankind is so proud of. Despite the spread of the popular conviction of the domination of a universal mass culture that grew out of the process of globalization, much points to the fact that the world beside this visible “mainstream” one contains “side streams” – regional and quite frequently in a static position due to its axiological beliefs which are in contrast to those of the mass culture. It is possible to note for instance a few cultural directions which today’s world is developing in now. To a large extent, this is inspired by worldly opinions. Beside the developed world remaining in the tradition of the enlightenment, the Islamic world which is experiencing a renaissance in its religious rigorism, Asian powers – especially China and India that search for their own way to success in the full spin of the contemporary capitalist system ( the trends towards “integrating” these strange elements, but not adopting them in their “entirety” ), Russia, which is torn between the heritage of the Asian elements of culture, the impact of the post-Byzantine western cultures, Africa, thrust into chaos which is worsened by intervention by external forces ( this group includes not only traditional “imperialistic” countries, but also Asian countries- mainly China, which cultivate very active economic policies in this region ) and South America, experiencing a sharpening of the feeling of national identity and strife towards abolishing “social injustices”

and emancipation of native ethnic groups of people in America. Such an example of this is Bolivia.

The socio- economic logic requires to combine the creation of work stations on an adequate social level with facilitations concerning the sale of a particular corporation's products on the market of a particular developed country – and vice versa – in the case of work station liquidation firms should be forced to incur the relevant costs- e.g. taxes. These steps however are not being taken in developed countries – suspected for political reasons, which is why the roaming of capital to find better and better conditions to invest do not stop- to the detriment of global labour standards. Directly connected with these practices is the phenomenon of social polarisation, encircling not only western countries- where work stations are being liquidated but also developing countries where the population is divided into those who “participate” in the profits resulting from “capital roaming” and the “defeated”, staying on the random of economic development. (Sachs 2005: 24 – 25) This situation poses an alarming threat to the “middle class” which is in a way the basis of a functioning capitalistic economy and parliamentary democracy.

### **Consumption and “modernity”**

The form of consumption preferred by global capitalism is becoming a growing problem in the situation of the current crisis and in the context of the progressing social polarization in the world which is associated with the deepening gap between the relatively small number of the increasingly wealthier and the poorer majority. It is a good idea in this context to indicate the decreasing state of the middle class, which is viewed as the strongest pillar of the system of democracy. It is also necessary to remember the heterogeneous distribution of the possibilities of consumption in the world, which only serves to worsen internal tensions in countries, as well as conflicts between the north and the south.

This is accompanied by the concentration of capital that serves its duties to the societies of the world on an ever decreasing scale. The global foretaste of “standardization”, which is carried out before our eyes under the auspices of companies known as Aldi or Lidl where we can observe mass production in the style of Ford combined with the unification of the way of life of workers living together in housing districts built for them not far from their workplace. It is worth emphasizing that the ways of spending free time in the case of the workers of Ford were scrupulously organized. In modern times forms of “stimulating” specific behaviour have become much more sublime. An interesting phenomenon which is possible thanks to the development of the techniques of “overcoming” geographical and climatic barriers is the realization of the exotic concepts of “cheating nature”, with the aim of creating commercially attractive recreational centres – as can be certified by the fact of building a ski slope with artificial snow in the United Arab Emirates. Showing the same film or ostentatiously urging people to buy the same items as in the times of Ford has been replaced by subtle suggestions and the creation of behavioural sequences. “The prestige of production depends on the prestige of goods. In the more censorious social levels of American society there is already a well-developed and even fashionable aversion to gadgetry. (The word gadget is itself a pejorative term for durable goods.) In such circles shiny rumpus rooms, imaginative barbecue pits, expansive television screens, and magnificent cars no longer win acclaim. They may even invite mild social obloquy. A degree of shabbiness in personal attire is now occasionally sought, especially among males. We have here what could be an incipient revolt against goods or at least a refusal to allow competitive emulation to be the source of wants.”(Galbraith 1963:162) In the capitalist maximization of profits “at all costs” the notion of the stock exchange turned out to be of great use. Bearing in mind the frequently non-transparent and unpredictable nature of stock exchange operations in which speculative capital is particularly damaging, they are becoming a symbol of a lack of comprehension by the average human being in terms of the

functioning of the contemporary economy. Likewise, in the case of the political mechanisms, critical thinkers debate at length on the exquisite forms of manipulation including social engineering through the means of many economic and political groupings that repeatedly lay claim to the name of “defenders of democracy”.

The price paid for availing of the stock exchange is that of uncertainty. Much points to the fact that this lack of certainty goes beyond the borders of “casino capitalism”, thus directly affecting the existence of “human capital”. Employees must increasingly become aware of the fact that what they were indoctrinated with in the nature of certainties loses its meaning as exemplified by the recent theory on the need to identify with the workplace which quickly became invalid and “attaching yourself” and “identify with” have been replaced by the slogans “mobility” and “adjusting yourself” with regard to the changing situation on the labour market. There is a widespread sense of scepticism among some researchers with reference to the univocally positive nature of the phenomenon which exists under the auspices of global “modernity”. This to a large extent refers to the axiological sphere which is affected by the consequences of socio-economic processes. Such features as the hedonistic cult of availing of life, lavishness, maintenance of political fiction and social imbalance, as well as damage to the natural environment are all particularly criticized. The transformation of certain features is visible, which can be initially acknowledged as positive and leading to the building of the “ethos of capitalism”. Nowadays, this has become its own caricature as exemplified by the desire of consumptionism which replaced “Calvinist frugality” or striving for profit that is satisfied by speculation on the stock exchange that has replaced traditional hard work.

Analysis of the culture of the period of advanced globalization allows us to get to its ambivalence in which on the one hand, it is featured by a strong universal trend, while on the other hand, a regional one. Likewise, in the political field aggressive activity is mixed with peace initiatives, concepts representing their own form of “social engineering” with trends towards protection of life at all costs”, and military leaders who are succeeded by leaders more focused on peace. “Transboundary pollution represents another grave danger to our collective survival. The release of vast amounts of synthetic chemicals into the air and water has created conditions for human and animal life that are outside previous limits of biological experience. For example, chlorofluorocarbons have been used in the second half of the twentieth century as nonflammable refrigerants, industrial solvents, foaming agents, and aerosol propellants. In the mid-1970s, researchers noted that the unregulated release of CFS into the air seemed to be depleting Earth’s protective ozone layer. A decade later, the discovery of large `ozone holes` over Tasmania, New Zealand, and large parts of the Antarctic finally resulted in a coordinated international effort to phase out production of CFCs and other ozone-depleting substances. Other forms of transboundary pollution include industrial emissions of sulphur and nitrogen oxides. Returning to the ground in the form of `acid rain`, these chemical damage forests, soils, and freshwater ecosystems. Current acid deposit in Northern Europe and parts of North America are at least twice as high as the critical level suggested by environmental agencies.” (Steger 2009: 87 – 88)

An essential feature of the modern culture of advanced globalization is its lack of coherence as it is based on contradictions e.g. the legendary wealth of prominent people is in contrast with the huge areas of poverty, child labour or even using children in the form of “soldiers” in the Third World, the feeling of omnipotence in the face of nuclear threat and the perspective of a fight for the decreasing natural resources.

## **Concentration of capital**

A real threat would seem to be constituted by the concentration of capital that takes place as a result of mergers of banks and industrial enterprises. This changes the distribution of power in the world, providing a rather low numbered group but having great material resources at their disposal and consequently large influence which can threaten the very fundamentals of democracy. The strengthening of the political power of international concerns and banks favours the process of concentrating influences by means of the mass media. This facilitates greater control of a situation and if required can exert pressure on stubborn politicians. The arsenal of the means of convincing insubordinate decision-makers to become more cooperative also includes “economic arguments”.

The existence of profit- seeking, private “financial empires”, which are controlled by nobody, several times contributes to economic destabilization in many countries – for instance the activity of speculative capital used for speculations. Alarming in this context are especially the often unclear exchange dealings and the increasing role of capital used to achieve rapid profits. “We are waking up to the fact that if Africa is dying it is because her environment has been plundered, overexploited and neglected,” Mrs. Raheb W. Mwatha told the Burtland Commission at a public hearing in September 1986. Edward Goldsmith, editor of *The Ecologist*, one of the oldest and most esteemed environmental magazines, in an open letter to the President of the World Bank, states the case thus: You must know this, Mr. Conable. Your Bank’s role in plundering, overexploiting and neglecting the environment of the Third World has been pointed out to you in innumerable well – written and highly documented studies by such writers as Susan George, Joe Collins and Frances Moore Lappe, Teresa Hayter, Catherine Watson and Cheryl Payer, to name by a few, and also by environmental organizations such as the Environmental Defense Fund ( EDF ), The Sierra Club, Survival International, Friends of the Earth ( FOE ), not to mention ourselves here. It has been pointed out to you on many occasions by members of your own staff. Indeed yours is the only multilateral development bank to have its own environmental department. What is more, it employs several highly competent ecologists. But you have invariably chosen to ignore their warnings and regard environmental considerations as little more than impediments to the achievement of your real priorities.” (Court 1990: 119 ) Although contemporary corporations are international oriented, they also exert – due to their economic force – serious influence in their mother countries. American, Japanese or German firms exemplify it. Their internationality manifests itself in the pursuit of increasing their profits through relocating their production into “cheaper” countries. The constant high jobless figures in the western countries causes that the fear of losing work drives the employees to abandon several rights. One of the visible effects of this phenomenon is the employee representations' gradual loss of strength in highly developed nations, especially those organized in great organizational structures. In the Third World Countries the activity of trade unions is often purposely complicated – there where they manage to emerge, they are in general subordinated to the employers. In addition to the large- scale centralization of the product and service market, in the 1990s the process of concentration of capital and simultaneously its quickened movement over the globe began. A perturbing element concerning the development of the current situation is the fact that there is practically lacking a force that could act as counterbalance for the mighty concerns and global financial organizations. “Organizations must take responsibility for the limit of their power, that is, for the point at which exercising their functions ceases to be legitimate. Organizations have to take “social responsibility”. There is no one else around in the society of organizations to take care of society itself. Yet they must do so responsibly, within the limits of their competence, and without endangering their performance capacity. Organizations, in order to function, have to have considerable power. What is legitimate power? What is legitimate power? What are its limits? What should they be? Finally, organizations themselves must be built on responsibility from within, rather than on

power or on command and control.” (Drucker 1993: 97) Another symptom of the changes reflecting the spread of globalization is the occurrence of “political integration”, whose symptomatic symbol could be termed as the process of unification in Europe. In the logic of the integration processes, the shift of the burden from the centre to the lower organizational levels is a natural sequence of events. This particularly refers to those countries which consist of culturally “independent” provinces or possess significant ethnic minorities e.g. in the case of the EU there is a clear strife towards the passing on of some of the responsibility for decision-making and their realization in the case of the regions in question. This helps to release ethnic tension to a certain extent in the case of the occurrence of separatist trends in some countries which can be exemplified by Spain and Belgium. “Nation – state are firmly territorial, but the sense in which the EC has its `own` territory is more ambiguous. The agreements of 1992 open up the free movement of persons and goods over a space that has been divided for centuries. Yet the EC does not directly `rule` over this territory, and its boundaries are not definitely fixed, for an indefinite number of further states are likely to become members in the near future. The EC has a diffuse presence; a number of `external` states have agreements of association with it. Unlike a nation – state, the EC has no clear hierarchy of administrative offices.” (Giddens, Sociology 1993: 344 )

The emergence of large transnational structures in the shape of the European Union admittedly does not signify the immediate disappearance of nations, but does however constitute a major step in the direction of transferring elements of the previously held power from a national level to that of a supra-national level. This is accompanied by the awareness among citizens of belonging to a greater organizational structure that transgresses the previous national boundaries, as well as creating within a continent a European cultural community. It is necessary to mention the practical side of this phenomenon – migration flows, spreading of familiarity with foreign languages, mixed marriages, use of different systems of education, as well as the impact of mass cultures on the inhabitants of various countries. This leads to the erosion of the existing concepts of national states and the birth of new forms of ethnic and cultural identities.

### **Environmental destruction**

The negative phenomena of the globalization are rooted in the Technical Revolution and the reckless, irresponsible industrialization and uncontrolled economical competition. The great demographic explosion in Europe during the period of the industrial revolution remains in close association with the discoveries made in science. As much as the growth in birth rates was relatively low in the middle ages – where a serious impact was noted among the following factors: a significant death rate of infants and children, frequent military conflicts and natural disasters, i.e. famine or outbreak of infectious diseases (e.g. an epidemic in around 1350 wiped out 1/3 of the population of the continent of Europe ) – it is the clear progress in medical practices, spread of regulations of hygiene in the 19<sup>th</sup> and 20<sup>th</sup> centuries, as well as the increased agricultural production all led to the situation of a rapid growth in the number of inhabitants of Europe. It is calculated that the population of Europe increased from 187m in 1800 to 406 m in 1900; in which in the case of Germany in the analogical period in question, the number of inhabitants grew from 24.5m to 56.4 m.

Thanks to the development of techniques, the agricultural sector became more efficient than before. Simultaneously, the process of growth in the use of machines increasingly reduced the role of agriculture in the sphere of employing the labour force. Social changes that took place in this era were indeed far-reaching. They were intensified by the fact that a strong trend towards the creation of large agricultural farms was in evidence that could in turn fulfill the requirements of economic competition. In the case of the section of the population who did not

gain adequate opportunities to earn a living in rural areas (certain possibilities in this area existed e.g. in industry that served rural areas) this meant the necessity to search for employment in urban areas in the dynamically expanding industrial sector.

However much the genesis of the process of urbanization is connected with the industrial revolution as previously mentioned, it is however necessary to note that it has lasted for a greater or lesser level of concentration depending on the region of the world right up to this day. This is first and foremost associated with the so-called “internal migration”, involving the movement of the population within one country – usually from rural areas to urban areas. Apart from this type of migration in European metropolitan areas and their (former) colonies there have been and still are migration processes involving the movement of people from one country to another, usually from a worse developed nation to a more developed one from an economic point of view. Aside from this, there are economic and political migration trends- from more poorly developed and politically unstable countries to richer ones that guarantee safety.

In the 19<sup>th</sup> century the previously unknown techniques of production based on steam engines started to become widespread. The combination of the forms of work in manufacturing with steam powered engines gave fruit to the process of industrialization. In the modern world we also live in the era of the “technological breakthrough”, associated with the great role of the IT sector and communication techniques. It is simultaneously felt in the economy in the form of the services sector, although the trend towards glorifying it and referring to it as the “sector of the future” – the driving force of the economy, would seem to have lost its impetus in recent years. The significance of agriculture in most countries (with the exception of areas of Africa) is decreasing, while the role of industry is rising. “Large areas of the Earth’s surface, especially in arid and semi-arid regions, have been used for agricultural production for millennia, yielding crops for ever-increasing number of people. Concerns about the relationship between population growth and environmental degradation are frequently focused rather narrowly on aggregate population levels. Yet, the global impact of humans on the environment is as much a function of per capita consumption as it is of overall population size. For example, the United States comprises only 6 per cent of the of the world’s population, but it consumes 30 – 40 per cent of our planet’s natural resources. Global overconsumption and uncontrolled population growth present a serious problem to the environment. Unless we are willing to change the underlying cultural and religious value structure that has combined with the social and economic dynamics of unrestrained capitalist accumulation, the health of Mother Earth is likely to deteriorate even further.” (Steger 2009: 85 – 86)

In contemporary times, we are also faced with the rich variety of production techniques – many of which are deemed to be “damaging for the natural environment” are in fact even tolerated by the same politicians who refer to the need to protect the “natural resources” of our planet. Much points to the fact that in the period of the industrial revolution an unwritten rule was created with regard to the priority of economic interests over the protection of the natural environment, thus facilitating the realization of policies of economic growth while ignoring the impact this has on nature to a serious extent. However true to say that the dramatic effects of degradation of the Earth’s resources finally forced the inclusion of ecological issues in the economic sphere, the practice of “choosing the lesser evil” is still very much in evidence today- the so-called situation of conflict between economic and ecological interests, at the expense of the latter ones.”What is currently at stake is the conservation of the Earth and the biosphere, the thin layer that is the scene of all of life. Desertification, deforestation, erosion, ozone depletion, acid and the greenhouse effect are just a few of the threats facing us. Another spectre is that of nuclear war, which would certainly be the end of everything. Human suffering and the destruction of Nature are everyday realities. At the same time, the call for action is becoming louder. Something must be done before Man effectively destroys the world; this awareness is gaining ground at all levels. (...) The question is: how can we turn the tide, how can we create

and preserve a future for coming generations, with adequate scope for nature and a healthy environment?" (Court 1990: 9)

For many reasons the possibilities to solve the environmental problems in developing countries are limited. There are not enough resources to realize environmental protection.

Another very important aspect is the "ecological colonialism", meaning the location of factories of international companies using "dirty" technology in the developing countries. (Harrod 1972: 513) Dishonest practices of profit-seeking "economic giants" cause serious devastations in the environment. (Dernburg 1985: 10) In order to change the awkward situation the support of the international community is needed.

### **Ecology and sustainable development**

Simultaneously with the industrialization process, the devastation of the Earth's resources in previously unknown dimensions took place. In this situation the demand of a new branch of science able to cope with the problems of environmental destruction, increased strongly. In consequence a new kind of science – ecology – came into existence. The etymology of the term is connected with the Greek οἶκος, meaning "house", "environment" and -λογία – "science", "study of" or "research. Ecology as a discipline is rooted in moral science, biology and politics. The history of ecology is long and interesting. Among the "founding fathers" of ecology there are personalities like Aristotle, Theophrastus and Alexander Humboldt.

The field of interests of ecology is very wide; inter alia deals with the interrelations between plants and animals, animals and their environment as well as the connection between industry and environment.

"Finally, in the last few years, the issue of human-induced climate change has been a major focus of domestic and intergovernmental policy as well as grass-roots activism. Brought to enhanced public attention by former US-Vice President Al Gore through his award-winning documentary, *An Inconvenient Truth*, as well as the production of numerous scientific reports outlining the dire consequences of unchecked global warming, climate change has emerged as one of the top three global problems facing humanity today. The consequences of worldwide climate changes, especially global warming, could be catastrophic. Many scientists are calling for immediate action by governments to curb greenhouses gas emissions." (Steger 2009: 88 ) In the course of time the environmental awareness increased. The concept of sustainable development was arisen. The idea of sustainability seems to be deriving from the term "sustained yield" – used probably for the first time in 1713. Sustainable development can be shortly described as the reservation of the earth's resources for future generations. In 1987 'Brundtland Report' was published – named after the commission's chairperson, the Prime Minister of Norway Gro Harlem Brundtland. The commission (the World's Commission on Environment and Development) was set up in 1983 by the General Assembly of the United Nations. This report emphasized the importance of the "needs" of the world's poor population and postulated the limitations of the "wild technical development" in purpose to preserve world's resources. (Court 1990: 128)

### **Economical and Ecological Challenges**

The challenge of contemporary times which we have come to face seems to be of an unprecedented nature. Never before in the history of mankind has there been such a large technical potential for the solution of problems that torment human beings as in the current times, while at the same time, never before has there been so many possibilities for man to undertake such destructive action as to lead to the total destruction of our species. Furthermore, it is clearly visible that the aroused hopes and expectations can not be satisfied in an adequate manner. This could lead to the feeling of frustration and psychological discomfort, which in

turn could lead to various social explosions and the activation of extreme social, political and religious movements. The uncertainty of the future creates a noose around the neck of our culture which is becoming increasingly “common” and is becoming increasingly shapeless, deprived of deeper meaning and does not give us the feeling of “settlement” in a constant and transparent world of values. The crisis that has become evident in our economies appears to embrace all fields of activity of man. Bearing in mind the nature of this crisis, it is becoming clear that it is also a crisis of a certain vision of activities that was fostered in the developed world, or in other words, a ruthless version of global capitalism under the name of laissez faire. Simultaneously, the cultural environment of this economic system is undergoing degradation with the axiological sphere being the most noticeable. This situation would appear to hold a significant opportunity for change in terms of the plundering exploitation of natural and human resources that has been dominating up to now, particularly referring to the approach of a greater distance from glorification and the use of the religious cult of “insignias of capitalism” such as stock exchanges or the free market. “Still, there are some grounds for guarded optimism. For example, significant agreements exist that certain limitations on carbon emissions must be placed on all nations. Yet, poor countries argue that they should not be bound by the same limits as developed countries. They make this argument for two reasons. Firstly, they need to build up their industries and infrastructures in order to pull themselves out of poverty. Placing significant carbon emissions restrictions on their industries would seriously impede their economic development. Secondly, they argue that poor countries have not been responsible for the production of most of the greenhouse gases that have caused the current problem. Identifying development countries as the primary producers of greenhouse gases, they suggest that the major burden for limiting the production of greenhouse gases should fall on the developed world – as least until developing countries have pulled their populations out of extreme poverty.” (Steger 2009: 93 – 94 )

It would be possible within the framework of existential reflection to return to “the source” of humanism and release man from the slavery of the soulless dictatorship of the calculation of profit “at all costs”, which is damaging not only from the point of view of culture, but also for the species of the homo sapiens.

## **Management**

One of the signs of the globalization process is the increasing significance of a group of managers who “manage”, concentrating great power in their hands, but who are not the “owners” in the true sense of the word. It should be noted that management does not represent a homogenous group. However, all managers have one thing in common – they make decisions and organize the work of others. They have the right to decide and bear responsibility for their actions. Contemporary management should draw conclusions from the obtained informations. Often management deals with the contradiction – to act ecologically correct or to act favorably for the economy. This dilemma should be eliminated by politics and – in consequences – the international law. A very significant issue is the introduction of ecological topics in educational projects. (Zieliński 2014: 393 – 412)

Many years ago, education on the field of ecology was nearly insignificant; nowadays the managers’ knowledge about the rules of environment, ecosystems or sustainability can be the key issue for effectiveness on international markets. In this respect management education needs more mind openness and flexibility. (Drucker 1993: 97) It is also necessary to investigate the concerning phenomena appearing in the world. Because of the high degree of responsibility, management is reliant on an efficient system of information and cooperation and the access to modern knowledge. In this situation the environmental education should be an important part of the activity of the management. It should to help raise environmental awareness and create

positive attitude towards sustainable development issue not only in the management but also in the staff.

## **Conclusion**

The contemporary management plays a very important role in the economical process. In the face of challenges of the contemporary world the modern management must cope with the problems of the economical efficiency, social responsibility of the capital and the needs of environmental protection. After the analysis of the available data one comes to the conclusion that the hypothesis: “It is possible to connect economical activities with the principles of sustainable development and to increase the importance of ecology in managerial work” should be affirmed. The process of globalization changed all areas of human life and also affected the work of management. Particularly important is that globalization changed the cultural environment of managerial work to a big degree. Contemporary management should take this into account.

In this respect management education needs more mind openness and flexibility. It is necessary to investigate the phenomena appearing in the world. It would be appropriate to force the so called “social responsibility of management”, too. It is time to go back to the honest, socially and ecologically oriented business in accordance with the maxim “you should also do a profit”.

## **THE CONCEPT OF CORPORATE POTENTIAL INNOVATIVENESS ASSESSMENT BASED ON FUZZY LOGIC**

Nowadays innovativeness is one of the most important issues in the enterprise management. The definition of *innovativeness*, similarly to *innovation* itself, is considered in the literature in many different contexts. Most often it is emphasized, that innovativeness is a specific ability or skill of an enterprise to search for, implement, and disseminate innovations continuously (Pomykalski 2001). Consequently, possessing it allows the enterprise to implement new products, processes, or ideas (Hult et al. 2004). More extended definitions depict innovativeness as an organization's inclination to seek, create, and implement new products, technologies, services, markets, and management methods; to undertake actions in uncertain situations; and to monitor the market and competition, forecast market situations and react quickly to changes by breaking routines, changing ways of communicating, and developing new ways of organizing (Francik 2003).

It should be also noted, that many of innovativeness definitions goes beyond merely exposing the same abilities or skills, emphasizing the results of its possession and use. In this way, innovativeness is the ability of an organization to control and maintain high dynamics of value creation, which manifests itself in using occasion to generate change and to process, as well as implement, new ideas in practice (Jin, Hewitt-Dundas & Thompson 2004) earlier than do other enterprises (Rogers 1995). Innovativeness as ability should enable an effective allocation of resources, aiming at creating an optimal configuration of competitive advantage (Morgan and Berthon 2008).

Therefore, innovativeness can be seen in the context of widely understood potential for creating innovation and continuous involvement in its development – the so-called potential innovativeness – or in the context of the specific effects of undertaken innovative activities and their impact on the enterprise financial results – the so-called resultant innovativeness (Yeung, Lai and Yee 2007; Nawrocki 2012). Differentiating these two types of innovativeness is very important, as high innovative potential does not always translate into a very good results of the innovative activity and vice versa (Simpson, Siguaw and Enz 2006).

From the viewpoint of research on innovation phenomenon in enterprises it is extremely important to determine how to assess corporate innovativeness. Developed over the last decades approaches to corporate innovativeness assessment (Oslo Manual – Guidelines for Collecting and Interpreting Innovation Data, Roger's methods, patent statistics, Frascati Manual – methodology for collecting and using R&D statistics, and many others) offer indeed a number of measures, but they do not allow to get a general synthetic innovativeness assessment (OECD and Eurostat 2005, Rogers 1995, OECD 2002, Pomykalski 2001, Szwajca 2011, Nawrocki 2015a). In addition, they base at the same time most often on data, which are difficult to reach (internal corporate data) or not necessarily reliable (surveys).

Therefore, as the main objective of the article was adopted a presentation of corporate potential innovativeness assessment method concept, based on fuzzy logic and publicly available data, which will provide not only partial, but also a comprehensive understanding of innovative potential in enterprises. In further research it is assumed to extend proposed model with aspect of resultant innovativeness.

### **Basic assumptions and assessment criteria of corporate potential innovativeness**

Proposed methodology of corporate innovative potential assessment is supposed to be of universal character and may be used for enterprises, that publish annual reports (Nawrocki 2012). It includes two aspects: (i) the widely understood resources determining innovative activity and (ii) engagement in its continuous development.

Within the resources determining innovative activity (i) there were three generic areas distinguished: intellectual resources, material resources, and financial resources. In the case of the first generic area mentioned, the partial assessment criteria include: assessment of human capital resulting from the work efficiency and value of salaries and benefits per employee in relation to average for sector, and assessment of knowledge in the form of intangible assets (excluding goodwill), based on productivity and amortization ratio of licenses, patents etc. In the case of the material resources area, the partial assessment criteria involve: assessment of property, plant and equipment resulting from its productivity in relation to average for sector and amortization ratio, and information about possessing laboratory. Furthermore, considering financial resources area, the partial assessment criteria include: the value of received grants and free cash in relation to expenditures on research and development, and credit rating, which inform about possibilities of obtaining debt capital and consists of financial liquidity as well as debt level and ability to its service.

In the assessment of an enterprise's engagement in development of resources determining innovative activity (ii), there are also three generic areas distinguished: engagement in intellectual, material and financial resources development. For the first one of them, the partial assessment criteria include: assessment of human capital development, resulting from percentage employment growth and investment intensity ratio on staff training in relation to average for sector, and assessment of knowledge in the form of intangible assets development, based on restoration indicator of licenses, patents etc. and its investment intensity ratio in relation to average for sector. In the case of second area, the partial assessment criteria include: restoration indicator of property, plant and equipment as well as its investment intensity ratio in relation to average for sector. Furthermore, considering engagement in financial resources development, the partial assessment criteria include: financial results and cash flows and change of capital and assets structure. A general structure of the corporate potential innovativeness assessment model is presented in figure 1 which also contains mentioned criteria and relations between them. As the basic source of data for application of proposed corporate potential innovativeness model adopted generally available information, published in complex annual reports of enterprises. In turn, the calculation apparatus is based on the fuzzy sets theory, being one

of the probabilistic methods, that deals with approximate reasoning (Zimmerman 1996, Zadeh 1965).

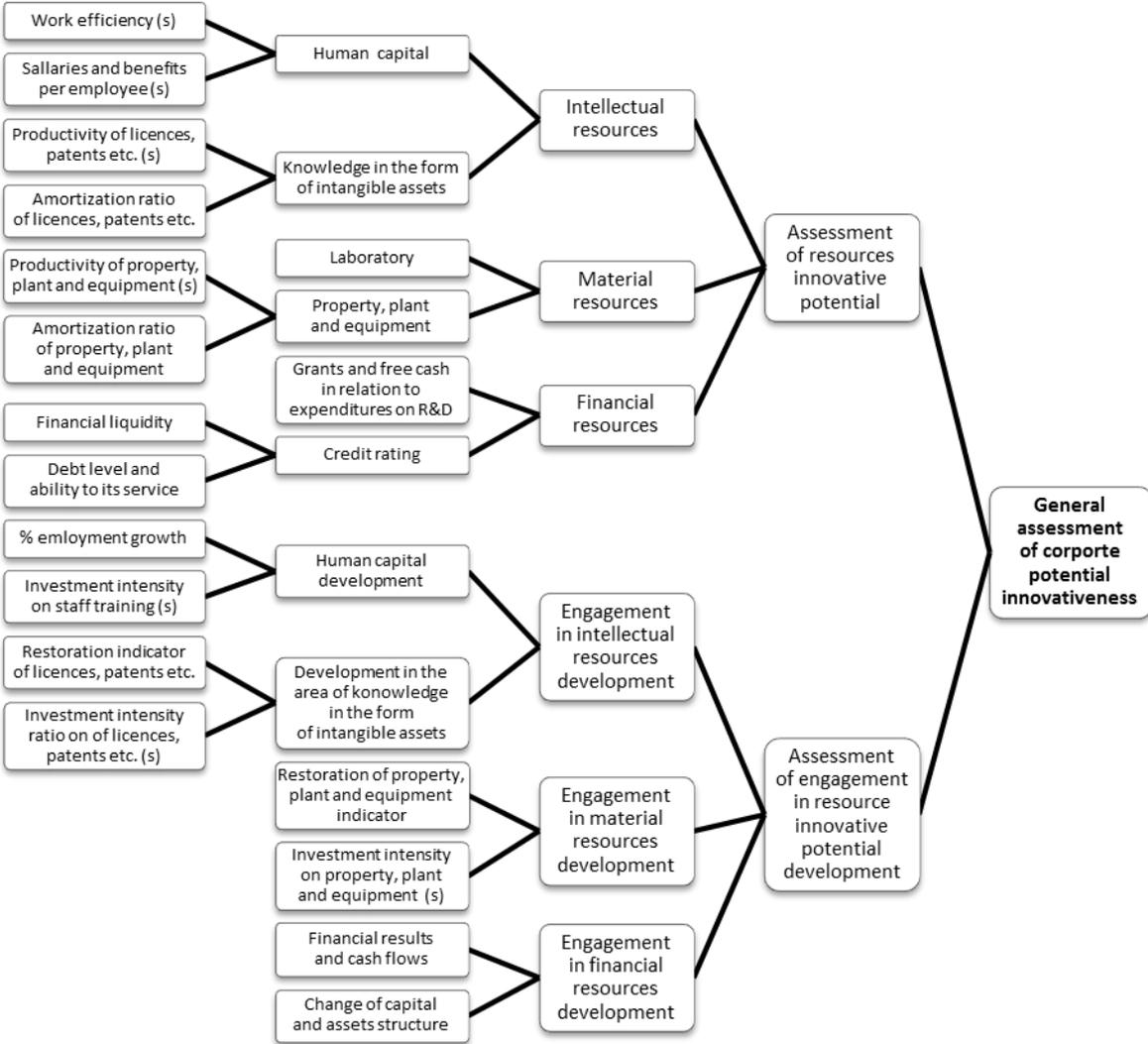


Figure 1. General structure of corporate potential innovativeness assessment model  
Source: Own work.

Application of fuzzy sets for detailed calculations of companies’ potential innovativeness assessment entails the construction of the so-called fuzzy model, based on expert knowledge. Information necessary to achieve this goal should be acquire through the interview questionnaire, or, if model developer has a good knowledge in the scope of analyzed category, it is also possible to develop an original model.

Specific criteria for corporate potential innovativeness assessment in the developed model were separated taking into account several years of experience of the author in the field of enterprises fundamental and innovativeness analysis, as well as the capacity of information in interim reports published by listed companies.

**The Main Guidelines for Fuzzy Model Construction**

In proposed solution it was assumed, that fuzzy model will be developed along with Mamdani approach (Piegat 2003) which in general form presents Figure 2.

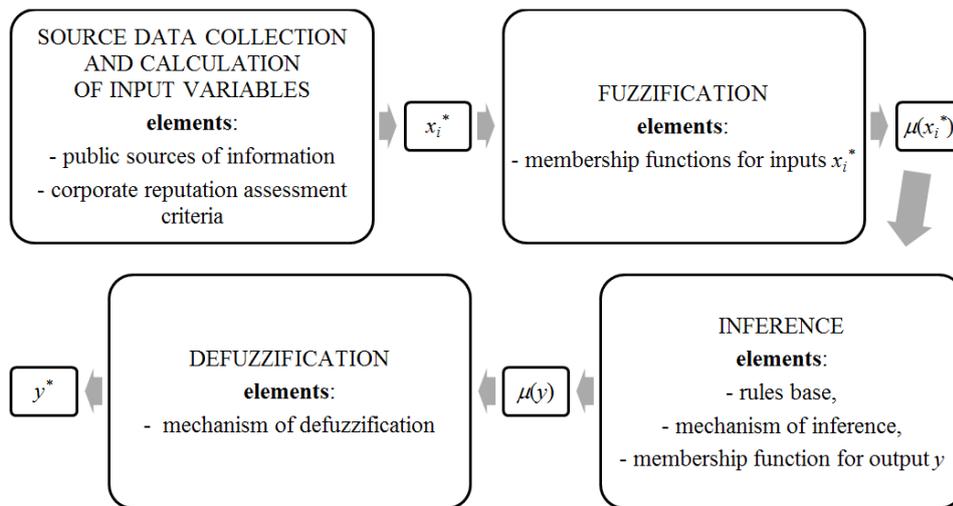


Fig. 2 Construction scheme of corporate potential innovativeness assessment fuzzy model  
Source: Own work based on: Piegat 2003.

Basing on the experiences from developing other fuzzy models (Nawrocki and Jonek-Kowalska 2014, Nawrocki 2015b), following procedure of corporate potential innovativeness assessment fuzzy model building process is proposed:

- Step 1: Gathering input data for the model (company's interim reports).
- Step 2: Determination for the needs of „fuzzification” module the form of fuzzy sets for respective input variables, determination for these variables so-called basic terms set and the division of their values space (expert knowledge is needed; if constructor of the model is not an expert, some consultations should be performed).
- Step 3: Creating for the needs of „inference” module relevant rules bases, determining the mechanism of inference and defining output membership function of the model (again, regarding rules bases creation expert knowledge is needed).
- Step 4: Determining for the needs of „defuzzification” module a method of converting model outputs from fuzzy form into accurate (non-fuzzy) figures.

In the first stage, it is assumed to gather source data and calculate input criteria  $x_i^*$  to model. According to previously adopted assumptions, the basic criteria for assessing corporate potential innovativeness are based entirely on public data, which may be obtained by analyzing the content of interim reports and financial statements published by the companies.

For the needs of the “fuzzification” module, in the second stage there is the need to determine the form of the fuzzy sets for respective input variables, and also for these variables the basic terms set and the division of their value spaces. Due to similarities in the expression of natural language assessments of the individual variables, for the purpose of this fuzzy model it was adopted the same linguistic dictionary and division of values space for the respective groups (input and output variables) – in the case of input variables, into three fuzzy sets {low, medium, high} and for output variables, in order to obtain more accurate results, into five fuzzy sets {low, low-medium, medium, medium-high, high}. Moreover, because of the ease of use and great versatility of both variable groups, it was adopted the triangular shape of the membership function for each fuzzy set and equal division of their value spaces (Fig. 3 and 4). The characteristic points describing the membership functions of each fuzzy set for input variables can be set arbitrarily and for the output variables, due to the fact that they all

take values from 0 to 1, every 0.25. Membership function values at intermediate points of triangular fuzzy sets can be determined through the use of linear interpolation method.

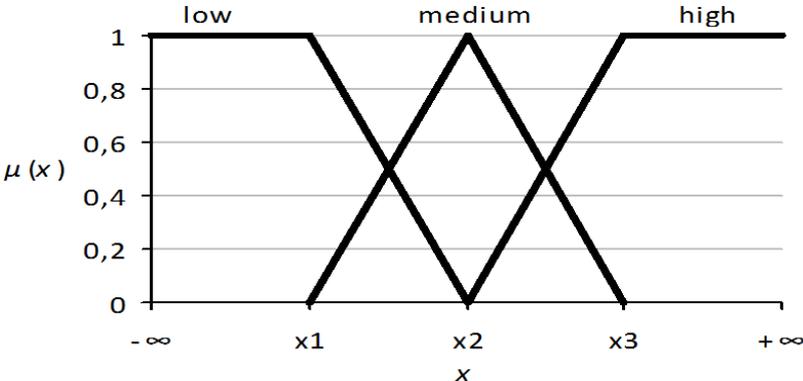


Fig. 3 The general form of the input variables membership function  $\mu(x)$  to distinguished fuzzy sets  
 Source: Own work.

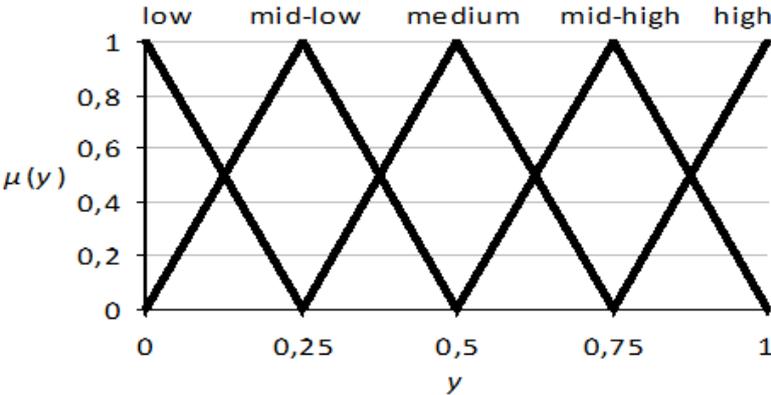


Fig. 4 The output variables membership function  $\mu(y)$  to distinguished fuzzy sets  
 Source: Own work.

Stage 3 involves creating relevant rules bases for the needs of the inference” module, determining the mechanism of inference and defining the output membership function of the model. The basic mean which allows to present dependencies between adopted linguistic variables are fuzzy conditional sentences. In most basic form a conditional sentence can be written as (Bartkiewicz 2000):

IF  $x$  is  $A$  THEN  $y$  is  $B$ ,

where the expression " $x$  is  $A$ " is called the "*predecessor*", which contains a set of conditions (rules), and the expression " $y$  is  $B$ " means "*successor*" or conclusion. Predecessor of the rule can also have the character of complex sentence, where generally it is accepted, that it is a conjunction of a certain fuzzy sentences:

IF  $x_1$  is  $A_1$  AND ... AND  $x_m$  is  $A_m$  THEN  $y$  is  $B$ .

Typically, the relation between the same variables is described not by a single rule, but by so called (base) rules bank of form:

R<sub>1</sub>: IF  $x_1$  is  $A_1^1$  AND ... AND  $x_m$  is  $A_m^1$  THEN  $y$  is  $B^1$

.

.

.

R<sub>m</sub>: IF  $x_1$  is  $A_1^K$  AND ... AND  $x_m$  is  $A_m^K$  THEN  $y$  is  $B^K$

Rules bank is treated in a fuzzy inference process as a whole – a subsystem which cumulative effects are subjected to further processing. In inference process for the data inputs are activated all the rules contained in the bank, and the results of their actions are then merged into the resulting fuzzy set, which is the value of the  $y$  variable. The given rules bank may describe the relation between the input and output of the entire system, or it may be part of a more a complex hierarchical structure. Taking into consideration the model structure, which in general form was presented in Fig. 1, 15 knowledge (rules) bases in the form of IF – THAN were be created. Due to large volume of all knowledge (rules) bases included in the proposed model, below are presented only the last three of them.

Rules base for assessment in the area of resources innovative potential – *RIP* (*IR* – assessment of intellectual resources, *MR* – assessment of material resources, *FR* – assessment of financial resources):

R1: IF *IR* is low AND *MR* is low AND *FR* is low THEN *RIP* is low

R2: IF *IR* is low AND *MR* is low AND *FR* is mid THEN *RIP* is low

R3: IF *IR* is low AND *MR* is low AND *FR* is high THEN *RIP* is low

R4: IF *IR* is low AND *MR* is mid AND *FR* is low THEN *RIP* is low

R5: IF *IR* is low AND *MR* is mid AND *FR* is mid THEN *RIP* is low

R6: IF *IR* is low AND *MR* is high AND *FR* is low THEN *RIP* is low

R7: IF *IR* is low AND *MR* is mid AND *FR* is high THEN *RIP* is mid-low

R8: IF *IR* is low AND *MR* is high AND *FR* is high THEN *RIP* is mid-low

R9: IF *IR* is low AND *MR* is high AND *FR* is mid THEN *RIP* is mid-low

R10: IF *IR* is mid AND *MR* is low AND *FR* is low THEN *RIP* is mid-low

R11: IF *IR* is mid AND *MR* is low AND *FR* is mid THEN *RIP* is mid-low

R12: IF *IR* is mid AND *MR* is low AND *FR* is high THEN *RIP* is mid-low

R13: IF *IR* is mid AND *MR* is mid AND *FR* is low THEN *RIP* is mid-low  
R14: IF *IR* is mid AND *MR* is high AND *FR* is low THEN *RIP* is mid-low  
R15: IF *IR* is mid AND *MR* is mid AND *FR* is mid THEN *RIP* is medium  
R16: IF *IR* is mid AND *MR* is mid AND *FR* is high THEN *RIP* is medium  
R17: IF *IR* is mid AND *MR* is high AND *FR* is mid THEN *RIP* is medium  
R18: IF *IR* is high AND *MR* is low AND *FR* is low THEN *RIP* is medium  
R19: IF *IR* is high AND *MR* is low AND *FR* is high THEN *RIP* is medium  
R20: IF *IR* is high AND *MR* is low AND *FR* is mid THEN *RIP* is medium  
R21: IF *IR* is high AND *MR* is mid AND *FR* is low THEN *RIP* is medium  
R22: IF *IR* is high AND *MR* is high AND *FR* is low THEN *RIP* is medium  
R23: IF *IR* is mid AND *MR* is high AND *FR* is high THEN *RIP* is mid-high  
R24: IF *IR* is high AND *MR* is mid AND *FR* is mid THEN *RIP* is mid-high  
R25: IF *IR* is high AND *MR* is mid AND *FR* is high THEN *RIP* is high  
R26: IF *IR* is high AND *MR* is high AND *FR* is mid THEN *RIP* is high  
R27: IF *IR* is high AND *MR* is high AND *FR* is high THEN *RIP* is high

Rules base for assessment in the area of engagement in resources innovative potential development – *ERIPD* (*EIRD* – engagement in intellectual resources development, *EMRD* – engagement in material resources development, *EFRD* – engagement in financial resources development,):

R1: IF *EIRD* is low AND *EMRD* is low AND *EFRD* is low THEN *ERIPD* is low  
R2: IF *EIRD* is low AND *EMRD* is low AND *EFRD* is mid THEN *ERIPD* is low  
R3: IF *EIRD* is low AND *EMRD* is low AND *EFRD* is high THEN *ERIPD* is low  
R4: IF *EIRD* is low AND *EMRD* is mid AND *EFRD* is low THEN *ERIPD* is low  
R5: IF *EIRD* is low AND *EMRD* is mid AND *EFRD* is mid THEN *ERIPD* is low  
R6: IF *EIRD* is low AND *EMRD* is high AND *EFRD* is low THEN *ERIPD* is low  
R7: IF *EIRD* is low AND *EMRD* is mid AND *EFRD* is high THEN *ERIPD* is mid-low  
R8: IF *EIRD* is low AND *EMRD* is high AND *EFRD* is high THEN *ERIPD* is mid-low  
R9: IF *EIRD* is low AND *EMRD* is high AND *EFRD* is mid THEN *ERIPD* is mid-low  
R10: IF *EIRD* is mid AND *EMRD* is low AND *EFRD* is low THEN *ERIPD* is mid-low  
R11: IF *EIRD* is mid AND *EMRD* is low AND *EFRD* is mid THEN *ERIPD* is mid-low  
R12: IF *EIRD* is mid AND *EMRD* is low AND *EFRD* is high THEN *ERIPD* is mid-low  
R13: IF *EIRD* is mid AND *EMRD* is mid AND *EFRD* is low THEN *ERIPD* is mid-low  
R14: IF *EIRD* is mid AND *EMRD* is high AND *EFRD* is low THEN *ERIPD* is mid-low  
R15: IF *EIRD* is mid AND *EMRD* is mid AND *EFRD* is mid THEN *ERIPD* is medium  
R16: IF *EIRD* is mid AND *EMRD* is mid AND *EFRD* is high THEN *ERIPD* is medium  
R17: IF *EIRD* is mid AND *EMRD* is high AND *EFRD* is mid THEN *ERIPD* is medium  
R18: IF *EIRD* is high AND *EMRD* is low AND *EFRD* is low THEN *ERIPD* is medium  
R19: IF *EIRD* is high AND *EMRD* is low AND *EFRD* is high THEN *ERIPD* is medium  
R20: IF *EIRD* is high AND *EMRD* is low AND *EFRD* is mid THEN *ERIPD* is medium  
R21: IF *EIRD* is high AND *EMRD* is mid AND *EFRD* is low THEN *ERIPD* is medium  
R22: IF *EIRD* is high AND *EMRD* is high AND *EFRD* is low THEN *ERIPD* is medium  
R23: IF *EIRD* is mid AND *EMRD* is high AND *EFRD* is high THEN *ERIPD* is mid-high  
R24: IF *EIRD* is high AND *EMRD* is mid AND *EFRD* is mid THEN *ERIPD* is mid-high  
R25: IF *EIRD* is high AND *EMRD* is mid AND *EFRD* is high THEN *ERIPD* is high  
R26: IF *EIRD* is high AND *EMRD* is high AND *EFRD* is mid THEN *ERIPD* is high  
R27: IF *EIRD* is high AND *EMRD* is high AND *EFRD* is high THEN *ERIPD* is high

Rules base for assessment in the area of general corporate potential innovativeness – *GCPI* (*RIP* – assessment of resources innovative potential, *ERIPD* – assessment of engagement in resources innovative potential development):

- R1: IF *RIP* is low AND *ERIPD* is low THEN *GCPI* is low
- R2: IF *RIP* is low AND *ERIPD* is medium THEN *GCPI* is low
- R3: IF *RIP* is low AND *ERIPD* is high THEN *GCPI* is mid-low
- R4: IF *RIP* is medium AND *ERIPD* is low THEN *GCPI* is mid-low
- R5: IF *RIP* is medium AND *ERIPD* is medium THEN *GCPI* is medium
- R6: IF *RIP* is medium AND *ERIPD* is high THEN *GCPI* is mid-high
- R7: IF *RIP* is high AND *ERIPD* is low THEN *GCPI* is mid-high
- R8: IF *RIP* is high AND *ERIPD* is medium THEN *GCPI* is high
- R9: IF *RIP* is high AND *ERIPD* is high THEN *GCPI* is high

In order to carry out fuzzy inference and to implement conjunction conditions in individual rules (calculating veracity degrees of predecessors), it is proposed to apply the operation PROD given in the formula (Piegat 2003):

$$h = \mu_{A1 \cap A2}(x_1, x_2) = \mu_{A1}(x_1) \cdot \mu_{A2}(x_2), \quad (1)$$

for cases with two input variables, or

$$h = \mu_{A1 \cap A2 \cap A3}(x_1, x_2, x_3) = \mu_{A1}(x_1) \cdot \mu_{A2}(x_2) \cdot \mu_{A3}(x_3), \quad (2)$$

for cases with three input variables.

In comparison to other t-norm operators, e.g., MIN operator, the PROD operator responds to the changes in all inputs  $x_i$  model with low computation burden.

On the other hand, to find the resulting fuzzy sets for respective rules (i.e., reducing the accuracy of the successor rules using the veracity of its predecessor) and merging rules action in one output set, it is recommended to perform in accordance with the SUM-MIN scheme (Piegat 2003):

$$\mu_{B^*}(y) = \text{MIN}(\mu_B(y), h), \quad (3)$$

$$\mu_{res}(y) = \text{SUM}(\mu_{B^*1}(y), \dots, \mu_{B^*K}(y)) = \sum \mu_{B^*K}(y) \quad (4)$$

The basic advantage of using the SUM-MIN scheme in the inference process is taken into account when calculating the resulting  $\mu_{res}(y)$  function of all component functions  $\mu_{B^*i}(y)$  from the respective rules and not, as in the case of the MAX-MIN scheme, only this function, where the degree of membership for a given  $y$  output value is the biggest.

For the needs of the “defuzzification” module, in the fourth and final stage, it should be determined a method of converting the outputs of the model from the fuzzy values to the accurate (non-fuzzy) figures. It was decided to use the simplified method of sums center. In this case, the resulting value of the fuzzy model output ( $y^*$ ) is expressed with the formula (Piegat 2003):

$$y^* = \frac{\sum_{i=1}^l y_i \sum_{K=1}^m \mu_{B^*K}(y_i)}{\sum_{i=1}^l \sum_{K=1}^m \mu_{B^*K}(y_i)}, \quad (5)$$

where:

l – number of elements of the discrete basic set Y,

m – number of rules of fuzzy model.

As a result, it is received a ready to use fuzzy model of corporate potential innovativeness assessment. The intermediate and final assessments generated by the model take values in the range between 0 and 1, where from the viewpoint of analysed issue, values closer to 1 mean a very favourable results (higher corporate potential innovativeness), while values closer to 0 indicate a results less favourable (lower corporate potential innovativeness).

### Summary

Used so far methods and concepts of corporate potential innovativeness measurement and assessment have some weaknesses that affect the credibility and reliability of the research results. The proposed methodology for innovativeness assessment gives a chance to eliminate several key shortcomings of these methods: (i) proposed model focuses on one viewpoint of this category (potential) but in a more accurate way, providing greater reliability of the final results; (ii) the use of criteria based on "hard" data derived from companies reports should translate into greater objectivity of obtained innovation assessment (in most popular of existing methodologies mainly a survey methods are used, which biggest defect is subjectivism); (iii) the choice of assessment criteria, taking into account different aspects of companies resources and activities regarding its development and a careful selection of assessment parameters, may reduce the risk of duplication (overlapping) assessed areas.

At the same time, however, it must be emphasized, that presented concept of potential innovativeness assessment has theoretical character and requires further considerations, verification of adopted criteria and detailed empirical research, including the development of knowledge (rules) bases needed to perform fuzzy inference.

In conclusion, it should be noted, that proposed method of corporate potential innovativeness assessment is not so much an alternative as a complement and enrichment of already existing methodology. Therefore, beyond the capabilities of various internal and inter-branch comparisons and analysis of corporate potential innovativeness impact, an interesting direction of research could also be comparisons of companies' innovativeness assessed with survey methods and proposed method.

## **APPLICATION OF PERFORMANCE BUDGETING IN FINANCIAL MANAGEMENT OF LOCAL GOVERNMENT**

In assessing both the government administration and local government, usually we look at their effectiveness, efficiency and competence. Therefore, an important aspect of improving the operation of any government is its modernization, resulting for example from the fact that many of the traditional policies and tools in the modern world becomes ineffective. Therefore, the traditional bureaucratic model, in most European countries has been challenged and replaced with an approach known as the New Public Management (NPM). (Krynicka 2006) Traditional public administration has been replaced by this kind of public management in many countries, even though this process takes many forms. Already in 1996, Peters (Peters 1996) suggested rather interesting classification, in which he distinguished and described four models of public management: Market Government, Participative Government, Flexible Government and Deregulated Government. And among the above models the most popular became a model of Market Government, called New Public Management.

The concept of new public management, introduces a new public finance sector managerial approach, the one that can be called a free market type. In the new public management it is assumed to use such principles and management models in the public sector which are known and commonly used in the private sector. These actions force an increase of efficiency in spending funds coming from taxpayers. This new evolutionary approach to the public sector management, which allows the use of free-market mechanisms and the decentralization of competence is legitimized by the Act on Public Finances, as well by the increased expectations of citizens in relation to the quality of public services, provided by the state (Skrzypek 2011, p. 18). In discussing the concept of new public management, it can be said that though different authors and their manner of interpretation of this phenomenon, certain common aspects can be found. These common questions include:

- Focus on achieving results instead of processes;
- Moving away from traditional public administration in favor of the model, which puts greater emphasis on personal responsibility of managers;
- Tendency to move away from the classical bureaucracy and replacing it with more flexible conditions of employment and organization;
- The formulation of clearly defined and verifiable goals using appropriate indicators, both for the entire organization and for individual employees;
- Evaluation of public programs according to 3E principles: economy, efficiency and effectiveness;
- Using the market to evaluate certain tasks before their implementation, which corresponds to the public sector, eg. through the use of contracts;
- Taking steps to limit the functions carried out by the public authorities, for example through privatization (Zawicki 2002, p. 78).

It worth noting that the new public management puts emphasis on professional management and efficiency, as well as the possibility to assess the activities and functioning of the public sector, on the basis of well defined, measurable indicators of performance. So it becomes necessary to use modern management tools allowing one to improve the efficiency and effectiveness of the public tasks implementation and increasing rationalization of public spending. Among the instruments there are: quality management systems, internal audit, management control, risk management, cost accounting, long-term financial planning and budgeting (Kaczurak-Kozak 2013, p. 179). Therefore, it can be stated that performance budget is a new form of management of public money. Planning and settlement of performance budget was a structure introduced and used in many OECD countries. In Poland, the first steps to implement this solution was taken in 2008-2009. The origins of performance budget in Poland

dates back to 1994 when Cracow started the reform of city budgeting (Budżet władz lokalnych (Owsiak 2002, s.131). The next big cities were Lublin, Szczecin and Poznan. Carried out in the nineties, implementation of performance budgeting was possible thanks to the programs funded by the Agency for International Development USAID (the biggest one was completed in 2000, known as the Local Government Partnership Program) and the British Know-How Fund. ([http://capepoint.pl/budzet\\_zadaniowy\\_w\\_samorzadach/index.html](http://capepoint.pl/budzet_zadaniowy_w_samorzadach/index.html), read 06/01/2016)

### **The concept of performance budgeting**

Local government units budgeting is the most important instrument for the management of public funds. Therefore, this process should meet the requirements of efficiency and rationality of management that is the proper relationship between the incurred costs and the benefits obtained (Sierak 2011, p. 106). Obtaining favorable combination of investing means and achieving objectives and results assigned, as well as providing the ability to monitor them in the long term perspective is the implementation of performance-based budget. A budget planning method itself is based on public finance management oriented on results. This concept was born in the third decade of the twentieth century, and its idea was to use the budget procedure aimed at the results that are achieved in relation to the expenses incurred. This is due to the rules of making the effort to improve the control of public spending, as well as increase of efficiency in the public sector achieved through better allocation of resources and their more effective use. (Jachowicz 2011, p. 46)

There are many ways of implementing performance budget in the world which makes it difficult to be defined in general. Literature contains many of their characteristics. Looking at the definitions available in Poland and abroad, one can dare to make some generalizations and specify common elements. In the definition by R. Allen and D. Tomassi performance budget "involves assigning financial operations carried out by the government (administration) functions and programs, which implement socio-economic policies objectives; defining metrics for each of the programs or tasks and measuring the costs of implementation of these tasks and their effects" (Allen, Tommasi 2001). Another definition refers to performance budget as "the mechanisms and processes in the public finance sector - aimed at the strengthening of the relationship between inputs and outcomes - through the comprehensive use of information about the level of task performance, with concentration on better management of public funds" (Robinson, 2007, p. 1).

Also Polish literature in recent years contained a number of interesting attempts to define this concept. An extremely important formulation of this area (also because of the socio-political context) was presented by T. Lubińska, for whom the essence of performance budgeting "is the introduction of public funds management according to adequately substantiated and hierarchically systematized objectives, in order to achieve specific results (tasks), measured with the established system of indicators. Performance budget allows one to determine which tasks are most important to achieve and the measures available show the extent to which they were made" (Lubińska 2007, p. 9). Likewise, the essence of this tool and approach is presented by B. Pietrzak, Z. Polanski and B. Wozniak, stating that "the essence of the performance budget is to manage public resources according to objectives. These objectives are more clearly defined and their implementation occurs according to a specific hierarchy. At each stage the implementation of tasks within a particular general purpose is carried out by means measured with suitable metrics in terms of their effectiveness. Performance budget can determine which tasks are most important for a particular purpose and measures available" (Pietrzak, Polanski, Wozniak 2008, p. 114). The very meaning of performance budget may be found in its definition by S. Owsiak, describing it as "(...) the financial plan of a public entity (...) which, regardless the current classification of revenue and expenditure of, is recorded according to specific homogeneous tasks. The tasks are specified (quantitatively and

qualitatively) according to the general purpose, cost, performance indicators; It is indicated by the person responsible for its implementation" (Owsiak 2005, p. 294). Such a terminological way of recognizing performance budget is close to the definition of M. Postuła and P. Perczynski where performance budget is treated as a "method of managing public funds accounted according to a consolidated expenditure plan of public finances - drawn up in a perspective exceeding one year, considering the system of governing functions, tasks, and subtasks budgeted together with measures defining the degree of order implementation" (Postuła, Perczyński 2010, p. 26).

The above mentioned definitions point to the numerous benefits that can be achieved through the introduction of performance budget, and include, among others:

- Improving the financial management of units by linking expenditures to the achievement of planned objectives;
- Changing the method of determining the spending directions through the use of more objective criteria of calculation drawn up for the project (the inverse of the rules auction-discretionary), which contributes to effectiveness increase;
- The use of market mechanisms between entities seeking to funds from the budget, resulting in the ability to compare plans and prices of services offered by specific standards;
- Greater clarity of performance budget for the general public (local community), thereby improving communication;
- Achieving more efficient way to implement the expected results through a clearly defined division of powers and responsibilities (elimination of collective responsibility);
- Changing the budgetary classification performance ones enabling the financial management, while the presentation of the financial and material aspects of this process, allows to simplify settlement procedures with continuous analysis of operational and financial progress, which can clearly improve the verification of execution process indicators of the results achieved;
- Performance budget allows for prioritization of expenditures made on these tasks (goals), the results of which consists in the most effective and socially advantageous outcome;
- Long term planning, can significantly reduce the number of ad hoc decisions, as well as improve achievement of the assumed targets in medium and long term processes, which will result in more effective administration, eg. Including funds from the EU (better project preparation and advanced material-financial planning) (Kozun-Cieslak 2010, pp. 15-16; Sierak 2011, p. 116-118).

To illustrate better the essence of budgeting, Table 1 summarizes the main differences between the traditional budget and performance budget indicated by different authors.

Table 1. Differences between traditional and performance budgets

<b>Traditional budget</b>	<b>Performance budget</b>
• Spending tool;	• Governing tool;
• Difficulty in connecting tasks and objectives of a unit;	• Enables linking expenditures with tasks and objectives, which enables functional systematizing the expenditures, according to the tasks;
• Administrative approach;	• Enhances cooperation between the government and other public sector entities;
• No long-term task-expenditures projections;	• Long-term approach – three years task-expenditures projection;

<b>Traditional budget</b>	<b>Performance budget</b>
<ul style="list-style-type: none"> <li>• No link between expenditures and efficiency and effectiveness categories;</li> </ul>	<ul style="list-style-type: none"> <li>• Managing expenditures in order to increase efficiency and effectiveness;</li> </ul>
<ul style="list-style-type: none"> <li>• No expenditure's integration;</li> </ul>	<ul style="list-style-type: none"> <li>• Global approach in public sector expenditures – consolidation of expenditures;</li> </ul>
<ul style="list-style-type: none"> <li>• Specialist knowledge required for budget classification</li> </ul>	<ul style="list-style-type: none"> <li>• Clear information about the expenditures contained in performance classification – what do we get for specific expenditures;</li> </ul>
<ul style="list-style-type: none"> <li>• Tasks planning after the approval of resources;</li> </ul>	<ul style="list-style-type: none"> <li>• Resources are assigned on grounds of the analysis of plans and expected results;</li> </ul>
<ul style="list-style-type: none"> <li>• Discussion aimed at single expenditures;</li> </ul>	<ul style="list-style-type: none"> <li>• Substantial discussion based on prioritized objectives;</li> </ul>
<ul style="list-style-type: none"> <li>• Limited hierarchy of expenditures;</li> </ul>	<ul style="list-style-type: none"> <li>• Hierarchy of expenditures and tools according to the task prioritization;</li> </ul>

Source: own study based on: Lubińska T. ed. (2007): Budżet zadaniowy w Polsce. Reorientacja z wydatkowania na zarządzanie pieniędzmi publicznymi, Difin Editorial House, Warsaw, p. 30; Podstawka M., Dynowska J., Góralski P., Rudowicz E., (2007): Przygotowanie administracji rządowej do sporządzania zadaniowego planu wydatków na rok 2008. Training materials, Prime Minister's Cabinet, Warsaw, p. 23.

Of course, it should be noted that the implementation of performance budgeting is not easy. It requires not only, at a technical level, eg. to adapt the accounting system and the implementation of the entire instrumentation used to evaluate the implementation of tasks resulting from the plans, but first and foremost, it requires changes in thinking. It is not a simple matter. The implementation of this modern instrument of financial management requires the implementation of appropriate changes at all levels of municipal structures, which is largely dependent on the organizational skills of decision-makers and human potential in the unit. (Bielawski 2013, pp. 198-199) During the implementation of performance budgeting, the activities should be based on four principles of efficient management. And they are:

- The principle of transparency, which requires introduction of a new budget classification and preparation of clear and comparable financial statements;
- The principle of effectiveness and efficiency, which involves assigning tasks, defined objectives and indicators, as well as the comparison of investments effects;
- The principle of multi-annuality, which requires the use of long-term forecasting expenses for implementation of individual tasks;
- The principle of consolidation, related to a long-term consolidation of the expenses of the state budget expenditure of selected public funds. (Kister, Zbroja 2012, pp. 255-256).

It should also be noted that in accordance with art. 44 paragraph. 2, 3 and 4 of the Public Finance Act (OJ 2013 No. 0 pos. 885), the expenditure assigned to specific tasks should be made in a following manner:

- Legal, i.e. in accordance with the relevant provisions of the law;
- Purposeful and cost efficient, which allow to obtain the best results from inputs, and will rely on the optimal choice of methods and means to achieve the objectives;
- Enabling their timely implementation;
- Consistent with the principles consistent with the rules of public procurement.

We can conclude that performance budgeting is an important direction of changes in the management of public funds, enabling to move away from simple spending towards budget management. What is important, is how public finances management allows for prioritization of tasks by identifying which of them are the best way to support the achievement of objectives, and also allow to use selected indicators to measure the performance. So, budgeting is a process which makes the available resources planning achieve the goals of the organizations and individuals. This procedure should be preceded by the identification of all available resources, used in an orderly and consistent manner, in order to contribute to achieving the objectives, according to the principle of economic efficiency, which is very important in the public sector. The budget developed in such a way combines the organization's goals and its actions, enabling proper use of resources and control of the results. It is essential to develop a methodology for performance budget preparation, keeping the following requirements in mind:

- Linking strategic or long-term planning with operational planning, i.e. implemented on an annual basis;
- Replacement of a budget based on classification (sections, chapters, etc.) with task system (subtask system);
- Developing indicators to assess effectiveness. (Posmyk 2013 p.53)

Figure 1 shows a scheme of developing performance budgets in local government units.

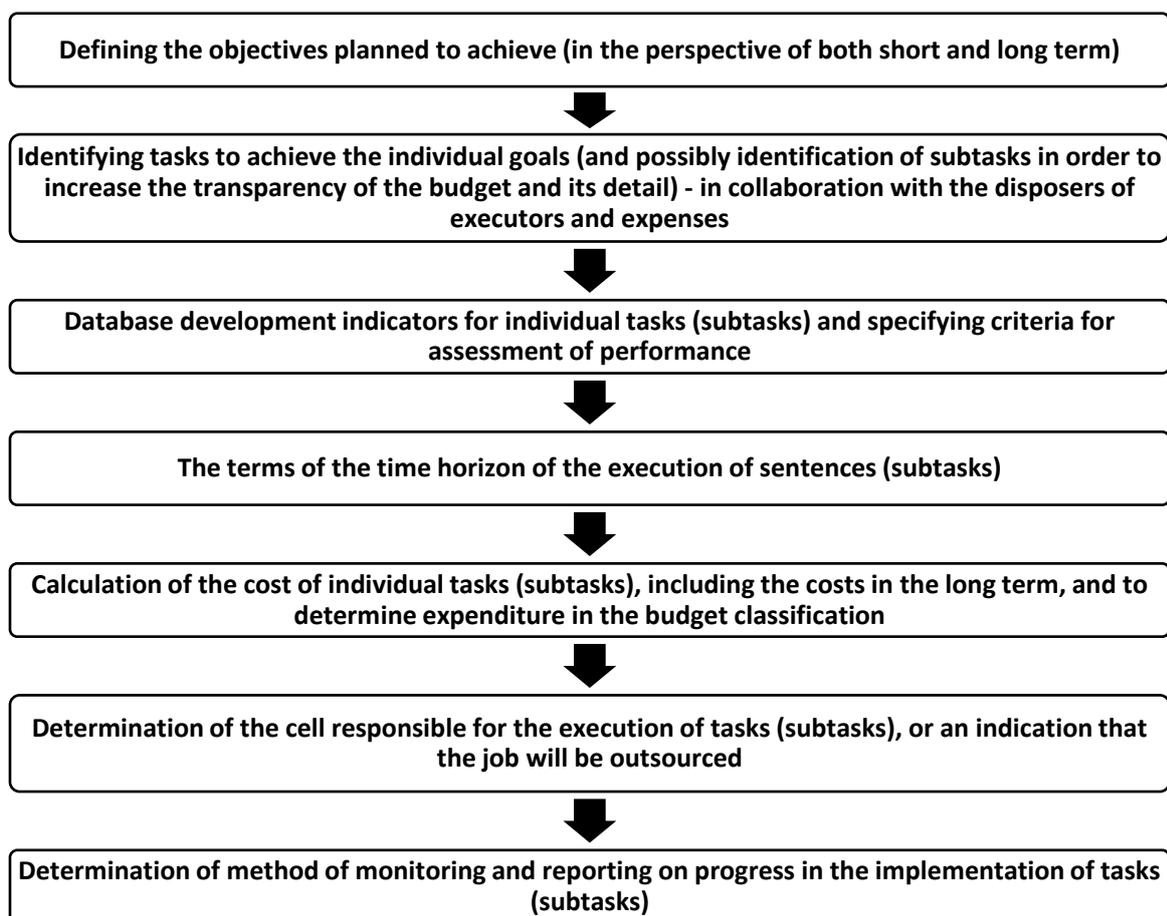


Figure 5 Stages in the development of performance budgeting in a local government unit

Source: Posmyk E. (2013): Budżet zadaniowy jako skuteczne narzędzie zarządzania finansami jst, ze szczególnym uwzględnieniem funduszy unii europejskiej, „*Studia Oeconomica Posnaniensia*”, Vol. 1, No. 4 (253), Economic University of Poznan Editorial House, Poznań, p. 54.

As shown by studies conducted in 2008 on a group of 28 local government units, in order to introduce performance budgeting, it was essential to increase transparency and targeting of funds for specific purposes. An interesting fact is that the performance budget was created with participation of municipal authorities, and thus it was treated as an instrument of continuous and ongoing management. Another conclusion of the study was that the performance budget usually includes the entire budget of the local government, taking into account the areas for which it was created, as well as the types of expenditures. (Będzieszak 2009, p. 43-48) The results of a survey conducted in 2011 by the Ministry of Finance were not better (Ministry of Finance 2013), carried out among the local government units, the purpose of which was:

- Determining how many units of local government in Poland developed and implemented performance budget;
- How long performance budget was used;
- Which patterns are applied as a base for local government solutions for budgeting?

The survey questions were answered correctly by 1,779 units, which accounted for 63.3% of all local government units in Poland. Only 82 units (2.9%) declared the practice of performance budgeting. These were 68 municipalities, 8 cities with county rights and the 6 counties (Polish counties). No region were in this group. The analysis of the survey showed that the shortest performance budgets were applied in rural communities - up to 5 years, and the longest (over 5 years) in cities with county rights. The process of introducing performance budgeting, which requires significant capital investment was mostly implemented with the support of the Human Capital Operational Program. The most often sources of inspiration of performance budgets, indicated by respondents were Cracow and Szczecin. Only 19 units of local government expressed their willingness to share their experience in the development, implementation and verification of their performance budgets.

Unfortunately, the survey showed another very important problem experienced by the Polish local government. According to the theoretical assumptions, the performance budget should have 3 components (Burzyńska 2011, p. 259): description of methodology, a list of tasks and a description of the implementation measures. The results of the survey indicated that studied individuals vary in implementation of these requirements, and so:

- Only 21 units have described their methodology of implemented performance budget;
- 44 units have a list of tasks covered by performance budget;
- Only 20 units have a description of performance indicators and methods of implementation of tasks monitoring. (Ministry of Finance 2013)

The obtained results show unfortunately quite poor picture of Polish local governments in terms of modern public finance management tools application. If we expect to improve the management of public funds, which remains in hands of local government, it should take a systemic efforts. The Ministry of Finance as the supervisory authority for finances of local governments, have taken some plans (development of a comprehensive methodology of budgeting for local governments based on the domestic and foreign experience: draft amendments to the legislation which would allow local governments use their performance budgeting efficiently; starting work on the IT system supporting the development and implementation of performance budget, carrying out pilot implementation of performance budgeting with a IT system in a number of selected local government units), but unfortunately until now the Ministry has not offered any concrete solutions to local government.

## **Summary**

The concept of performance budget, legally standardized by the Act on Public Finance of 27 August 2009 and the Ordinance of the Minister of Finance, on detailed methods, mode and timing of the material's development for the Budget Bill, issued pursuant to Art. 125 paragraph. 5 of the above Act is a rational solution, which should ensure better allocation of resources and their efficient use. The principle of effectiveness thus becomes the basic principle of management of public funds, which results not only from legislation, but primarily from the expectations of society. Therefore, public spending must be made in purposeful and cost – efficient way, and use optimal methods and tools to achieve the assumed goals. It seems, that it can be demonstrated that the traditional budget is treated as a tool for public spending, while performance budget is a management tool. According to Polish legislation, the traditional budget is a valid tool for the implementation of public tasks, and thus continues to play an important role in the management of local government units. Both at central and local government levels this act, entitling to receive incomes and make expenditures, describes the budget based still on the traditional system. Apart of it performance budget plan may be developed. (Łukomska-Szarek 2013, p. 653)

Despite the obvious advantages of this instrument one should notice the factors that may be a threat to the performance budget, which are: political instability in the structures of government (local government) and the long time perspective of the implementation. Another threat to the implementation of performance budget may also be a process of determining the measures and their selection. The challenge for local government consists in a need for hierarchical ordering system, as well as the process of data collection and reporting in a situation where the contractors are separate entities, and the tasks are fragmented. Such a situation could result in, for example, the difficulties associated with the settlement of projects co-financed by the EU or assessment of the budget developed by local government supervisory and legislative bodies. Another possible case may occur, due to improperly developed indicators making the implementation promoting the most cost-efficient projects, rejecting those which can bring significant social benefits (Burzyńska 2011, p. 263-264). A tool that should be used to break down psychological and social barriers, is regular training of personnel, for one must remember that the effective implementation of new techniques takes time.

## **NEW TRENDS IN CONSUMER SOCIETIES AS CONDITIONING OF ENTERPRISES MANAGEMENT**

Modern consumption is a dynamic phenomenon, which is affected by constant changes in the technological, economic and social areas. As a result, patterns of consumption behaviour are changing, and new phenomena in the sphere of consumption are occurring. The consumer society is being created, in which defining the meaning of life and self-fulfilment of people is accomplished by actions in the sphere of consumption. In Poland you can observe symptoms of changes characteristic for consumer societies. After 1989, as part of institutional transition Poland has undergone many changes in the socio-economic and political spheres. Not all of consumers have adopted all new consumer trends. New consumer behaviour concern largely people born in the eighties, whose socialization occurred in the years of transition. During the time of Polish transformation the traditional patterns of consumer behaviour were changing due to diffusion of the western cultural patterns and local patterns. The main role in this process played the mass media. The consumer society started to emerge in Poland. It is characterised by the abundance of goods and services on the market, the democratization of luxury thanks to the easy access to credits and instalments, insatiability of consumer needs and constant creating new needs and desires in the consumers. It creates new conditions of producers' activity on the

market, they face new trends in consumption concerning not only what is consumed but also how and where it is consumed. The author of the article conducted quantitative and qualitative research on the young female inhabitants of Częstochowa aged 20-44 in order to determine their patterns of consumer behaviour and distinguish modern and more traditional patterns of their consumption. The 390 questionnaires and 22 in-depth interviews have been conducted and analysed. The article presents main results of the study.<sup>1</sup>

### **New consumer trends – the conditioning of producers’ activity**

The technological and economic changes, especially globalization, the democratization processes in modern societies significantly influence the changes in the sphere of social and cultural patterns of behavior. The work sphere is changing as well as the sphere of leisure, and consequently ways of fulfilling the needs for which the sphere of consumption is responsible. Researchers of consumption indicate that a huge amount of new trends and tendencies in the sphere of consumption appeared, which completely changed its face.

One of the characteristic phenomena for the society of mass consumption is prosumption (pro- from production and – sumption from consumption), which means the blurring of distinctions between production and consumption. As indicates W. Patrzalek (2004), increasing amount of free time and the need for development and enabling working at home contributes to the development of prosumption. Quite significant is also the growing importance of lifelong education, the growing importance of work in human life, self-realization through work and their own creativity. According to G. Ritzer (2009), the division between production and consumption will have less and less importance, due to the growing significance of entertainment which is blurring the differences between these spheres. Development of prosumption, which enables the consumer to influence the uniqueness of the product and the opportunity to create the consumer’s lifestyle, facilitate the development of the individualism, which is the basis of the consumer society. (Bylok 2013) After Bogdan Mróz (2010), one can distinguish the following tendencies influencing modern consumer behavior:

- quickly and constantly changing fashion and consumer trends;
- the need for instant gratification; impatience in fulfilling the needs. Deferred consumption, typical of past generations earning money over the years, is unacceptable nowadays;
- growing importance of credit services, electronic payment, credit card, debit card as a response to the desire for immediate satisfaction of needs (ie. impatience syndrome);
- deriving joy and satisfaction from consumption, and even hedonistic consumption;
- commercialization of all kinds of spheres of human life, values and ideas (peace, love, relationships, rebellion etc.), so-called. mercantilisation of awareness;
- objectification of culture, which means that high culture pushed out or absorbed by the mass culture, so-called consumerised culture;
- the development of large shopping centres, malls, called new means of consumption, offering the virtual world of consumer paradise on Earth;
- growing role of the media, their tabloidization, offering the consumers simple patterns of mass consumer behavior;
- well-known, often global brands becomes a symbol of consumer culture. They are a cognitive shortcut, usually perceived as a guarantee of quality. They provide emotional value, allow a symbolic demonstration of prestige, social status, membership of specific groups etc.

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<sup>1</sup> The study has been conducted for the purpose of a doctoral dissertation titled: “Patterns of consumer behaviour of female inhabitants of Częstochowa”, Wrocław 2016.

The processes of economic and cultural globalization influence the formation of a so-called global consumer, which is characterized by:

- preference for products of foreign origin, global brands,
- the perception of consumption as a means to improve mood, well-being,
- joining the traditional value system with modern consumer behavior,
- the perception of oneself as favouring modern consumption patterns,
- changing forms, sources or types of purchases,
- complex consumption awareness, including succumbing to emotional impulses. (Patrzalek 2010)

Rapid changes in the social, cultural and economic and technological spheres stimulate the continuous emergence of new consumer trends, particularly the development of new technologies results in constant developments in the sphere of consumption. One of the trends in the behavior of modern consumers that have appeared in recent years is LOHAS, which means Lifestyle of Health and Sustainability. People tend to pursue the lifestyle-based on the care for physical fitness, health and harmonious development of their personality. It is often combined with care for the environment. (Mróz 2010) Another new cultural trend present in the consumer culture is the cult of youth, disposing people to maintain a youthful appearance, the purchase of consumer goods for people younger than themselves, imitating the behavior of young people in the sphere of entertainment, regeneration of the body in special wellness centres. The idea of wellness promotes harmony of spirit, body and mind. Stemming from the idea of slow motion (slowing down the pace of life, eg. in the sphere of slow food cooking).

There is also a tendency to spend time at home called cocooning. It is the return to the space of your own home enabled by the development of services delivered home (catering, delivery of purchases) and virtual communication (eg. teleworking or connecting with friends via Internet). (Mróz 2010) The characteristics and role of the family as well as female and male social roles are also changing. Metrosexuality denotes the process of disappearance of traditional attributes of masculinity and femininity and harmonization of the of male and female behavior patterns. In place of the nuclear family other forms of family occur: the reconstructed family, DINKS marriage (Double Income, No Kids), various forms of informal relationships. The number of singles, people living alone is increasing. It influences the form and structure of consumption – both independent and common consumption. (Mróz 2012)

The crossover consumption starts to appear. It means paradoxical reversal of consumer roles – wealthy consumers are looking for simplicity, asceticism, antithesis of luxury, while people with lower income are trying to taste the elite consumption e.g. by occasional purchase of luxury goods. Moreover, there is an expansion of individualism and self-centred consumer behaviour which means a focus on personal needs, which results in the development of products and services made-to-measure to individual needs and tastes of the client. (Mróz 2012) What is more, one can observe the increase in the need of belonging to large communities to live together, to participate in the data events, and show a common attitude like, which is called a new connectivity. Consumers focus nowadays more on the consumption of impressions, sensations, resulting from changes in patterns of spending free time. Consumers collect experiences, sensations (it is expressed in the development of new kinds of sports, tourism etc.). A concept of trysumer describes a consumer who is looking for and experimenting with the novelties, consumer trying the products to verify the advertising with the reality. New kind of consumer search for the information and share the information on consumption. The Internet enabled creating the so called global brain – created by the sum of the experience of Internet users, sharing information, views and opinions on the offer available on the consumer market. Internet enables communication between consumers and also promotes creation and spread of

patterns of consumer behaviour. The idea of Web 2.0 occurred, which means changing the meaning of the virtual world in which online content generated by users themselves. This phenomenon also affects the sphere of consumption, including the exchange of information and opinions of millions of consumers. The new generation C is starting to emerge (C from - the content), representing a generation of consumers who are teens or early twenties, enjoying the Internet intensely, e.g. social media, forums or blogs. (Mróz, 2010)

The author of this article conducted quantitative research investigating chosen patterns of consumer behaviour including the new trends in consumer behaviour. The following quantitative research results describe a picture of rather modern young consumer, who knows her rights, likes to do shopping, is open to experiments and novelties and is well oriented in the market offer.

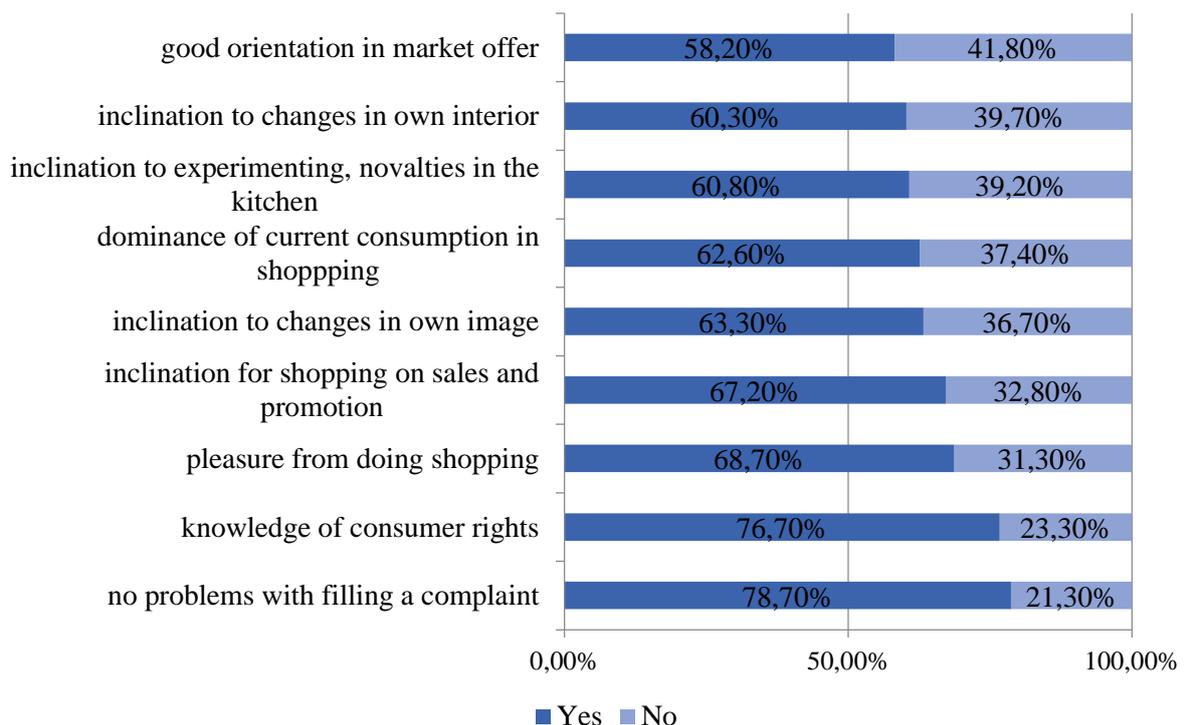


Figure 6 Chosen patterns of consumer behaviour. Female inhabitants of Częstochowa aged 20-44. N=390.

Source: Own study.

What is more, the quantitative research results shows more traditional aspects of consumer behaviour: majority of young female consumers do not follow fashion trends, is not spontaneous in shopping, do not like to stroll in order to watch the shop expositions and takes the consumer decisions based on the quality, not the price.

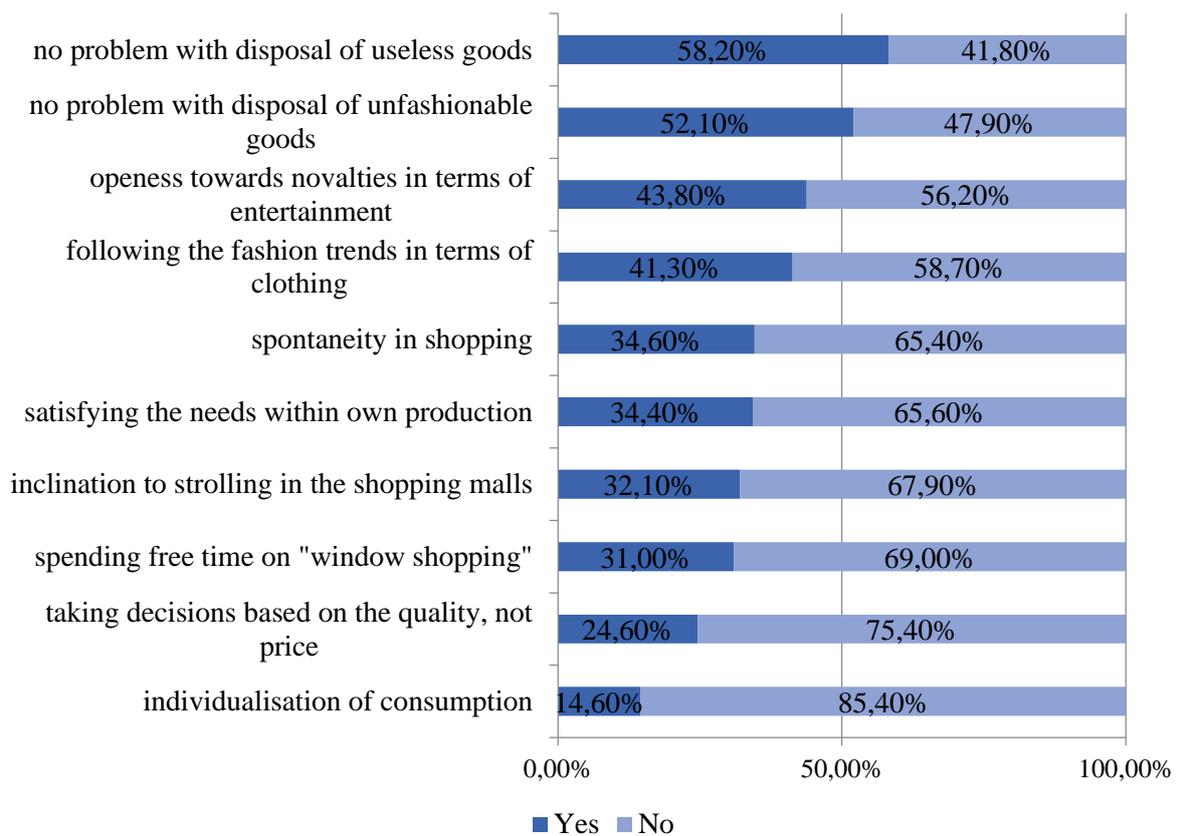


Figure 7 Chosen patterns of consumer behaviour. Female inhabitants of Częstochowa aged 20-44. N=390. Continuation.  
Source: Own study.

An important aspect of modern consumer behavior is also the frequency of purchases online. The question: *How often do you make purchases on the Internet?* almost 20% of the respondents answered that they buy from online stores as often as in stationary stores, and 60% of respondents that they buy in online stores from time to time, more rarely than in stationary stores. Including those buyers who buy in online stores more often than in the other ones, almost 85% of young residents of Częstochowa are e-consumers.

In order to make more detailed description of behavior patterns in e-consumption the study also examined types of goods purchased via Internet. Most of the respondents made purchases of clothing and footwear (almost 68%) and sports (about 55%). What is more, food, cosmetics and household chemicals was an important shopping aim in online stores. These products were purchased by 43% of respondents. Much of the respondents bought the jewelry (43.8%), electronics/computer (44.9%). Approximately one third of respondents purchased furniture or other housing equipment and radio and TV equipment. The least people choose to buy online expensive goods, such as cars, land or house/apartment. It can be concluded that in the case of these goods personal contact with the seller and the ability to see and test the goods at a stationary point of sale is important and provides a sense of security to the consumer. Summary of these responses are presented in the chart 3.

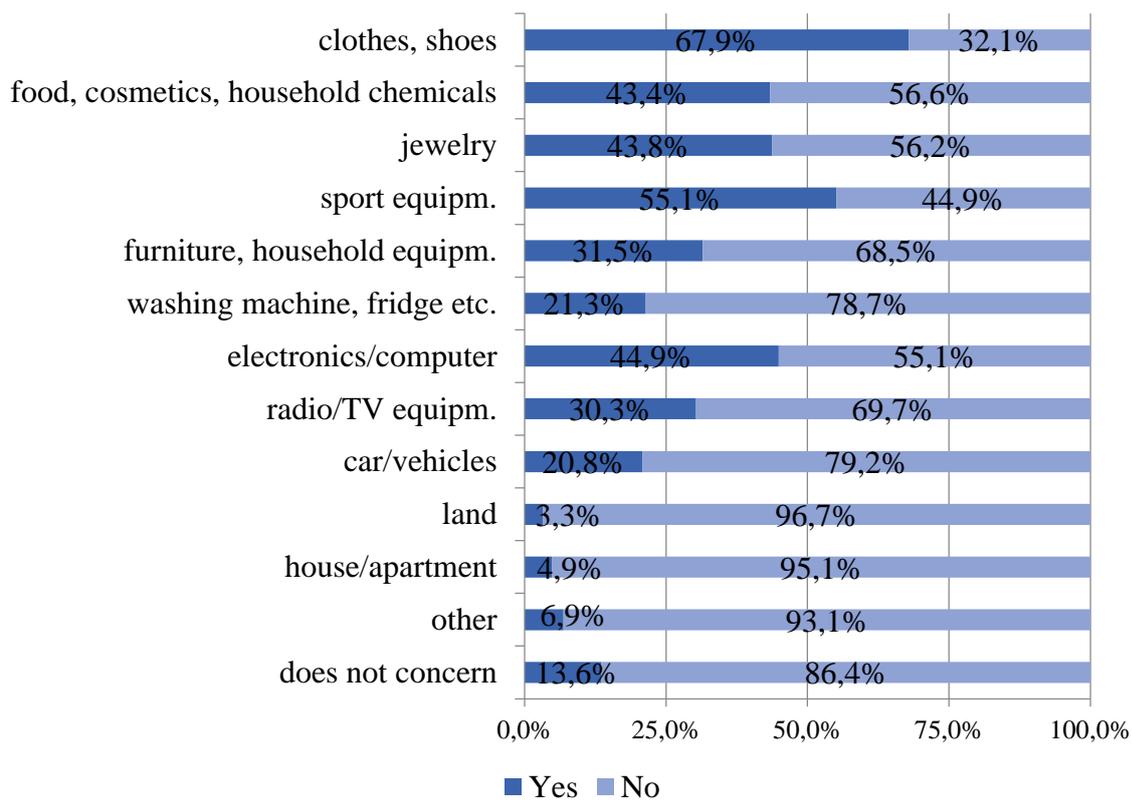


Figure 8. Types of consumer goods purchased online. N=390  
Source: Own study.

The results of the qualitative research (in-depth interviews) shows more detailed information about a young female consumer's behaviour and motivations. Consumers use the Internet as an information source. There is eg. ROPO effect (Research Online, Purchase Offline): "(...) *Most frequently I visit these boutiques which I can previously view on the Internet. I do not like queues, do not like to search. I always search something new (...) and then just know whether it is worth to enter a shop.*" (W14: 27 years, higher education) What also confirms the progressive virtualization of consumption is the fact, that the respondents appreciate shopping online, "*I like Internet-buying. Firstly, you can do a research, compare the prices in different places, using different price comparison sites such as Ceneo. Besides, there's this aspect that the package comes and you can unpack it.*" W11: 31 years, higher education)

The respondents reveal their attitude to consumption, which is generally positive: "*I like to go shopping, I haven't yet met a person who would not like it, unless it is the man.*" (W5: 20 years, secondary education) "*This is the way of a recovery, relief from everyday stress.*" (W12: 28 years, higher education). They acknowledge the importance of symbolic and prestigious aspect of their consumption: „*For example jewelry. (I buy it – authors note) For aesthetic reasons. Besides, they are very necessary to me to build my image (laughter), a professional image at work.*" (W11: 31 years, higher education) Other aspects of goods - the emotional, aesthetic function sometimes prevails over the function of the utility of purchased goods: "(...) *I just sometimes have such a desire, I do not know, that this day was nicer, so I go shopping, but I don't always buy something. I just go to watch clothes and if something catches my eye, then I buy it.*" (W7: 20 years, secondary education)

The respondents combine consumer behaviour with entertainment and sustaining relationships and relationships: *"If it is shopping combined with coffee, cake and the company of some nice people, then I like it. Not the shopping itself, just being in the company, and the moment where it is time to talk and for a cup of coffee."*(W11: 31 years, higher education) Another woman claims: *"Really, she (mother) always advise me (...). She will not go shopping without me and me without her. Well, unless it is with the girls, I also make purchases. I just cannot make a decision on my own."*(W8: 20 year, secondary education). The presence of other people gives the consumer the pleasure of socialization with friends and family as well as gives support when taking decisions and making up one's mind. Some respondents are not confident while deciding about making a purchase and the presence and advice of a close person gives an assurance regarding the reasonable decisions. New kind of consumer searches for the information and share the information about consumption. Internet enables communication between consumers and also promotes creation and spread of patterns of consumer behaviour. So called global brain emerged in the virtual space of Internet, which means shared and accumulated knowledge about the producers, their products and the market. It has to be taken into consideration by managers and PR experts because it becomes the main source of information and base for decision making for the young consumers.

These changes result in numerous consequences for the providers of goods and services on the consumer market. Among others it concerns the wide use of Internet as a tool for communication with the consumers as well as the tool for creating the image of the enterprise and the product. It shortens the time of response to consumers' needs and requests and speeds up the communication process. What is more, the Internet is a great means of stimulating the need for the product and adjustment the product to the individualised needs of a given consumer. The Internet may become a source of assurance regarding the reasonability of purchase decisions. Until now this source of advice and support have been friends and family, possibly famous people, authorities and celebrities. Nowadays, the more and more popular in this respect are the opinions and reviews of others users and consumers. This is the powerful tool of creating an image and popularity of a product or a brand. Moreover, the new consumer trends provide the new conditions of consumption activity – the new fields of activity appear for the providers of services concentrated eg. on home, sports activity and the idea of wellness (both spiritual and physical). New target groups and new service spheres dedicated for these groups are occurring (eg. recreation for children, healthcare, rehabilitation for older people). What is also worth noticing, is the fact that the borders between the mass and the luxury are blurred, what changes the target groups for the producers. For example new lines of luxury products for average wealthy consumer occur. Due to the rising role of the symbolic and aesthetic aspects of goods and consumption, the prestige and uniqueness of goods and services gain importance. Not only the usage aspects of goods, but first and foremost the emotional, aesthetic aspect are to be emphasized. Moreover, the services providing new experiences and impressions gain popularity (new kinds of sport, new entertainment eg. 3D,4D cinema). Knowledge and making use of the new forms and new structure of consumption, new places and new motivations of consumer behaviour is becoming a necessity on modern market of consumer goods and services.

## **Conclusions**

Global trends in the socio-economic sphere have a strong impact on consumption trends. According to Euromonitor (2012), the main trends in the period 2005-2015 are: aging, enrichment of the rich, the development of migration, media on demand, a phenomenon of cocooning, common access to the Internet and the development of mobile technologies. Extended life expectancy and reduce in the amount of children born in families in developed countries, deepening the disparities between rich people and poor people, people migrate to other countries in search for work and a decent life, which is facilitated by the progress of globalization and the free movement of labour in Europe. (Euromonitor 2012) People are returning to their homes. They can do there what until now required going out of the house thanks to the development of services and communication. The consumers became more individualised and more aware, more information-focused on one side and emotional in their decisions on the other side. The author's research results shows that new consumer trends concern especially young consumers, while the older ones tend to realise more of traditional consumer patterns. There is also some part of consumers who join the modern and traditional patterns of behaviour. The producers of goods and providers of services should follow the new forms and new structure of consumption, new places and new motivations of consumer behaviour, taking into consideration given age consumer groups, because it creates new environment for their activity and becomes a source of new possibilities.

## **EVOLUTIONARY CONDITIONS OF GOODS FLOW IN THE DIFFERENT FORMS OF SOCIAL ORGANIZATION**

Constant changes on today's markets (in economical aspect) as well as constant modifications in functioning of societies (in sociological aspect), generate a need of theoretical models, good enough to create a comprehensive description of such reality. Ones of the symptoms are differences in flow of goods in different social structures. Sociological approach considers creating new social structures, one of which is a network structure (Barney 2004, Bard & Söderqvist 2006, Castells 2007, Stalder 2012). In new institutional economy, except traditional public and private goods (Morawski 2001) there are also club goods, particularly common pool goods (Ostrom & Ostrom 1994, Hofmohl 2009). Both, network and common pool structures become relevant because of the global changes related to such things as technological development. Network structures growth in global scale would not be achievable without digital technologies (Castells 2013). Global connections made access to goods problematic to some of the societies, as these goods became common pool ones in the global scale. This happens, when certain good availability is restricted by international organisations limits. The authors of this paper made an assumption that like certain types of goods may be transformed into others, certain types of social organisations may be transformed into others as well. In previous model presentations two variants for common pool goods and social organisation networks presentations have been assumed (Kukowska & Skolik 2015a; Kukowska & Skolik 2015b):

1. Networks and common pool goods as predefined ideal types.
2. Networks and common good pools as transitional, impermanent types.

Modifying networks by adding new members may change its structure, but it also can be changed into a hierarchy, market or community. Common pool goods may also be subject to transformation in club, private or public goods. When communities transform into hierarchies, their transitional form is network, then the community disintegrates, but the

hierarchical formal organisation has not yet condensed. When accelerating technological progress influences constant social and economic changes, then feeding the structures with new values (behaviour patterns), may lead to networking as a permanent phenomenon (Kukowska & Skolik 2015a).

**Model of goods flows in different forms of social organisation**

Regardless the abovementioned model variants, it has been assumed that certain types of goods are typical for certain types of property. Marxian category of community as an ideal type was associated with lack of private property. It is an opposite pole to the communities focused on private goods. So whenever a community deals with public goods, the markets involved in private goods. The example of hierarchy is bureaucratic organisation. M. Weber states, that one of the bureaucracy features is "formalistic impersonal character" (2002, pp. 167-168). In bureaucratic structure, where an individual is assigned to its position, there is a common range of goods, each of which may be used according to one's authorisation. This type of organisation forms may be easily treated as sharing club goods. In bureaucracy third parties get easily excluded from participation. Network, on the other hand, may be connected with common pool goods. This emerges from following thinking: where is large competition, there individuals become autonomic subjects, but whenever ties grow relatively strong, individual users are harder to exclude from access to goods (tab. 1).

Table 2: Integrated typology of goods and social organisation forms

				INDIVIDUAL AUTONOMY	
				SMALL	LARGE
				Divisibility of goods	
				Large	Small
PERSONAL BONDS	WEAK	Goods access	Easy	HIERARCHY club goods	MARKET private goods
	STRONG		Difficult	COMMUNITY public goods	NETWORK common pool goods

Source: Own research (Kukowska & Skolik 2015a).

Whenever the above classification of goods and social structures is understood as ideal types, then empirically observed goods flows between the forms should fill the spaces between the predefined types (fig. 1).

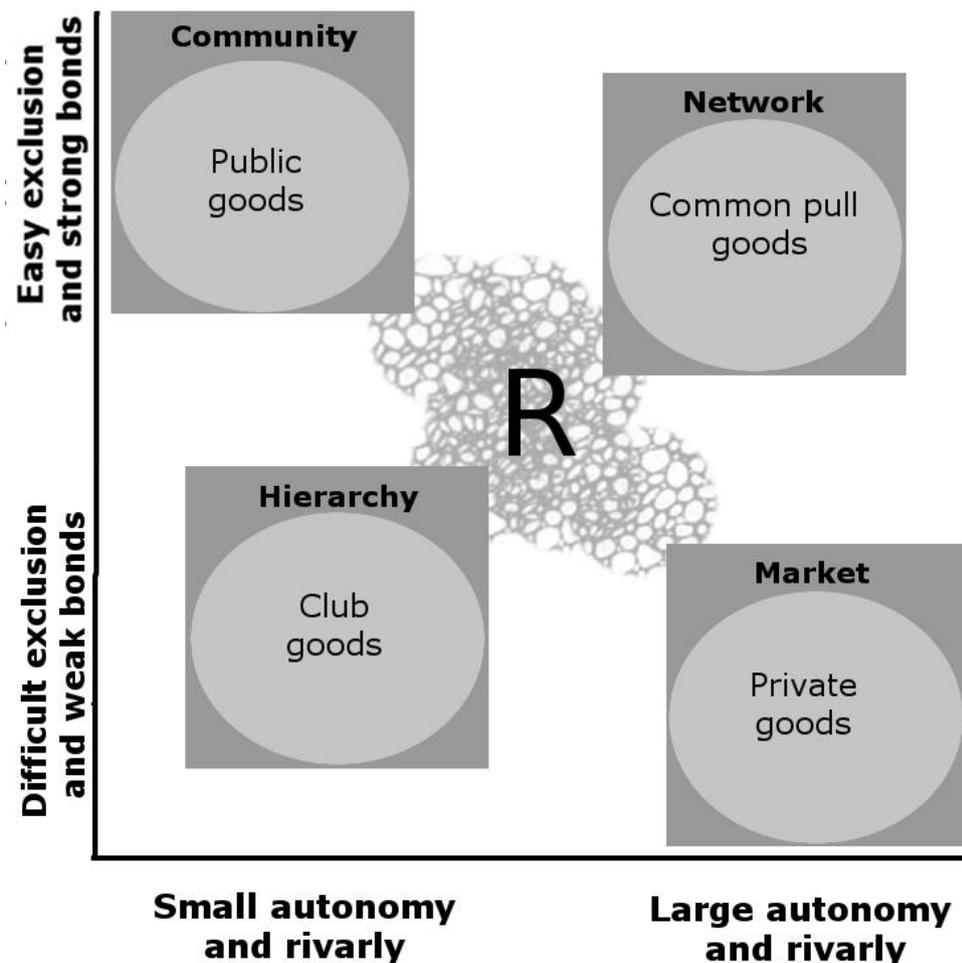


Figure 9: Integrated typology of goods and social organisation forms - empirical model  
 Source: Own research (Kukowska & Skolik 2015a). The letter "R" means reality - empirical space between the predefined types.

In this typology, there are no connecting variables between hierarchies and networks as well as between communities and markets. Referring, however, to the typology proposed by S. Ossowski (2001, p. 79), for markets (based on the polycentric order) and communities (based on collective performance order) the actions are not coordinated by any common decision-making center. Such coordination through joint decision-making centers is expressed in hierarchical organizations (based on the order of monocentric) and based on collectivities' governance orders (Ossowski 2001, p. 60-80). Collective agreements order concerns cooperation between the different layers of social organization (Ziółkowski 2015, p. 315), so the structures would correspond to the networks, which are called nodes. The centralized decision-making centers, in turn, is associated with the asymmetry of the distribution of goods within the community.

### Evolutionary conditions of goods flow in social networks

Social structures are associated with asymmetrical access to the resources. Individuals from lower social layers initiate balancing process, by creating networks, through:

1. getting independent from privileged entities,
2. make the privileged entities dependent on their resources (Turner 2004, pp. 326-327).

Getting the upper hand in network is achieved through colonisation based on partnerships with entities from outside the network and monopolization, which means restricting the access to alternative network connections (Lovaglia 2006, p. 121). From the evolutionary psychology perspective, vast networks decrease social costs of free riders, the individuals unauthorised to use common resources. It is typical for the network to introduce mutual exchange (with prolonged rewarding expecting time), where resources are passed in sequences between the actors. This generates following network exchange properties (Turner 2004, p. 375):

- breaking the "exchange chain" may lead to the network collapse;
- directly linked actors are more likely to cooperate;
- permanent control appears – which means high free riders' detection rate in the exchange chain.

These properties may be explained by the fact, that control is necessary in order to keep the chain unbroken. This results in mutual supervision, which creates the foundation for mutual trust. Moreover, efficient control in access to many types of goods, leads to rules generation (permissions, preferences, orders and bans), helping a community to catch free riders. The more abstract these rules become (the ones concerning indicative problems), and less they concern the normative order (deontic problems), the worse the individuals manage their own correct thinking (Osiński 2013, pp. 66-75) what was proved by series of experiments (Wason 1966, Cosmides 1989, Cummins 1996, Carlisle & Shafir 2005).

These studies showed that the human mind contains a module for the detection of free riders. The form of primary experiment was relatively simple (Wason 1966). Four cards were presented to the subjects, which had a letter typed on one side, and a digit on the second. The task was to test, which card needs to be indicated, to discover if there is a following rule expressed on them: "If there is a consonant on one side of the card, then there should be an odd number on the other". On the following pages, following things were visible to the subject: even number, odd number, consonant and vowel (fig. 2).

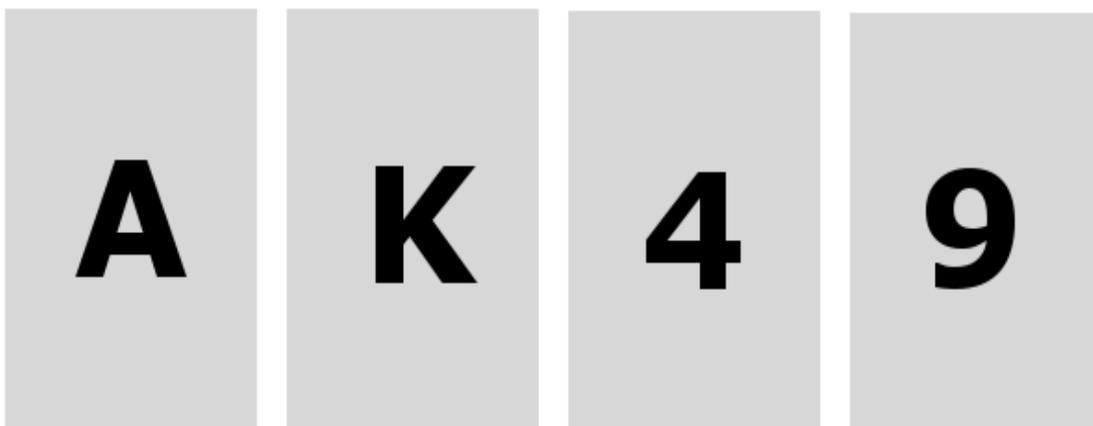


Figure 10: The cards used in experiments check the correct logical thinking  
Source: Own research based on T. Szlendak and T. Kozłowski (2008, p. 59)

It was a test of logical thinking, or more validation implications test. Since a significant percentage of study participants indicated inappropriate cards in checking the above rule, this task has been reformulated (Cosmides 1989, Osiński 2013 pp. 41-42). The modification consisted in changing the abstract "code" inscribed on the card to describe specific situations that could relate to their own experiences. In addition, the situations were associated with decision-making in the context of the operation compatible or incompatible with the rules of

social life. An example of a test modification was a task to solve, in which subjects had to check the following rule: "If a customer in the pub wants to order a beer, one must be over 18 years old." As in the original test the cards were used, here instead of numbers and letters four situations were presented: a customer orders a beer, a customer orders a cola, a customer is 16 years old, a customer is 20 years old (Fig. 3). The respondents also had to indicate which cards should be revealed. Experiments have shown that the modified test were solved correctly more often.

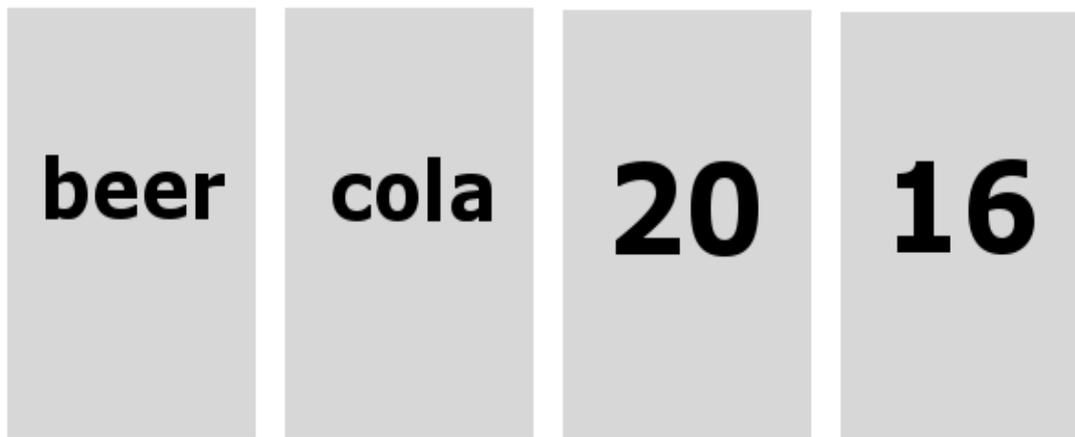


Figure 11: The cards used in experiments check the correct logical thinking- a variant of cards depicting social situations.

Source: Own research based on T. Szlendak and T. Kozłowski (2008, p. 60)

Regardless of cultural background, the results of both types of experiments were similar, although in the case of unknown social rules fewer respondents solved the test correctly (Osinski 2013, pp. 48-49). It is assumed, that deontic rules are evolutionary older (Osiński 2013, p. 75). One can assume, then, that indicative rules developed in the process of individualism and rationalism development, with more participation from *homo oeconomicus* in relation to *homo sociologicus* within the population. Despite the fact, that specific problems are easier to resolve, growth of rules necessary for social efficient interaction excessively burdened cognitive mechanisms, creating general problems, which slowed down human brain capacities inevitably.

One may state, that human communities' numerosity increase favoured creation of various rules. The tribal communities, facing large fluctuation of supply there was a tendency to restrict individualism, which means reducing private goods share in relation to the common ones (Osiński 2013, p. 34). Moreover, in case of shortage of goods, total adjustment strategy maximization is commenced and a greater generosity in cooperation units with each other. This involves the issue of reputation for generous individuals and expensive signaling, which from a biological point of view, increases the attractiveness of a generous partner interaction (Osiński 2013, pp. 146-147). In traditional communities, common goods are more dependent on the degree of kinship than on the jointly run household. For example, in a traditional Polish countryside in the case of the death of childless wives, the goods brought into the household through marriage always returned to her family (Bukraba-Rylska 2013, p. 152). Exchange of various goods evokes a necessity to create a consolidated system of values (in economic aspect) regardless the volume of goods (Buss 2003, p. 292). Detection of unauthorised users of common goods works more efficiently than detection of altruists (Osiński 2013, pp. 76-88), people create "excluding", than "constructive" communities (Ziółkowski 2015, p. 313). Moreover, what is typical for the human species, communities require not only altruistic behaviours from the

individuals, but also raising costs related to free riders punishing (Osiński 2013, pp. 26-27). *Homo sapiens* are more motivated by punishment, when reacting to the opinions of other group members (de Waal 2014).

Computer simulations of R. Axelrod and W.D. Hamilton (1981) proved, that the most stable strategy in goods exchange is tit for tat. It is based on following cooperation cost balancing rules:

1. "never be the first to betray": one needs to keep being loyal, as long as the partner is the same;
2. "apply retorsions for partner's betrayal";
3. "forgive": whenever a fraud comes back to loyal cooperation, it is profitable to respond with acceptance (Buss 2003, pp. 284-285).

Considering kin altruism theory, costs and profits shared by partners are important. This means, that these features and behaviours increase inclusive fitness (Poleszczuk 2004, pp. 117-141). As far as non kin interaction is concerned, altruistic behaviours are more rare and are based on mutual altruism. As human relations are often based on non kin basis, there are cheaters detection systems created. One of these mechanisms are emotions, particularly those difficult to hide in non verbal communication (Osiński 2013, pp. 91-95). Uncontrolled emotions can be indicators of divergence in relation to the intentions of the individual in the process of exchange of goods. Therefore, the emotions are often hidden from strangers, being the units less likely involved in succeeding social interactions (Szlendak & Kozłowski 2008, p. 79).

Ecological and social conditions of humanity existence constantly change. The example is digital environment, where non verbal communication is limited. One may then ask a question, how the mutual altruism enhancing mechanisms could flexibly adapt to those conditions (Osiński 2013, p. 23). Technological progress of mass media use includes development of techniques, which could easily cover true intentions of senders and compromise one's resistance to cheating. It seems, however, that the more communities transform into other forms of social organisation,

- the less there are kin based relationship

- and the greater restriction of goods access appears, which is evoked by frequent attempts of unauthorised use.

Perhaps networking is an unconscious solution for free rider problem. According to A. Słocińska (2012, p. 477), networks have no room for Machiavellian attitudes, and individuals with such approach, particularly the ones blocking the information flow, are rejected.

### **The dynamics of goods flow**

It can be assumed that community is the most primary form of social organization. It is typical for the community to generate public goods, protected by deontic rules - in primitive societies based on sacralisation and taboo. This is due to lack of resources, poor accumulation of goods, and thus, relatively high value of public goods (common ones). This makes one assume, that the only audience allowed to use these goods is a closed, both, mentally and physically (geographically), community. Traditional community values only its closest space, and the world outside of the community appears as a meaningless chaos (Eliade 1999, p. 23-38). In addition, members of primitive communities are characterized by a high degree of kinship. Sharing goods, in this case, is much more likely than in any other collective bodies, as indicated by the proved concepts of evolution.

Together with growing numbers of goods and the number of unrelated individuals in groups, the resources discounting rate increases. Discounting goods is understood as a decrease of subjectively perceived value of "rewards" in the exchange processes together with its deferment extent (Osiński, pp. 111-112). With simultaneous decrease of common goods value

in common, the more its particularistic appropriation is accepted. The increase in the number of communities also weakens the detection of frauds. This elevates economic diversification, as having more resources leads to higher profit from biological and evolutionary point of view, which intensifies the processes of monopolization. Monopolization can be understood here as validation (initially through deontic rules) of some individuals' higher social status. Parallely to the process of monopolization the balancing processes appear in opposition. The former develop a hierarchical structure and closed access to goods at the higher levels of the social hierarchy.

This includes a fact, that one of the first organizations were hierarchical caste societies and states, where the higher castes or states became "internal clubs" appropriating goods previously belonging to the whole community. While balancing processes of hierarchy formation leads to horizontal structures, dominated by a relatively independent, autonomous entities exchanging goods according to commonly accepted rules. It should be noted that both the processes of monopolization and hierarchization, and market generating balancing processes, transform deontic rules into indicative ones. Both the exchange of goods within the hierarchical community and developing markets requires formation of abstract rules such as normative acts and trade agreements.

Large hierarchical organizations have an advantage due to economies of scale they operate. Because they are not as flexible as the markets, network organizations becomes more common nowadays. They combine the part of different organization for the purposes of implementation of joint projects (Stalder 2012, pp. 66-72). It was assumed that the dominant type of goods in the network organizations are common-pool resources, and these organizations are transitional in forms. Although it is also assumed that both the networks and the common-pool resources are separate ideal types, they are empirically observable than the other types. The dynamics of transformation in other types of goods would thus be dependent on the possibilities of transforming the network into different forms of social organization:

- With decreasing autonomy of individuals inside the collectivities networks, the latter can transform themselves into communities, and thus the common-pool resources may become the public goods.
- With the weakening of the personal kinship in the networks, the latter can be transformed into markets, while common-pool resource can become private goods.
- Along with the disappearance of diversity of thought and decision centers (Ossowski 2001, p. 79), the networks can transform into hierarchies, where common-pool resources can become club goods for the privileged members of the organization.

If we assume that the hierarchies and markets are extreme ideal types and networks are available empirical forms, then the transformation of social organization forms between markets, hierarchies and communities can occur if they initially appear as networks. Primary community ideal type could transform into hierarchies and markets through short-term existing networks of social interaction.

However, if the original community is recognized as an ideal type, that each community should be recognized as a primary one with network structure being the closest to the ideal type of community. Although it is impossible to confirm that primitive societies can not be identified with the ideal type of community, we should make that assumption after all. A primary community, which is based on a lack of autonomy of individuals and tight, close personal kinship, would be a static structure. It could thus evolve into other organizational forms, taking into account endogenous factors. However, since there may be inequalities in the community (population), they constitute a factor driving the processes of evolution, in terms of access to the resources (both, as ways to manipulate others, or mechanisms to detect frauds), it can be assumed that in the original communities already had the potential to generate the hierarchical structures and markets.

## Conclusions

In original communities individualism restriction is a typical tendency, particularly in large supply fluctuation. However, competitiveness and innovativeness forced such communities to open to the outsiders (Wall 2014, p. 49), which gave a foundation for first networks. Together with the growth of communities and variety of goods, indicative rules emerge. If monopolization was prevailing in the original network, this would lead to hierarchic structures domination. On the other hand, excessive balancing should favour creation of more equal structures like markets.

The domination of markets and hierarchies in the communities was made possible together with the increase in the production of goods and increase of the human population. This rapid increase was seen in particular during the industrial revolution, which was accompanied by intensive urbanization. That could lead to the transformation of the community in the form of hierarchy, where some individuals have become nodes in exchange processes and create a coalition with other smaller nodes. As a result, they can monopolize the means of distribution of at least some key goods. The processes of balancing leading to creation the markets seem to be secondary to the hierarchy creation. So we may can ask, whether communities can transform into markets if they have not evolved their hierarchies yet. Because it is easier to develop a hierarchy based on a deontic rule, than to educate the community in economic thinking based on indicative rules. In a traditional Polish village, when people began to use money, it had a qualitative value. The value of money does not depend on its denomination, but on its origin and destination. This how and on what the funds could be spent is dependent directly from the sources. For example, money from the dowry should would be spent on the purchase of land and the funds obtained from the sale of agricultural products should not be spent on daily consumption, but it should rather be invested (Bukraba-Rylska 2013, pp. 170-171).

The Industrial Revolution led to the domination of secondary forms of organization (markets and formal organizations) over the original communities. At the turn of the nineteenth and twentieth century sociologists and anthropologists in their theoretical considerations clearly opposed the old and new forms of social order to each other. H. Spencer opposed the military and industrial society forms, M. Weber did that to traditional and rational societies, R. Redfield to native and urban ones, and F. Tonnies opposed community against association (Gorlach 2004 p.18-26). Opposing often meant drawing attention to progress, but within costs of certain qualities of social life.

Action on a global scale is not only more attractive but also more and more common. Contemporary forms of social transformation are rather "fusions" of markets and hierarchies, which resulted in noticing of the network properties. Transformation of the globalized market becomes a permanent phenomenon, and network structures resulting from such mergers seem to be increasingly dominant form of social organization.

## **BRAND ORIENTATION AS A TOOL FOR ENHANCING CUSTOMER-CENTRIC PERFORMANCE OUTCOMES OF SMALL FIRMS: SOME FINDINGS**

It is not an issue that the majority of the small-sized firms, including those in the service sector worldwide, suffer from varying degrees of underperformance in their respective industries and marketplace alike. Therefore, it is pointless to rehash what is already known and/or widely available in the public domain, in particular mainstream media and dozens upon dozens of academic papers. As such, in this study, the author shall briefly consider what is it, among other measures that the small-sized services firm in particular might have to consider critically in the hope that it will enable the firm to compete more effectively, and eventually enhance the firm's chances of success in the marketplace. Now to the meat of the matter, this work amongst a few recent research, explores the part that branding, in particular, brand orientation (as one of the strategic resources of the firm) could play in ramping up the success of the small-sized services firm with respect to customer-centric performance indicators such as customer referrals, customer satisfaction, and customer-brand loyalty.

Although a similar study in recent past investigates the supposed linkage between brand orientation (BO hereinafter) of the firm and the aggregation of the construct customer relationship performance (see Chovancová, Osakwe & Ogbonna 2015). In this paper, however, the author believes that it might make more intuitive sense as well as practical sense to disaggregate the complex measure of customer performance into its critical components like customer referrals, customer satisfaction (which obviously translates into a reduction in customers' complaints), and customer-brand loyalty (or simply, loyalty). It then raises the important research question: Does the construct brand orientation predict the triumvirate of customer referrals, customer satisfaction, and customer-brand loyalty of the small firm, and does customer satisfaction in turn play any mediation role in all this? Altogether, this scientific work will seek to give due consideration to the issue raised in this study. An important contribution of this work to literature (in a domain still relatively under-developed) is that it helps to inform academic learning and decision-making on the part of small services practitioners in particular. The belief is that an explanation of the relationships among the brand orientation, customer referrals, customer satisfaction, and customer-brand loyalty construct is helpful for the proper guidance of managerial actions, particularly on some of the practical measures to take when it comes to customer lock-in, as well as bringing new customers into the fold. The long and short of it, is that a brand orientation will serve as an important source of achieving strong customer-centric performance outcomes. Therefore, the target audience for this work is basically the proprietors of small services companies, especially those doing businesses in very tense and extremely challenging business environments.

Succinctly put, the *raison d'être* for the paper is to provide scientific evidence, albeit tentative in this case, as a further justification for much attention to be paid by small services firms in particular towards brand building; keeping in mind also that several theorists and/or experts in the marketing field connect efforts geared towards brand building to improved organizational performance in general (for instance, see Balmer 2013; Baumgarth, Merrilees & Urde 2013; Gromark & Melin 2011; Hirvonen & Laukkanen 2014; M'zungu, Merrilees, & Miller 2010).

Put another way, the major objective of this study is to increase empirical knowledge about the part that BO plays in laying a much durable foundational block for the small-sized firm's success in the marketplace, and in this instance - as an essential ingredient for increasing the firm's word-of-mouth (ie, customer referrals), reduction in customers' complaints (ie, increased customer satisfaction rate), as well as the loyalty base of its customers. Briefly, this study is situated in the domain of an African business environment with Nigeria serving as the test laboratory for the research. This paper further proceeds with a discussion on related research, as well as the statement of hypotheses. Thereafter, the materials and methods employed for the

research are highlighted in the paper. The findings of the research, as well as its related discussions are presented in the concluding section of this work. The limitations of the study and avenues for further research are also presented in the concluding section of the work.

### **Pertinent past study and statement of hypotheses**

In this study, the focus is on the emerging BO literature including its theorized connection to brand performance and firm success in general. Put more aptly, to theoretically guide the research, the author draws on a few important studies from the BO field of study. Where else to better begin than to consider what a seminal paper on BO says about its descriptive meaning. According to the paper, BO is defined as “an approach in which the processes of the organization revolve around the creation, development and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands” (Urde 1999, p. 117). And according to another study, BO may be defined as “the degree to which the organisation values brands and its practices are oriented towards building brand capabilities, as a mark of distinction, a means of satisfying consumer's functional purchase needs, a source of value adding and a symbolic reflection of consumers” (Bridson & Evans 2004, p. 405). Equally, in the context of the relatively small private enterprise, BO is defined as the “extent to which marketing strategy and activities are centered on the brand with the aim of reinforcing distinctiveness” (Wong & Merrilees 2005, p. 157).

Likewise, a more recent study remarks that BO “focuses on building and maintaining a strong brand name in the marketplace” (see Osakwe et al. 2015, p. 246). In sum, BO is a strategic resource for the firm, and bears semblance with the concept of a market orientation (MO) (for details about MO, please see Kohli & Jaworski 1990, as well as Narver & Slater 1990). Past research, as it seems, claims that BO is even more critical for organizational survival and long-term competitiveness than the construct MO (see Baumgarth et al 2013; Urde 1999). Therefore, given the presumed strong connection between BO and MO vis-à-vis organizational performance (in particular, the phenomena of customer performances); it is small wonder that research in the emerging research stream of BO has investigated into the link between BO and the marketing success of firms in the marketplace (see Baumgarth 2010; Hirvonen, Laukkanen & Salo 2016; Merrilees, Rundle-Thiele & Lye 2011; Osakwe et al. 2015). Still, scholars say the realm is heavily under-explored in academic research (see commentary in Chovancová et al. 2015; Hirvonen & Laukkanen 2014; Osakwe, 2016; Osakwe, Chovancová, & Ogbonna 2016; Wong & Merrilees 2005). As an illustrative purpose, the study’s conceptual model has been captured in Figure 1.

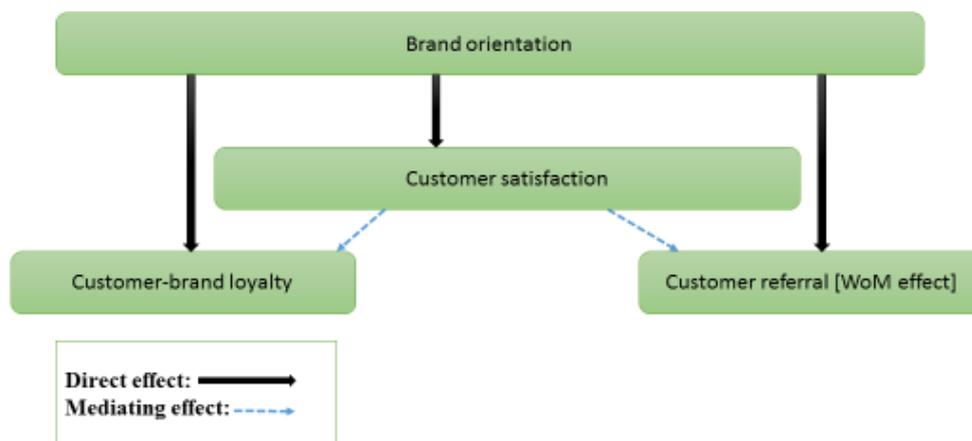


Figure 12: Research conceptual model.

Meanwhile, early research in the BO domain, especially with respect to the relatively small to medium-size businesses, reports that the BO concept is less intensely adopted by the small business (Wong & Merrilees 2005). Similarly, a recent research also hints that BO is among the least strategic orientations of small services firms in the domain of a developing nation (see Chovancová et al. 2015). Interestingly, some very recent research demonstrates in their works about the potential beneficial ties between BO and brand performance; in particular, the path from BO to the firm's customer performance indicators like customer loyalty base, customers' referrals as well as customer satisfaction (cf. Hirvonen et al. 2016; Osakwe, 2016). In a related fashion, within the context of Australian firms, Merrilees et al. (2011) investigate the relative importance of brand building capability to the marketing performance of the small to mid-cap enterprise, the authors report that there is a positive relationship between the constructs - branding capability and marketing performance. At the same time, empirical research also finds that BO might not have a net plus effect on brand performance indicators such as customer loyalty and new customer acquisition (see Hirvonen & Laukkanen 2014; Osakwe et al. 2015). It is not in any way surprising that the findings in this emerging line of scientific inquiry remain far too little reported, at best, in the literature. (Thus, lacking in quantity and empirical rigour, too.) You may wish to recall that the concept of BO is a relatively new addition to the broader marketing literature – see, for example, Urde (1994). With all that said, it is quite reasonable to arrive (tentatively) at the following hypotheses:

H1a: BO is positively related to customer-brand loyalty at the level of the small service firm.

H1b: BO is positively related to customer referral at the level of the small service firm.

H1c: BO is positively related to customer satisfaction at the level of the small service firm.

Additionally, it makes theoretical sense in the cross disciplinary literature of customer satisfaction and branding to suggest that the customer satisfaction concept will for the most part play a leading mediating role on the relationship between BO and customer-brand loyalty; this assertion is largely implied in the works of Osakwe et al. (2015), Chovancová et al. (2015), and among others. Though this theoretical link is widely presumed in the marketing literature, it remains to be tested in the realm of BO, as well as at the level of the small service firms. Lastly the assumption that there might be a deeper connection between BO, customer satisfaction and customer referral, though not clearly stated, (it) is, however implied in a very recent research that studies the impact of BO on B2B service brand equity within the context of Chinese firms (see Zhang et al. 2016). Altogether, the proposed mediation relationship merits consideration in the literature; and it is hypothesized (here) that:

H2a: Customer satisfaction will significantly mediate the relationship between BO and customer-brand loyalty at the level of the small service firm, such that increasing levels of customer satisfaction will amplify the relationship between BO and customer-brand loyalty.

H2b: Customer satisfaction will significantly mediate the relationship between BO and customer referral at the level of the small service firm, such that increasing levels of customer satisfaction will amplify the relationship between BO and customer referral.

## **Materials and methods**

The materials that were used for this study either came from secondary or primary sources including scholarly databases like Scopus. To meet the main goal of this explorative study, this study had to rely on a survey-based methodology consisting basically of a paper-based research instrument. Since there was no comprehensive listing of small services firms in the country under study, it was more realistic and proper to employ judgmental sampling. In

this study, the definition of a small service firm is any formal for-profit services organizations employing between 10 to 49 employees. All in all, a usable survey sample of 143 services firms in Nigeria was used for the final analysis. The point to also briefly make is that approximately all the service firms that participated in the study come from the financial services industry. The study's participants were typically CEOs and top-managers and were predominantly of the male gender type with university qualifications. Although not presented in a tabular form, one interesting descriptive result of the study is its finding about the very little adoption of a brand orientation among the greater majority of the firms in the study. Put more simply, the study finds that only 35.7 percent of the small services firms have a greater understanding of the importance of a brand orientation to the success of their businesses.

Regarding the constructs, they were adapted from existing works. In particular, the measures for BO were adapted from the works of Hirvonen and Laukkanen (2014), as well as those of Wong and Merrilees (2005). All the three measures for the dependent variables come from the works of Chovancová et al. (2015) and Wu, Mahajan and Balasubramanian (2003). Notably, all the items were measured on a 5-point Likert scale. In particular, the items that captured the construct BO were: i) Building a brand is an important part of our drive to succeed in the market; ii) Building a brand is integrated in all our marketing activities; iii) Building a brand is an essential part of our business operations; and iv) The brand is a valuable asset to us. In addition to this, the measures for customer satisfaction, customer referral, and customer-brand loyalty were: "Overall, we have had a huge reduction in customers' complaints in the last year"; "Our customers encourage other people to do business with us"; and "Overall, our customers are more loyal to us than before", respectively. Please keep in mind that the criterion constructs (customer satisfaction, customer referral and customer-brand loyalty) were basically single-item measures. The justification for using single item constructs could be seen in the recent works of Petrescu (2013), and Laufs, Bembom, & Schwens (2016), among others. In recent years, several scholars have also adopted the use of single-item measures in their empirical works and that include papers dealing with structural equation modeling (cf. Hallam et al. 2016; Iwu, Osakwe & Ajayi 2015; Palacios-Marqués, Soto-Acosta, & Merigó 2015). With all that said, the point to also note is that the use of single-item measures remains heavily contested in the psychometric literature (for an overview of debate on this topic that has just recently resurfaced in the literature, see Bergkvist 2015; Bergkvist 2016; Petrescu 2013; Sarstedt et al. 2016; Sarstedt, Diamantopoulos, & Salzberger 2016).

With respect to the analytic technique, *Partial least squares (PLS)* modelling serves as the model of choice for this kind of explorative work, which ultimately is bent towards making predictions from in-sample data (also, see Hair et al. 2012). In terms of the specific software that was used for this work, aside the fact that the data were warehoused in IBM SPSS v.23 Software and Excel file, the software SmartPLS 2.0 by Ringle, Wende, and Will (2005) was used for the PLS analysis.

To further validate the results obtained from the SmartPLS software, this study equally uses the ADANCO 2.0 software by Henseler and Dijkstra (2015). In particular, the mediation analysis using the bootstrapping method was used in conjunction with the variance accounted for (VAF) technique (cf. Dominic & Theuvsen 2015; Tachizawa, Gimenez, & Sierra 2015) to examine the possibility of an indirect effect (i.e. mediation analysis) with respect to H2a and H2b. Briefly, VAF is the ratio of indirect effect to the total effect. Expressively put in a mathematical fashion,  $VAF = (a*b)/(c'+a*b)$ ; where  $a*b$  indicates the indirect effect and  $c'+a*b$  indicates total effect.

Let us now turn briefly to Table 1, as illustrated in Table 1, four indicators were used to measure the construct BO with the lowest loading being 0.82 ( $p < 0.001$ ). Meanwhile, see Table 1 for more details about the factor loadings, as well as other useful statistics.

Table 3: Reliability, AVE, descriptive statistics and correlation among constructs

Variable	Reliability	AVE	Mean	SD	1	2	3	4
1. BO	Loadings: [0.82; 0.94; 0.95; 0.96] Cronbach's $\alpha$ = 0.94 CR= 0.96	0.84	3.07	0.83	[0.92]			
2. Customer referral	N/A	N/A	3.15	0.75	0.63	1		
3. Customer-brand loyalty	N/A	N/A	3.24	0.71	0.62	0.92	1	
4. Customer satisfaction	N/A	N/A	2.97	0.72	0.42	0.56	0.60	1

Note: indicates square root of AVE; Correlation is significant at the 0.01 level (2-tailed)

Source: Output extracted from SmartPLS software

As Table shows, regarding convergent validity, average variance extracted for BO was found to be 0.84. In terms of the assessment of its internal consistency, composite reliability of BO was found to be 0.96 with a Cronbach's alpha value of 0.94, too. The data also suggest relatively moderate to high correlations among the constructs in the study. All the reported *p-values* have been generated using the bootstrapping technique (n=143, with 999 replications/bootstrapped sample, and no sign change).

### Findings, discussion, and conclusion. Presentation of findings

The study reports the results of the analysis in Table 2. With regard to *H1a*, the study offers empirical support for it. Simply put, the study finds a clear correlation between the BO-customer-brand loyalty direct link. Put another way, increasing levels of BO will, on average, translate into higher levels of customer-brand loyalty of the small services firm. Regarding *H1b*, the study finds a strong positive relationship that stems from BO to customer referral (i.e., word of mouth effect). In other words, small services firms that are more brand oriented are more likely to be referred to other potential customers by their highly satisfied (existing) customers (see Table 2 for statistical details). Similarly, concerning *H1c*, the study also finds enough statistical support for it. Put more simply, evidence is highly suggestive that increasing levels of BO adoption within the firm will equate to greater levels of customer satisfaction rate (for statistical details, refer to Table 2). And in terms of variance explained, the *R-squared* values for the constructs – customer-brand loyalty, customer referral, and satisfaction - amount to approximately 52%, 50%, and 18%, respectively. More so, since none of the  $Q^2$  values is less than zero, it indicates a good predictive validity of the conceptual model under investigation. In sum, all this suggests that with regard to *H1a*, *H1b*, and *H1c*, there is statistical support for the three hypotheses.

Table 4: Report of the path coefficients (i.e., H1a to H1c)

IV to DV	Path coefficients	Stand. Error	T-statistics	R <sup>2</sup>	Q <sup>2</sup>
BO -> loyalty	0.45	0.06	7.20		
BO -> satisfaction	0.42	0.06	7.31		
BO -> referral	0.48	0.06	8.25		
Satisfaction -> loyalty	0.41	0.07	6.18		
Satisfaction -> referral	0.36	0.06	5.76		
Customer-brand loyalty				52%	0.5
Customer referral				50%	0.5
Customer satisfaction				18%	0.1

Note that the Stone-Geisser's Q<sup>2</sup> value was derived using an omission distance of 7.

Source: Output extracted from SmartPLS with similar results too from ADANCO software

Concerning **H2a** and **H2b**<sup>2</sup>, data offer support for the hypotheses, which means that to some extent, the degree of customer satisfaction mediates the BO-customer-brand loyalty, as well as the link between BO and customer referral. Briefly, the VAF value of 23.91 indicates that 23.91 percent of the impact of BO on the construct customer referral is partially mediated by customer satisfaction. In addition to this, about 27 percent of the effect of BO on customer-brand loyalty is partially mediated by customer satisfaction. For more details about the mediation analysis, the researcher refers you to Tables 3 and 4, respectively. Additionally, the results of the effect size are reported in Table 5.

Table 5: Results of indirect effect – Mediation analysis (Bootstrapped)

Effect	Original coefficient	Standard bootstrap results				Percentile bootstrap quantiles			
		Mean value	Standard error	t-value	p-value (2-sided)	0.5%	2.5%	97.5%	99.5%
BO-> customer referral	0.15	0.15	0.03	4.28	0.00	0.07	0.09	0.22	0.25
BO -> customer-brand loyalty	0.17	0.17	0.04	4.47	0.00	0.09	0.10	0.25	0.28

Source: Output extracted from ADANCO 2.0 software

Table 6: Results of total effect with VAF computation

Effect	Original coefficient	Standard bootstrap results				Percentile bootstrap quantiles				VAF
		Mean value	Standard error	t-value	p-value (2-sided)	0.5%	2.5%	97.5%	99.5%	
BO -> customer referral	0.63	0.63	0.05	12.49	0.00	0.47	0.53	0.71	0.74	23.91
BO -> customer-brand loyalty	0.62	0.62	0.05	11.85	0.00	0.46	0.51	0.71	0.73	27.34

Source: Output extracted from ADANCO 2.0 software with MS Excel computation of VAF

<sup>2</sup> Note: Earlier submitted conference paper for ICOM 2016 miscalculated the mediation analysis concerning **H2b**, i.e., mistakenly reported no statistical support for the mentioned hypothesis. The point is, the initial error, was regrettably reported by this same author.

Table 7: Results of effect size – Cohen's  $f^2$

Effect	Cohen's $f^2$
Satisfaction -> Referral	0.22
Satisfaction -> Loyalty	0.29
BO -> Satisfaction	0.21
BO -> Referral	0.38
BO -> Loyalty	0.36

Source: Output extracted from ADANCO 2.0 software

### Discussion of results, limitations and future research consideration

Collectively, the reported findings lend empirical support for research in the realm of BO (among others, see Baumgarth et al. 2013, Merrilees et al. 2011; Urde 1999), and in particular its relevance to small and medium-sized businesses (also, see Chovancová et al. 2015; Hirvonen & Laukkanen 2014; Osakwe et al. 2016; Wong & Merrilees 2005). In short, as the research finds, the small (financial) service provider commitment to developing its internal capacity, especially in the area of branding should be seen as one of the first critical marketing steps for the service provider to take given the marketing implications of BO to the provider (in terms of its capacity to alter positively the firm's customer satisfaction rate, degree of customers' referrals and equally building a solid base for increased customer-brand loyalty).

All said and done, it is important for the services provider to know that the reported findings about the critical relevance of BO to the firm does not in any way guarantee that the service provider will surely succeed by investing only in branding. The author suggests services providers pay stronger attention to increasing their awareness among their target audiences. And at the same time, they should also go the extra mile to offer quality customer services to their existing customers since it has been found in the study that the degree of customer satisfaction rate plays a mediating role between BO-customer-brand loyalty link, as well as the BO-customer referral link.

With all that said, this (tentative) empirical analysis is limited in several ways. Hence, caution should not be thrown to the wind when generalizing the findings of the report. Consequently, room for further improvement of the research remains. To point out, one of the several limitations of the study is that it only considers the managerial point of view. Another limitation has to do with the perceptual measures of the dependent variables, although quite straightforward for respondents to understand, it is extremely possible that the three measures for customer-centric performance outcomes may not have extensively captured the current realities in the firm's environment. Moreover, the dependent variables relied on single-item measures, which certainly is contestable in the literature (cf. Bergkvist 2016; Petrescu 2013; Sarstedt et al. 2016). Researchers should also note that this work mainly draws on evidence gathered in a particular services industry and in one country. It is on this note that the author invites future research investigation to correct the study's limitations. This work on all accounts remains an explorative research and it is more technically framed to be an invitation for more interesting academic dialogue on the topic of branding and brand orientation included, particularly within the context of private firms that ranged from micro- to small- to mid-cap enterprises, or simply MSMEs. The author believes this is the only way we can learn more about the brand practices of this set of enterprises, as well as its potentials for their long-term competitiveness.

To recap, the overall argument in this work, is that a brand orientation may as well serves as one of the better recipes for boosting the longevity and overall competitiveness of firms, and small (services) firms included. And that it is even more critical for those for-profit

small services firms doing business in a highly tense industry and very challenging external business environments, too. Although this study shows that a brand orientation is helpful for increasing the customer-centric performance outcomes of firms, the study, however, finds the firms under investigation to be underplaying the importance of a brand orientation to the firm. In particular, descriptive statistics show that only about 36 percent of the firms under coverage have seized this opportunity. What this clearly means is that the vast majority of the firms have failed so far to understand the strategic importance of a brand orientation to organizational well-being and customer-centric performance outcomes in particular.

At this point, (and regardless of the study's findings), it will be a disservice to the firms under investigation for the researcher to be completely silent about the important role that the government can play in creating a more conducive atmosphere for private firms in general to thrive. Speaking particularly about the specific context of the Nigerian business environment and elsewhere in Africa, a starting point for the government will be the need to do all it can to drastically cut the high cost of doing business and that includes helping to provide the much-needed supportive hard and soft infrastructures like the building of robust telecommunications infrastructure projects and better enforcement of intellectual property rights. All this will help private businesses and small (services) firms included to develop stronger capabilities like brand building. The moral of the story is that an enabling business environment will help small services firms in particular and private firms in general to thrive on their own.

And to briefly suggest, it will be nice of future research to interrogate how (stricter) enforcement of intellectual property rights by regulatory agencies of the government, as well as the judiciary arm of the government leads to greater investments in brand building. The reason for this suggestion is that brand building and brand orientation in particular seeks to protect the identity of the organization and/or its products/services offerings. Therefore, greater regulatory oversights will be key for protection of intellectual property rights like brand logo design, copyrights, and patents.

### **Concluding remark**

Now, to conclude this paper. Beyond the examination of the relationships among the constructs under study, perhaps, the study's contribution could be that it has also brought more solid awareness on the benefits of brand building and brand orientation in particular to the small services firms. Put another way, hopefully, this study will in particular ignite the interest of the services firms under study, as well as elsewhere, towards brand building. To recap, the study's findings suggest that BO would to a certain degree augment service providers' customer performance indicators like customer referrals, customer satisfaction and customer-brand loyalty. With respect to the finding about customer satisfaction in particular, evidence is highly suggestive it mediates the relations between BO and customer-brand loyalty and that of the link between BO and customer referral. All things considered, the findings reinforce the need for the micro, small and medium-sized firms, and small service providers in particular to consider making branding a top priority (for instance, see Baumgarth 2010; Centeno, Hart, & Dinnie 2013; Hirvonen & Laukkanen 2014; Horan, O'Dwyer, & Tiernan 2011; Iwu et al. 2015; Osakwe 2016; Osakwe et al. 2016; Wong & Merrilees 2005). In the final analysis, BO should be seen as one of the cures for small firms' under par marketing performances or very thin competitiveness, at best. There is, therefore, a need for the firms to pay attention to branding activities without also neglecting other useful activities. And to re-echo what the author earlier said, it is pertinent for governmental agencies to create a level-playing field for relatively small firms in particular to thrive. One particular practical suggestion is the need for regulatory authorities in less advanced economies like African economies in particular to strongly enforce intellectual property rights protection. The reason for the suggestion cannot be simply overstressed given that intellectual property rights protection is a cornerstone of any successful

brand activities, which in turn, lead to increased brand competitiveness, as well as the overall competitiveness of domestic economies.

## **REQUIREMENTS FOR BRAND MANAGERS IN THE CONTEXT OF KNOWLEDGE MANAGEMENT**

Social forces and trends that formed the first decade of the 21st century changed the markets and made companies generate new attitudes and practices. Economic power is not enough; the innovation which is heavily influenced by productivity of knowledge workers is what determines the future of companies. More and more organizations make their long-term sustainable value creation the centre of their activities, and empowered people, responsibility and trustfulness should be the part of their corporate valuable assets. A focus on long-term sustainability requires from workers, who have knowledge and are able to share it, to deepen it and gain new knowledge. Companies wage a merciless battle for talented workers who have the potential to be bearers of key competencies.

The competitiveness of a product, the product's brand power, as well as optimal range of additional services, are largely the work of product managers and brand managers since in many companies it is them who are responsible for planning the tasks for a particular part of the product portfolio both on the strategic and tactical level. Those managers must have sufficient knowledge to be able to influence the product's or brand's success on the market. By connecting the requirement "to have knowledge" with the tasks that usually are carried out by brand managers in organizations, it can be inferred that brand manager is a knowledge worker. The question is whether the business practice sees him/her as such.

These issues have the lack of input data because brand managers do not do the jobs with given qualification standards so the author focused on determining the current state and carried out an empirical research which main results will be presented and commented on in the following chapters. For the purpose of a more precise definition of the research limits and for the formulation of more specific recommendations, the primary research findings were supplemented by a table presenting another view of requirements which are based on the research project. The research results are supplemented with examples from the Czech and the North American business environment in the form of the text transcripts of selected adverts for the position of "Brand Manager" published in 2015.

### **Objectives and methodology**

The goal of the paper is to present partial results of an independent research and to connect them with a knowledge base regarding knowledge management and the human factor in product and brand oriented marketing. When addressing the issue, the interdisciplinary approach was applied, as the knowledge of the theoretical background and analysis of the current state of issues and the tendencies of its development were required to carry out a research in several fields of study.

### **Scientific aim**

The research project was designed to verify that a brand manager is an example of a knowledge worker in the 21st century and to provide proof that the business practice sees him/her as such. In order to meet this ambition, the following research assumption was formulated: "The set of requirements placed on candidates for the job of brand manager will confirm that a brand manager is one of the workers who have knowledge, skills and personality prerequisites typical for creative individuals."

## **Methodology**

The goal of the primary survey was to check the situation of job offers for brand managers on the Czech labour market and to provide answers to research questions. In order to meet this goal, the content analysis method by Bernard Berelson (1954 in Gavora, 2000) was used which made it possible to use the available job advertisements on a career portal Jobs.cz to gather information regarding the requirements and psychological demands placed on candidates for the job of Brand Manager in the Czech Republic. The main criteria for the selection of information sources in the analysis of advertising vacancies were their availability and ability to present information about a job and the requirements for candidates to the greatest possible extent. The data collection took place in the odd weeks from February to April and from June till August 2015. Thus, were gathered 86 advertisements with the conscious exclusion of ads supplemented with adjectives "senior" or "junior", then there were excluded 4 advertisements because the job responsibilities did not correspond to the functional characteristics of product or brand oriented management. After removing duplicates, the final sample showed 56 advertisements. The data were transferred into an electronic form. The work with transferred data was applied to a so-called manifest content analysis according to Plichtová (1996 in Miovský, 2006) that only studies the explicit content of the text. There were analysed the requirements that had cumulated frequency in the analysed sample, which exceeded 5 % threshold in the processed data files.

## **Theoretical background**

The added value that people can contribute to an organization is emphasized by human capital theory (Schultz, 1961 in Armstrong, 2012). Human capital represents the combined intelligence, skills, and expertise that give the organization its distinctive character (Bontis, 1999 in Armstrong, 2012). Human capital has a close relationship to knowledge management, because knowledge is one of the attributes of human capital. Workers with expertise can, according to Nonaka and Takeuchi (1995 in Mládková, 2004), be all the employees of an organization who have knowledge and are able to use it at the right moment. However, Mládková (2004) states that the main characteristic of a knowledge worker is that s/he creates knowledge through her/his work. Drucker (1993) defined a high level of education and specialist skills combined with the ability to apply skills to identify and solve problems as the distinguishing characteristics of knowledge workers. When it comes to other requirements for the knowledge worker, looking away from their specialized knowledge and skills, i.e. those described by psychological characteristics, Truneček (2003) expected knowledge workers to have primarily the ability to think in a context, lifelong learning, independence, emotional intelligence, and the ability to work flexibly. Mládková (2008) counts willingness to take responsibility, creativity and the ability to solve problems between the so-called golden skills of a knowledge worker who has tacit knowledge.

According to the American Marketing Association, a brand is a name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or a group of sellers and to differentiate them from those of competition (Keller, 2008). According to Abdolmohammadi (2005 in Nguyen, Dadzie, Davari and Guzman, 2015), brands are widely accepted as key intangible assets. A sum of intangible assets is intellectual capital which was defined by Subramaniam and Youndt (2005) as the sum of all knowledge of an organization and which can be used to achieve and maintain a competitive advantage. Gorchels (2011) integrates brand management with product management referring to the fact that it is the most common form of product/brand oriented marketing management for companies that produce consumer-packaged goods. Kotler and Keller (2013), in the enumeration of the organizational variations which were considered for product portfolio management, in addition to entrusting a product manager or a brand manager with this complex

task, they also mention the management of a product by a horizontal product team. They also state that in the management of product categories the brand manager can be in the role of a superior of a product category position or s/he is in charge of a brand within a product category. The starting point to derive requirements for brand managers is to state their role in the process of strategic brand management where the strategic, tactical and operative tasks are as follows: (1) identifying and establishing brand positioning, (2) planning and implementing brand marketing programmes, (3) measuring and interpreting brand performance, and (4) growing and sustaining brand equity (Keller, 2008). According to Keller (2008), a widely accepted CBBE model (*Customer-Based Brand Equity Model*) requires to proceed in steps when a follow-up step cannot be successfully implemented without the previous one. The correct sequence of steps is to design the identity and then determine the meaning. Until the brand awareness is developed, the response to a brand does not come and the customer's relationship with the brand cannot be established unless the brand owner invokes the proper reaction (Keller, 2008).

Personal determinants in close relation to performance are attributes and dispositions which determine how workers fulfil given tasks (Štikar et al., 2003). Psychological attributes of a personality are usually called personality traits. "Personality trait" means personality characteristics of any person which differentiates them from another person and has the same manifestations in different situations and conditions (Hall, Lindzey, Loehlin and Manosevitz, 1997 in Franková, 2011). They are smaller units than competencies. Experts agree that in case of knowledge workers it is always necessary to approach activities in the process of recruitment and selection as activities of strategic significance since they mean obtaining sources of intellectual capital (Noe et al., 2010).

## **Results**

This paper presents and discusses the data and results which are directly related to the paper's goal. Partial results related to requirements for knowledge, specialized skills and transferable general competencies will be presented to the experts in the paper which has been just reviewed, see Wroblowská (2016a). Any new information from the empirical research was not available which was meant to research the human factor in product management in the Czech Republic, apart from those which the author already published and applied, see Wroblowská (2011, 2012a, 2012b). The sorted data from researched advertisement texts are presented in a form of frequency chart in Table.

Table 8: Requirements and psychological demand for a candidate for the post of Brand Manager

<b>Personality traits, abilities, and behavioural competencies</b>	Abs. frequency	Relative frequency
independence/able to work independently	20	35,7%
goal orientation	13	23,2%
conceptual thinking	6	10,7%
analytical thinking	24	42,9%
creativity	29	51,8%
organization and coordination skills	16	28,6%
team player/teamwork ability	15	26,8%
comm. skills/ability to communicate well	39	69,6%
negotiation abilities (ability to persuade)	8	14,3%
presentation skills	23	41,1%
initiative, proactive	21	37,5%
able to work enthusiastically	13	23,2%
dynamic, energetic, vital personality	7	12,5%
flexibility (mostly time-wise)	23	41,1%
responsibility	13	23,2%
endurance	6	10,7%

Source: Independent research

The requirement "able to communicate well" was expressed as "communication skills" in several adverts and had the highest frequency. Without the intention to get ahead of the discussion, it should be added to the overview of results that the terms from the field of competencies were sporadic. With some exception, such as the competency "goal orientation", the advertisers defined requirements using terms regarding psychological dispositions or personality traits. Table 13 illustrates "TOP 10" requirements. This set of requirements is discussed in the following section.

Table 9: TOP 10 requirements for a candidate for the post of Brand Manager

Order	<b>Most frequent requirements for brand managers</b>	Absolute frequency	Relative frequency
1	communication skills/ability to communicate well	39	69,6%
2	university degree achieved	35	62,5%
3	creativity	29	51,8%
4	excellent English	27	48,2%
5	driver's licence (Czech group B)	25	44,6%
6-7	analytical thinking/analytical skills	24	42,9%
6-7	work with PC/work with MS Office on a good level	24	42,9%
8-9	flexibility	23	41,1%
8-9	presentation skills	23	41,1%
10	initiative, proactive	21	37,5%

Source: Independent research

Tables show the example of a job advertisement on the Czech labour market.

Table 10: Accountabilities and Responsibilities of Brand Manager

<b>Title:</b>	<b>Brand Manager</b>
<b>About the company:</b>	(Hospital - Nutrition)
<b>Accountabilities/ Responsibilities:</b>	<p>Analyzes business dynamics (patient/consumer/care giver journey, stakeholders, authorities, channels, competition) and proposes how to build the brands further</p> <p>Develops defined pathologies (dysphagia) projects and Hospital focused projects assigned by Cluster marketing manager for cluster</p> <p>Implements marketing activities projects in (CZ/SK)</p> <p>Seeks for synergies in Tube nutrition within the cluster (CZ/SK)</p> <p>Contributes to executes Tube nutrition planned marketing strategies and plans based on thorough analysis of market, environment, competitive and consumer trends</p> <p>development</p> <p>Analyses net sales and P&amp;L and proposes improvements</p> <p>Work closely with Sales and goes into the field to strengthen his/her understandings of sales</p> <p>Work closely with Supply Chain to ensure high forecast accuracy</p> <p>Work with Central Team by sharing CBU activity, best practices and performance updates while implementing global best practice</p> <p>Leads 1 subordinate - Marketing Trainee</p>

Source: Independent research

Requirements for the position described in Table 14 are presented in Table 15.

Table 11: Accountabilities and Requirements for Brand Manager

<b>Title:</b>	<b>Brand Manager</b>
<b>About the company:</b>	(Hospital - Nutrition)
<b>Requirements:</b>	<p>4+ years experience in product/Brand marketing position preferably in a multinational company</p> <p>Min. 3 years in Product/Brand marketing position in pharmaceutical company/sector</p> <p>University degree is a must</p> <p>Medical and related sciences background is advantage</p> <p>Marketing concepts &amp; practices in category management</p> <p>Deep market understanding, knowledge of CZ pharmaceutical/medical market is a must</p> <p>Proven track results</p> <p>Business acumen (finance, sales etc.)</p> <p>Ability to create and implement successful strategies, plans and tactics</p> <p>Project management skills</p> <p>Commitment to breakthrough results</p> <p>Creativity, innovative approach</p> <p>Effective communication with various stakeholders</p> <p>Czech/Slovak is a must (written and spoken)</p> <p>Advanced business English (written and spoken)</p> <p>Willingness to travel and spend working days out of home</p> <p>Driving license (B)</p>

Source: Independent research

The following tables show the examples from the US labour market.

Table 12: Position Profile and Responsibilities of Brand Manager (Health Food Stores)

<b>Title:</b>	<b>Brand Manager</b>
<b>About the company:</b>	(Health Food Stores)
<b>About the job:</b>	Are you a driven Brand manager or Marketing expert in the consumer goods industry? Do you want to apply your expertise to continue to grow a company known for quality in Dietary Supplements? Then please send your resume for the following position:
<b>Position Profile:</b>	The Brand Manager will plan, manage and direct marketing for all Irwin Naturals dietary supplements brands sold in the health food stores (i.e. Whole Foods market, Sprouts, etc.) to grow brand awareness, boost consumer loyalty and sales. Responsibilities include brand planning, product development, advertising, trade marketing, promotions, packaging, reporting and budgeting. Manage dietary supplements marketing and Research & Development teams and work closely with creative, sales, operations, technical affairs, and finance to execute plans.
<b>Responsibilities:</b>	<p>Develop, manage and execute marketing strategies and annual plans to increase sales, product awareness, velocity, and profitability for assigned product lines.</p> <p>Responsible for key brand campaigns and strategies direction of the brands.</p> <p>Manage the execution of advertising, promotional programs, and consumer research projects to support strategies and objectives. Use consumer insights and category trends to deliver brand innovations.</p> <p>Responsible for developing, planning, and launching new products and marketing programs on time and within budget.</p> <p>Work with the Creative Department in developing collateral, packaging, in-store merchandising while ensuring accuracy of all product labels, ingredient lists and regulatory requirements. Ensure all brand communication (print, online, in store, etc.) is consistent, aligned with brand strategy, corporate goals and objectives.</p> <p>Manage and collaborate with R&amp;D in new product development and innovation.</p> <p>Develop customers specific trade promotional strategies and budgets; lead development of customer presentations.</p> <p>Responsible for the sales &amp; marketing budgeting process; manage budgets to support recommended activities.</p> <p>Analyze brand and company performance utilizing internal and external data sources.</p> <p>Manage analysis and communication of information to company.</p> <p>Responsible for forecasting and product pricing.</p> <p>Track competitive positioning, products, brand, marketing and promotion activities and spending. Adjust programs and activities to optimize ROI.</p> <p>Ensure the communication between marketing brand/field sales teams.</p> <p>Any other projects and tasks as assigned.</p>

Source: Independent research

Table 13: Requirements for Brand Manager (Health Food Stores)

Title:	<b>Brand Manager</b>
<b>Requirements:</b>	<p>5-7 years of experience in consumer goods marketing</p> <p>Proven experience in new product development and Profit &amp; Loss management</p> <p>Supplement experience is required</p> <p>Strong team leadership and management skills in achieving required results</p> <p>Proven excellent interpersonal skills and ability to communicate verbally, and in writing across a matrix organization</p> <p>Proven experience in the creation and development of compliant collateral materials, labeling and other related branding communications within regulatory requirements</p> <p>Strong analytical skills</p> <p>Excellent organizational skills</p> <p>Experience in hiring, training and managing performance of employees</p> <p>Ability to work in entrepreneurial environment with limited traditional data sources and resources.</p> <p>Ability to prioritize and execute for results in a fast-paced environment on time and within budget</p> <p>Proficient in Word, Excel, PowerPoint, SQL, Goldmine</p> <p>Bachelor's Degree required</p> <p>Marketing or Business related degree preferred</p> <p>MBA desirable</p>

Source: Independent research

Table 14: Essential functions of Brand Manager (Beverages)

<b>Title:</b>	<b>Brand Manager</b>
<b>About the company:</b>	(Beverages)
<b>About the job:</b>	This person will thrive in a culture that is creative, brand savvy, entrepreneurial, fast-paced, solutions focused, team oriented, zealously cost conscious, and fun. S/he will have a strong grounding in CPG Marketing best practices, and successful results track record building CP brands.
<b>Position Ideal Profile:</b>	The ideal candidate will have a unique combination of a) best-in-class skill, competence and confidence as a consumer marketer coupled with; b) ability to define opportunities and roll-up their sleeves to accomplish goals without a large marketing team or agency budget. This job description reflects management’s assignment of essential functions; it does not prescribe or restrict tasks that may be assigned.
<b>More especially the ideal profile is as follows:</b>	<p>Non-traditional marketer: skilled marketer with experience from one of the "consumer packaged goods academies", yet comfortable operating in a non-traditional fast paced environment. Someone who is not afraid to turn a problem upside down to develop unique solutions.</p> <p>Demand Creator: An exceptionally talented "front-end marketer" (i.e. marketer who understands consumer insights, product development, and packaging); strong, track record of driving sales; able to integrate marketing strategies and tactics into all consumer touch points.</p> <p>Creative Leader: Intuitively "gets" the brand and has the ability to direct creative; highly detail-oriented with ‘zero-defect’ orientation and zeal about ensuring all communication is an exceptional expression of the Brand; effectively leads the team and other resources.</p> <p>Entrepreneurial Track Record, Competitive Drive: Proven success in an entrepreneurial venture, including an appreciation for an environment of resource limitations, cost control, prudent risk taking and limitless creativity.</p>

Source: Independent research

Table 15: Core Competencies and other requirements of Brand Manager (Beverages)

<b>Title:</b>	<b>Brand Manager</b>
<b>Core competencies:</b>	Leadership and Drive: Collaborative team leader with high motivation and strong desire to achieve in a demanding environment. Sets dramatic goals and aggressive schedules for improvement. Conveys a sense of urgency, and drive issues to closure. A team builder who inspires, coaches, development and performance and responsiveness. Attract, retains and develops strong talented.
	Intellectual Curiosity: Connects "the dots" quickly and perceptively. Problem solves without a road map. Fascinated by emerging consumer trends and design. Enjoys challenging conventional wisdom.
	Communication Skills: Translates data into focused insights. Highly articulate. Excellent verbal and written communication skills; operates equally effectively in formal and informal settings and internally and externally. Well-honed influencing skills; courage to confidently express an independent point of view.
	Cultural Astuteness and Flexibility: S/he is pragmatic, adaptable and focused in a fast-paced environment. Adapts strategies and approach as new information and circumstances arise. Is resilient in the face of challenging obstacles.
	Energy: Has a very high capacity for work. Shows passion, intensity and excitement. S/he is outcome/results focused and drives issues to closure. Resourceful and innovative scrappy; always pushing to find new and better ways of working.
<b>Physical demands:</b>	Primary work activities are within an office environment. Position includes travel to various industry and/or company events, 25 % of the time.
<b>Qualifications:</b>	Preferred but not required: CPG brand management experience from an "academy" CPG company with food/beverage experience. Bachelors in marketing or related field; or equivalent work experience Wine or spirits category experience preferred Good written and verbal communication skills High School Diploma or equivalent MBA preferred

Source: Independent research

### Discussion and recommendation

The research project from which the part of the results was presented began because of the author's interest in brand managers since they bear a job role in which they are involved in in-house processes and activities in multiple ways. The results of the research project confirmed a fundamental need of outstanding communication skills, creativity, analytical skills, and flexibility for applicants for the post of "Brand Manager".

The study reveals that creativity is very important for obtaining the job. By carrying out the analysis of frequencies of requirements in job advertisements for Brand Manager we can see that "creativity" is the third most frequent requirement. The occurrence of requirement for creativity is significantly higher in comparison to advertisements for another key position in product management as is evident from the results of the analysis of the advertisements for the position of Product Manager (Wroblowska, 2015), and the increase of this requirement was identified from the comparison of the above mentioned set of advertisements with those collected from 2006 to 2007 as is presented by Wroblowska (2016c). This results can be explained using the recommendations of Nguyen and her co-authors (2015) who demonstrated by their research focused on the methods of determining the value of the brand that, besides deepening and increasing the number of brand contacts, it is necessary to increase the brand value management activities by the means of the customer's experience with the brand. This

shows that a set of the main tasks of the brand manager's job is extended and it explains the shift in requirements to the execution of this job. This claim can be supported by a series of Tables 14 to 19. The requirement for "creativity" is listed in Table 15. In Table 19, "Intellectual Curiosity" is one of core competencies and its further explanation is accompanied by the fact that the successful candidate for the position of Brand Manager should be a creative individual. Linked Tables 16 and 17 contain the information that supports the claim that creative thinking is needed for a successful candidate for the offered job position. In the initial characteristics, the advertiser requires the "expertise" of a candidate to be available for the position in the company. Let us recall "Model Amabile" where the author Teresa Amabile (1998 in Wroblowska, 2016b) explains that if people would like to fully develop their creativity, they have to bear all three model's components. The first one is "expertise in task", the second component is "creative thinking skills" that is actually a set of a number of abilities and the third one is "Motivation". Sok and O' Cass (2015) focused on the individual's level of ability to engage in creativity and, at the same time, attention to detail of managers involved in the new product management development process. They reported that the product innovation literature has rarely considered whether creativity and attention to detail can co-exist on an individual level. The result of the research (150 manufacturing firms in India were the sample) showed that the need to engage in high levels of creativity and attention to detail in the pursuit of enhancing product innovation to achieve superior financial performance is critical and rare. As we can see in Table 19, in the description of the "Creative Leader" competency, s/he is supposed to intuitively "get" the brand and has the ability to have a creative, 'zero-defect' orientation, to be highly detail-oriented and zealous about ensuring that all communication is an exceptional expression of the brand; s/he effectively leads the team and other (human) resources. The Czech employers were looking for candidates for the brand manager's position with this kind of ambidexterity only four times as it was identified in the sample of 56 advertisements in 2015. According to Hlavsa (1985 in Hronik, 2007), creativity is a multi-component capability. Hlavsa distinguishes an imaginative, heuristic, and schematic component. He counts basic thought operations, logic, and systematic thinking in the schematic component. The ability to solve problems is reflected on the level of the heuristic component. Intuition and fantasy are parts of the imaginative component. It is obvious that advertisers require the candidate to have qualities which condition the competency of "problem-solving ability", such as analytic (left-brained) thinking which was the third most important requirement for personality disposition, attribute and behavioural competencies of candidates for the post of Brand Manager although this competency did not appear in advertisements. Casner-Lotto and Barrington (2006 in Noe et al., 2010) published the results of the survey organised by the North American Human Resource Management Association in cooperation with the National Association of Manufacturing. It was discovered that a key competency in 2016 will be problem solving/critical thinking (77,8 %), closely followed by the ability to use top information technologies (77,4 %), to work in a team constructively (74,2 %) and to innovate using dispositions that belong to and can be developed by creative people (73,6 %), followed by diversity (67,1 %) and leadership (66,9 %). It is evident that there are differences and we should think about the reason for it.

The practical use of a knowledge base is a set of recommendations for recruitment and selection strategy. It is obvious that seeking and acquiring employees with these qualities will not be easy. Employers should always start with setting responsibilities and requirements, then chose the way of executing it. The combination of various methods of recruitment including posting effective job posts on the employer's corporate web site and on job boards makes for a very effective strategy. Many experts in the recruitment of talented workers find the recommendation the most effective. For the selection process, the author definitely recommends to balance the risk of a bad decision by using the both methods of "face to face" contact and written contact, as well as to balance methods oriented to the past with methods

that show the present state. When seeking and acquiring brand managers whose qualities make them prepared for a demanding job that is high in complexity, it is necessary to make the risk of bad choice as low as possible. It is suitable to apply all the three methods of selection: (1) interviews, (2) tests, and (3) Assessment centre.

The selection method of the Assessment Centre is generally seen by experts as the most suitable for proving the ability to solve problems. A behavioural interview is a selection method that can distinguish candidates with excellent self-marketing from those who can present themselves and also have their claims supported by real experience and real successes. If the main requirement for the position is expertise, it is necessary to modify the recruitment process from the beginning accordingly. From the point of view of the method, it will be a combination of recruitment tests and an interview. These methods are supposed to verify the candidate's good command of theory or her/his abilities necessary for applying the acquired theoretical knowledge in practice. If employers need it, they test the specialized knowledge of candidates using an interview or a practical specialized exam as Hroník (2007) recommends. Candidates who worked in a different field and who faced threats and challenges of a macroenvironment that is not relevant for the future employer or who helped generate added value for different types of customers are welcomed by some employers who claim that such employees will bring fresh wind. The author suggests that it is necessary to use a job interview to determine how useful the previous experience will be (Wroblowska, 2016b).

The final recommendation is: "During the recruitment process do not diverge from an emphasis on values when choosing the most suitable candidate for the position of Brand Manager and look for a positive personality open for new ideas and with inner values similar to those of your company."

### **Summary and suggestions for future research**

The submitted paper is focused on abilities and behavioural competencies of Brand Manager, a key role bearer in brand oriented marketing management. In order for brand managers to succeed in an environment formed by deregulation, information networks, globalization, consumer participation based on awareness and the ability of consumers to spread their voice and other external forces, they have to have both knowledge and personality prerequisites. The research was designed to verify that a brand manager is an example of a knowledge worker at the beginning of the 21st century and to provide proof that the business practice sees him/her as such. The author finds it useful to focus on requirements on brand managers also because it is a subject relevant to both sides of the labour market: for candidates for this job and for employers looking for the most capable candidates. With regard to this aspect, job advertisements were chosen as the source of primary data and using the method of content analysis the findings regarding the present state of requirements were joined with the comparison of the set of competencies which the leaders of American companies expected to be necessary for success on the labour market. The research project confirmed that creativity and analytical thinking were among the most common requirements placed on brand managers.

The requirement "able to communicate well" had the highest frequency of 69.6 %. That is higher than in the research carried out by the North American Human Resource Management Association with the most wanted "ability to solve problem" requirement. However, several new possibilities have been revealed for the future investigation. As Tomek and Vávrová (2009) emphasize, the product management represents an integrated process of product development and creation of product strategy and, at the same time, they admit that the practical side of product management may cause the employees in the product manager's position to have different sets of tasks. It is evident from tables 3, 5 and 7 that the responsibilities of a brand manager is various. A future research will provide the information to determine whether various types of organization of marketing have impact on different job responsibilities and different

personal characteristics of brand managers. A future research will also show the differences between sectors of services and industries. The limit is the total number of offers on the Czech labour market. The author initiates a survey on advertising in the USA and it should be possible, subsequent to its completion, to carry out a more detailed research.

## **SOCIAL ATTITUDES OF THE YOUNG GENERATION OF POLES TOWARDS SAVING AND CONSUMPTION. A SOCIOLOGICAL ANALYSIS.**

The issue of social attitudes is very often made by sociologists. Rarely, however, are the attitudes towards the elements of economic awareness - saving and consumption – under consideration. These are economic categories, which decisively affect the functioning of the economy. Both categories play a major role in the life of every human being functioning on the market economy, but play a special role in the life of the young generation. Therefore my concerns will be the young generation of the countries of the Visegrad Group. This category of young people from the Visegrad countries have no experience in managing during the period of real socialism, their life experience is just the realities of the market economy. This is the first generation for which the law of capitalism with all the opportunities and threats that the regime poses it has now become a reality. The article aims to answer the question, what is the attitude to money, especially saving and consumption, of the young generation. The differences between the younger generations in different countries will be provided. In conclusion the types of attitudes of the younger generation in relation to savings and consumption will be presented.

### **Social attitudes towards saving and consumption - theoretical analysis**

One of the major terms used in this article is the concept of social attitudes. The concept of attitude emerged in sociology in the work of Znaniecki (Znaniecki, Thomas 1976). This concept was discussed in American sociology (Rokeach, 1968). In Polish sociology the task was undertaken by Stanislaw Ossowski, Stefan Nowak and Zbigniew Bokszański (Ossowski 1968: 104; Nowak 1973 Bokszański 1990: 129). For the purposes of this study the definition of ‘attitude’ by Nowak was adopted, which states: attitude is a permanent disposition for assessing and behave towards a subject (Nowak 1973: 23). In practice, the adoption of such a definition means that we think about the permanent disposition of an individual for a specific action. Attitude includes certain components: cognitive, emotional and evaluating (i.e. affective) and behavioral (also called functional) (Smith 1973: 26).

The subject of attitude may thus be saving and consumption. Both are related to attitudes towards money and include three main elements: 1. emotional element: money is interpreted by people as something that is good or bad, 2. cognitive element: people perceive the relationship of money with their success, enjoyment of the respect and freedom, 3. behavioral element; people pay attention to the need to manage payments (Tang / Gilbert 1995). Especially the latter attitude is important, because it is associated with saving. Saving is treated as a complex behavior, and not as a single act. They can be explained by economic variables, because this phenomenon consists of both the perception of future needs, as well as protection for the future (Warneryd 2004).

Consumption is a process consisting of actions and human behavior leading to direct and indirect meeting of needs. Therefore, consumption can be perceived as the consumer behavior of individuals and groups, involving the awareness and assessment of their own needs, recognizing the weight and the decisions of their satisfaction, handling of acquired resources and their consumption, etc. Consumption is influenced by the value system acquired during primary and secondary socialization (Swadźba 2011). The high position of material values in the hierarchy indicates the dominance of consumption in the lifestyle characteristic of Western

culture (Bauman 2006). The new consumer morality is based on hedonistic and individualistic values (Bylok 2013). Attitudes towards saving and consumption are therefore complementary attitudes. In order to consume in the future, there is a need to save.

### Attitudes towards saving

The empirical analysis is based on research carried out in April - May 2015 under the Visegrad Standard Grant within the frame of 'The economic awareness of the young generation of Visegrad countries' using an auditorium questionnaire. The study was conducted in four V4 countries – Poland in Katowice (University of Economics, University of Silesia, Silesian University of Technology), Slovakia in Nitra (University of Konstantin the Philosopher and Slovenskopol'nohospodárskeUnivezita), in the Czech Republic in Olomouc (University ofPalckeho), and in Hungary in Godollo (SzentIstvan University). In each of the countries around 400 surveys were conducted. In Poland, the survey was carried out among students of three universities in Katowice. The following analysis includes only two elements of economic awareness - attitudes towards saving and consumption.

Sociological studies show that opinions on savings are to the greatest extent determined by the life situation of the respondents (Felixsiak 2014). Caution in spending money and saving characterize people who carefully plan their financial future and control their financial situation (Badora 2012). Therefore our respondents were asked the question about their willingness to spend and save money. Five statements were presented, each as a separate question. The results of Polish students and students of other V4 countries are shown in the following table:

Table 16: What is your position on the issue of spending / saving money? (%)

Answers	Definitely yes	Rather yes	Rather not	Definitely not	Hard to say
A. Saving money does not make sense, it is better to spend on current needs					
1. Polish students (N = 400)	0,0	3,0	35,8	58,0	3,3
2. Czech students (N = 349)	1,1	5,2	35,8	55,3	1,1
3. Slovak students (N = 387)	2,8	11,6	43,4	40,6	1,0
4. Hungarian students (N = 368)	4,3	11,4	39,1	42,7	2,4
B. I would rather save than spend on my whims					
1. Polishstudents	22,5	41,8	24,5	4,3	7,0
2. Czech students	8,0	48,7	30,9	4,9	6,0
3. Slovak students	25,6	47,3	20,9	3,6	0,3
4. Hungarian students	22,6	52,7	17,1	4,3	3,3

Answers	Definitely yes	Rather yes	Rather not	Definitely not	Hard to say
<b>C. I often take a loan to buy something expensive, or I buy on installment</b>					
1. Polishstudents	0,0	2,3	9,3	86,0	2,5
2. Czech students	0,0	1,7	20,9	74,5	1,4
3. Slovak students	0,5	1,6	8,8	85,5	3,1
4. Hungarian students	3,3	3,8	17,4	72,8	2,7
<b>D. If I want to have something, I buy and I do not think about whether I can afford it at that moment</b>					
1. Polishstudents	2,0	7,8	29,3	58,0	3,0
2. Czech students	0,3	6,9	46,4	41,1	0,9
3. Slovak students	4,1	12,1	33,3	49,1	1,0
4. Hungarian students	6,3	18,5	41,8	31,0	2,4
<b>E. Usually I buy only what I had planned in advance</b>					
1. Polishstudents	15,8	58,5	18,8	3,3	3,8
2. Czech students	6,0	56,4	27,5	4,0	3,7
3. Slovak students	17,8	57,1	19,1	3,6	2,1
4. Hungarian students	17,7	45,7	25,3	7,9	3,5

Source:Own research and calculations.

Analyzing the individual questions, it turns out that Polish students are restrained in spending money. The vast majority of them, at almost 94% disagree with statement A, that saving money does not make sense. Only a few percent have an opposite view. Polish students are most likely to strongly support this position, compared to the other three V4 countries. Hungarians and Slovaks are less likely to support this statement. About 15% of them believe that saving money does not make sense.

Considering the above, are Polish students always so consistent in their choices? This is checked through the stand expressed in statement B, where the respondent had to respond whether they will save rather than spend on their whims. The vast majority of Polish students agree with this statement. A total of "definitely yes" and "rather yes" is almost 65% of respondents. However, almost 30% of Polish students do not agree with this statement. A similar case occurs in the responses of students of other nationalities, the largest under the Czechs (over 35% of responses), and the lowest under Hungarians (over 20% of responses). Such a phenomenon can be explained by the fact that, in theory, the students are in favor of saving, but when it comes to denying themselves small pleasures and saving at their own expense, it is no longer so obvious for some of them. Perhaps it stems from the fact that students do not usually have large amounts of money and they therefore have nothing to save, they are however in favor of saving (Wądołowska 2011,Fałęcka 2013). Which structural features do

young Poles have who prefer money to spend on their whims rather than to save? More often such a position is held by women (32.7%) than men (22.6%). More often, this attitude is taken by students from large cities (10.3% of answers "definitely yes") than students from small communities (1.1% of respondents live a village of under 20 thousand inhabitants). There is a lack of diversity when it comes to assessing the conditions of the household. More often, however this attitude towards saving / spending money is provided by students whose fathers and mothers are of primary education rather than of secondary or higher education. More than half of the students with parents with primary education showed such an attitude. Could students from underprivileged families represent a different lifestyle than the others, who spend on their whims, and not think about future saving. Or do they have nothing to save? On further examination of the claims, it is shown that few students take out loans to buy something more expensive. Only a small percentage of Polish, Czech and Slovak students and slightly more than 7% of Hungarian students do this. It follows probably from the low access to loans for those students without regular income.

The next statement applies to the attitude towards impulsivity purchases. The vast majority of students in all the countries analyzed rejects the idea and does their purchases rationally. This is especially true for Polish and Czech students. Slovak students (over 16%), and especially Hungarian students (nearly 25%) have to a greater extent such attitudes towards purchasing. Hungarian students seem most mindless in their attitudes towards spending money. So who are the Polish students, who are in favor of impulsive purchases? There is no difference in terms of gender. Such purchases are admitted by students from families with lower status (Primary education of mother and father - 35%). On the other hand, there is also an overrepresentation of students from families with a higher material status (21%). The latter students can afford it, but students from families with a lower status are rather not very wealthy. Statement E contradicts the previous one. It concerns planning purchases. Most of the students, including Poles usually buy what they plan. This less likely applies to Hungarian and Czech students. Hungarian students (30.3%) and Czech (31.5%) are more likely to admit that they do not plan their purchases than Polish students (22.1%) and Slovaks (22.7%). More Hungarian students showed such social attitude (7.9% answers yes). Among Polish students such an attitude is more often represented by those who are doing very well (34.6%) than those whose families who live frugally (24.5%), more women (24.1%) than men (19.4%).

Summarizing the results of this question it can be stated that most of the surveyed students treat savings as a value and show a positive attitude. Polish students are frugal in spending money. Saving is for them a positive value, although not always in practice. Although there is no major significant difference compared to students of the other V4 countries, they are characterized by a positive attitude in relation to saving money.

### **Attitudes towards consumption**

For economists, consumption is a step in the process of management and involves the absorption or the consumption of goods and services to meet the various needs. For sociologists, consumption is understood as an important social process (Swadźba 2011). Consumer behavior includes everything that precedes the acquisition of consumer goods and services; it occurs during this process and follows it. The central place in consumer behavior is undoubtedly occupied by the processes related to the acquisition of goods and services. Before making a purchase people usually collect some information about the goods. Usually, however, professional sources of information are less preferred than less professional sources (Falkowski, Tyszka, 2001). For less important goods, gathering information does not always pay off; this is done only in case of purchase of more expensive goods. Young people, students, are also subject to this type of processes. They are active consumers in the market of goods and services, and saving money leads to other acquisitions of goods. Therefore, to find out about their consumer

attitudes a number of statements were presented. Respondents could choose one claim. Below are the results of the survey:

Table 17: Which of the following statements best describes the way you shop? Select one option (%)

Answers	Nationality			
	Polish students N = 400	Czech students N = 349	Slovak students N = 387	Hungarian students N = 368
1. I buy only what I need, trying to save money	25,0	20,7	23,4	28,3
2. Before I buy anything, I check if I can afford it	16,1	33,7	21,3	26,9
3. I usually buy products that I've known for a long time	19,7	18,5	18,7	17,2
4. I usually check prices in different stores and try to buy as cheaply as possible	16,7	17,1	10,7	9,4
5. While shopping I usually put everything I need into the cart	7,4	5,3	10,2	5,3
6. I do not usually have time to compare prices at different stores and buy something right away	6,2	2,8	4,2	3,6
7. I buy the best, regardless of price	2,0	1,1	1,8	1,9
8. Shopping is a chore for me, I do it only when I have to	6,4	2,7	8,9	6,6
9. Other possibilities	0,5	1,1	0,8	0,8

Source: Own research and calculations.

These statements were divided into 3 groups: the first four (1,2,3,4) are indicative of prudent attitudes of consumers, the next three (5,6,7) for profligate consumers and the last statement (8) is indicative of consumers who do not pay attention to purchases. The students are divided in their opinions. Their opinions are similar to each other. Statement 1 is most often chosen, indicating that they buy what is necessary, trying to save money. This attitude is indicated at the top position among Polish, Slovak and Hungarian students. More than 1/3 of Czech students choose the alternative 2: saying that "Before I buy anything, I check if I can afford it." For Slovak and Hungarian students such a claim is on the second place. In third place is the claim "I usually buy products that I've known for a long time," and then statement, "I usually check prices in different stores and try to buy as cheaply as possible." About 75 to 78% of students choose a considerate manner of consumption, counting their money. Only about 9.2 to 16.2% of students choose statements 5 to 7. It is a group of students who do not count their money. Most of them are Slovaks and the least are Czechs. For a small percentage of students shopping is a chore, and they do not do this willingly.

Polish students stand out among other V4 students. Statement 1 is chosen most often (approx. ¼ of the students), but the choice of the remaining 3 options (2,3,4) from the first group are distributed a bit differently than students from other countries. Statement 3 is the second most chosen among Polish students 'I usually buy products that I've known for a long time' statements 2 and 4 which show a very sensible way of buying (checking prices, the

cheapest to buy, controlling the possibility of purchasing the product). This would indicate a commitment to specific products and buying things that is familiar, on the other hand, continuous control to buy as cheaply as possible. In total, therefore, almost 80% of Polish students make everyday purchases very carefully. The next 15% of respondents are people who do not pay attention to the prices and often buy what is the best. The remaining 7% of respondents are those for whom shopping is a chore. Do these consumer groups differ in some structural features?

Option 1 that is cost-effective purchasing and managing money is chosen more often by women than by men (F - 25.7%. M - 24.0%), more people whose father has vocational education rather than higher (VE - 22.1%, HE 23, 5%), more often by students whose household lives frugally than students where households doing well (We live frugally - 30.1%, we are doing well - 19.1%). Due to the fact that, usually, along with education there is a rising income, a higher percentage of students managing their money frugally and having a father with vocational education is understandable. On the other hand, the choice of statement 5, or " While shopping I usually put everything I need into the cart" is mainly indicated by students who are materially well off (We are doing well ... - 7.7%), and have parents with higher education (HE - 8.1 % VE - 1.0%). The material situation of the family is a factor of the greatest determinant of consumer attitudes of the young generation of Poles.

## Conclusions

The analysis of studies that were conducted in a diverse national environment allows one to make a number of generalizations and conclusions. They concern mainly the young generation of Poles, which is presented against the background of their peers. Generalizations allow one to identify several types of attitudes towards saving and consumption. The featured types of attitudes are as follows:

- 1. Thoughtful** - positive attitudes towards saving and prudent attitude towards consumption. It describes young people who frequently come from families that have to live frugally. They have parents with different education levels, but mostly with secondary and vocational education. Such students show a positive attitude towards saving. Not only do they appreciate it as a positive value, but also their actions show that they are prudent and frugal consumers.
- 2. Sparingly** - ambivalent attitudes towards saving and restrained attitude towards consumption. This includes young people who support the idea of saving and are positive about it. Sometimes they do not apply the savings in practice, because they prefer to spend money on their whims. They behave soberly in everyday attitudes towards shopping, checking prices and trying to do it sparingly. These students come from families with an average level of material wealth and have parents with different levels of education.
- 3. Reasonable** - positive attitudes towards saving and ambivalent attitudes towards consumption. These are young people who support the idea of saving. They declare that they only make purchases after planning them. They can afford not to count the financial constraints of everyday purchases. Often these are good purchases of goods, regardless of price. They show a reasonable approach to money, saving and consumption. These are mostly students from families who are doing well, and parents who have a higher education.
- 4. Impulsive** - negative attitudes toward saving and positive towards consumption. These are young people who declare a negative attitude towards saving. In practice, they also do not try to save and they often spend money on their whims. Shopping is done impulsively, without planning, but due to limited funds they have to buy the cheapest. This is due to the fact that they often come from families that live very frugally in difficult material conditions.

Economic development is conditioned not only by legal-, political-, technological issues and financial resources, but also the attitudes of individuals and social groups. Attitudes towards saving and consumption are also a decisive factor. The conducted analyses indicate that the young generation of V4 countries shows a rational approach to savings and consumption. Only a small part of them are supporters of over-consumption and spending money. Young Poles against their peers from the V4 countries have a reasonable attitude to money and are thoughtful consumers. This does not follow the thesis that the young generation is excessive consumers living beyond their means. This is due to lack of funds for doing so, but also of socialization in families who have a positive attitude towards saving.

## **THE USE OF SENSORY MARKETING IN MEDICAL SERVICES CENTERS AS A FORM OF MODERN MANAGEMENT OF THE COMPANY IN MEDICAL INDUSTRY**

Lately marketing specialists have been searching for other than traditional methods of attracting new customers. There are many competitive products on the market and the difference between them is seen not very properly. That's why the specialists look for other possibilities of activity on the market. In the traditional approach the marketing campaigns are focused on the sense of sight. It is known that in the advertising first we see the product and this sense plays the most important role. Apart from the sight there are other senses that can be used in the process of marketing. It appeared that the rest of the received marketing message can be successfully attracted by other senses i.e. hearing, taste, smell and touch. It is also proved that the information which is detected by senses is better remembered by a person. Senses stimulate our feelings and emotions and often influence on our purchase behaviour. The marketing specialist noticed that the senses play a very important role in our lives so they started to use them in marketing campaigns and they called this kind of activity sensory marketing. The sensory marketing is directed to the individual customer to whom "sensual" messages are fixed. According to research presented on [nowymarketing.pl](http://nowymarketing.pl) 2/3 of purchase decisions are taken at retail outlets. Half of the respondents say they are able to be longer in a place where the atmosphere suits them. And this atmosphere is the main reason for the whole sensory marketing. It is designed to work properly for us, whether it was music, the right colours, the calming scent. In the portal [nowymarketing.pl](http://nowymarketing.pl) we can read about the study by Martin Lindstorm who is expert on branding and sensory marketing. The 18 countries were surveyed for associations of senses. Studies have shown for example the link of the smell of old oil with one of the large fast food chain. On the basis of these studies we can conclude that with regard to the brand, fragrances are almost equal to the sight sense. Sound has a little less impact on us but it also has. The following studies have shown that brand loyalty increases by up to 30% if it involves more than one sense impact on the customer and 70% when there is combination of the senses. The following table presents the rank of corporations using sensory marketing.

Table 18: Rank of corporations using sensory marketing

Place	Brand	Using of sensory marketing (in %)
1.	Singapore Airlines	96,3
2.	Apple	91,3
3.	Disney	87,6
4.	Mercedes-Benz	78,8
5.	Marlboro	75
6.	Tiffany	73,8
7.	Louis Vuitton	72,5
8.	Bang & Olufsen	71,3
9.	Nokia	70
10.	Harley-Davidson	68,8
11.	Nike	67,5
12.	Absolut Vodka	65
13.	Coca-Cola	63,8
14.	Gillette	62,5
15.	Pepsi	61,3
16.	Starbucks	60
17.	Prada	58,8

Source: M. Lindstrom, Brand Sense, Free Press, New York 2005, pp. 206

As it follows in the table the leading in the world market companies use sensory marketing. The headquarters are conscious of the advantages of application factors which influence on human mind. The figure below shows five senses used in sensory marketing.



Figure 13: Five human senses

Source: <http://restaurantbrandingroadmap.com/full-sensory-restaurant-branding-5-opportunities/>

The human mind receives the brand and creates its image in terms of concepts and imaginations. Image is the effect possessed by the individual the sensory experience of a firm or brand. Each individual has a subjective experience, which we call experience logic. This logic is individual and personal. And the figure below shows the concept of receiving sensory experience by the company and the customer.

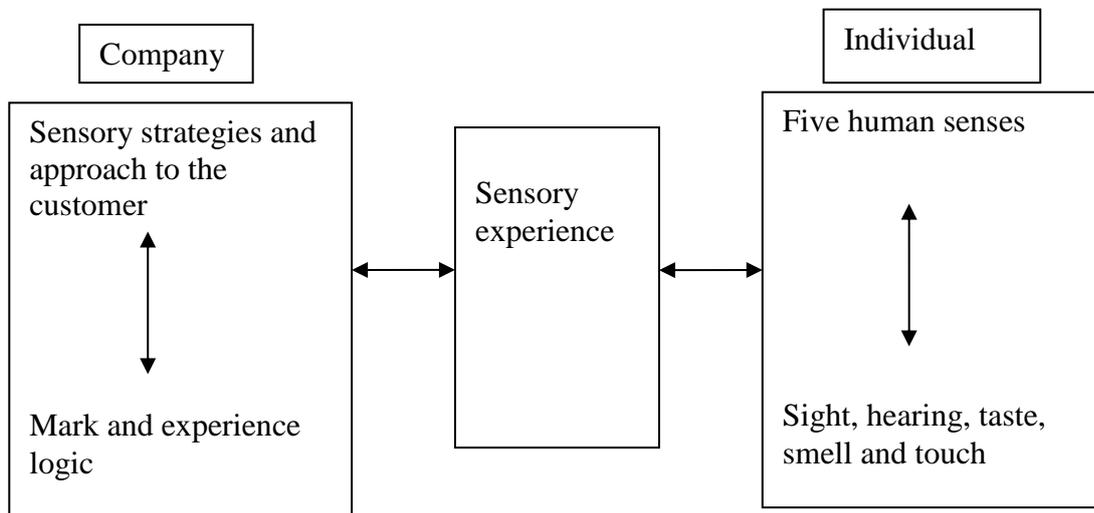


Figure14: Sensory marketing

Source: B. Hulten, N. Broweus, M. Van Dijk, Marketing sensoryczny, PWE, Warszawa 2011, p. 18

Sensory marketing is based on the five senses of man and it focuses on the human brain as it is showed in the figure below.

#### *Sensory smell strategy*

Fragrances are closely related to the emotional life of man and can affect emotions. Fragrances can be part of the sensory experience leaving in the mind of the customer lasting memory traces, so they can increase brand awareness and create its image. They serve the marketing activities undertaken in the short term or long through the use of long-term: strategy, in which the smell is an important element of corporate identity. The strategy fragrance is matched to the brand, it creates a good atmosphere and improves mood client. [Hulten, Broweus, Van Dijk, 2011, p.19].

The following table presents examples of smells that can be used by marketers.

Table 19: Examples of smells and their meaning

Chamomile, moisturizing face cream	security
Cloves, tea	stimulating
Gel bears, candy strawberry	hedonism
Pepper, coffee	achievements
Lavender, basil	balance
Needles fir, cinnamon	tradition
Gasoline, crayon	universalism
Snorkel, incense	power
Sea salt meadow	freedom
Pear, coconut	kindness

Source: <https://magiaperswazji.wordpress.com/2014/08/10/marketing-sensoryczny/>

#### *Sensory hearing strategy*

Sounds have always played an important role in society. Companies realize that the sound can be part of a strategy of building identity and brand image. Sound strategy is based on the assumption that human voices and music evoke emotional reactions among customers. Often the sounds are used to create a good atmosphere in the shop. It is also worth mentioning that elimination of unwanted sounds is important [Hulten, Broweus, Van Dijk, 2011, p.19].

#### *Sensory sight strategy*

Visualization as a strategy focused on the sense of sight, means increasing brand awareness and building the image of a product or brand, which in turn enhances the customer's sensory experience.

As it shows the following picture the sense of sight is dominating as far as all senses are concerned.

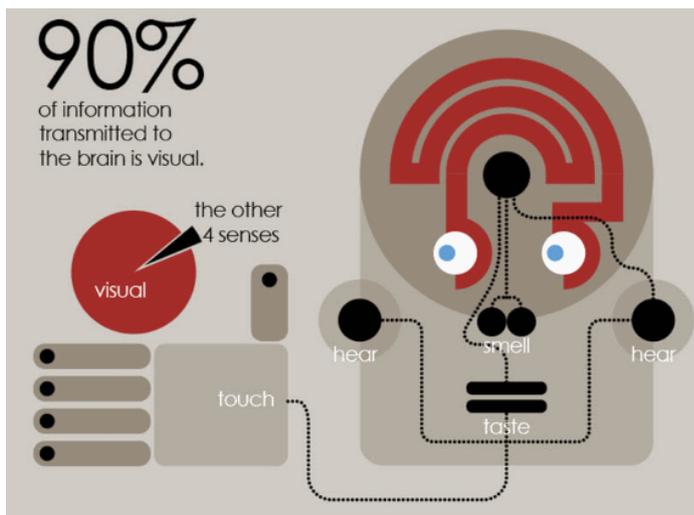


Figure 15: Domination of sense of sight

Source: <https://blog.kissmetrics.com/visual-content-you-need-to-use-in-your-marketing-campaign/>

As it is presented above 90% of information transmitted to the brain is visual. It means that sense of sight dominates while comparing with the rest senses. Own image, which the company wishes to communicate to customers, consists of its identity and is the basis of the image formed in the minds of customers. Visual strategy requires that something was seen different while all the visual changes have been perceived by an observer [Hulten, Broweus, Van Dijk, 2011, pp. 20-21]. The following table presents the colours and their meaning.

Table 20: Characteristics of particular colour meaning

<b>colour</b>	<b>meaning</b>
<b>RED</b>	adds power to operate and increases appetite. While too much it can cause anger. It can be seen on the sales or in restaurants.
<b>YELLOW</b>	optimistic colour, stimulates job, inspires, facilitates the assimilation of knowledge. Used to attract attention in shop windows.
<b>GREEN</b>	is associated with nature, it calms, it brings balance and a sense of security. Used in medicine, environmental businesses, science, suitable for products referring to the health of nature.
<b>BLUE</b>	it soothes, refreshes, improves concentration, professionalism, strength, new technologies. Often used by companies associated with new technologies, health, medicine, government.
<b>BLACK</b>	emphasizes class and respect. Associated with something elite and luxurious, with power and precision. Used to emphasize the luxury product.
<b>WHITE</b>	innocence, integrity, harmony. Used in places that must be seen by the customer as pure.

Source: <https://magiaperswazji.wordpress.com/2014/08/10/marketing-sensoryczny/>

According to portal kissmetrics.com there is research on the topic: what colors to use to attract a woman or a man for purposes of sales.

The research shows that women love blue, purple and green and hate orange and brown. As far as men are concerned, men love blue, green and black and hate brown, orange and purple.

The research can be helpful for choosing colours for different businesses.

#### *Sensory taste strategy*

The sense of taste distinguishes by its strong relationship with feelings. Different taste experiences can strengthen the corporate identity or brand. It helps to create a certain image of the product or brand. Taste strategy distinguishes the brand and offers additional value to customers [Hulten, Broweus, Van Dijk, 2011, pp. 21].

#### *Sensory touch strategy*

The sense of touch allows physical contact with the surrounding world and explore three-dimensional objects. Brands can be presented to customers by the use of such expressions, as the type of material and surface texture for the products and the services, as well as temperature

and weight. Touch strategy allows customers to touch the brand and really feel it [Hulten, Broweus, Van Dijk, 2011, pp. 22].

Most companies still do not realize the importance of the human senses in the context of the sustainability of the effects of marketing activities. Companies which offer customers a unique experience can create around its products strong identity and image through sensory marketing.

### **Medical services market and medical service specificity**

The market of health services can be broadly defined as processes that occur between the providers of health services and patients. Health service is any health benefit that provides preserving, saving, restoring or improving health and other medical activities resulting from the treatment process or the separate regulatory rules for their execution [Act on medical activity of 15 April 2011. Art. 2 pts. 10]. Healthcare is therefore a specific good, causing direct introduction into the market of classic economic model assumptions about the rationality of the behaviour of individuals and the efficient allocation of resources, in fact, it can lead to making wrong decisions in the health sector [Wiercińska, 2012, p. 167]. It should be noted that the market for health services is not a homogeneous market. In terms of services provided by operators of health services we find both those which, by their nature, are provided mainly by public sector, as well as those where the market is largely developed by private sector (eg. dentistry, plastic surgery etc.). In the first case, certainly the market mechanism is limited, however, in the latter case there is competitiveness of health services observed. Despite the dispute between supporters and opponents of the marketability of health services, the concept is widely used in both business practice and in the literature. The market for health services has its own specifics [Wiercińska, 2012, p. 168]. Some authors [Sobiech, 2006, p. 23; Bukowska-Piastrzyńska, 2010, p. 14] mention the following typical characteristics of the market of health services:

- 1) the lack of stability of demand for health care,
- 2) uneven and random nature of this demand,
- 3) the irrationality of consumer behaviour of health care, specificity of health services market,
- 4) strong internal diversity range of service,
- 5) the occurrence of the specific preferences of specific segments of patients, while in the analysis of changes in the sector, they are often perceived as a set of homogeneous,
- 6) making decisions on the structure of the health sector in a manner appropriate to the market mechanism regulated.

On the characteristics of the market of health services also affect the characteristics of services which are the same for other services. They are the following [Payne, 1997, p. 21; Stys, 2003, p. 36]:

- 1) intangibility
- 2) inseparability,
- 3) heterogeneity,
- 4) perishability.

They are shown in the table below.

Table 21: Characteristics of services

Service characteristics	Implications
Intangibility	Sampling difficult. Difficult to judge quality and value in advance. Not possible to patent or have copyright. Relatively difficult to promote.
Inseparability	Requires presence of performers and producers. Direct sale. Limited scale of operations. Geographically limited market.
Heterogeneity	Difficult to standardize quality.
Perishability	Can not be stored. Problem of demand fluctuation.

Source: <http://www.civilserviceindia.com/subject/Management/notes/services-and-non-profit-marketing.html>

The table shows explanation for each characteristics of services. As far as medical services are concerned the situation is the same. There is no possibility of judging the quality and value it in advance because there is no possibility of seeing the product. While servicing there is the need for presence of a doctor while treating and examining. It is difficult to standardize the quality and there is no possibility of storing the product. The medical services firms that are being searched for the following article are typical example of the service on the medical service market.

### **Application of Sensory Marketing in Medical Services**

Increasingly, owners of medical services centres have been being noted that proper colours, relaxing music and a pleasant smell can make their institutions more open to patients. All these elements are connected with using sensory marketing. Some of the following text has been supported by <http://www.nazdrowie.pl/artukul/marketing-sensoryczny>.

#### *Smell*

Fragrances can improve well-being and build a good and safe atmosphere for patients. They can also have an impact on building loyalty of patients to the medical centre [Hulten, Broweus, Van Dijk, 2011, p. 19].

Smell often influences on the first impression of a medical centre. The smell can decide whether a patient will use medical services of this centre. If smell is unpleasant it may cause that the patient will withdraw from using the offer of the medical centre. However, if the aroma is properly selected it not only creates a pleasant atmosphere but the patient feels safer. Moreover the patient will probably use the medical service in future because he or she has positive associations with this medical place. Doctor's consulting room is a place where sterility and

cleanliness is a very important issue. However, in the air there should not be smell of detergent which is irritating. Patients should feel a gentle and pleasant aroma.

### *Hearing*

The sound also creates positive associations with the company. The sound is of great importance also in the process of building a brand image. Sounds can also improve atmosphere of a medical centre servicing their patients. Elimination of unwanted sounds is also important. Patients waiting in the waiting room should not hear a doctor talking with other patient or treating another patient. A very good solution as far as sound is concerned is using music in the waiting room. Music can influence our mood and then we can feel relaxed before going to the doctor which is stressing for some patients. Music should not be too absorbing, but rather subtle and soothing.

### *Sight*

The activities focused on sight are connected with the colour and graphics. The doctor's centres should be painted with subdued colours that have a calming effect before visiting a doctor. Patients coming to a doctor are rather nervous about their disease and therefore the walls and other details should be painted with warm colours which have soothing influence. Green is such a soothing colour. It gives the impression of safety and solace. The colours in sharp colours are irritating for the patient which is not advisable for the person before doctor's examination. Furnishings and posting pictures on the walls are also important, as well as the distribution of posters and leaflets.

Moreover the overall look of the office and waiting room are essential. Apart from that doctor should wear uniform and in dental offices, serving children who are especially afraid of doctors, the uniform shouldn't be white but colourful. Also the walls should be painted in warm colours with painted cartoon characters on them. The following figure shows such a medical centre – the dentist's centre.



Figure 16: Example of the pleasant dentists centre for children in Czestochowa

Source: <http://www.dentaria.com.pl/galeria/>

Children who are welcomed at such a pleasant, colourful dentist centre are not so afraid of being the patient.

Another example shows the interior of the Medical Centre Malgorzata in Czestochowa. This medical place is especially dedicated to people suffering from cancer. The walls and furniture were painted in nice bright colours which is connected with this kind of illness. Yellow and violet concern flowers – crocuses. Each colour has a meaning. First colours divide the space inside the building for example the reception and waiting areas are dominated by orange and

yellow. This colours also influence on the psyche. Orange is responsible for appetite (patients who suffer from cancer have often bad appetite). Green colour calms people and yellow animates people. White colour is present in the operating room but it isn't pure white, it's rather the colour of whipped cream and vanilla. When a person is being operated on he/she sees the picture of the bouquet of lily of the valley. Moreover the names of the examination rooms are called as flowers: cornflowers, poppies, sunflowers. Doctors call patients to come not to room number 4 but to the poppies room. In the corridor the painted house has to symbolize calm, home atmosphere.



Figure 17: Example of the pleasant and calming interiors in the Medical Centre Malgorzata in Czestochowa

Source: <http://czestochowa.wyborcza.pl/czestochowa/51,150461,20019716.html?i=1>

### *Taste*

Taste is a sense that should be considered when planning marketing campaigns in the medical centre. However it is not easily used because it is difficult to show taste of a service. It is only possible to present samples of products supporting the service for example toothpaste, mouthwash or any other drugs used by the doctors. These are effective methods that encourage consumers to try the product without having to purchase it and they feel that by the contact with the doctor they have opportunity of trying the products. This form allows the consumer-patient to build their loyalty towards the doctor.

### *Touch*

Touch is a unique sense, which shows us the reality by means of sensory stimuli and allows for direct contact with the product. Patients are able to touch product, feel its structure, weight or temperature. That's why it is possible to use samples but it is difficult to present a medical service through a sample. As far as touch is concerned it is possible to use samples of drugs or derma cosmetics. At the dentist's centers there is the possibility to use samples of toothpastes or liquid mouthwash.

Many companies are starting to recognize how strongly the senses affect the deepest parts of human brains. The research shows that service companies as medical centres are supposed to take the advantage of sense-based marketing. Sensory marketing uses the human senses to a deeper commitment to emotions. That's why the person remembers more when uses senses. Sensory marketing became a tool used not only within goods but also services among which also medical services. Medical centres create pleasant atmosphere for their customers – patients and all activities are possible thanks to sensory marketing. It is worth to add that such influences are subtle and that's exactly why they are so powerful. Consumers do not perceive them as marketing messages and therefore do not react with the resistance to traditional adverts or other kind of promotional tools. It is especially well appreciated as far as medical services are concerned. The subject of sensory marketing within medical branch has been being developed since a few years and it is recommended for further research.

## **WORKPLACE HEALTH PROMOTION IN THE CONTEXT OF EXTENDING WORK ABILITY**

Demographic changes are a challenge for many European countries. European society is aging. From year to year the proportion of older people in the structure of societies of European countries is getting bigger. In 2015, people over the age of 50 accounted for 38.9% of the EU population (while 10 years earlier the rate was 34.6%). At the same time percentage of younger people in the structure of the EU population is being decreasing. In 2005, people under 25 years accounted for 29.1% of the EU population, and by 2015 this share decreased to 26.8 (Table 1).

Table 22: Population by age group in Europe

	0-14 years	15-24 years	25-49 years	50-64 years	65-79 years	80 years and more
2005	16,3	12,8	36,4	18	12,6	4
2015	15,6	11,2	34,4	20	13,6	5,3

Source: based on: *Population by agegroup*, Eurostat 2016: <http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tps00010&language=en>

Such changes in the structure of European society bring many consequences in almost every sphere of socio - economic life and development. In a special way demographic changes will have an impact on the functioning of the labour market. Reducing the number of people in working age, while increasing the number of people of retirement age can result in negative consequences for employers, who today very often have problems with the shortage of staff - and in the future, this problem could worsen. In 2005, the ratio between the number of people aged 65 and over and the number of people aged between 15 and 64 was 24.7. (The value is expressed per 100 people of working age (15-64) (Old age dependency ratio, Eurostat 2016), in 2015 this ratio was already 28.8, it is expected that by 2020 it will exceed 30, and in 2080 will reach 51 (Table 2).

Table 23: Projected old-aged dependency ratio

	2015	2020	2030	2040	2050	2060	2070	2080
EU 28	28,8	31,8	39	45,9	49,4	50,2	49,3	51

Source: based on: *Projected old-aged dependency ratio*, Eurostat 2016: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tsdde511&plugin=1>

In addition, the median age of European societies is increasing. According to International Data United Nation (2015) the estimated median age in all Europe, amounted to 41.7 in 2015 and compared to 2005 has increased by 2.5 years (at that time amounted to 39.2). What's more it is expected that it will be steady growing, in particular for EU-28's population. (In fact, EU-28 population is older than another counties in Europe) (Table 3).

Table 24: The median age of the EU-28's population

	EU-28's population	EU-28's population - Men	EU-28's population - Women
2014*	42,2	40,8	43,6
2080**	46,4	45,2	47,6

\* actual data

\*\* estimate data

Source: based on: *People in the EU – population projections*, Eurostat 2015: [http://ec.europa.eu/eurostat/statistics-explained/index.php/People\\_in\\_the\\_EU\\_%E2%80%93\\_population\\_projections](http://ec.europa.eu/eurostat/statistics-explained/index.php/People_in_the_EU_%E2%80%93_population_projections)

Demographic changes (an aging population) connected with reducing the number of people in working age and in consequence the shortage of staff, became the inspiration for shaping new concepts of management. One of the objectives of these concepts was the keeping employees at work and creating appropriate working conditions for employees of all ages (eg. age management). Maintaining the ability to work for employees, who are in the period of aging, has become a priority of policy in many organizations, countries and to the European Union policy too. As a consequence, the studies about factors influencing on work ability began to be carried out.

The aim of the article is to analyse of secondary research and (based on it) present factors influencing the ability to work of employees of all ages. Assuming that one of them is health condition and well being of employees, this article will present the idea of workplace health promotion as a key element of extending work ability (especially elderly employees and workers). It will be also presented the examples of actions taken by the companies, which aim is workplace health promoting, particularly in relation with extending ability to work of employees and workers of all ages.

### **Extending work ability - factors influencing the ability to work of employees of all ages (selected issue based on secondary research)**

It is fact, that ability to work of people decreases with ages. Currently, „substantial numbers of Europeans do not feel confident about being able to remain in their current job until the age of 60” (Eurofound 2010). However, studies show that taking appropriate steps can make the ability to work of employees in the elderly maintained. In the context of keeping employees at work, the studies on the employees work ability conducted by the Finnish Institute of Occupational Health have proven to be important. The aim of this study was to determine

"how to measure human abilities to work during aging". The outcome was to construct a new method of measuring the ability of the workers - Work Ability Index (WAI). (Ilmarinen 2011, pp. 13-14).

WAI is using to measurement of the work ability subjective assessment. Subjectively perceived ability to work is the result of:

- the interaction between the mental and physical performance requirements at work along with functional capabilities and skills of employees;
- employees state of health;
- their own assessment of the operation in a given organizational and social situation (Makowiec- Dabrowska and et al., 2008, p. 10).

„Measurements of the work ability subjective assessment, using the work ability index (WAI), are widely applied in the examination of workers. The measurement results suggest that the low level of work ability, which is determined by work-burden factors, health condition, and lifestyles of persons under study, can be a predictor of earlier retirement”. (cit.: Makowiec-Dabrowska and et al., 2008, p. 9).

Furthermore, research conducted by Krause et all (1997 p. 403) indicate that the rate of decrease in the ability to work and retirement because of disability depends largely on internal factors - including the state of health as well as the type and intensity of the work. For example, studies have shown that: „Heavy work, work in uncomfortable positions, long workhours, noise at work, physical job strain, musculoskeletal strain, repetitive or continuous muscle strain, mental job strain, and job dissatisfaction were all significantly associated with the incidence of disability retirement" (cit. Krause et all, 1997 p. 403). In the same time, research showed that "the ability to communicate with fellow workers and social support from supervisors tended to reduce the risk of disability retirement." (cit. Krause et all, 1997 p. 403).

In this context it is worth noting that the activities in the field of extending work ability should, inter alia, relate to the elimination of risks for workers, which may affect the reduction of their work ability. As that factors such as bad body position during the work or excessive body burden, noise, bad temperature (too low or too big), etc. successively affect the reduction of work ability. Moreover, activities that aim at the elimination of these factors should apply to all employees (not just elderly), in this way employers can strive to maintain the ability to work at a high level, of all employees throughout their all professional life. Ergonomic working conditions, but what is important tailored to the individual needs of the employees are very important, especially in the context of planning activities in the field of keeping employees at work.

Based on researches conducted by Makowiec-Dąbrowska et.al. (2008) it should be said that, activities in the field of extending work ability and keeping employees of all ages at work should relate to promoting individual healthy behaviours and make intensity of job satisfaction bigger (eliminate stressors, giving awards and tailored motivators to work). In this context, the authors have shown that the ability to work depends largely on employee well-being. Based on their research, they suggest that interventions which aim is to maintain or improve the ability to work, should be directed primarily at employees. It seems that the most effective actions to will be promote healthy behaviours. For example, men's ability to work could be improved when they will compliance with the reasonable diet, increase physical activity and reduce consumption of alcohol. In the case of women, advisable activities would aim at increasing physical fitness, which should improve their subjective evaluation of the possibilities of overcoming physical exertion at work (cit. Makowiec- Dabrowska et al., 2008, p. 23).

Moreover, the results of the 11-year follow-up study conducted by Ilmarinen indicated that "managers and supervisors were the key players influencing the work ability: age awareness and readiness to find age-related solutions improved the work ability of aging employees and

workers; a lack of knowledge and preparedness impaired work ability more than other factors. This finding was inter alia the base for developing the concept of age management.” (Ilmarinen 2011, p.14).

Results of all presented studies provide important conclusions in the context of planning activities aimed at increasing the working ability of people (in all ages, including the elderly). Key findings relate to the fact that subjectively perceived ability to work is shaped, inter alia, by:

- Factors dependent on the organization and working environment (ergonomics, stress, awards, sense of control, social support etc.) - formed by managers, employers.
- Internal factors (employees well-being, physical activity, health, and associated with it such aspects as diet, lack of stimulants, etc.) –formed mainly by employees.

### **Workplace health promotion as a important issue of extending work ability**

In reference to extending work ability, it is worth emphasized that, employers can influence both on external and internal factors of subjectively perceived ability to work.

Employers have significant and obvious impact on the external factors such as ergonomics workplace, reduction of risks in the workplace, stress reduction, etc. This is because they make working conditions. What is already less obvious, employers may also affect the internal factors (such as employees’ well-being, healthy lifestyle, physical activity, etc.).

In this context, it is important that these (internal) factors have a large impact on the ability of employees. It was noticed that happy, healthy and balanced employees have a better attitude to work (Namysł, Kazenas&Bugajska 2012, p. 10). On the other hand, it is indicated that employees’ health depends, to a large extent, on their lifestyle (including activities undertaken outside of work). Currently, the average citizen in developed countries suffers and dies mainly for these diseases and ailments that are caused by improper lifestyle (eg. poor nutrition, low physical activity, excessive stress, alcohol, smoking etc.). (Korzeniowska2012, p.164).

Moreover, according to the Polish Report about employees’ well-being “the basic health risks in Poland include the low level of physical activity, stress and inadequate nutrition. This leads to obesity and other health problems. Among the negative factors, which significantly reduce the effectiveness of the work, there are mentioned: the lack of work-life balance and depression” (Buck Consultants, Xerox Corporations, 2014)

Based on these conclusions it could be indicated that, the actions taken by organizations to increase and maintain a high work ability index have to take into account initiatives to protect and promote health of employees. These tasks initiative should not be limited only to actions aimed at preventing bad health condition (including preventing: work-related diseases, accidents, injuries, occupational diseases and stress), but it should cover initiatives for the widely understood care of mental and physical health of all employees (including the promotion of a healthy lifestyle).

The aim of such actions is, inter alia, to make all employees feel comfortable in their workplace and thereby, to make they are more engaged in the development of the company (Wojtaszczyk 2008). According to Gniazdowski (1997, p. 64), workplace health promotion is the action taken against employees in the workplace. Their aim is to strengthen and develop employees’ health. These actions seek to transformation of employees’ lifestyles - promotion of health behaviors (even out of work). Therefore, bearing in mind that good health condition consists both:

- physical health (organic food, diet, nutrition, exercise, elimination of drugs),
- mental health (relax, cope with stress, a sense of satisfaction with life),
- social health (leisure time, relationships) (USP Zdrowie 2013),

Employers should take action to protect the health of its employees in every dimension.

### **Workplace health promotion in the context of extending work ability – best practices**

Workplace health promotion directed towards employees of all ages can contribute to extend their ability to work and thus also to increase their productivity (in the course of the entire working life). These actions are therefore a kind of investment in the future.

For example, can be given the action taken by BMW (Bayerische Motoren Werke). BMW replying to demographic changes in the company structure introduced by implementing a program Today for Tomorrow, which included elements of workplace health promotion. Inter alia, BMW has used ergonomic workplace design in its production plants. „These include:

- Moving floors that enable associates to move with the car body.
- Mandatory floor mats, safety shoes, and chairs to relieve the musculoskeletal system.
- Height-adjustable lifting equipment for whole car bodies or modules of them.”  
([http://www.aarp.org/work/employee-benefits/info-08-2009/bmw\\_group\\_2009.html](http://www.aarp.org/work/employee-benefits/info-08-2009/bmw_group_2009.html))

Most of the features listed above apply to all employees, some, such as floor mats, just older. Research has shown that these facilities have caused decrease of work accidents. The introduction of these facilities for the elderly, has led to a threefold decrease in the number of knee injuries. Moreover, its fact that in other departments in which younger employees worked (but without these facilities) labour productivity was not higher. ([http://www.zostanmentorem.iped.pl/pliki/BMW\\_Niemcy.pdf](http://www.zostanmentorem.iped.pl/pliki/BMW_Niemcy.pdf)).

What is more, BMW appreciating the importance of the health of its employees has introduced initiatives such as: Health Seminars and Health Forums. "Health Seminars aim to give information to employees about a healthy, balanced diet and physical and mental balance. Health Forums "are part of a preventative health-care program that encourages employees to deal sensibly with their own health. Each of the employees who participate in the forums receives an in-depth health profile. The company also can compile the data to identify areas in which employees need further education". ([http://www.aarp.org/work/employee-benefits/info-08-2009/bmw\\_group\\_2009.1.html](http://www.aarp.org/work/employee-benefits/info-08-2009/bmw_group_2009.1.html)).

Another good example could be ArcelorMittal Poland (Metallurgical company). The share of workers over 50 among the all employees and workers in this company is around 48%. Taking account the current age structure of employees, the company has prepared special activities dedicated for older workers. Professional advising (psychologist, psychotherapist, career adviser, doctor, psychiatrist, lawyer, financial advisor, social counsellor) are available for employees and workers (especially 50+). The company monitors the absenteeism rate. Workers with the lowest absenteeism are rewarded. After the introduction of this program, the absenteeism rate fell by more than 6% within 3 years. To reduce absenteeism of elderly employees (in this group the number of sick leaves was the highest), the company began to implement the pro-health action (additional medical examination, vaccination, cover the cost of rehabilitation of the employee, the activities aiming at the elimination of stress and creating good atmosphere in the workplace). Employees and workers could benefit from free, anonymous advice on the problem of alcohol, drugs, medicines abuse. Employees and workers, who have periodic health problems and elderly who have lost their full capacity to work are directed to the different position (with other responsibilities) (Gajdzik 2014, pp. 100-101).

Other companies also successfully implement the concept of health promotion in the workplace. For example, companies to protect the physical health of its employees, apart from creating proper ergonomic workplaces, their offer relaxation and healing massage for employees. They lead campaigning for healthy lifestyle, lead the canteen with Health Food, provide employees healthy snacks (fruit, vegetables, water, juices). Considering the care of mental health of employees they create relaxation rooms, organize a workshop on deal with stress, assertiveness.

They also take care about the social health - in this context they organize lectures on interpersonal relationships (both in the family and at work) and for example organize family picnics also (eg. Ernst&Young; Mars Polska, Audi, Google).

### **Summary**

There are a lot of different activities in the area of workplace health promotion. The one type of actions connected with workplace health promotion is educational programs. The aim of these programs is promoting healthy lifestyle and healthy behaviours. Employers could give their employees and workers information eg. about:

- healthy diet,
- work life balance,
- physical activity (promoting and encourage to doing exercises).
- way to reducing stress (breathing, yoga, meditating etc.),
- taking care about health (reminding about periodic and preventive examinations),
- create awareness about individual responsibility for taking care about ergonomics and safety at work (eg. wear protective clothing, maintain a good body posture during the working etc.).

The second type of actions connected with workplace health promotion is implementing concrete actions by employers like:

- giving employee perks (like: Free health care, Sport benefits, free preventive examinations/ checkups, free vaccination for employees and workers);
- family picnics (to care about mental and social health);
- delivering healthy snacks for employees and workers (fruits, vegetables);
- employee canteen with healthy food;
- preventive and relaxation massages in the office for every employees and workers;
- chill rooms (where employees and workers could relax during the work);
- ergonomic appliances, chairs (relieving the spine, muscles) (etc.)

These examples do not exhaust the list of all actions in the area of workplace health promotion. It is said that only one limitation in the context of health promotion program is the imagination of its creators and the actions connected with workplace health promotion should be suited to needs of employees and workers.

Workplace health promotion (including: promotion of healthy lifestyle, providing good condition to work) is important parts of contemporary management, especially age management. These actions can bring many benefits - especially in the context of efforts to prolong the activity of the elderly, but these measures can not be directed only to older workers. Experience health problems, burnout, lower efficiency at the age of young or middle, will adversely affect the ability to work of older workers and, consequently, may also contribute to professional inactivity. Therefore, a comprehensive approach to maintain a high work ability of all employees is a manifestation of the precautionary approach to the management of diverse age group, thus presented in the context of demographic projections may be important in shaping the structure of the labour market and employment in the future.

## **HUMAN FACTORS IN THE IMPLEMENTATION OF ORGANIZATIONAL CHANGE**

The concept of change means a constant process, which presence can be seen in every area of human activity. However, it is the most visible at the organizational level. Usually, it is caused by internal or external factors, which are initiated under the influence of economic events, social trends, government policy or actions taken by competitors (Lubrańska, 2004). Regardless of the reason of the change, it is seen as an attribute of entrepreneurship of the organization. As rightly observed by L. Clarke, "in fact, there is no significant difference between organizational change and personal change. The process is exactly the same (...) Change always involves a loss of something - loss of the past, routine, psychological comfort, relationships with other people. However, the change could mean the beginning of something new (...) even undesirable changes can mean big opportunities for development" (Clarke, 1997). The aim of the article is to present selected issues concerning the impact of human factors on the effectiveness of the organization in carrying out the process of changes.

### **Willingness to change in business activity**

Willingness to change is one of the essential elements necessary for its implementation in a planned manner. It affects the transformation process and whether it will be conducted properly without unnecessary interference. The willingness should be understood as awareness of the need for change and preparation of an environment conducive to its effective realization, as well as defining the course and results of change in accordance with the objectives set by the organization. Organizations characterized by openness to change are usually prepared for it, and that means that they can exert a positive influence on it and even use previous failures to create initiatives aimed at improving the approach to future changes (Uss, 2016). K. Krzywicka-Szpor specified conditions that must be met for the organization to achieve readiness for actions necessary to go through the process of change. She distinguished the following (Krzywicka-Szpor, 2003):

- the existence of a leader of change who will act effectively and thus will gain respect among the members of the organization,
- informing employees about the planned change, which makes them feel obliged to a greater commitment to organizational change,
- mutual cooperation, which should be an inherent feature of the organization.

An important determinant of the organization's readiness to implement change is the participation of employees, related to the fulfillment of the function of employee involvement, in the process. The inclusion of employees in the management of change can be an opportunity to increase their level of motivation and sense of security. Building a climate conducive to the involvement of employees in the implementation of changes can be carried out in the following way:

- employer and employees take into account the opinion of others,
- employer and employees show respect and acceptance for each other to increase a sense of being needed,
- the expectations of employer to employees are clearly defined,
- employees are provided with tools and resources necessary to carry out specific tasks,
- employees are entrusted with work that is in accordance with their potential,
- the organization creates favorable conditions to create emotional bonds between employees,
- care for the common commitment and understanding,
- appreciation of work,

- the conditions are created to support the professional development of employees and conduct individual interviews on the work progress,
- employee feels job satisfaction (Wiśniewska-Placheta, 2015).

A good example confirming the readiness of the organization to change is a strategic awareness focused on maximizing flexibility and the use of capacities, which will be available in all departments of the organization. A sign of its existence can be recognized as a presence of strategic dialogue in the organization, defined as "the process of determining the strategy between management and employees at all levels, which results in understanding of the strategy by all employees. This understanding is more effective if employees participate in the creation of various elements of the strategy" (Stocki, Prokopowicz, Żmuda, 2008). By building strategic dialogue, the organization confirms that it is ready for successive changes, in which a wide range of members of the organization will participate. Of particular importance in this process is the organizational maturity, which is defined as an attempt to reconcile seemingly conflicting trends. The first of these trends is related to the use of automatism, i.e. systems and procedures which support the smooth progress in the organization processes. The second one refers to the internal innovation, creativity and entrepreneurship conducive to creating conditions for the development and release of the hidden potential of the organization. Therefore, the change of the role of strategy is crucial for the development of the organization. The process of its evolution takes place in a few steps: from the lack of change to the creation of the subordination document, tools monitoring and managing the potential, and even exceeding prior capabilities. As noted by Stocki, Prokopowicz and Żmuda, it is necessary for the change that the forms of strategic dialogue and its frequency occur in a natural way (Radomska, 2012).

### **The role of a leader during organizational change**

One of the key employees of the modern organization oriented towards development is the leader of change. According to the literature, the leader of change is a person who accepts responsibility for the effective conduct of changes in business activity with the participation of people forming the organization. The leader of change is expected to show high competence in the field of personnel management, which concerns even skills such as motivation for change, supporting teamwork, methods of coaching. Not without reason this person is known as the leader of change, his main task is to create a vision of change, and motivate and inspire employees to implement it (Sobka, 2014). Therefore, conduction of change implementation must be accompanied by an effort, and in the absence thereof, three unfavorable situations may occur that can hinder the development of the organization:

- the leader is not willing to support and lead the process of change, and thus is willing to delegate responsibilities related to the implementation of changes,
- the leader is not convinced about the purpose of personal involvement in the process of change, he does not believe that his participation may have contributed to the success of the entire process,
- the leader wants to distance himself from any negative effects of changes, especially when a change is accompanied by the need to fire employees.

A. Balcerek specified the profile of leader of change and distinguished three groups of competencies that he should have:

- strategic competence - the ability of dynamic and comprehensive look at the activities of the organization,
- social competence - they are the basis of proper control of the course of changes and include skills in sharing information, determining the short term steps necessary to implement change, decision making, dealing with conflict and emergency situations,

- personality competence - openness, honesty, faith in one's own ability, courage, ability to motivate others, high intrinsic motivation (Balcerek, 2008).

Effective implementation of changes requires full involvement of the leader of change, who should inform the members of organization about the progress of work and encourage them to carry out the transformation. With regard to activities related to the implementation of changes, the management should focus its activities on (Pałęga, Knapiński, Kulma, 2016):

- spreading the idea of the need for change and convincing employees that the proposed changes are correct,
- developing and popularizing the vision of future activities of the company in the market,
- presenting benefits of the implemented changes, both for the organization and individual employee,
- arguing the validity of changes, proper preparation and planning of their implementation,
- promoting changes by people who have authority,
- shaping the mood of organization and focusing it on relationships between colleagues, openness and trust allowing to alleviate all problems and providing solutions to emerging issues,
- adopting an attitude of initiator and spokesperson of innovations.

Currently, it is emphasized that the leader of change should be seen not only as a manager but also as a boss (Kotter, 2007). This is justified only if the people involved in the process of implementing changes aim to achieve common purposes precisely by the means chosen by leader. It is important for all members of the organization, and not only the supporters of change, to have such feelings. It is worth noting that the crux of the matter is the ability to implement into business activity commonly outlined objectives, to recognize and use the potential of people, so that their competences can help the objectives and ultimately result in prosperity of the whole process.

To become a leader is not easy, it depends on the effort on the part of a leader. The success of his efforts in this regard means an increase of trust in relations with all participants of the process of change. He will have to prove that others can rely on him, especially at the stage of implementation of changes through which he manages to wade in a virtually painless way, and convince others of the wisdom of changes taking place, in spite of the potential risks that may be associated with them (Głowicka, 2013). An effort should be made to avoid an error associated with choosing an incompetent person as a leader of change as this could contribute to the undermining of even the most developed strategy ensuring efficient implementation of solutions in the selected area of changes.

To reduce the risk of failure due to improper management of change, the task of leader is to break the barriers to changes, among which the most popular is a resistance to them (Wendt, 2010). Usually it refers to employees, but sometimes a source of resistance to change can be found among those who have the task of reducing said resistance. According to D. Cohen, resistance caused by the management can be easily recognized, or even eliminated to an extent where it is no longer a threat to the process of changes. Said author lists a number of symptoms of resistance to changes occurring among the leaders of change and proposes solutions to detect them. The main symptoms of resistance include (Cohen, 2008):

- withholding of information and resources, so they are not provided to people who need them,
- depreciating the credibility of those who promote the implementation of changes,
- subtle ways of refusal to participate in the transformation project,
- micromanagement of teams' activities,
- creating factions within the organization and creating a climate of "us versus them",

- perceiving all efforts to make changes as disloyalty,
- controlling all of decisions and the entire communication process.

Solutions to the problem of resistance to change suggested by D. Cohen are the following:

- direct confrontation with the problem,
- conducting a sincere conversation with opponents of changes,
- creating conditions for such persons to solve their problems,
- maintaining direct and open contact with other people,
- providing clear feedback about the minimum acceptable behaviors necessary for wellbeing of the organization and the process of transformation,
- the leader should take an open and direct action to implement the plan of personnel changes at management levels of the organization in case the need arises,
- controlling all decisions and the entire communication process.

Summarizing the above considerations, it can be concluded that the essence of conducting change is the search for solutions to effectively motivate employees to cope with challenges during organizational transformation. The example of the Dutch branch of KPMG managed by R. Koedijk can be used to illustrate presented theoretical considerations related to the organization's readiness to change and skills required to be a good leader (Mrówka, 2001).

### **Best practices in the field of conducting change - on the basis of the Dutch branch of KPMG**

When R. Koedijk took up a new management position in the Dutch branch of KPMG, he decided to figure out how the previous activity of the company where he found employment was proceeding. Analyzing the issue, he came to the conclusion that the organization, in order to develop, will have to carry out radical changes in its business activity. The strategic challenge, which the organization will have to face turned out to be an increasing competition in the auditing, tax and consulting markets. In order for the company to achieve success R. Koedijk found it necessary to find new areas of activity. New chairman, in fear of staff resistance to change, recognized the need to promote the change and the need to carry it out, to convince employees that it was necessary. R. Koedijk organized a meeting for all partners. During the meeting, an analysis of the company's history and its market environment was made and the conversation focused on the issue of the implementation of future goals. The result of that meeting was the identification of a group composed of 100 people whose task was to solve the problems of strategic challenges. The group has adopted the name "the 100" and its creation was a revolutionary project due to the fact that persons who were not among the business partners were included in the realization of this important task. In addition, a "strategic interagency group" was established bringing together 12 senior partners who were to support the actions of "the 100." Teams forming "the 100" were active in the following areas:

- identifying future trends and turmoil in the environment,
- defining the core competencies of the company,
- dealing with the challenge of adaptation.

The existing culture of the company did not facilitate cooperation. However, the partner groups defended their independence, a lot of conflicts emerged, and ultimately the employees recognized the challenge which R. Koedijk saw at the very beginning. Soon, members of "the 100" took the role of emissaries of change. Consultations were organized frequently and there was a visible increase in collaboration and the sharing of knowledge. Members of project groups recognized the need for innovation and solved problems creatively. They initiated meetings with employees that did not want to cooperate to convince them to implement change,

to dispel any fears and doubts. One of the objectives was to change the artifacts of the old culture of the organization. Loose atmosphere was a new experience. Managers received permission to work in T-shirts, sports and recreational events were organized. The new rules in the company were appreciated by employees, as well as creative people who were not afraid to participate in discussion. The cooperation resulted in new projects and the importance of hierarchy was reduced. The area of organization's activity was changed as a result of implemented changes. It involved the addition of insurance services, extending the operational consulting with created vision of corporation, replacing re-engineering with new competences of the organization, abandoning the traditional management methods in favor of a learning organization. Implemented changes enabled new development opportunities, which appeared on the market.

### **Conclusion**

The changes are a part of everyday functioning of modern organizations. Those who strive to survive and develop in the long term need to ensure the acquisition of skills in change management. Changes force the company to develop readiness and positive attitude towards the situation. For the final outcome of organizational change to be satisfactory for the organization, the right attitude of the whole staff to this process is required. Hence, not without significance is the influence of human factors on the efficiency of the process of changes taking place in any area of the organization. Full involvement of senior management is necessary, and it should convince the staff to implement transformations and inform about the level of progress. The effectiveness of the project of changes depends on using the potential of every employee in the organization. Not an easy task, but extremely important one is the inclusion of lower-level employees in activities aimed at the proper preparation and conduct of changes, which require collection and exchange of information and diagnosis of an organization's environment. Setting objectives related with the effective conduct of the process of changes in the organization with the help of the staff contributes to the sense of responsibility and engages in their implementation. It should be noted that success in this area depends on the skills of conduction of changes that should enable the organization to achieve its goals efficiently and constantly move forward.

### **REFLECTION ON CREATIVITY IN MANAGEMENT. THE PROBLEM OF DEFINING THE PROBLEM AND ITS PRACTICAL APPLICATION**

It is not very original to say that the word "creativity" has become extremely popular in recent years. The result of this binding fashion is a devaluation of its essence. For centuries, creativity was considered as something special, which was in possession of only a few. Today, it has become a widely and mindlessly used term, aimed to emphasize the supposed uniqueness. The issue of creativity was once exclusively the domain of psychologists, who focused their research on finding traits determining the ability to think outside the box. They sought to do so in order to build a model of the creative process and to determine its conditions. Transfer of creativity on the ground of management science should be dated to the period after World War II, when there was a need to stimulate economic development inhibited first by the Great Depression and then the subsequent global warfare. The market game's dynamic changes of that time intensified competitive struggle and the need to seek effective ways to distinguish products. The psychosocial trend in management, developing at that time, favoured reaching for suggestions and solutions lying in the area of these sciences. In this way, creativity has become a means of gaining competitive advantage. Unfortunately, the process of evolution of its existence in management practice has led to the creation of a hybrid, which lost its ethereal

nature and fundamental goals, which is cognition and usability. Not only utilitarian approach to creativity poses a problem with its application in management. It is also due to the dramatically decreasing capability of the correct use of language, i.e. proper coding. Currently, common practice is to select words on the basis of common knowledge about their meaning, and not their semantic origin. Therefore, we can observe downright absurd overuse of the word "creativity".

This article is thus an attempt to systematize the concept of creativity. Furthermore, its objective is to present the issue of creativity in management, to indicate the contribution to the management processes and the importance in the efforts to achieve high efficiency. It also shows a caricature of creativity, present in the surrounding reality, involving the improper use of this term and its unfavourable application in practice.

### **The essence of creativity**

Considerations about the nature of creativity should begin with the definitional ordering of the meaning of both this concept, as well as other related concepts. And so, creativity is undeniably a human feature (Taylor, Getzels 2009, p. 10) and this laconic definition is crucial for the application of the word, thereby it is a mistake to use the adjective "creative" in relation to the matter. It can only depict a special attribute of man or refer to the process associated with it - creative thinking. Creativity is inextricably linked to innovation seen as a result of implemented creative process that involves searching for and selecting a solution that meets the criteria of novelty and utility (admittedly, now innovation is seen also as something that is new only in a particular place and not in general (Podręcznik Oslo 2006, p. 20). Thus, innovation is the goal (effect) of the creative process, and creativity is a means of achieving it, and not as it is erroneously assumed, a goal in itself. Striving further to present the essence of creativity, it appears advisable to return to the eternal question of what distinguishes creative people from the others. Creativity is the ability to design custom solutions, naturalness and ease of their search in the environment, sensitivity to read the signals and building on their basis the analogy (Evans 2001, p. 154). It is also the ability to see extremes in possible solutions of problems and, on the basis of their analysis, to draw conclusions showing a new, previously undiscovered way of action (Kaufman, Sternberg 2010, p. 270). It is accompanied by inquisitiveness that allows for perceiving the complexity of the situation, nonlinearity and discontinuity of events. Creativity also expresses the ability to anticipate the future, designing possible scenarios based on intuition and vision. Thus, creativity is determined by the intellectual flexibility allowing for the perception of those aspects that remain hidden during normal thought process. Having at one's disposal the above set of attributes is possible thanks to the perception unencumbered with cognitive biases, among which there may be mentioned - the use of stereotypes and selective perception, anchoring or hindsight bias, etc. (Shermer 2011, p. 72). In addition, creativity is accompanied by courage for abandoning schemes of action, whose value results from ordering and simplification of human activities, and which cater to the need for security (Sikorski 2012, p. 167). Thus, creative people have a lowered threshold of frustration of this basic need. They are willing to take the risk of failure for the idea of creation. A. Maslow also drew attention to the fact that creative are those individuals who are independent from the influence of the environment (Maslow 1986, p. 141), so creativity is expressed through the ability to maintain autonomy.

Creativity is activated by an internal need to seek stimulation and development. Therefore, the involvement in the creative process and the pursuit of the goal arise in a natural way (Robinson, Aronica 2012, p. 31). So does a passion to create, without which "the creative" is a mere craftsman efficiently using techniques of creative thinking. At the core of creativity is the need to know the given issue, get into its essence and present it in an original version designed during the creative process, therefore, in order to create, one needs to have not only

intuition, but also knowledge. However, the need for cognition in the act of creativity should be on both sides of the creative process - the creator and the recipient. The effects of creative activities should lead to reflection, attempting to understand the idea, as well as the mechanism of interaction. Thus, in creativity essential is the result, but not only as a work evaluated in terms of originality, but also the emotions that accompany its cognition. It is these emotions that decide whether we regard something as unique. Creativity should be associated with artistry, and appeal to the aesthetic and cognitive values, because it entails change of - feelings, attitudes, behaviours, activities - underlying the evolution of civilization.

### **Creativity in management**

The above mentioned attributes of creative people are an important reference point for the search for the essence of creativity in management processes. Being guided by them, we can make a review of known conceptions in order to indicate participation of creativity in their major assumptions. In the foreground there is the idea of an innovative organization, whose main aim is to gain competitive advantage through the design and marketing of breakthrough innovations. The leaders in this field have been for years companies such as Apple, Microsoft, IBM, Toyota, and Samsung, which do not wait until the products they offer grow old, but after implementation of one innovation they begin work on another project (to create new or improve existing product). They constantly initiate the creative process, which is supported by two main pillars: the ability to take risks and a high tolerance of failure - the characteristics of creative people (Soliman 2015, p. 111). Thus, the importance of creativity in the operation of innovative companies can be found both in the process of innovation itself, and in the not less important determinants of building innovation capacity, among other things: learning skills, and the need to implement bold plans that go beyond the existing ideas. Thanks to these properties, creators of companies are able (and pass this ability on to the organization) to create a vision. This now key element of strategic thinking is nothing other than the creative process, the object of which is to anticipate the future of the organization (Davidson 2005, p. 108). Manifestations of creativity in the field of strategic thinking can be found also in the strategy of a seeker derived from the classification of Miles and Snow (Daft, Murphy, Willmott 2010, p. 61), as well as in the very popular at the end of the twentieth century Blue ocean strategy (Kim, Mauborgne 2015), which consists in searching for virgin market niches. They are identical with the quest for building the capacity of innovation, continuous exploring of new areas and methods of operation. However, now due to the unpredictability of the environment and hyper-competition it is not sufficient to develop one strategy that would allow for gaining competitive advantage. There appears a need for multi-scenario designing of the future (Griffin 2004, p. 223) or the creation of so-called choice options (Raynor 2008, p. 224) enabling flexible adaptation to the current changing market needs. Indispensable in this regard is the ability to capture subtle signals from the environment and creating based on them solutions that reject the current trends for the implementation of pioneering plans to play the market game. Flexibility of thought and action, characteristic of creative personalities, is also the basis for management in the chaos (Kotler, Caslione 2009) - a new management philosophy, in which thanks to the creativity it is possible to abandon the thinking of the organization as a permanent organizational form, and treat it as a link in a network of cooperation, entered into temporarily for the business project, by seeking around the globe partners with subsidiary resources. Underlying strategic and structural hyperelasticity (the ability to use a variety of solutions at the same time), lies creative thinking, the ability to take risks by applying custom solutions beneficial from the point of view of the current situation and their modifications with the change of conditions of implementation of a new business project (Bieńkowska, Sikorski, 2016). Quintessence of creativity in management can also be found in the assumptions of a learning organization, formulated by P. Senge, striving for continuous development, and characterised by high adaptability to dynamic

environment (Senge 2002, p. 53). This goal is achieved thanks to the passion for experimenting and at the same time readiness to constructively accept failures, explore the world in search of ideas, indeed obsessive search for new solutions (Micklethwait, Wooldridge 2000, p. 141-148). Referring to the maxim that the most important asset of the organization is the capital of people, a conclusion can be drawn that the efficiency of today's businesses pursuing their goals in a turbulent environment is determined by creativity. Only people who have the qualities of creative people are able to play the currently difficult market game. Thus, a pragmatic and actual value of creativity emerges whose advantage is not insistent originality, but the benefits brought by the ability contained in the metaphor "outside of the box". Continuing the analysis of the importance of creativity in management, we should indicate its fundamental determinants, the occurrence of which decides about its value of application. Although the literature distinguishes the so-called high and low creativity (Thomas, Chan 2013, p. 317) - evolutionary or revolutionary ideas, its essence is always expressed by innovativeness, regardless of whether subject to evaluation is a knitted cup jacket or creation of the Internet. Also, regardless of whether it is an original idea of a given person, or a secondary one (Maslow), it should have added value. In a pragmatic approach, it should be useful (Shalley, Hitt, Zhou 2015, p. 247) - helpful in solving the problem, and profitable (Shalley, Hitt, Zhou 2015, p. 216) - allowing to achieve measurable benefits, which is the prerequisite that complements the validity of the use of creativity in management. Accepting the indicated criteria for assessing the effects of the creative process, we can verify the value of innovative products in terms of customer expectations. They should in fact meet them in such a way that the aesthetic, unique product (Reiman, Schilke, Thomas 2010, p. 46) fulfils at the same time the functionality qualities, like ease of use (e.g. beautiful shoes in which one can also walk). However, usefulness does not always have to be a factor in complementary to originality. This dependency can also have the opposite direction and apply to goods originating from mass production. Such an approach to the essence of creativity can be found e.g. in the concept of IKEA furniture, which thanks to modular systems allow us to compose a unique interior; and designers encourage experimenting by showing in the catalogue how to convert a chair into a shelf. With this approach to the design of consumer products it is possible to meet all three of the above mentioned conditions justifying the pragmatic use of creativity.

The products of creativity also do not have to always respond to customer demand, but they incite with the usefulness of hitherto unknown solutions. The illustration of this approach may be for example the now dominant type of mobile phones - Smartphone. When at the beginning of XXI century some manufacturers consistently sought to minimize the size of mobile phones (a few still remember the "brick" with a portable station) so that it could fit in a small purse or shirt pocket, others at the same time decided to design a new type of device which is characterized by a surprisingly large dimensions, which, as it turned out later, has revolutionized the market because of the possibility of connecting with the Internet and displaying high-quality video and audio, thus reducing the need to use a computer. The new mobile phone is quickly gaining crowds of supporters, limiting the circle of owners of traditional phones to people of a certain age group, characterized by scepticism towards technical innovation. Creativity in designing Smartphone found yet another application, namely - significant became the appearance of their casing - aesthetic with the possibility of personalization.

Modern management concepts and revolutionary product innovations are the manifestations of "big C" creativity. On the other hand, we should also mention the importance of "small c" creativity in management. It can be found mainly in the business ideas of micro-entrepreneurs (McMullan, Kenworthy 2014, p. 3), whose goal is to find a narrow group (niche) of recipients who appreciate the unique products, not the products of mass production. As an example, one of many, may serve the business based on the design of customized bikes,

assembled of high-quality (branded) parts according to the project tailored to the individual needs of the user. So understood "small c" creativity in management has a huge impact on the economic development of the country (Craft 2008, p. 120).

### **Caricature of creativity**

"Marketing and creativity live seemingly in the best harmony, but when we break the top layer, we will see perverse, ambiguous relationship of two bodies that from the moment of conception irrevocably deform their offspring." (Torr 2013, p. 14). Creativity was once the domain of culture, allowed the display of controversial works which encouraged reflection. Today controversy is commercial, and creativity ceased to be an important part of culture, it has become dehumanized and devalued means of the panacea nature for all the problems in the organization.

Therefore, creativity nowadays loses element of passion, inner need to make changes in the surrounding reality and to explore. In someone it can be read, that properly applied creative thinking is a business tool that can be used (Neill, Newman 2013, p. 114). Unfortunately, creativity assumes now characteristics of a programmed process oriented towards search of original ideas that allow to satisfy the high expectations of our customers. And techniques for developing creativity began to be used on a tool box basis, which assumes the realization of the creative process according to a specific scenario, at the appointed time. Techniques of creative thinking have become the tools of the intensive search for product innovation, as well as tools for marketing, promotion and advertising. In the area of the latter, one can find many examples of the intensive pursuit of originality. In the first half of the twentieth century creators of advertisements were artists: painters, graphic artists, poets, whose aim was to indicate to the customer by means of an image and short but clever forms of expression the uniqueness of the product. In the period between the wars, commissioned by the Stomil Company, M. Wańkiewicz (polish reader) prepared a slogan for condoms Eros - "Sooner your heart will break." Today, creators of advertisements are copywriters. Among the expected competencies of people who take up this profession are: knowledge of mass communication, knowledge of consumer behaviour, persuasion and attitude change. Definitely these are not attributes of creativity and skills needed to understand the art of advertising, hence in the spots of Media Expert one can see half-naked Doda (polish singer) exposing her well-groomed body with no reference to the equipment and household appliances which the retailer offers. These actions serve to create solutions compelling to customers, but not causing positive changes in their perception, behaviour, or generating added value. Therefore, they should not be equated with creativity, but only with the insistent need for originality in order to differentiate themselves from the competition. Continuing, can as creative be called a product original but aimed at customers with low intellectual level, kitschy, which raises a smile in customers with modest tastes? Although the answer is negative, such an understanding and practical application of creativity can be discerned in the decisions of program directors of television. There appear on offer ever new drama series, scripted documentaries, talent shows, reality shows (often made on the basis of the so-called formats) that do not contribute to human knowledge. They are only a means to fill the free time of working people who are not interested in any development. Therefore, clumsy attempts to create a programme offer distinctive from the competition serve only the need to generate high profits (Gray 2009, p. 40). And creativity, once seen in the ambitious and interesting popular science programs, has been eliminated by appealing visual effects in the imitative productions.

However, most sharply perceptible element of caricature creativity is the wrong way to build expressions that are to provide uniqueness to a product. A common expression is "creative product". Referring to the presented definitional meaning of the word "creativity", a product can be innovative thanks to a creative idea. However, horror evoking is not just the quoted

phrase, but the products to which it refers - "a cock made of natural clay - a creative set", "a creative punch to decorate the corners", "a creative set of felt on a stick". Among the offers of services in the field of marketing one can come across the term "creative marketing", although from the content it transpires that the company offers assistance in creating marketing innovations. Therefore, we are dealing with pseudo-creativity, involving the use of words defining complex issue as an "effective" way to promote.

## **Conclusion**

Summing up, creativity distinguishes exceptional people. In business, these are the people with the need to pursue their dreams in the form of innovative business projects, which are also able to stimulate with determination the growth of the company; people who abandon schemes to explore new, previously unknown solutions, such as, years before, Cirque de Soleil. Therefore, if at the controls of the organization stand those who see management process also in terms of art, there is a low probability of distortion, devaluation of the essence of creativity, as evidenced by stories of big companies operating efficiently for decades. Big not only because of the size of the operations, but measured by their ability to distinguish themselves in the market through the successful introduction of innovation (creative solutions). In contrast, the dysfunction in management occurs when creativity becomes a tool for profit, and its caricatural nature is proven by stubborn pursuit of just one of its main determinants, namely originality, or by using practices that involve the distinguishing a position in the hierarchy with the adjective "creative", for example "Creative director", not noticing the essence of creativity in theory and practice of management.

Given the fact, that in the essence of creativity lies a huge potential of knowledge and development, it is reasonable to take the discussion on its proper understanding and ability of its useful and beneficial application in practice, emphasizing at the same time its unique and pragmatic value. The more so that it is a basis for building knowledge capital and innovativeness of the organization.

## **COOPERATION IN THE WORK ENVIRONMENT. PERCEIVING OF COLLABORATION, TRUST AND POWER DISTANCE BY WORKERS**

Collaboration is a basic social phenomenon, which finds its expression in its common recognition and use. Also its synonyms such as participation or cooperation are frequently appearing, particularly in work environment context (Goodman, 2007). Collaboration is understood as joined activities for the common aim, based on identification with the aim, trust, loyalty and support for all participants within accepted communication and dispute solving rules (Lipka, 2004, p. 17).

Collaboration, being a foundation for any social group and any organised form of activity enters many various shapes (Proulx et al., 2014; Almog-Bar and Zychlinski, 2014), being often perceived through direct interactions with people we know personally. Taken for different reasons, may serve different aims (Gratton, 2006; Wilson, 2006; Rao, 2016), cause different consequences and be subject to different judgements (Ziółkowski, 2015, p. 308).

Analysing collaboration in modern organizations, the authors used the results of their own survey research made in 2015 and 2016. The research problematic contained in the work environment and its social determinants. Among many factors influencing personnel collaboration, the research pointed out key questions related to communication and openness in relationships with others, internalisation of organizational values and placing collaboration in the hierarchy of values, organizational trust, distance of power and its influence on collaboration itself.

## **Collaboration – theoretical background**

Collaboration between people is as old as humanity (Czarniawski, 2002, p. 11). In social life, individuals and groups collaborate for various reasons, but the basic motives making people work together are:

- external force or pressure,
- strive for individual profit and convincement to facilitate the process of achievement with the help of others,
- desire to be accepted by interaction partners,
- selfless effort focused on helping others (Ziółkowski, 2015, p. 310). So not only forms, times but also types of profits may be diversified. Apart from material profits, collaboration may bring appreciation among the participants, but also create bonds laying foundations under various social communities.

Looking for theoretical references of collaboration phenomenon, one can refer to several theoretical aspects, among which special attention deserve: game theory, social exchange theory and new institutional economics. Game theory, which gave foundation to such sciences as evolutionary biology (Dawkins, 1996) and evolutionary psychology (Buss, 2001), understands mutual collaboration of two individuals as a situation when both of them take advantage on the interaction. As the basic model of game theory (Straffin, 2001, pp. 1-5), apart from possible profits and costs, may cause three more interaction effects:

- altruism, when an individual A bears a cost in favour of individual B,
- egoism, when individual A gains profits from individual B, leaving all costs to it
- and „malignancy”, when both individuals bear costs and obtain no profit (Poleszczuk, 2004, pp. 116-117).

The collaboration in these concepts is also understood as behaviours of individuals focused on other individuals, regardless the other party behaviour, opposite to the „betrayal” pattern (Osiński, 2013, pp. 18-19; Buss, 2001, p. 283). These first are then defined as altruistic (especially when we talk about mutual altruism), and the second one is called egoistic (Dawkins, 1996, pp. 279-319). This makes us diversify between collaborative tendency in behavioural understanding (playing collaboration) and interaction result (interpersonal relations), which takes places only, when both sides express collaboration in their behaviours. Considering usefulness of the concept in sciences describing behaviours of individuals in work environment, it is important to highlight conditions, which allow behaviours based on mutual cost bearing, which in the final result, give profits to both sides of the relationship.

The interaction itself between two individuals may lead to different results, however the theoretical basis requires discovering models, where individual strategies may propagate certain types of behaviours. In other words, we are talking here about the evolutionary stable strategies, thanks to which individuals and populations adapt to definite environmental conditions. In terms of evolutionary biology, these are psychological mechanisms, which helped the individuals in early days of humanity to reproduce with better result (Buss, 2001, pp. 71-78). One of such adaptation components was group collaboration (Ziółkowski, 2015, p. 309), however the sociological approach puts emphasis on the fact, that external antagonisms increase internal coherency (Coser, 2009, pp. 57-84), and communities are more easily created among antagonists than in situation when there no such threats (Ziółkowski, 2015, p. 313). If conflict as such may be associated with „malignancy”, or vendetta model, then collaboration would be a result of interaction opposite to conflict. „Treason” tendency should be considered here not only as conflict generating factor, as game theory stresses a situation of constant rewarding without any cost, which is exemplified by free rider phenomenon. Vital thing here is individuals' awareness and identity, individuals who are egoistic, or disturbing collaboration on purpose. It

is much harder to eliminate hidden than open egoistic behaviours. That's why one of the adaptive mechanisms is based on cheaters' detection (Osiński, 2013, pp. 77-97).

According to empirical and virtual simulation data, the most evolutionary stable strategy in the prisoner's dilemma (the most canonical game theory model) is tit for tat, with playing collaboration in the first interaction as well as avoiding changing decisions after achieving of a higher score (Dawkins, 1996, pp. 289-295; Osiński, 2013, pp. 17-20). This model however does not concern single interaction, whenever profits and costs are known and human environment shows great variety of goods in the very early stage of evolution, including public ones, instead it requires more complex cognitive mechanisms in order to detect and eliminate free riders from interaction. One of such mechanism is based on individual costs borne in form of punishing the cheaters (Osiński, 2013, p. 27). One should consider here, that even in isolated environments individuals create complex mechanisms in order to test that new group members' trustworthiness (Kamiński, 2006, pp. 78-83).

On the other hand, modern institutional economy approach, except private and public goods, defines a third group - the club goods, undivided, but the access to which is restricted, or common pool goods, which are divided, but access to which is not limited, which is similar, to public and private goods, respectively (Hofmokr, 2009, pp. 24-45). In the working environment, individuals deal mainly with two kinds of goods: directly – with club goods owned by a formal organization (equipment, intellectual property), or indirectly - the common pool goods, available in the market (the resources accessible also to others), on which the organization works.

Considering the internal work environment, the collaboration tendency should be relatively large, as it will imply similar interactions repeatability, resulting in mutual altruistic behaviours, which is much more probable in smaller and more durable groups (Szacka, 2003, pp. 65-66). However, because of the market environment variability, constant changes on global scale and virtualisation of formal organizations, makes part of personnel experience different reference systems, according to the reference groups concept of R. K. Merton (2002, pp. 293-297), on the other hand, the more abstract the rules become, the more difficult is understanding of how to comply with them (Osiński, 2013, pp. 48-59). The more abstract the systems get, the more individuals are deprived of their decision making process, entrusting it to the professionals (Giddens, 2002, pp. 184-197), which ends up in certain kind of fatalism and difficulty in detection of cheaters.

Regardless society's level of development and reliance on the global system, which includes work environments, cultural universal values need to be considered, usually associated with epigenetic rules – constant psychological mechanisms, formed in human evolution (Wilson, 2002, pp. 234-239). One of the significant variables named in the context was gender. The results proved, that men are more likely to create coalitions, in order to share common goods (Buss, 2001, p. 363), such as club goods, while women are more likely to postpone rewarding, instead, men prefer to be rewarded immediately (Osiński, 2013, p. 113).

## **Materials and Methods**

In 2015 the authors carried out comparative research between different work environments. The survey tests concerning cooperation were conducted in April and May 2015. For the research analysis there were accepted 204 questionnaires filled up by the respondents. All the examined people work in the enterprises employing 5 or more people, located mainly in the area of Silesian voivodeship, Łódź voivodeship and other neighbouring voivodeships. Among the respondents there were 132 women and 72 men.

The analysis of collected empiric data in preliminary surveys (Gruszczyński, 2001) made the author confirm, that largest discrepancies between expectations of the personnel and values

implementable in the organizations concerned independence in decision making and participation in changes implementation.

The secondary analysis of the survey results from 2015, helped the authors to make some additional questions on collaboration, which were used to develop a survey conducted in 2016. The key issue was a secondary analysis of a problem based on impact made by superiors to work performance and job satisfaction of subordinates. The authors assumed here that the larger distance is between the superiors and subordinates, the smaller commitment of superiors in common work becomes. The consequence of this assumption was to determine to what extent the organization size, and thus a sense of anonymity, may have an impact on distance between subordinates and management. In addition, an attempt was taken to determine whether the sense of distance may depend on the location of employees inside the company's organizational structure.

We should mention, however, that quantitative research results have not allowed us to precise and locate the role collaboration plays in the personnel's value systems. That made us assume that it should be derived from continued qualitative research. Next pilot quality tests conducted in May 2016 among 41 respondents. They were made using the audit questionnaire addressed to employees except those working alone in one's workplace. The questionnaire contained several open questions, which allowed the analysis of qualitative approach of a given problem. The studies were designed to both complement the previously conducted survey and refine the test method for further exploration of the issues of collaboration in the work environment.

## **Results and Discussion**

As research proved, sense of being supported by team has huge influence on collaboration assessment. According to the respondents, trust based on positive relationships is more stimulating for the collaboration process, than unconditional trust. In work environment, sense of trust must be experienced, in order to make people cooperate and trust each other. Building organizational trust requires costs related to mutual team members support (time, emotional involvement), which means a need to increase altruistic behaviours among staff members. Whenever mutual support is experienced, then trust becomes a value for employees and organization in total. In the event such support is missed, trust remains a value for the employee only.

Trust is built on strong informal bonds between individuals, it may not be executed or forced by formal rules of organization. The research from 2015 proved that informal communication favours informal bonds at work, while communication formalisation level has no influence on formal bonds. The last of the analysed collaboration aspects was the distance between superiors and subordinates. As can be seen in Graph 1, the biggest subjective remoteness is perceived by qualified workers, and the smallest one by office employees.

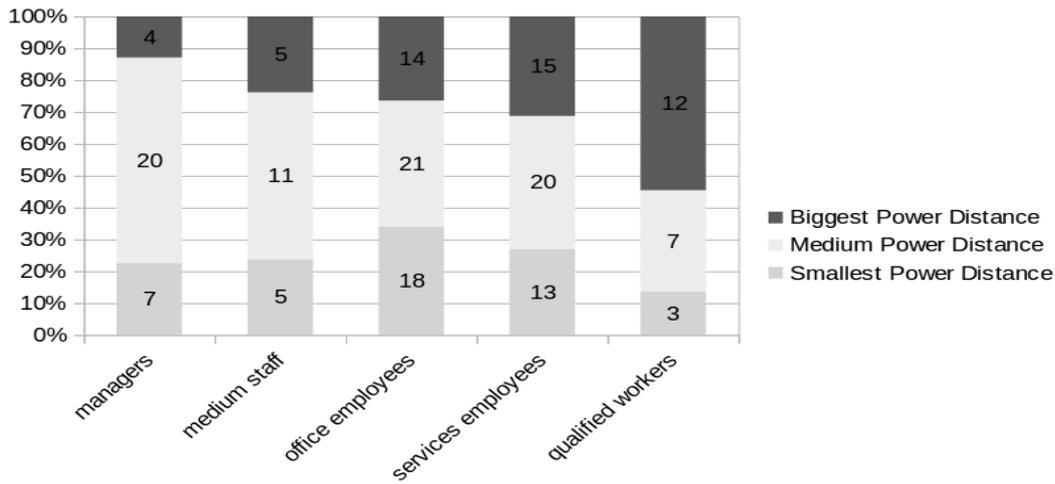


Figure 18: Power distance and collaboration. Perceived subjective remoteness by different types of workers  
Source: own source

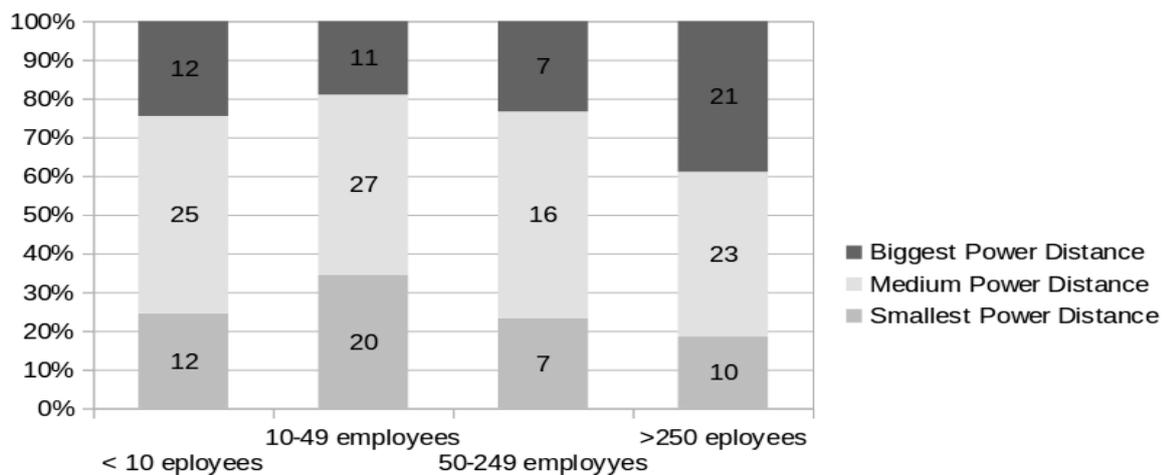
It may be noted, that the more power was represented by respondents within the organization, the less distance they felt from the immediate superiors. It can be assumed that among employees occupying different points in the power structure, there is diversity in defining the situation, according to E. Goffman, which may limit the trust in the relationship between subordinates and superiors. This can lead to poor integration of staff on managerial positions, and in addition to smaller involvement in altruistic activities in the organization as a whole. Graph 2 shows that perceived influence of immediate superior on task performances translates to satisfaction of common collaboration.



Figure 19: Perceived influence of immediate superior on task performances and satisfaction of common collaboration  
Source: own source

It can be assumed that bigger superiors' involvement in controlling the work allows them to integrate with the team, and thus reduce the internal distance inside the staff. Graph 3 illustrates, that the larger organization and the more numerous its personnel is, the larger is the distance between employees and superiors. The large distance between these two

groups appears in places with higher free riders appearance probability, which consequently decreases trust level. Feeling distance in both, the smallest and largest organizations can be explained in two ways. In small organizations, supervisors must take more disciplinary measures, because of informal relationships between them and subordinates, which can lead to breaking the accepted rules of conduct. In large enterprises, in turn, units are potentially more anonymous, thereby reducing their confidence between the staff members, since they are less able to control "free-riders". Because supervisors are more privileged, having more power and the related economic benefits, according to L. Coser, they can be excluded from the group much more easy. Thus, a greater distance compromises integration of the group, so it can be treated as a threat to the interests of staff members.



### Numerous organisations personnel

Figure 20: Power distance and collaboration. Perceived subjective remoteness and size of organization

Source: own source

Due to the different ways of recognizing the concept of collaboration in the literature, as well as in professional practice, the respondents were asked in 2016 to present their understanding of the concept. Some respondents recognized the collaboration through specific actions related to the duties of one's work ("preparation of goods", "preparation of tenders") or the description of the workplace ("operating machinery," "common customer service"). Some defined the cooperation more generally, regardless of the specific work-place ("the development of joint projects," "common taking care of the order in the workplace", "learning new features introduced in the workplace", "mutual assistance at work, replacing one another at work if needed"). Some respondents defined collaboration even more universally, as exemplified by the following statement: "Helping each other and not disturbing others, good contact and relationships in spite of the age difference" (woman, 1995, an office employee); "Common determination of methods, or how to get to specific purposes" (woman, 1972, service employee), "support in sharing responsibilities, helping each other" (woman, 1996, the medium staff).

It can be assumed that some of the staff perceives collaboration narrowly, referring only to the performance of their duties. Others understand collaboration as a general phenomenon, which could indicate that they would be more open to various forms of cooperating in the work environment. For more universal approaches, the collaboration was determined by the wording relating to mutual assistance, support and sharing the work.

From the cognitive point of view it is important to identify situations where collaboration does not occur. One of the research questions, which were created by the authors, was the one about the reasons for ceasing collaboration between colleagues. 15 people of the respondents indicated all sorts of reasons for this phenomenon, exposing disorders and disturbances in communication in relationships related to the places of employees in the organizational structure. Respondents stressed the negative emotions, such as jealousy or discouragement, accompanying collaboration failures.

The authors have also attempted to determine the reasons for ceasing collaboration. For this purpose, they asked about the reasons for the lack of collaboration between the respondents who stated that not all of them work together. The reasons for the lack of collaboration were identified by 6 people (7 respondents). These were: the specific type of the work (individual), and the rivalry between employees. This means that the reduction of collaboration occurs when the objective and subjective factors cause the isolation of an employee from the rest of the team. It was noted here that only 2 people showed that in their workplace nobody works together, and another 2 noticed, that majority avoids collaboration. While 18 people said that all of the employees work together in their workplace, and another 16 people stated that almost all personnel collaborates.

Given the issue of quality of cooperation, respondents were asked to assess their commitment to collaboration. Of 38 people who responded to this question, 7 said that their involvement is very large, 17 - that it is large, 13 that it is moderate, and 1 person stated, that the commitment to collaboration is weak. Among the respondents, 10 people indicated on specific areas of collaboration requiring the improvements. Emphasis was mainly put on the need to improve communication ("I'd made people to communicate more fluently, [...] and I'd announce the responsibility range of individuals, I'd also implement transparent procedures of communication" woman 1979 office employee), work organization ("I'd divide workers to concrete sections and gave them the opportunity to work in one room" woman, 1994, an office employee, "I'd join some jobs "man, manager) and to replace rivalry with collaboration (" I'd put greater emphasis on collaboration and not rivalry"; woman 1972, services employee)

To find out what is the perception of the factors influencing collaboration, we asked respondents to indicate the extent to which work is influenced by: 1) given workplace, 2) supervisor's activities, 3) own initiative, 4), initiative of co-workers and 5) rivalry. The rivalry was most often seen as a factor influencing poorly or not affecting the collaboration. We should mention here that only 6 people of the respondents indicated that in their workplaces all or most of the workers compete each other. Other factors were most often seen as strong and very strong influencing on the level of collaboration.

In addition, the respondents pointed out that collaboration in the workplace affects "atmosphere" and emotions (mood, attitude to work); the results of work and remuneration and environment of organization (time spent working individually with the client).

## **Conclusion**

Literature indicates, that conditions favourable for collaboration development in work environment should be sought among such factors as: high quality range of interpersonal relationships in the employees' value systems, convincement that collaboration gives bigger advantages than competition and management policy oriented on teamwork (Lipka, 2004, p. 21). The research results confirm the abovementioned statements, indicating, that shorter distance between superiors and subordinates and larger support is more motivating for collaboration. The conclusion appeared, that the level of collaboration could indirectly affect the structure of the company. The size of the company and number of employees in specific positions inside the structure is connected with a sense of distance, which is reflected in the level of trust, and therefore in the possibility of activating altruistic behavior.

Conclusions from second survey convinced the authors to broaden the cognitive perspective with few key questions. This also made them decide on necessity to carry out qualitative research, which could help analysing collaboration quality in work environments and make the understanding of collaboration value within analysed personnels' value systems more profound.

## **IMPORTANCE OF STRENGTHS FOR THE DEVELOPMENT OF AN EMPLOYEE AND THE ORGANIZATION**

With a new paradigm in psychology, which addresses problems of human mental health, wisdom, happiness, resistance, internal motivation, creativity (Nakamura, Csikszentmihalyi 2012) and is connected with the idea of good life and fulfilment (Czapiński 2012), it is becoming essential to emphasize the role of personal and professional development based on strengths. The tendencies for the emphasis on positive aspects can be compared to a wave that affected people from various professional environments (including business environments) and showed them the success and mastery from a new perspective: as an effect of synergy of humans strengths and organizational strengths (Buckingham 2010).

This paper addresses two problems: supporting your own development on strengths such as talent, knowledge and skills, and implementation of talent management programs by organizations in order to attract and maintain the best employees and achieve competitive advantage in the market. The aim of the paper is to bring knowledge about the importance of strengths for human development and organization. The present paper is an extension of the text “Employees' Strengths as the Biggest Resource of Contemporary Organizations”, which was published in the proceedings from an international scientific conference “Trends of Management in the Contemporary Society”, which was held from 9<sup>th</sup> to 10<sup>th</sup> June 2016 in Brno, Czech Republic.

### **Resting our personal development on strengths**

The dramatic changes in the environment (see Drucker 2011) lead to changes in the needs of organizations concerning specialization of the personnel. However, employers continue to appreciate such employees' traits as abilities and motivation for learning, being open to changes and facing the challenges. Therefore, the basic objective of organizations is not only employee's learning how to perform individual tasks but also to offer opportunities that help them:

- develop their own abilities and talents through deepening of knowledge and learning new skills,
- facing new and unclear challenges which often require the non-standard approach (Kozusznik 2011).

Although knowledge, intelligence and image can be regarded as human wealth, they only set the boundaries of human possibilities. If supported with efficient action, these traits lead to achievement of the expected outcomes (Drucker 2007). Creative individuals, which bring new elements and ideas to society, are characterized by strong motivation, curiosity about the world around them, interest in selected activities and often obsessive persistence in actions. Many years ago, C. Cox analysed creative genius and found that if two people are compared, a brilliant person with poor motivation and less brilliant person with strong motivation, more creative contribution to the world should be expected from the latter (Nakamura, Csikszentmihalyi 2012).

Effective managers are characterized by their ability to perceive and utilize strengths of people around them. They utilize talents, thus enhancing the potential of the whole team. On

the contrary, ineffective managers focus on weaknesses and deficiencies of their personnel and incessantly attempt to repair everything which actually makes them ineffective (Drucker 2007). In the past, people did not have to focus on their strengths since their position in society and type of work was determined by their birth. Nowadays, the type of work performed depends on a human but, in order for them to make right decisions, they should know their strengths and weaknesses, work on them and attempt to give up bad habits (Drucker 2001, 2006). Resting personal development on strengths means in particular:

1. Deepening knowledge about personal strengths and weaknesses.
2. Motivation for improvement and utilization of strengths in action.
3. Adoption of proactive attitudes (Covey 2013), which assumes:
  - taking responsibility for our own life,
  - taking initiative,
  - keeping promises and obligations.

M. Buckingham (2010) recommends the following strategy in order to familiarize and utilized strengths at work:

1. analysis of actions in terms of the effect these actions have on us (some of them induce positive emotions, make us inspired and need our time or attention while other tasks make us exhausted and tired or are connected with the feeling of lost energy, hopelessness and boredom),
2. taking over control over our own time and work in order to have more tasks which make us feel in our element,
3. learning to inform others about the adopted goals in order to help us achieve these goals,
4. development of self-assuredness in order to sacrifice the most of our time at work, independently of changes that occur in the organization, on the activities that inspire us. This active approach assumes taking responsibility for learning about our own strengths and weaknesses and everyday searching for opportunities to show our own strengths in concrete actions. In order to achieve this, it is helpful to ask the questions in the beginning of each week: *„how will I do my best to more fully utilize my strengths compared to the previous week?“* and *„how can we create the work environment where more than two in ten people could utilize their strengths for the most of the day“?*

This author (ibidem) suggests a six-stage method which can be fully rested in action on our own strengths. These include the following steps:

1. Confrontation with the beliefs that inhibit our own development.

The most of people make a mistake by assuming that success is mainly determined by improvement in our weaknesses, whereas, as emphasized by the previous authors (Gut et al. 2008; Drucker 2006), improvement of our weaknesses can help us only achieve average results. Improvement of what we are good at leads to achievement of mastery in action.

2. Learning about our strengths and weaknesses.

Our strengths are actions which offer almost perfect outcomes and cause that we feel strong. They are composed of three components: inborn talent, acquired knowledge and skills (see Fig. 1). Their manifestations include: success in action, being attracted by these activities, willingness to develop and learn that is connected with the easiness to concentrate on action, feeling of meeting the needs and feel satisfaction and fulfilment.

Furthermore, the weaknesses are reflected by the feeling of being weak and bored with the specific activity and using the words "I have to" and "I should", feeling negative emotions regardless of the outcome; searching for the opportunities to delay an activity or avoid it etc.

3. Familiarization with the strategy that makes it easy to utilize strengths in concrete actions.

These strategies include in particular:

- pointing how and where strengths help with regard to the current position held,
- searching for additional opportunities of utilizing these strengths,
- learning new techniques and acquiring new skills that help improve strengths,
- adjustments of the work performed to our own strengths,
- considering options to change work if there are no opportunities to utilize the above strategies at work.

4. Learning strategies that help keep away from weaknesses.

These strategies include:

- stopping performing the weakening activity in order to verify if others care about it,
- starting cooperation with the person for whom the weakening activity is strength,
- trying to look at the weakness from other standpoint.

5. Development of skills to talk with friends and superiors about their strengths and weaknesses.

6. Building strong and permanent habits that help maintain control of utilization of our strengths at work.

Of the three parts that a person's strengths are composed of, the most important is inborn talent. P. Mirallès (2007) describes talent using the equation: „perfectness + difference”. According to this researcher, competencies may be defined as what the person can do, whereas talent is something that the person can do better and easier than others. However, better and easier does not always mean sufficient. It is also important what makes the difference, what can be regarded as a characteristic style of the person. This approach allows for e.g. differentiation between perfect works presented by two persons. Talent is viewed as a combination of perfectness and difference. It is not the matter of fortune but the fruit of work aimed at recognition, acquisition, developing (knowledge, skills) and showing your exceptional features to the world.



Figure 21: Components of strengths

Source: author's own study based on: M. Buckingham, D. O. Clifton: Now, Discover Your Strengths: How To Develop Your Talents And Those Of The People You Manage, Simon&Schuster 2001; M. Buckingham: Wykorzystaj swoje silne strony. Użyj dźwigni swojego talentu, MT Biznes 2010.

## Talent management in organizations

Talent management is approached by practitioners and theorists of management as one of the most important world tendencies connected directly with perception and development of human resources in contemporary organizations. It is linked to the concept of "the war for talent" that was coined at the end the 20th century in the United States when it was found that recruitment of talented employees and investment in their development is conducive to gaining competitive advantage in the market. Talent management means e.g. adequate recruitment of personnel, creating the opportunities for the employees to develop, and care for maintaining the people who have excellent results (Syrek – Kosowska, Rachwał 2012).

According to the survey conducted among leading Polish enterprises (e.g. BRE Bank S.A., ING Polska, Microsoft Polska, PKN Orlen S.A.) by the Conference Board in cooperation with the House of Skills (2006), 94% of personal directors found that the process of talent management in Poland will become more and more important in the nearest years. The key conclusions from this report were as follows:

- there is a fierce competition for talented experts in Poland, but the organizations are also starting to compete for employees at lower positions in organizational hierarchy due to their leaving the country to seek employment abroad;
- the key reasons for which organizations need to implement talent management are, on the one hand, the willingness to attract the best candidates and, on the other, active prevention of being left by less talented employees and building new management staffs through offering new opportunities for training and development. These findings were supported by the report by Deloitte (2008), which showed that HR divisions in many countries consider talent management as the most important challenges to be faced in the years to come (see Tab. 1).

Table 25: The most important business challenges of the years to come

	<b>Priority HR (requires improvement)</b>
<b>All the countries surveyed</b>	<ol style="list-style-type: none"> <li>1. Maintaining employees (13%)</li> <li>2. Talent management and succession planning (12%)</li> <li>3. Development of managers and leaders; salaries and services (10%)</li> </ol>
<b>Baltic countries (Latvia and Estonia)</b>	<ol style="list-style-type: none"> <li>1. Maintaining employees (14%)</li> <li>2. Salaries and services (13%)</li> <li>3. Management of education, human resource planning (9%)</li> </ol>
<b>Czech Republic and Slovakia</b>	<ol style="list-style-type: none"> <li>1. Maintaining employees (16%)</li> <li>2. Talent management and succession planning (13%)</li> <li>3. Salaries and services, human resource planning (11%)</li> </ol>
<b>Latvia</b>	<ol style="list-style-type: none"> <li>1. Maintaining employees (18%)</li> <li>2. Salaries and services (16%)</li> <li>3. Development of managers and leaders (12%)</li> </ol>

	<b>Priority HR (requires improvement)</b>
<b>Finland</b>	<ol style="list-style-type: none"> <li>1. Talent management and succession planning (17%)</li> <li>2. Performance management (17%)</li> <li>3. Development of managers and leaders (17%)</li> </ol>
<b>Poland</b>	<ol style="list-style-type: none"> <li>1. Talent management and succession planning (16%)</li> <li>2. Maintaining employees (11%)</li> <li>3. Performance management, change management, salaries and services (8%)</li> </ol>

Source: Raport Deloitte, Transformacja funkcji kadrowej. Tworzenie wartości dla klienta, Warszawa 2008, p.35.

There are a variety of talent definitions. They can be collected and presented in the graphical form of a continuum with one end represented by talent understood as a rare and outstanding aptitude and the other end approached as a trait of all employees who were adequately selected for the organizational needs (Borkowska 2007; see Chrapek 2013; Dejoux, Thévenet 2015). Knowledge about talent considered as property of each human was provided by the survey conducted by the Gallup Organization which distinguished and described 34 characteristics of talents (e.g. flexibility typical of the person who is able to seize the day and easily respond to unexpected changes and can modify their plans; learning is observed in people who are engaged in various studies, courses and trainings and feel satisfaction and excitation from the increase in knowledge and competencies; the strategist means a person who can act in the chaos and choose the best plan of action (Gut et al. 2008; Buckingham, Clifton 2001). In the context of organization, talent determines the employee who, with his or her own development and engagement, contributes to achievement of the success in the market (Mróz 2015).

Development of employee's talent is stimulated by the three parties: the organization, manager and the employee. The task of the organization is to create the organizational culture which is conducive to development, prepare the development plan consistent with the needs and goals of the organization, care for tools, processes and investments. Managers should be able to identify the areas where the employee can develop and support them develop competencies (support, feedback, mentorship, coaching). The task of the employee is to take full responsibility for your own development and commitment, setting the goals, and seeking opportunities to achieve the goals, effective actions (Syrek – Kosowska, Rachwał 2012). Talent management is closely correlated with the method the specific organization approaches a person. The organization that stimulates development of employees creates specific motivational systems, suggests career paths and develops training plans. Furthermore, the organization for which development of employees is of mediocre importance can be viewed as a threat since the employee, aware of strengths and talents, can start working for the competitors in the development environment better adjusted to his or her needs (Brzosko et al. 2012). A manager should play a role of catalyst of changes in an organization, accelerating the reactions between employee talents and the objectives of the enterprise and customer needs. Therefore it should develop 4 skills:

1. the choice of the specific person (awareness of the difference between talent and knowledge or skills; ability to ask the questions during employee recruitment that would lead to discovering real talents),

2. specification of your own expectations towards the employee (setting the objectives, expected outcomes, care for the balance between the conformism and standardization met by the employee and maintaining his or her individualism and originality),
3. employee motivation (appreciation, sacrificing time, focus on his or her strengths),
4. influence on development of a talented employee (stimulation of development, helping find their own place in the enterprise, helping being promoted; proposals of appropriate courses and trainings) (Buckingham, Coffman 2009).

A great manager is characterized by the ability to look inside the internal functioning of the enterprise. Therefore the manager is able to perceive individual differences between employees, which helps them transform exceptional talents into concrete actions (ibidem). J. Cannon and R. McGee (in: Mróz 2015) described the following stages in talent management in organizations:

- identification of talents which are needed in the organization,
- identification of current talents in the organization,
- finding necessary talents,
- developing talents,
- caring for maintaining talents in the organization,
- creation of the pool of talents,
- utilization of talents,
- preparation of talent succession.

Furthermore, based on the results of the studies carried out among decision-makers and managers in human resource departments from 44 French enterprises (with 33 using talent management), C. Falcoz and C. Melin (2012) created the list of challenges to be faced by organizations that need to implement talent management programs (see Tab. 2).

Table 26: Basic challenges to be faced

<b>TALENT DETECTION</b>	Creation of objective talent assessment schemes Differentiation between the efficiency of employees and their potentials Avoiding retaining information by certain managers
<b>ATTRACTING TALENTS</b>	Adjustment of the salary offer to conditions in the competitors if talent reserves are becoming rare Attracting talents with the employer's trademark (enterprise's reputation) Differentiation of profiles
<b>TALENT DEVELOPMENT</b>	Sometimes high cost of programs of trainings oriented at developing talents Managers' retaining certain talents they do not want to departure with Personal limitations of talented people (especially concerning geographical mobility)
<b>MANAGEMENT AND REMUNERATION OF TALENTS</b>	Preparation of the specific salary policies Guarantee for equal treatment with other employees in order to find talents outside the managers Lack of tools for operational management and specific management of talents, especially internationally Developing also collective talents

Source: C. Falcoz, C. Melin, Zarządzanie talentami. Raport z badań, Uniwersytet Jean Moulin, Lyon, 2012.

## Conclusions

The theoretical explorations on the importance of strengths for the employee and organization lead to a few general conclusions. The organization that needs to implement talent management programs should:

1. Have knowledge about strengths (strength as a combination of talent, knowledge and skills of the employee).
2. Define which talents are needed in the organization.
3. Discover talents which are already in the organization.
4. Specify the profile of the employee searched for the specific position.
5. Conduct appropriate recruitment.
6. Use current talent.
7. Create opportunities for development of talented employees, stimulate talents through e.g.
  - supporting the employee,
  - feedback,
  - motivational system,
  - training, mentoring, coaching,
  - developing career pathway.
8. Care for maintaining talented persons.
9. Care for talent succession.

The employee who wants to rely in action on their strengths should:

1. Have knowledge of their strengths and their importance for their development.
2. Familiarize and implement strategies that allow for using strength at work.
3. Have active attitude which assumes e.g.:
  - taking initiative, searching for new opportunities for using the strengths,
  - taking responsibility for yourself,
  - definition of objectives,
  - involvement,
  - keeping obligations,
  - searching for opportunities of developing strengths and improving them.

Resting development on strengths has a positive effect on both employees and the organization. Learning about and improving strengths of employees and facing the beliefs that inhibit our own development, creating strong habits that help utilize strengths in concrete actions increase employee's motivation for action, stimulates the feeling that our actions make sense and inspires others. In times of the highly competitive economy, proper approach to talents, their development, knowledge and skills of employees are becoming one of the most important resources which can determine success of organization in the market.

## **EMPOWERMENT AS A TOOL FOR ORGANIZATIONAL CONFLICT RESOLUTION – CASE OF MEDIATION IN COLLECTIVE DISPUTES RESOLUTION IN POLAND**

Empowerment is not a new term in management. It was introduced in the context of leadership, last century at the turn of the 70s and the 80s. Before that, terms of leadership styles were used. Managerial Greed (Blake and Mouton 1964) or Contingency Model of Leadership (Fred Fidler 1971) were the most frequently used models. Now they are classics of management models. The concept of Empowerment has a particularly important contribution to the theory of Leadership and allows us to leave the classical autocratic and democratic leadership continuum (Burpitt and Bigoness, 1997; Kirkman and Rosen, 1999). The Empowerment concept introduces a new perspective to study on leadership. In order to present this perspective more precisely, the author will quote etymology of the term. The word ‘power’ in this context is a synonym of ‘authority’ and refers to a participative management, namely the management which includes employees in the decision making processes. There are three understandings of the term: First, studies on leadership and management skills (Bennis & Nanus, 1985; Kanter, 1979, 1983; McClelland, 1975) suggest that the practice of empowering subordinates is a principal component of managerial and organizational effectiveness. Second, analysis of power and control within organizations (Kanter, 1979; Tannenbaum, 1968) reveals that the total productive forms of organizational power and effectiveness grow with superiors' sharing of power and control with subordinates. Finally, experiences in team building within organizations (Beckhard, 1969; Neilsen, 1986) suggest that empowerment techniques play a crucial role in group development and maintenance.” (Conger and Kanungo 1988, p. 471).

### **Empowerment and Recognition in Mediation**

Recognition is another term which occurs in the context of Empowerment. It is used by Bush and Folger in their ‘The Promise of Mediation’. Cambridge Dictionaries Online presents the following definition: ‘If you are given recognition, people show admiration and respect for your achievements.’ (Accessed on May 2 2016) The term recognition refers to appreciating employees and retaining them at present work. Why recognition is that important in HRM. Above all it plays a significant role in motivating employees. In order to explain its theoretical foundation, one should refer to behaviourism achievements in the field of psychology. It is difficult to accept behaviourism in its present form, still the way it ‘compromised’ penalty as a motivation factor is still up-to-date. Reward as a motivation factor is far more lasting, as people constantly endeavour to be rewarded again and again. When it comes to penalties – people focus all their effort to avoid them. A deeper analysis of a behavioural approach to the role of penalties and rewards in motivation is not a subject of this paper. The important role of rewards is not limited to an influence with stimulus, it is not only about swapping the stick with a carrot. Recognition has a far more significant function. It is used to appreciate an employee, to acknowledge his accomplishments, competences and predispositions. Only such an employee can undertake more and more important challenges and increase responsibility for his decisions. Thus Recognition is closely connected with Empowerment.

### **Conflict**

In order to deliberate on Empowerment and Recognition issues in conflicts resolution, the term of conflict should be explained. What is the nature of this specific type of social interaction and a relation which results from it as well as what are the means of communication in a conflict? The author will focus on a structural fundament of a conflict. It means, the actors in a process of negotiation take social positions of different interests. Conflicts take place irrespectively of who takes those positions, as long as the structure remains untouched.

(Lawler and Ford, 1955). Such an approach is called a structural approach and it implies the following assumptions:

1. A conflict takes place, when two or more actors have inconsistent preferences, when they see or forecast partner's resistance. It means the existence of a structural contradiction of interests is just a condition which is necessary for negotiations. But it is also necessary to meet one more condition – actors in the conflict must resist, namely they must hinder each other's actions, (according to Kotarbiński, such an action can be called a negative cooperation) or at least they must expect such a resist. Expecting other party's resistance results in actors being in readiness for hostile actions. This is a significant factor of a conflict situation.
2. Interdependence of actors, at a minimal possible level, is another condition of a conflict apart from the previously mentioned contradiction. It means the actors cannot avoid each other, they need themselves. Without interdependence a conflict situation is not a factor which forces the actors to undertake actions to solve the conflict, i.e. armed or unarmed fight. Jaroslaw Rudaniański defines the subject as follows: 'if a unit acting within a system of a significant dependence wants to satisfy various needs, not only the fundamental ones, it needs to influence other people in number of ways. It means, the unit needs to influence in a way the others do what it wants and act according to its wishes. If, for any reasons, other people do not want to act that way the unit wants them to – a counteraction begins when they try to influence that unit. Then, according to our definition, we observe a fight or an action with a number of fight elements'. (Rudniański, 1989).

In the abovementioned reasoning, the author referred to a broad understanding of a fight, covering a spectrum from an armed fight to all kinds of psychological influence. It should be stressed, the mutual dependence of actors has a gradable nature. If it is low there is either no conflict situation or right after it occurs there is a break of a weak interrelationship. In such a scenario there is no need for actors take any actions to solve the problem, namely a conflict situation. There is no need to fight nor to negotiate. In other words 'a structure of interdependence creates a sufficient motivation for negotiations, when the cost of a prolonging conflict exceeds the cost of a compromise, which in result means a profit which is lower than the most preferable solution' (Lawler, Ford, 1995). The factor determining the fight is a result of comparing the results of fight to a compromise solution. A negative cooperation is inevitable if the effects of solving a conflict by means of fight are better rated than the profits of a compromise or maintaining the conflict in a latent phase. (Cichobłaziński 2010).

Actors of a conflict which is understood as above, try to devalue opponent's self-esteem. It results with a negative spiral of mutual hostility and lack of trust. In such a course of a conflict one may observe a feedback between the feelings of weakness and focus on one's own business. This causes a spiral of negative and destructive actions. In an extreme form actors aim at destroying the opponent and negotiations may degenerate into a fight. One may observe the feeling of alienation resulting from the lowering the sphere of common interests (common ground) and statements demonizing the other party. Such negotiations become the so called 'position negotiations', where none of the parties takes opponent's interests into consideration. Actors try to gain a full control over the course of a conflict, depriving the other party of the influence. The party which was deprived of Empowerment starts to escalate aggressive behaviour.

Is it possible to exit this spiral of mutual destruction and mistrust? Yes it is. Bush and Folger named this path a transformative conflict resolution. It is about a transformation of a relation between the parties to the conflict. Transformation is possible as long as the relation between the parties is of a long term nature. It is difficult to see a transformation in short term

relations. In such cases parties focus on positive negotiations. The process of conflict relation transformation presented by Bush and Folger using Empowerment and Recognition is illustrated below. In a transformative model one may observe a spiral of negative actions, resulting from the feeling of danger and weakness, which normally end with aggression. Despite of appearances, weakening the opponent in negotiations does not increase probability of finding a favourable conflict solution. Actions leading to reinforcement of both parties to the conflict by means of Empowerment and Recognition may be a solution.

„Conflict is not static. It is emergent, dynamic phenomenon, in which parties can-and do-move and shift in remarkable ways, even when no third party is involved. They move out of weakness, becoming calmer, clearer, more confident, more articulate, and more decisive – in general, shifting from weakness to strength. They move away from self-absorption, becoming more attentive, open, trusting, and understanding of the other party – in general, shifting from self-centeredness to responsiveness to other.” (Bush and Folger 2005, 55) The role of Empowerment in this process is to increase responsibility of parties for decisions they make. The role of Recognition, on the other hand is to present the opponent in the conflict as a subject of their actions, not only as a subject of a manipulation has (this often taken place during conflict resolutions). This approach in conflicts resolution is called a transformative approach and it is based on one very important assumption – that both the parties to the conflict create a whole, they are elements of this whole. When applying this approach, it is possible to find paths for a proper relation transformation in order to achieve a relative integration between the parties.

### **Methodology of the research**

The name ‘case study method’ is an English term which was introduced to social sciences in sociological research within ecology trend by the Chicago School of Sociology. Case study can be defined as a ‘research method, in which the researcher seeks the most extensive and comprehensive description of a given community or an individual, including a set of numerous variables. The researcher is interested in both values of the variables and their dependencies. Subject of the research is of an individual nature. The researcher starts without any preliminary hypothesis, willing to examine the phenomenon in its real context. Subject of the research in a relation to its research methodology is a starting point for the analysis of the case.’ (Ptak-Kostecka 2010)

The advantage of this method is the possibility of obtaining a comprehensive (holistic) view of a studied phenomenon endearing it in all its complexity and all conditions both internal and external. ‘Aiming to introduce the precision which is characteristic of the natural sciences, is expressed in treatment of various phenomena as individual ones, separated variables whose connections are generally determined by statistical analysis. The amount of these variables must be strictly limited due to the nature of the analysis. It is most often a small number, so that studies are rather fragmentary than holistic.’ (Lityński 2000, 293) Case study is a method that avoids shortcomings of quantitative methods indicated by Jan Lityński, proven it gets to the essence of a phenomenon, making it possible to formulate more general conclusions. Otherwise a case study method will remain a unitary description. But even then it can fulfill its function if it becomes a source for other researchers seeking empirical data to verify their hypothesis. Apart from that the method may have heuristic functions allowing the creation of new hypotheses for further research.

David Silverman defines a case study method as a detailed research of one case or a small number of cases, applying all possible techniques, using the following assumptions:

1. Each case has its limits, which must be identified at an early stage of research (i.e., if school is a subject of examination, than the scope of the project includes classroom behavior, staff meetings, etc.)

2. Each case is a part of a larger whole, which is of researcher's interest. In order to formulate a research strategy the unit of analysis needs to be specified at the beginning.
3. Case studies are to maintain completeness and integrity of a case. However, in order to achieve a certain degree of attention, the research subject must be limited to certain features of the case. (Silverman 2013)

### **Case study**

The mediation took place during a collective dispute in a bituminous coal mine. Division of company's social fund was a subject of a dispute.

Mediation began with mediator's talks with the management of the mine and with the trade unions. Both parties to the conflict showed a lot of uncertainty as it was the first collective dispute for them. Uncertainty was visible both on employer's and trade's side. Formal talks were held in a place that was used for various meetings of mine employees and for rescue operations during disasters. All necessary means of communication and a plan of a mine were there. Interior emphasized employer's formal authority. There was a lot of stress during the talks and there was no attempt of mutual understanding. CFO of the coal mine presented reasonable argument that union's claims are not supported by financial reports, still trade unions did not listen. Later, during a cigarette break, unionists realized and accepted the situation. The informal atmosphere of the meeting helped to reach an agreement. The CFO explained the trade union how the social fund operates and presented a possibility of an alternative solution to the conflict.

It should be noted that the CEO returned to his office and did not participate in that informal meeting. The mediator talked with the representatives of mine management and did not participated in that informal meeting neither. Trade unions informed the mediator that the dispute was solved after just one day and that happens very rarely.

Trade union said no one treated them like a real partner in talks before.

In this particular case 'empowerment' and 'recognition' were initiated by one party to the conflict without any actions of a mediator. However the question of 'how a mediator may apply empowerment in practice' remains. A case of mediation held in one of local cultural institutions, namely in a city philharmonic, can be used as an example here. Employer was represented by a philharmonic manager, who is a musicologist. Her education had a significant importance for employees, as it turned out later, because employees did not respect their superior, who is not a musician. Furthermore, employees were represented by experienced negotiators from trade union HQ. Mediator quickly noticed a significant imbalance in bargaining power between the parties to the conflict. Trade unions acted aggressively, putting the employer in a defense position.

Despite of that the mediations did not move forward. In talks with the employer, a mediator gave a few advices to the philharmonic manager on negotiation techniques who was unfamiliar with them. Mediator advised the manager on how to respond to claims of alleged mismanagement of the facility which led to bad financial situation and did not allow to increase employee salaries. Mediator explained her, i.e. 'you do not have to explain all the charges', 'the trade union should justify on what grounds they base their allegations', 'there is no need to respond immediately to all union demands, you can ask them for time to think', 'do not succumb to time pressure trade unions often create'. Mediator had similar talks with the trade union, but on different subject matter. Mediator made the union aware of their strength in negotiations which resulted in lowering the level of aggression in challenging facility manager. 'You are very strong in ongoing talks. Professional trade unions are not used to employers like the manager in this dispute. Do you need to attack her in such an aggressive way?' Due to mechanism of 'recognition' meaning reinforcing self-esteem a partial bargaining power balance

has been achieved. An external observer might have an impression that the mediator is acting in a biased manner. However the reason for acting like this was to 'civilize' the talks and to remove as much of aggressive behavior as possible. Behavior like this initiates a negative feedback of mutual mistrust and hostility which, as a result, dehumanizes a relation between the parties to the conflict. This mediation could not end with an agreement, as local authorities, namely the mayor, was a direct decision-maker of philharmonic budget.

Further part of negotiation was moved to the city council and the mediator did not participate in it as the conflict was no longer in the frames of a collective dispute procedure.

### **Conclusions**

1. Empowerment is an underestimated tool in modern HRM. A directive style is dominating, it takes employees their subjectivity away.
2. Recognition is another important tool, apart from Empowerment. It is about recognizing and appreciating employees, their qualifications and achievements. Only appreciated employees can accept difficult challenges.
3. Empowerment and Recognition as tools of HRM in organization suit well conflict management. It is particularly visible in Collective Disputes.
4. Both Empowerment and Recognition can reverse the spiral of mutual hostility and negative actions, in a way that both parties to the conflict treat themselves subjectively and have a feeling of influencing the course of a conflict.
5. Applying Empowerment and Recognition in solving organizational conflicts is possible only when parties to the conflict believe in the existence of a common good, i.e.. a success of an organization and when they believe in a mutual system of values.

## **SOCIAL RESPONSIBILITY OF BUSINESS OR BUSINESSMEN**

For many years there have been attempts in highly developed countries to find a compromise between striving for profits and such a way of functioning that guarantees maintenance of a positive image in a long period of time. Solutions resulting from the implementation and realization of corporate social responsibility concepts belong to those activities by means of which managers try to join these areas. All the activities taken voluntarily by the companies within the concept of CSR are indicated by ethical standards and exceed the minimum level of commitments towards stakeholders resulting from the rules of law. Hence, in the opinion of the proponents of this concept, CSR implementation is in the best interest of companies as well as of their competition and surrounding society as it contributes to the creation of favourable conditions for growth and economic development of societies.

In spite of undeniable benefits resulting from CSR rules numerous questions and ambiguities concerning the implementation and realisation of CSR arise as well. First of all, it is still discussed who should be socially responsible - business or a businessman. A precise distinction between PR activities and CSR activities is another area of dispute. Dispute also concerns such an issue as how far CSR can be formalized and measured and finally whether the obligation of being socially responsible can be imposed on companies. The presented work will contain the author's attitude in the discussion concerning these issues presented against the opinion of other researchers.

### **Assumptions and development of social responsibility concept**

According to CSR followers this idea has emerged recently, in the 20th century, and its development is strictly connected with the process of globalisation. As far as the second statement is quite right, the first, however, can be regarded as erroneous. It was already in

ancient times (e.g. Hammurabi's code) that one can find solutions aiming at strengthening the responsibility for one's economic activity. In Middle Ages, according to the doctrine of predestination of the Catholic Church, the rich, to be saved, were obliged to support the poor, while in the period of industrialisation enlightened owners of factories knowingly and intentionally took up initiatives supporting workers which fact served as a proof for their social engagement.

Theoretical fundamentals of social responsibility can also be found already at the turn of 18th and 19th centuries. Its first version can be found in the book by A. Carnegie „Gospel of Wealth”. The rules of the doctrine are derived by the author directly from the Bible. He claims that the moral obligation of charity on the factory owners comes from the Bible (Mazur-Wierzbicka 2012, p. 12). One hundred years later this doctrine was updated. Changes in the economic situation, appearance of large fortunes and creation of first corporations of international scope were taken into account in it. A conviction that entrepreneurs should take part in reducing the threats of civilization to the appearance of which they contributed themselves was spreading. Mentioning the development of CSR concept the first half of the 20th century and social and economic changes of those times cannot be omitted. Democratisation of social life, appearance of civil society, development of science and propagation of education belong to some of the important changes that led to gradual development of the practice and building of theoretical fundamentals of CSR that took place in the second half of the 20<sup>th</sup> century. What is more, since the half of sixties the concept of environmental sustainability has started to develop, later changed into sustainable development in which CSR serves as one of the three fundamentals, and in the implementation of which not only companies but also states and international organisations, including ONZ are interested. (Fig)

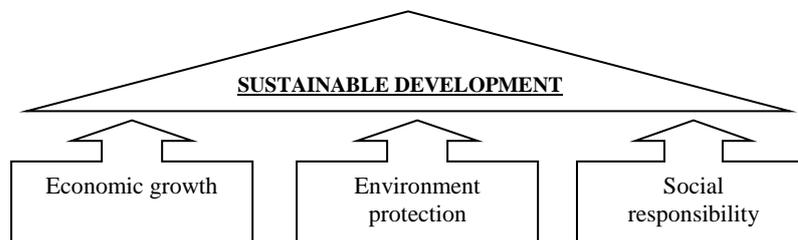


Figure 22: Pillars of sustainable development

Source: own study based on: Olejniczak K. (2015) Zarządzanie zrównoważonym łańcuchem dostaw - Cz. 2. Zintegrowana postawa wobec odpowiedzialności, „ABC Jakości”, 4 (84.) p. 36-42

Creation of the name and the development of CSR fall on the turn of 50s and 60s of the 20<sup>th</sup> century. H.R. Bowen who in 1953 published a book titled “Social Responsibility of Businessmen” is regarded to be a father of the concept. In his elaboration the author assumes that Social Responsibility should be treated as an attribute of an entrepreneur and not of a company and the issues referring to the natural environment and its protection are left aside. Such an attitude differs significantly from the contemporary comprehension of CSR. An Entrepreneur, in his opinion, is obliged to “pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society.” (Bowen 1953 p. 6). Later his concept is being developed and further improved by such researchers as K. Davis, R. Blomstron or A.B. Carroll at. all. (Mazur-Wierzbicka 2012 p.14).

It is in this period that a change in the approach to CSR takes place, the concept no longer assumes the responsibility of the entrepreneur, instead it becomes the concept assuming the responsibility of the company. It is reflected in the name of the concept that starts to be called: Corporate Social Responsibility. This apparently slight change has far-reaching effects. First of all, owners are no longer subjects that can decide about CSR implementation as decisions in this area are made by managers who manage and administer the owner's property.

Nowadays the concept of CSR is understood as an assumption according to which organisations while carrying out their activity will take into account the interests of the society, environment protection and relations with widely understood stakeholders. It constitutes an approach of strategic dimension and of dynamic character and related to such a way of managers behaviour that results from making decisions targeted at the achievement of the balance between the interests of all the stakeholders. All the activities related with CSR implementation can be divided into those giving effects outside the organisation and inside the organisation (Sudoł 2006, p. 72). The following are the most common activities taken up inside the organisation: active creation of workers' health and well-being, creation of the opportunities to practise and obtain professional experience, observance of workers' rights and elimination of discrimination in employment (Kusa 2010, No 7; Hąbek, Pawłowska 2009, No 2 et al.). The responsibility outside the organisation includes: attitude to investors, customers, authorities, taking care of the natural environment, cooperation with the local society (Rojek-Nowosielska 2006, p. 68).

It can be said that it is a process of continuous and gradual improvement of the organisation. During this process it attempts to take up the challenges of the present and the future and it is based on a dialogue with stakeholders as a key factor.

### **Actions to formalise CSR**

The contemporary meaning of CSR is very wide and complex, that is why more and more standards and methods for defining the content of this notion are introduced. Naturally, it is not only the notion of CSR that has been precisely defined in the contemporary world, but numerous measuring methods, techniques and tools have been elaborated, as well. What is more, good CSR practices realized by companies have been reported worldwide for over a dozen years. Global Compact (GC), the concept elaborated by the UN Secretary-General Kofi Annan and presented in 1999 on the World Economic Forum in Davos is one of the most important measurement methods all over the world. GC encourages companies to support, adopt and use 10 fundamental rules related to human rights, work standards, environmental protection and anti-corruption strategies. Since 2011 member companies have been ranked according to the level of CSR implementation. "The classification to a given level is based on the implementation of GC rules and reporting (CoP). There are two levels: "Active" and "Advanced" and a group of companies that are assigned to the platform "Learners" (*Materiały* 2012 p. 14).

Reporting in Poland is to take place according to RESPECT Index that has been functioning on the Warsaw Stock Exchange since 2009 and it is the first index of this type in the Central and Eastern Europe. The companies listed on the main Stock Exchange market in which numerous requirements belonging to ESG factors (Environmental, Social and Governance) are met and also all the requirements referring to the corporate governance, information governance and to the relations with investors are fulfilled to the highest possible extent are included in this index (www.2)

Analysing the EU documents, especially those of the European Commission, one can come to a conclusion that CSR is one of the most important concepts functioning of the whole EU economy is to be based on. "The European Parliament suggested to recognise CSR as a fundamental doctrine in all the areas of competence of EU. Its implementation is to guarantee

the realisation of targets set by EU in the Lisbon strategy” (Lewicka-Strzałecka 2009 No 1 p. 190). That is why for the understanding of CSR in European countries today, its definition adopted by the European Commission has the key meaning. According to this definition: “companies voluntarily include social and environmental issues in their economic activity and relations with interested parties” (European Commission 2011).

However, it is not the only definition in the EU documents, as an uncertified standard ISO 26000 Guidance on Social Responsibility was elaborated and approved (1.11.2010) on the basis of definitions presented in Green Paper. According to this standard CSR is a company responsibility for the influence of its decisions and activities on the society and the environment by means of transparent and ethical behaviour (Standardy 2011 p.7). In this standard the word voluntarily did not appear so it could be deducted that there is a tendency in the EU to give CSR the obligatory status. The most recent communication from the European Commission on CSR in which its new definition is given serves as a confirmation of this conclusion. According to this definition CSR means: “companies responsibility for their influence on the society” (Komunikat 2011, No 1, p. 1) When compared with the definition adopted in Green Paper for example „*Promoting a European Framework for Corporate Social Responsibility*” and cited above, a very significant change appears, namely a word “voluntary” that for numerous experts on this topic has the key meaning in relation to responsibility was removed”. It can be assumed that EU started to treat CSR as a commonly obligatory standard that is to be realised and reported. The position of the European Parliament and of the European Commission as to revealing non-financial information and information concerning variety in large companies serves as a confirmation of this. By means of the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 former regulations concerning reporting of non-financial data were changed and the duty to report all the operations was imposed on all the companies employing more than 500 workers and achieving the net profit in the balance of at least 20 million EURO Countries are to implement the Directive up to 6 December 2016 (Dz. Urz. UE L from 2014 No330/1).

Along with ISO 26000 there is a certified standard ISO 14001 (comprised by ISO 14000) regarded as a standard supporting the appliance of social responsibility principles in companies and relating to the environment management. The main target realised on the basis of this standard is improvement of the relation between the effects of the economic activity of the man and the natural environment (International Organization for Standardization 1995). AccountAbility Standards of AA1000 Series are another tool supporting the CSR implementation. Thanks to these standards a company is equipped with methods that facilitate the management of the engagement in relations with stakeholders. Standards also refer to the issues of corporate governance, business methods and sustainable development. This series of standards includes three of them:

- AA1000APS - AccountAbility Principles Standard
- AA1000SES - AccountAbility Stakeholder Engagement Standard
- AA1000AS - AccountAbility Assurance Standard (Komunikat p. 9)

The certified standard SA8000 has still another character. It is a collection of principles and procedures that protect basic rights of workers. It is based on universal values contained in ILO Declaration on Fundamental Principles and Rights at Work, Universal Declaration of Human Rights and United Nations Convention. SA 8000 Standard requires the fulfilment of 8 initial conditions: no children employed, no forced labour, following basic safety recommendations of work environment, freedom of association of employers, right to collective bargaining, no discrimination in employment, no physical or mental coercion towards workers, observance of legal regulations referring to the time of work and the right to remuneration which is not lower than that guaranteed by rules of law. (Advisory Board 2015). It is a global standard and it can be used in all the countries in case of companies from all sectors.

Introduction of standards enabling the measurement of the level of CSR realization resulted in the process of its reporting based on the GRI indicator - Global Reporting Initiative. GRI is an independent institution seated in Netherlands and acting for the development and promotion of Sustainability Reporting Guidelines. Detailed rules of reporting on the basis of which Polish companies can prepare their own reports are in the document titled: "Guidelines for sustainable development reporting" that is on the following website [www.globalreporting.org](http://www.globalreporting.org).

### **Disputes and discussions around CSR**

First critical voices related to the concept of Corporate Social Responsibility already appeared at the beginning of the 60s of the 20th century. Criticisms made by M. Friedman were cited most often. His opinion that one corporate social responsibility consists in generating company profits in accordance with binding principles and without affecting ethical principles, while the CSR concept violates the nature and character of the free market economy belongs to the history of economic thought (Friedman 1962; Friedman 1970, p. 32-33). Nowadays also disputes around it can be observed. This criticism is especially strong in the periods when negative practices and abuses of managers are revealed. For example the affair concerning lowering the amount of the emission of harmful substances in case of VW engines or the situation concerning the so called "creative accounting" used by some banks that several years ago led to financial crisis in the USA.

Other criticised issues are connected with the discussion around the topic if it is companies duty to contribute to the society, if they possess appropriate prerogatives and skills to do it (for example Kamani 2010, Hys 2014c). Numerous authors pay also attention to the fact that behind all the CSR practices there are pursuit of profit and power and pathologies, widely described among others by J. Bakan (Bakan 2004).

Provisions of the most recent and already mentioned Directive 2014/95/EU were also criticised, as problems connected with transparency, comparability and credibility of reporting non-financial information were not solved in it. What is more "the new standard both allows to conceal selected non-financial information if the company states they are sensitive data violating the trade secret and does not provide any sanctions when a company does not observe it" (Szadziwska 2015 p.147-148). Critical assessment of the concept can also be found in the Polish literature. Works by K. Hys (2014/11) or K. Guzalska (2014 p. 291) serve as examples here. The latter indicates there are contradictions in the CSR definition suggested in "Green Paper" On the one hand CSR is to be voluntary action, on the other hand it is understood as an obligation and moral imperative. The way with no turning back K. Kazojć deliberates how to put together and compare the EU attitude to CSR and the statement that companies use CSR activities to fight for competitive leadership or to survive at the market? (Kazojć 2016 p. 36-37). One can rather talk here about the adaptation to the market conditions and not about a voluntary character of this process.

This adaptation is even more visible when subcontractors require from the companies they cooperate with to have their own strategy of social responsibility or sustainable development (Czarnecka, Zadros 2015 p.127). Another example of social responsibility manipulation is the situation in case of which companies act in compliance with CSR standards at the Polish market, but at the same time they transfer most of their production to the countries where no moral or ethical standards or principles are binding, all the more standards relating to environment protection What is more, as A. Niechudy notices: "Companies whose selected practices were defined as "good", have nothing to worry - bad practices (...) are not noted (...) by anybody." In such a situation it is very easy to build an image of a responsible company, even if simultaneously it uses unethical behaviours" (Niechudy 2014). Particularly paradoxical situations comprise those when the status of socially responsible companies is gained by those producing alcoholic products or tobacco products, for example British American Tobacco, that

informs that CSR constitutes part of its company strategy as it has a program of prevention of smoking among the underage (<http://www.bat.com.pl>). Another and the last problem I would like to draw the attention to is connected with the implementation and realisation of CSR. It is the lack of subjects in Poland that would be able to monitor business activities for their responsibility and sustainability efficiently and objectively and indicate and condemn unethical behaviours. What is more, the CSR market is abandoned to act independently, it lacks the Code of Good Practice in the advisory sector, there is no institution that would take up the task of adaptation of Consulting companies to satisfy the standards in their own sector and supervise the market of CSR services.

### **Summary**

Summing up it should be stated that there is no reasonable basis for the 0-1 approach to the implementation of CSR in organisations. Companies, and more specifically their owners, should be entirely free to choose in this respect as the lack of strategy in this area does not automatically mean unethical and immoral functioning. It only reflects a different view on the process of companies management and functioning in the economic system of the country and the world. What is more, it may constitute a way to express objection to the hypocrisy noticeable in some companies in which under the disguise of CSR various types of wickedness are committed. Perhaps verification of universally valid definitions of this notion including Friedman assumptions that social responsibility consists in maintaining the system of free enterprising and doing good at the entrepreneurs own expense are worth doing.

## **PROBLEMS OF CSR AND EMPLOYMENT RESTRUCTURING IN THE COAL MINING INDUSTRY IN POLAND**

The corporate social responsibility (CSR) includes number of activities aimed to take into account the expectations of company stakeholders. One of the groups of internal stakeholders is personnel employed in the company. Employment restructuring is one of the most potentially conflictual activities, especially if accompanied by reduction in employment. The article aims to analyse employment restructuring in terms of economic and social view of the CSR, as shown by restructuring processes in the Polish coal mining industry in 1998-2014 period. The hypothesis of this article is that mining companies according to the CSR concept undertake actions aiming to reduce number of lay-offs during the restructuring and the employment restructuring process has additional financial support from the state. The analysis of employment restructuring in the Polish coal mines was conducted based on the data published by the Ministry of Economy (currently Ministry of Energy) in form of quarterly "Information on operation of the coal mining industry". 1998 was chosen as the start of the analysed period as this is the year when government program for coal mining restructuring was initiated. 2014 is the end of the analysed period as this is the last year with available comparable data. The article applies methods of statistical analysis of changes of individual values characteristic for restructuring processes with used of index method.

### **Employment restructuring vs CRS as seen by the company**

The concept of CSR has many definitions depending on preferences of authors in the subject (Fifka 2009; Dahlsrud 2015). Corporate social responsibility is defined on the four points of view, which focused on: moral and ethical aspects of CSR, economic benefits of CSR, relations between economic entities with the environment and favorable social aspects (Bartkowiak 2011). In "A renewed EU strategy 2011-2014 for Corporate Social

Responsibility”, CSR is defined as the responsibility of enterprises for their influence on society (EC Communication... 2012). From the point of view of the sciences concerning management CSR it is “a process of learning and including the changing social expectations in the management strategy of monitoring the influence of such strategy on the competitiveness of the companies which has a strategic and dynamic character and is based on the continuous perfection and constant cooperation with all the stakeholders” (Rok 2012).

From the economics point of view, a company takes actions in the area of CSR in the order suggested by Carroll’s model. First of all a company warns economic responsibilities (retaining long-term profitability) and legal responsibilities (concerning the natural environment, consumer rights, employee rights, anti-corruption laws, fulfilling the contractual obligations). Then the company is acting on the ethical responsibilities (reducing undesired behaviors, ethical leadership, actions exceeding the standards enforced by law), and philanthropic responsibilities (supporting employee volunteering, supporting the society and local communities) (Rybak 2004; Carroll & Buchholtz 2009). The compliance of the company with the law and achieving economic goals makes possible to finance other goals indicated by the CSR (Nakonieczna 2008).

According to the conception of CSR company should include in their activities the expectations of stakeholders (stakeholders - people and institutions interested in the success of the company), the impact on the natural environment and the overall prosperity of society (including the situation on the labor market) (Griffin 1996; Garriga & Mele 2004). Good relations with the wider business environment should translate into: better reputation, satisfaction and loyalty towards the brand, reduction of costs and risks, improve the competitive position and market success (van Marrewijk 2003; Hsueh 2014; Saeidi et al. 2015).

In terms of operation, a stable and sustainable growth of the enterprise is ensured by identification and taking expectations of its stakeholders into account in a management process (Smith 2011). One of the stakeholder classifications involves breakdown into internal (owners and employees) and external stakeholders (customers, suppliers, creditors, local community, trade associations, authorities at different levels, courts, schools, universities, etc.) (Rybak 2004). Due to the fact that expectations of various groups can be conflicting, the enterprise as a priority shall treat expectations of stakeholders that bring resources and participate in the business risk (Jeżak 2010).

Treating employees as internal stakeholders, the CSR concept puts focus on the fact that they expect appropriate work conditions (possibilities for development, motivation system), for which they reciprocate to the company with appropriate performance (Czop & Leszczyńska 2012). The company in relation with its personnel shall care about effective, just and ethical conduct in terms of: planning human resources, acquiring personnel, developing and perfecting personnel skills, employee assessment, motivation system, maintaining work-life balance, just criteria of personnel reduction and appropriate support for laid-off employees (Bartkowiak 2011; Szmidt 2012; Zieliński 2015b). The last of the mentioned personal activities (employment restructuring) is the most conflictual one (Osterman 2000).

Globalization of economic processes contributed to increase of competition in the domestic and international market, caused accelerating technological change, shorter product life cycle, as well as changes of social and political (Sapijaszka 1997; Bowman et al. 1999). Company to turbulence in the environment can adapt in a gradual or radical. Gradual changes are response to small changes in the environment and are based on current adaptation to changes in individual components of the organization, i.e.: strategies, structures, processes, people, and relationships between them (Srivastava 2012). The company's restructuring involves a radical change in at least one of the three dimensions of its operation, i.e.: the scope of activity, capital structure and internal organization. Restructuring of employment, defined as the corrective action in the level and structure of employment, leading to the employment ensuring the

efficient achievement of company objectives (Lachiewicz & Zakrzewska-Bielawska 2005). Restructuring of employment requires a reliable preparation, because of serious conflicts, associated with shifts of personnel, changes in the composition of the work teams, and especially the redundancies (Osterman 2000, Zieliński 2015a).

In order to minimize number of conflicts, the company during employment restructuring shall aim its actions both at employees still working in the company (especially when changing responsibilities and post), and at employees leaving the company by supporting them in retraining and finding new job (Ackroyd et al. 2005). The CSR perspective puts emphasis on reducing extent of personnel lay-offs due to the negative consequence for company (worse morale, company image, customer relations) and its environment (increased unemployment level, decline in living standards of the local community) (Lipka 2002).

Seeking to reduce extent of lay-offs, the company can use the following methods (Zieliński 2001): qualitative changes (changes in the range of tasks and moving personnel within the company), work time re-organization (increasing work time flexibility, limiting number of overtime hours, number of shifts, shortening work time), indirect reduction of personnel (suspending hiring, increasing number of flexible forms of employment, reducing outsourcing and production for own use); voluntary resignation from the job with preferential conditions. If it is necessary to reduce employment, the company shall define clear and fair lay-off criteria and consult them with personnel representatives (Schwan & Seipel 1997). Among criteria used for personnel reduction, the following ones are mentioned most often: assessment of work results and prospects of development, years of work and social issues (Sekuła 2001). Outplacement program serves as a support for maintaining professional activity of the laid off employees. This can include: career counselling, guiding employee's development, training and retraining, organizational, psychological and legal assistance in looking for new job position and starting own business, providing information on the labour market, etc. (Schwan & Seipel 1997).

The state is interested in the companies following the CSR rules, i.e. considering social and environmental goals next to economical ones. By using its legislative rights, the state defines minimum CSR standards for contacts of the company with its stakeholders, namely: rules of business transactions, labour relations, product liability, environmental pollution liability. Such regulations discourage enterprises from taking actions that would generate social and environmental problems, i.e. by moving costs of removing these problems on enterprises violating these regulations (Pakulska & Poniatowska-Jaksch 2009). State can persuade companies to pursue certain social responsibilities, to act both at the national and international levels. This can be done by creating rights, supporting habits (institutions) to facilitate business activities, providing service from the competent public administration, assisting selected economic activity (eg. through tax reductions and exemptions) entering the relevant criteria in public procurement, resulting in promotion policy (awards, grants for private sector initiatives) (Nakonieczna 2008; Zieliński 2014). From the perspective of the subject of the analysis, i.e. mining industry, the state by striving to protect the natural environment should impose and enforce high charges for polluting the environment (Piontek 1996; Kryk 2003). In case of need for restructuring the entire industry, especially if it is located in one region and state-owned, the restructuring processes can be supported by the state.

### **Employment restructuring in the coal mining industry in Poland**

Changes in the Polish coal mining industry has become with the system transformation. In 1990, in Poland there were 70 mines that for some time operated as independent entities. In 2003, the sector underwent consolidation for the second time. In 2014, in the Polish coal mining industry there were 28 operating mines, including two privately held mines, one owned by

energy company, while the others belong to three mining companies owned by the Ministry of State Treasury (Jonek-Kowalska 2015).

Rate and extent of reducing mining activity after 1990 accompanied by employment reduction, were slowed down for social reasons. Due to the high concentration of mines in the Upper Silesia area, it was feared that unemployment would increase dramatically and the economy of the largest industrial region of Poland would collapse (employment reduction in mining industry causes employment reduction in companies that provide services for mines, while decrease in worker's income reflects in demand generated in the region and decrease in income of local authorities, leading to pauperization of local and regional community). On the one hand, the state as the owner of the industry subjected to restructuring takes social conditions into account to a greater extent. On the other hand, state decisions are politicized, delayed, initiatives of company management are often restrained, which in a competitive economic environment may result in need for subsequent restructuring (Jonek-Kowalska 2014).

Restructuring is more needed, when the industry has financial problems. Then, social issues give way to economical requirements. Costs incurred by the mines in Poland are relatively rigid, over 50% of them are labour costs, which are difficult to reduce due to the presence of strong and numerous unions. In times of sharp decline in energy resources prices, most of the mines cannot maintain their profitability. Such scenario for the first occurred in the years 1997-1999. Economic downturn resulted in implementation of extensive restructuring program of the mining industry in Poland in the years 1998-2002. The program aimed to: reduce greatly production capacity, reduce employment by tens of percent, reduce mining costs (mainly by liquidation of the least profitable longwalls and reducing labour costs) (Reforma górnictwa... 1998). The expected deep drop in employment level required implementation of social securities. The support for people losing their jobs was provided by the Mining Compensation Package: five-year pre-retirement mining leave, social benefit for period of searching job outside the mining industry, free-of-charge retraining courses, one-time severance pays, preferential loans for starting own business, employment guarantees for people, preferences for employers of ex-miners (Reforma górnictwa... 1998). In the subsequent years, the state continued its support for mines having financial problems. The industry restructuring was (and is) conducted in consultation with the unions, whereas employment guarantees are one of the fundamental arrangements prior to mine consolidation and liquidation. People leaving the liquidated mines still have the right to mining leave or one-time severance pay. After Polish accession to the European Union, the help for the mines had to be compliant with the recommendations of the Council Regulation (EC) No 1407/2002 of 23 July 2002. According to the Regulation, financial support for the coal industry included: aid in unprofitable mine closure, operational aid, investment aid and aid for exceptional costs related to the industry restructuring. The possibilities of supporting mining industry from the state funds have been restricted greatly in 2010. Table 22 presents selected characteristics for the Polish mining industry in the years 1998-2014. The larger part of employment reduction corresponds to the implementation of the discussed program. Decreases in employment in the period 1998-2000 exceeded 1/3 of the employment year on year. Employment in the industry was reduced in the years 1998-2002 by 97.3 thousand people, and in the subsequent 12 years by another 45.3 thousand people. In the years 2002-2009 there has been a slowdown in restructuring, still by a decrease in all of the analyzed data. In the next three years there were very small restructuring changes related to the improvement of economic conditions (increase in selling prices). In these years there was even a slight increase in production. The fall in prices after 2012 (Table 23), resulted in a return to reduce the level of employment and production. In whole analyzed period, the drop in employment (by 58,6%) was clearly greater than the decline in production (by 47,5%) and the number of mines (by 42,1%).

Table 27: Employment, production and number of mines in Poland in the years 1998-2014

Year	Employment (in thousands)	Changes in employment (year to year)	Production (in mln tonnes)	Changes in production (year to year)	Number of mines	Changes in number of mines (year to year)
1998	243.3	-	116.0	-	54	-
1999	207.9	-35.4	109.2	-6.8	48	-6
2000	173.6	-34.3	102.2	-7.0	42	-6
2001	155.0	-18.6	102.8	0.6	41	-1
2002	146.0	-9.0	102.1	-0.7	41	0
2003	140.7	-5.3	100.4	-1.7	40	-1
2004	136.5	-4.2	99.2	-1.2	37	-3
2005	127.1	-9.4	97.0	-2.2	32	-5
2006	123.4	-3.7	94.3	-2.7	32	0
2007	119.3	-4.1	87.2	-7.1	31	-1
2008	116.4	-2.9	83.4	-3.8	31	0
2009	116.0	-0.4	72.0	-11.4	30	-1
2010	114.1	-1.9	72.0	0.0	30	0
2011	114.1	0.0	75.4	3.4	29	-1
2012	113.3	-0.8	78.1	2.7	28	-1
2013	106.7	-6.6	74.9	-3.2	28	0
2014	100.7	-6.0	72.5	-2.4	28	0
2014/1998	41.4		62.5		51.9	

Source:

[www.me.gov.pl/Bezpieczeństwo+gospodarcze/Górnictwo/Realizacja+Programu+działalności+górnictwa+węgl+kamiennego+w+Polsce/Informacje](http://www.me.gov.pl/Bezpieczeństwo+gospodarcze/Górnictwo/Realizacja+Programu+działalności+górnictwa+węgl+kamiennego+w+Polsce/Informacje) (Accessed 2nd April 2015)

These processes coincided with increase in selling prices and in prices of coal imported to Europe, available in ARA ports (Amsterdam, Rotterdam, Antwerp). Increases in selling prices in the analyzed period amounted to 129.2% in PLN and 125.6% in USD (Table 23). In this period, price indices of consumer goods and services increased in Poland by 69,2% (own calculation based on Statistical Yearbooks... 2000-2015).

Probably the increase in coal selling price by 116.9% (PLN) in 2009 and the maintenance of price growth in the next two years has resulted in the suspension of restructuring processes in the Polish mining. Price changes affect on obtained in the gross margin of the sector. Negative values of gross margin indicated the necessity of restructuring changes (1998-1999, 2013-2014). Very large negative value of gross margin in 2008 was balanced by increase in selling price in PLN in the following years (increase in selling price in USD was observed already in 2008).

Table 28: Selling price and gross margin in the coal mining industry in Poland in the years 1998-2014

Year	Selling price (PLN)	Changes in selling price in PLN	Price in USD in ARA ports	Changes in price in ARA ports in USD	Gross margin (%)
1998	121.55	-	32.00	-	-18.6
1999	117.80	-3.75	28.79	-3.21	-11.1
2000	131.91	14.11	35.99	7.20	1.8
2001	144.46	12.55	39.03	3.04	4.9
2002	142.55	-1.91	31.65	-7.38	3.0
2003	143.17	0.62	43.60	11.95	0.8
2004	187.88	44.71	72.08	28.48	16.2
2005	191.69	3.81	60.54	-11.54	11.1
2006	183.66	-8.03	64.11	3.57	4.4
2007	191.04	7.38	88.79	24.68	1.6
2008	162.33	-28.71	147.67	58.88	-37.1
2009	279.20	116.87	70.66	-77.01	6.1
2010	292.52	13.32	92.50	21.84	10.8
2011	341.25	48.73	121.50	29.00	16.0
2012	333.29	-7.96	92.50	-29.00	8.6
2013	294.95	-38.34	99.80	7.3	-2.7
2014	278.60	-16.35	72.18	-27.62	-10.9
2014/1998	229.2		225.6		58.6

Source:

[www.me.gov.pl/Bezpieczeństwo+gospodarcze/Górnictwo/Realizacja+Programu+działalności+górnictwa+węgla+kamiennego+w+Polsce/Informacje](http://www.me.gov.pl/Bezpieczeństwo+gospodarcze/Górnictwo/Realizacja+Programu+działalności+górnictwa+węgla+kamiennego+w+Polsce/Informacje) (Accessed 2nd April 2015)

The direction of changes in selling price indicates that situation of the Polish coal industry shall improve. Why then do we observe negative gross margin at the end of the analysed period? We can seek the answer to the above question by using analysis of indices characterising year to year changes of characteristics crucial for the sector condition. Table 24 compares indices of employment, production, selling prices and unit production costs. In the analysed period, there was an increase in the unit production costs in spite of the liquidation of the least efficient mines. Only in four out of sixteen years shown decrease in unit production costs. It was partially due to employment guarantees and moving personnel from liquidated to operating mines, which resulted in temporary overemployment. Unfortunately, the majority of increasing costs was generated by increasing wages forced by the pressure from the unions.

Table 29: Changes in selected indices characterizing the size of the hard coal mining in Poland in 1998-2014 period

Year	Employment	Unit production costs	Production	Selling price (PLN)
1998	94.4	115.2	84.6	101.7
1999	85.5	90.8	94.1	96.9
2000	83.5	99.0	93.6	112.0
2001	89.3	106.1	100.6	109.5
2002	94.2	100.6	99.3	98.7
2003	96.4	102.8	98.3	100.4
2004	97.0	110.8	98.8	131.2
2005	93.1	108.3	97.8	102.0
2006	97.1	102.9	97.2	95.8
2007	96.7	107.1	92.5	104.0
2008	97.6	118.5	95.6	85.0
2009	99.7	117.8	86.3	172.0
2010	98.4	99.5	100.0	104.8
2011	100.0	109.8	104.7	116.7
2012	99.3	106.3	103.6	97.7
2013	99.3	99.4	95.9	88.5
2014	94.4	102.2	94.1	94.6

Źródło: Own calculations based on [www.me.gov.pl](http://www.me.gov.pl) (Accessed 2nd April 2015)

Strong pressure from union organizations was accompanied by lack of proper corporate governance. The highest increases in unit production costs were observed in the years 2008 (18.5% per year) and 2009 (17.8% per year), while 2008 was the year, when dramatically high negative sales margin was observed (-37.1%). This resulted in significant deterioration of financial conditions of the mines (Jonek-Kowalska 2011a; 2011b), but the subsequent stage of deep restructuring was avoided by steep increase in prices. Unfortunately, after 2012 when the prices dropped, maintaining the same level of wages and influx of cheaper imported coal, the financial problems have resurfaced in the coal industry (Jonek-Kowalska 2015).

In the period of high prices (2010-2012) the industry has increased its production and maximised obtainable financial surplus. It must be noted very steep increase in prices in 2009, which was equal 72% annually (see Table 22). Times of prosperity coincided with slight reduction in employment. The price conditions at the internal market was signalled with some advance by the change of prices at the international market, especially European one as shown by prices at the ARA ports. The Polish coal industry is currently under very strong pressure due to steep decline in prices. While in the last low-price period, between 1995 and 1999, the prices in ARA ports dropped from 44.50\$ to 28.79\$ (by 35.3%), in the years 2011-2015 the drop was from 121.50\$ to 56.44\$ (by 53.5%). Moreover, there is a successive increase in production and export of Russian coal (Russia intends to increase production and exports in the coming years) (Vasilev 2015). This makes export of Polish coal unprofitable with the increasing competitive pressure due to cheaper import. Under such conditions, it is difficult to maintain profitability of the coal industry as a whole. Therefore, it will be necessary to further reduce production capacity, liquidate of most unprofitable mines and further employment restructuring.

The possibilities of supporting mining industry from public funds are currently limited by the Council Decision on State aid to facilitate the closure of uncompetitive coal mines (2010/787/EU). According to the Decision, public aid cover only: costs of closing unprofitable

mines (including current production losses, provided that the mines will be finally liquidated by 31 December 2018) and exceptional costs funded by the end of 2026 related to social costs (pensions and benefits for laid-off employees) and technical costs (securing infrastructure of the liquidated mines) (Jonek-Kowalska 2015).

It must be also noted that problems of the coal mining industry in Poland are to a large extent result of unexpected steep decline in selling prices, which led to the situation when the majority of the operating mines is unprofitable in the short term. Polish government tries to involve power sector in saving mines, while being its co-owner (although power sector is privatised, but large blocks of shares still belong to the state). Power companies would participate in privatising some of the mines, hoping they will regain profitability in few-years time due to the increased prices of power resources. However, it is not certain if such actions will not be challenged by the EU as an unlawful state aid.

### **Summary**

The problems of social effects of employment restructuring highlighted in CSR concept play a very important role in the process of employment restructuring in the Polish coal mining industry. The main decisive factors in that area are: major ownership by the state, concentration of the coal industry in one region of the country, still quite high employment, very strong unions operating in the industry. As shown by the data analysis, restructuring processes tend to accelerate in the periods, when the coal mining industry becomes unprofitable due to the drop in prices of energy resources. Personnel leaving the mines is covered by the extensive support regarding search for new job positions and social securities. Therefore, the article hypothesis that mining companies according to the CSR concept undertake actions aiming to reduce number of lay-offs during the restructuring and the employment restructuring process has additional financial support from the state, may be treated as confirmed. Results of such action and prospects for the near future are still to be discussed. It seems that there is insufficient corporate governance, which manifests in high increase in wages in times of prosperity, which eventually results in need to continue deep restructuring when economic downturn occurs. Current drop in selling prices poses a threat to the industry, especially when the European Union imposed strict limitations on possibilities of supporting mining sector from public funds.

## **INTERNATIONALIZATION OF NEW ENTREPRENEURS IN POLAND**

The entrance on foreign markets is a strategic decision for each company. In contrast to companies with a relatively long history and level of development to ensure good access to knowledge and capital, new entrepreneurs planning international expansion have to face some difficulties. These include limited access to financial instruments to hedge international transactions or knowledge of the specifics of the legal, institutional and cultural target markets (Acs & Terjesen 2012). Still, writes Prof. Cieřlik (2014), "such an enter is usually associated with additional benefits - efficiency improvement due to the accelerated assimilation of knowledge and experience called learning by exporting." The analysis was conducted from the perspective of a particular category of entrepreneurs - new entrepreneurs according to the index called TEA (Total Early-Stage Entrepreneurial Activity), which assess the percent of working age population both about to start an entrepreneurial activity, and that have started, they from a maximum of 3 years and half (Kam Wong et al., 2005). The new entrepreneurs are people who set up the company between 3 and 42 months prior to the survey. The period of three and half years are considered to be critical to entrepreneurial activity. Its survival testifies to the success of the first phase, namely the establishment and move to the next stage, namely the management of an existing company.

Main objective of this paper is to analyze the determinants of starting to operate abroad and scale of their impact on the internationalization of new entrepreneurs. Factors determining starting of abroad operations can be divided into two groups (Plagwo 2005): factors resulting from the enterprise environment (external factors) and factors related to the specifics of the enterprise (internal factors). The internal conditions are under the control of entrepreneurs and relate to corporate strategy, motivation, leadership qualities, size of company, product features and their competitiveness. Among the external factors distinguished the "push" factors, are eg. the adverse conditions of the national economy, legal restrictions, poor growth prospects in the domestic market, etc., and "pull", eg. to identify foreign market opportunities, prosperity and demand markets. Beneficial from the point of view of Polish business conditions in foreign markets are among the factors that are beyond the control of the business and have a strong "pull" provided that businesses are aware of this appeal.

At the beginning it is necessary to illustrate the current level of internationalization of new entrepreneurs in Poland. Some view of the current level of internationalization of new entrepreneurs in Poland in comparison with other countries of Europe and the world give the data obtained in the study Global Entrepreneurship Monitor (GEM) (Kelley et al., 2016). GEM is the largest and most prestigious research project on entrepreneurship, which focuses on entrepreneurship in the early stages of business. It provides, among others, information on the intensity of export activities of young companies. The level of young entrepreneurship (TEA index) is maintained for five years at a level slightly above 9% - which means that about 2.4 million adult Poles are involved in starting a business or running your own business (not older than 3.5 years). The domestic market remains one place business 60% of new entrepreneurs in Poland. These companies do not carry out the export business, there are more than in the countries focused on innovation and on average in Europe (the difference in both cases is about 20 p.p.). Among young exporting firms in Poland constitute 30% of those whose income from foreign customers represent less than 25% of total revenues (Tarnawa, A., et al., 2016). This small-scale exporters. Those who achieve revenues from abroad for between 25 and 75% of total revenue, is with us less than 8%, and the most advanced - only less than 3% TEA. In each of the groups of exporters distinguished in the study of GEM Poland recorded lower shares in the total number of entrepreneurs than in the innovative or the average in Europe. New entrepreneurs are more innovative than older (Tarnawa, A., et al., 2016). Prof. Gorynia (2012) was analyzing the data for the period 1990 to 2010 and said that in Poland there is still significant potential for internationalization. These data indicate two facts: most young companies in Poland focused exclusively on the domestic market, and those who export, note on the activity rather lower revenues.

### **Research methodology**

Qualitative research was conducted by method of In - Depth Interview (IDI) on the group of N=49 entrepreneurs, who founded his company between 3 and 42 months prior to the survey. The survey was conducted during April - May 2016. Realized qualitative study on a group of new enterprises constitute the continuation of a broader study on the internationalization of SMEs in Poland. On this basis there was identified 49 entities, they have met the criteria of the new entrepreneur. As the main goals of the research the author has set to analyze the factors and the scale of their impact on the internationalization of new entrepreneurs. The results of the research showed that the level of internationalization of Polish new entrepreneurs is not sufficient. From the 49 surveyed companies, only 12 have confirmed their relationship with foreign markets. In terms of advancing globalization, the level of internationalization of new companies shows that companies do not make sufficient use of the potential expansion into external markets, nor the possibility of increasing the competitiveness of their economies by sourcing external, the most competitive resources. The state of

internationalization of new entrepreneurs in Poland negatively provides a strong concentration on simple forms of links with foreign markets. From the 12 declared undertakings cooperation on foreign markets 6 of them runs a commercial activity, 3 - production activity, 3 - service activity. 5 of the surveyed companies can be described as Born Globals, what will be explained in more detail in next part of the article. Only 4 companies declared cooperation in the area of Research and Development.

### **Born Globals – new innovative entrepreneurs**

Many recent studies have shown increasing interest in the international development in small and medium-sized firms (Andersson, 2000; Bell, 1995; Homlund and Kock, 1998). One of the most important models in the field of internationalization is so-called Uppsala Model, which was developed by Johanson and Vahlne (1997, 1990). The model defines internationalization as a process of increasing experiential knowledge (Penrose, 1959). Uppsala Model considers internationalization as a process during which the company is gaining more and more knowledge about foreign markets, allowing him to transition to the next, higher stages of the growing involvement of the markets foreign. It is assumed that the company was originally formed on the basis of the domestic market and certain factors can stimulate its entry into foreign markets, and later condition increasing its engagement on them (Johanson and Wiedersheim-Paul, 1975).

Studies carried out in many countries have shown, however, that some of the companies involved in foreign markets did not undergo such a gradual process, and since the inception of their operations have an international reach. Early internationalization has proved to be a successful strategy for some small and medium enterprises (SMEs) (Madsen and Servais, 1997). These firms have been termed Born Globals. From their inception, these firms seek to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries (Oviatt and McDougall, 1994). These firms did not slowly build their way into international trade, which appears to contradict earlier studies on firms' internationalization (Johanson and Vahlne, 1997, 1990). On the contrary, they were born global (Andersson and Victor, 2003). The Australian study coined the concept Born Global and has been followed by numerous studies on the same phenomenon under different concepts: Born Globals (e.g. Knight and Cavusgil, 1996; Madsen and Servais, 1997; Madsen et al., 1999), Global-Start-ups (Oviatt and McDougall, 1994); International new ventures (McDougall et al., 1994), and Instant exporters (McAuley, 1999). Born Globals are evidence showing that not all firms internationalize in a slow, gradual way but quickly and from their inception. More research is needed to further explore which factors influence Born Globals internationalization process in Polish market. In the context of such companies, which often meaning of life is the international activity, is difficult to speak of classical factors of enterprises internationalization. In the world literature it is believed that Born Globals is the most niche business, operating in industries related to advanced technologies. Their products are usually innovative, high quality and possess an added value that differentiates and distinguishes them from the competition. Populations of this type of businesses is estimated, however, is relatively low (Przybylska, 2010). Studying the internationalization of Polish new entrepreneurs can not ignore this form of internationalization, in which it stems directly from the company's business model, which in Polish conditions do not always have to mean the use of advanced technology. The result of qualitative study states that the nature of Born Globals was associated with trade in international markets. The presence on the foreign markets was therefore the essence of the business model and the premise of the creation of the company. The source of competitive advantage of this type of companies proves the ability to use different global production conditions and prices.

*"We set up the company, which is occupied only foreign market and we started from the beginning to learn about our future customers."*

(37 months, manager, man).

*„The idea of creation of the company was the assumption that it's sell abroad. (...) from the beginning it was assumed that it would be such an activity, and not another. The company was founded with the idea that sign a contract, we had a letter of intent before it will sign a contract with a manufacturer of machine (...) our company is not in itself of production capacity, our capital are the people in the office, the warehouse, the entire know-how we have acquired through the last 2 years existence of the company, the potential of engineering, we use 100% of the suppliers, who produce our order products. We work closely with the 20 plants that produce on our behalf, these parts.”*

(24 months, owner, man).

*“We have a business in Taiwan, where we produce the tools. Production is not particularly developing area. For some time we tried the exports in other direction, albeit with a completely different product (...) we have already sent the first delivery.”*

(14 months, owner, man)

In this last example, interesting is the sequence of development of various forms of international activities - starting with the import activities and then taking export business. A similar sequence of development describe entrepreneurs in several other interviewed companies.

*“We started to import small amounts of clothes ready, at the moment it is conversely, we begin to export. Based on the contacts, not even money, only contacts.”*

(37 months, manager, man)

*“(...) We order in factories around the world products under our brand, we sell on the Polish market, and we re-export.”*

(15 months, owner, woman)

An example of this type of companies Born Globals, which from imports passed into the export business is worth to note that due to the lower barriers to start export activities, associated with lack of knowledge of foreign markets, principles of international exchanges and have proven foreign partners. In particular, there is a high potential for internationalization of new technology companies based on innovations in the field of advanced technology.

### **Human resources in the pursuit of internationalization**

Qualitative research revealed the impact factor of internationalization, which is associated with specific features of managers, but also with the characteristics of employees. It turns out that the international orientation, experience and skills of management and employees are an intrinsic factor of internationalization.

*“Our company established people, who previously had experience in international business in large international corporations (...) many years collaborated with partners from Germany and France and then moved his experience in his own business (...) learned a lot from the owners.”*

(37 months, sales manager, woman)

*“This idea has got our sales director, who had contacts abroad.”*

(12 months, owner, man)

*“We have worked previously in the sectors of international cooperation, well we knew where to look for suppliers in Norway (...) a few years lived in Norway and contacts remained until today (...) then came up with an idea for a business in Poland.”*

(17 months, owner, man)

It is also worth noting that the decision of international cooperation often choose competence employees themselves. Not without significance is the knowledge of other countries, the local language, customs and culture, or have personal contacts also by employed staff.

*“Our team consists of young people, it just so happens that some of them are people who have returned from trips abroad longer or shorter (...) 2 people are well aware of Chinese (...) to*

*establish contacts with China was not a problem for us, thanks it entered into cooperation.”*

(12 months, owner, man)

*“Our boss worked in the international department of the company in Germany, by this time made his contacts.”*

(20 months, sales manager, woman)

*“It is thanks to the experience of employees, fluently speak English (...) they have experience in selling to foreign markets.”*

(19 months, owner, man)

The statements given during the interviews indicate the importance of previous experience owners in foreign trade for the internationalization of their business. To a large extent this is due to the fact that much smaller barriers are starting international activities, which are related to the lack of knowledge of foreign markets, principles of international exchanges and have proven foreign partners. Given the large number of Poles living abroad could be taken to encourage these people to work in Polish companies engaged in internationalization on certain markets, or even the creation of new small businesses focused on cooperation with Polish companies. Human resources development, improving access to advisory services and access to services mentors can significantly enhance the possibility of using the factor of competence in the processes of internationalization of new businesses.

### **Product competitive advantage**

Classically understood sources of internationalization are the competitive advantages of companies in the international dimension. These advantages largely embody the characteristics of the products or services of the company. The uniqueness of the product, the highest quality, and on the other hand, the lowest production costs and the price is the primary source of success also in international participation. The advantage in this respect over the rivals from other countries is a natural prerequisite for internationalization and determines success in foreign markets. It remains to put the question to what extent this factor supports the internationalization of new businesses. In the course of the interviews was asked introducing what determines the competitiveness of products on the foreign market. Particularly new entrepreneurs face the challenge of searching for quality sources of competitive advantage. Quality in this case should be interpreted as a unique product and offer a competitive advantage over even at the higher rates. In this context, the quality should be treated by the surveyed companies as a quality sufficient, allowing product placement on foreign markets, the main advantage is price. About this interpretation prejudice respondents' answers indicate the factors which today are subject to product differentiation, or the like can be described more commonly competition quality.

*“In the foreign market, you can only win quality, preferably with a low price in the hand, but the low price is no longer enough to convince partners to cooperate ....”*

(12 months, owner, man)

*“We had opportunities in the French market with our product (...) They expect high quality, now we are working on better ingredients in our conditioners and try again to convince the decision-makers (...) the price with better quality must increase, but our contractor may pay more for a better product.”*

(34 months, sales manager, man)

In the conducted interviews frequently appeared aspect of the uniqueness of the product and the level of modernity. It was also noted that foreign contractors often ask about the origin of the product and environmental performance.

*“We had to meet all the quality standards set by the foreign customers (...) there are questions about the use of ecological solutions in our production process.”*

(20 months, sales manager, woman)

It seems that new entrepreneurs do not actually use the predominance of the type of quality on foreign markets. It can be noticed some diversity of opinion on the sources of competitive advantage of companies' products in the context of the use of quality. New entrepreneurs using their "fresh effect" on the market, they are able to give their products unique features, or modernity, which can be the basis for competitive advantage. This is confirmed by the opinions on the level of innovation in their business.

*"We started thanks support designed to innovations, which allowed us to create an innovative service on a global scale (...) so that today we have opened opportunities in many countries."*

(14 months, owner, man)

Respondents of qualitative research treated as a form of support for internationalization investment support aimed at improving innovation. Indications on innovation as a source of competitive advantage abroad was associated mainly with incurring capital expenditure to adjust the characteristics of the export products to foreign market requirements.

*"The necessary investments in modern infrastructure (...) is a big effort, but without it we go there, we will look for funding opportunities, costs overwhelm our capacity considerably (...) history of our business is too short."*

(17 months, owner, man)

*"Last year, we completed a project with the support of the EU and part of the loan, bought a machine for painting new technology."*

(18 months, production manager, man)

Qualitative research confirmed that among the new entrepreneurs dominates the view of the importance of the unique features of the product in shaping the attitudes of the internationalization of the company. Changes in macroeconomic conditions associated with an increase in production costs in Poland may seriously undermine the pricing source of competitive advantages of new entrepreneurs. Polish new company if they want in the long term to appear on foreign markets need is more and more adjusted to the non-price source of competitive advantage. It is necessary to improve innovation, including technological level of its products. This will require first of all expenditures for the development of the productive apparatus, the work of Research & Development, as well as organizational innovation and marketing innovation.

### **Strategy in the international decision**

One of the key factors of internationalization of new businesses is planned strategy of development based on the search of field to your activities on foreign markets. The importance of this factor has been confirmed in the experience of large companies that consistently implement gradually its position on foreign markets. Although, only 29 of surveyed new entrepreneurs indicated to have written or not-written strategy for its activities, the activities related to the implementation of a formal or informal, or even unconscious strategy of the new entrepreneurs are very important of international expansion. Evidenced by statements of the surveyed companies, for which one of the factors commencement of international operations was the opportunity to sell abroad at a higher price than in the country.

*"The profits that we receive from the sale of our products abroad are much higher than what we get in the country (...) pays us more to send less of the goods abroad."*

(21 months, owner, woman)

The presence of elements of strategic actions in the process of internationalization of new entrepreneurs revealed in other results of qualitative research.

*"The results achieved from activities which run on the domestic market are lower than abroad, the profit is higher and the amount of work the same ...."*

(14 months, owner, man)

Similar reasoning was confirmed by the statements of companies that do not realize international business.

*"We are looking for the possibility of extending the market (...) our product can be used on the domestic market only to a limited extent, we are working on a product on the foreign market, our current product does not meet all the requirements (...) we still need a few months to meet international standards."*

(34 months, sales manager, woman)

The tendency to greater diversification of markets is confirmed by new entrepreneurs to desire to avoid dependence on domestic sales. Similarly, the action of a strategic nature should be considered undertake international activities in order to improve the company's image.

*"Entering foreign markets gave us a chance to greater promotion and our domestic partners pay attention to our greater recognition (...) you can see that it has changed our image, we used it in their marketing"*

(14 months, owner, man)

In the light of the presented results of qualitative research it can be concluded that the behavior of strategic particularly associated with the desire to increase profitability, but also the diversification of markets is not only conducive to the internationalization of enterprises, but most importantly can lead to the actual achievement of the internationalized enterprises better results from those entities which operate only in the domestic market. In this situation, the question arises to what extent the spread of strategic management could encourage increased participation of enterprises on international markets.

From the speeches with new interviewed entrepreneurs is noticed that a common reason for making foreign expansion was to realize the company's strategy usually having no formal nature and form, aiming to diversify sales. In this context, it should look at the group of companies not-planning starting international activities in the next 2 years. The conducted interviews show that new companies not-planning international activities are also interested in entering new markets. The confirmation is cited statements of the surveyed companies.

*"Now we develop, the decision to enter the new markets will take, how will strengthen the domestic market"*

(34 months, sales manager, man)

*"We want to first build a strong position in the domestic market"*

(16 months, owner, man)

*"We are too small and unknown company to compete abroad"*

(19 months, owner, man)

*"We do not assume in our strategy to enter foreign markets, we are only interested in selling in the country"*

(12 months, owner, man)

In many statements of new companies not-planning entering foreign markets is repeated justification that the present position on the domestic market is sufficient and are currently focused on the domestic target group on the market. International expansion are not interested the company, which evaluate your current position too weak to compete in foreign markets. In this context, companies with a potential for entry into foreign markets in the first place should consider the strategic situation in the international dimension. At this stage of the development of new businesses it is reasonable support for the overall strategic management, taking into account the international context of the operation.

### **Internal market as a “push” factor**

In the previous part of this article we examined new entrepreneurs which emphasized the importance of internal factors of the company in the process of internationalization. This section elaborates on the impact of adverse conditions of the internal market as a stimulator of the process of internationalization of Polish enterprises. In this context, the key importance intensity of competition in the domestic market, which could be a factor in stimulating activity abroad. New entrepreneurs which see the domestic market as unattractive from the perspective of its capacity and strong competition are more likely to enter foreign markets. This factor creates some pressure on internationalization and can contribute to the interest of foreign markets companies that do not have an objective potential for internationalization. On the one hand, it may have a relatively high level of failures, the other should justify the need to support companies so that they were able to diagnose her condition and build the necessary potential internationalization, for example, in the dimension of modernity products and the competence of personnel.

Firms carrying out their activities outside the country emphasized in their statements that the intensive competition in the domestic market was an important prerequisite for internationalization.

*"Competition in the country in our business is intensive, so a chance for the former Eastern markets (...) the new companies do not have a chance to break with a similar product."*

(12 months, owner, man)

In the statements of interviews appeared sporadically meaning insufficiently developed sales market on the domestic market as a stimulator of international expansion. The level of development, including the absorption capacity of the domestic market therefore seems to lose its importance as a factor of internationalization, but the importance strong competition prevailing in the market. This may mean a change in the behavior of new entrepreneurs in the process of internationalization. Currently, a factor increasing competition turns out to have a significant impact on the decisions of companies planning such activities.

*"Narrowing Polish market (...) we have to open up to other countries, the increase of competitiveness and a drop in margins, we are interested in the eastern market, because the West is already too saturated and hard to beat."*

(19 months, owner, man)

*"It is important that from the beginning is not limited to the Polish market, Polish market starts to shrink, especially large retail chains do not provide space for smaller companies (...) acting only in Poland today is probably impossible."*

(14, owner, man)

It also highlighted the limited absorptive capacity of the internal market in niche industries: *"Expanding the scale of activity gives, of course, also more revenue. We operate in a niche market, which is a few players, if we sell more of it first at the expense of a competitor, (...) turnover growth is possible (...) it is easier for us to do this by through exports than on domestic market, where we have achieved in a short time significant position in the market."*

(34 months, sales manager, man)

„Push” factors from the domestic market are important for exporters, but significantly less than the above discussed factors attractive to overseas markets. It seems, however, that the situation regarding the role of the domestic market for internationalization is a gradual change. This is due to the dynamic development of the internal market and the accompanying increased competition. This is confirmed by the answers given by the new company in the qualitative study, both by companies operating in the foreign market, as well as planning to start such activities. Exceptions are service companies, for which the competition on the domestic market is less important than the others. Service activities to the greatest extent guided by “pull” factors to foreign markets and the implementation of the strategy.

*"With customers in the abroad country we have signed long-term contracts for services, this market is difficult to change the suppliers (...) the most difficult to convince the first transaction. You have to take care of good quality, because then competitors can take advantage of it very quickly."*

(12 months, owner, man)

Industrial and commercial market in comparison to services more feel the dynamics of the domestic market in the direction of tightening competition. This is reflected in the statements of entrepreneurs.

*"Our industry is very narrow, it is known that we need to go beyond Poland, to develop and to sell more (...) go beyond the country is the only way to properly develop. After a few months of operation, we know that there is no other way (...) we have not made a decision yet, but the market itself will force us to go beyond Poland, there is no other possibility."*

(12 months, owner, man)

The issue of the role of the limited capacity of the domestic market and growing competition on it as the drivers for international expansion were noticed especially in planning international activities in the course of qualitative research.

*"We in Poland is still struggling to price alone, a lot of competition on the domestic market at prices means that we have to descend far below their expectations, looking for a place to move to markets where there is far less competition and can get higher prices (...) fight price also has its limit, and we do not want to go down with the quality of the product ...."*

(19 months, owner, woman)

Strong competition in the domestic market is a strong "push" factor, stimulating for search of business opportunities in foreign markets. From the point of view of public interest strong competition in the domestic market actually serves the development of the economy and provides favorable pricing for buyers of both individual and business. High competition in the domestic market at the same time is also beneficial from the perspective of export promotion and should be protected. Possible continuation of the observed trend of intensifying competition in the domestic market will be stimulated to make more attempts to enter foreign markets by Polish entrepreneurs. It should be emphasized that not all of these companies has the necessary human and material potential for successful expansion.

It is necessary therefore providing the tools for objective assessment of this potential. It is reasonable in this situation, directing support activities in these areas to companies that are not yet present on foreign markets in order to realizing the benefits of foreign markets, but also support the modernization of the production base, the development of human resources in terms of internationalization. These activities may be particularly effective in relation to the companies strongly stimulated the limitations of the internal market to seek foreign markets.

### **Attractiveness of the international market**

Having a business partner is important by deciding to start international operations especially in the early phase of new entrepreneurship. 15 of the 49 companies surveyed indicated quite strongly that they do not plan in the next 2 years to start international operations, 22 companies are considering such a possibility. The respondents assessed the impact of external factors that might discourage them to conduct business internationally. In most cases, new entrepreneurs mentioned among the factors having the greatest influence on decisions to withhold international activities were difficulties in finding and checking the credibility of the foreign partner.

*"Our concerns were related to the risk assessment of the foreign partner, it is difficult to find information and opinions on the reliability and accuracy of the company from abroad (...) too much financial risk."*

(40 months, owner, man)

Respondents pointed to the important prerequisites for international expansion, which is in high demand in foreign markets, what is confirmed in the statements of both companies operating in the foreign market and planning to start operations in the next 2 years.

*"We are considering entering foreign markets for one reason - a new market to new customers (...) open up new possibilities."*

(37 months, sales manager, man)

In qualitative research entrepreneurs admit that the decision to initiate international activities often resulted from the previously adopted strategy of the company or not, was the result of in-depth market analysis. The statements of the respondents indicated that the decision to enter the foreign markets was a reaction to quite accidentally emerging opportunities to establish business contacts with foreign partners.

*"We had no explicit strategy abroad. The decision to start co-operation was a response to market needs, foreign collaborators have presented themselves to us asking for a proposal."*

(26 months, owner, man)

*"We established foreign cooperation through contacts with company which we worked in Poland. Originally it was not our goal action, at the beginning we wanted to strengthen our position on the domestic market (...). Customer interest in our product, and so we have been cooperating since 7 months."*

(37 months, sales manager, man)

Among the responses from companies, the second most indicated premise of internationalization is the perspective of long-term cooperation with foreign partners.

*"We were looking for a partner from abroad in the hope of long-term, stable cooperation. Bound by the agreement with a foreign partner gives you a greater sense of stability."*

(21 months, owner, woman)

Such an approach seems fully understandable especially in the case of contracts for under-deliveries and outsourcing providers. Observations of beginning of the internationalization of new entrepreneurs in other countries confirm the randomness often contact or order. Such contact on the one hand is a form of effective channel to provide information about the attractive conditions in the foreign market. On the other hand, it creates a business relationship in the international system, which company want to keep. A specific example of the impact of long-term cooperation with foreign partners on the process of internationalization of new businesses may be their relationships associated with the operation of multinational corporations operating in Poland.

*"(...) More than half of our revenues come from large foreign corporations operating in Poland (...) we sell high-technology, the invoice for our services are not exhibited in Poland, we take this part of the business as international cooperation, because the counterparty is outside the country. Indeed our services to the entire corporation, not just Polish branch (...) actually started with small projects for this customer, but now I have learned to our services and got a large order for the whole group."*

(24 months, co-owner, woman)

In this case the company acting initially on the domestic market, but working with an international company had from the beginning to meet standards of operation corresponding to the requirements of the world. Moreover, as shown by the example given by staying in a relationship with a specific corporation is possible to enter new markets in other countries. You can generalize this example, the new company established cooperation with branches of international companies in Poland are able to on the basis of this cooperation to make expansion into other countries.

Among the factors related to the attractiveness of the foreign market, it should be also emphasized through respondents of smaller administrative restrictions and regulatory abroad.

*"(...) With what we asked in Belgium, where we want to go with our product is much easier to*

*operate (...), we wondered to working together through an intermediary, but now we think to act alone."*

(14 months of operation, the respondent - the owner, a man)

Undoubtedly, this can not be considered as a key factor in the decision for foreign expansion. It draws attention to the fact that more and more statements of companies operating abroad support this view. At the same time it should be considered that if companies see business in the foreign markets as easier in terms of the existing administrative and regulatory framework than in the country, it points to the need for simplification of administrative procedures in the country in an effort to increase exports and improve the climate for the development of entrepreneurship in Poland. The most common mechanisms for raising knowledge about the attractiveness of foreign markets and the search for foreign partners to participate in the fair, where companies have the possibility of exposure of their products and direct confrontation with stakeholders.

*"Our cooperation began at the fair in Germany (...) there presented their product and the country returned from two orders (...) it may rarity, but we had a really good product, which filled the gap in the market. I think the fair is a great opportunity to see the product and demonstrate its application in practice (...) he always appreciate the direct contact with the customer."*

(14 months, owner, man)

The possibility of contact with a foreign partner is not always even have to involve traveling abroad or formulating a special offer. In many cases such contact is possible in a country, where foreign partners reach.

*"We met at the fair in Poznan, organized here are some of the best events exhibition in our industry (...) our product was highly popular, now correspondent with the businesses concerned, we are on track to start co-operation."*

(18 months, owner, woman)

The results of this study indicate that the factors with the greatest impact on the decision to launch international operations include favorable conditions in foreign markets and the prospect of long-term cooperation with foreign partners. The attractiveness of foreign markets has a strong "pull" provided that businesses are aware of this appeal. An important role in this process of raising awareness can play foreign partners. This points to the need for information activities on foreign markets and provide direct contact of entrepreneurs with the international environment. The aim should be to broaden the awareness of entrepreneurs about the attractiveness of foreign markets, but also creating opportunities for contact with partners from other countries, which could turn into the first orders and contracts. Intervention in the field of dissemination of information about the high attractiveness of foreign markets should be directed in particular to companies previously not engaged in international activities, which have the least knowledge of these markets. In turn, companies planning international activities should be strongly supported in establishing contacts with foreign partners. With respect to the remaining stages of the internationalization of business activities of an awareness-raising and facilitating international contacts will be of support, but not crucial. Cooperation with foreign partners, as a factor in the internationalization of new companies, may be in the form of establishing relationships with subsidiaries of international companies located in Poland.

## **Conclusions**

Based on the results of qualitative research it can be concluded that there is significant potential to increase the involvement of Polish new entrepreneurs in foreign markets. The obtained statements confirm that one of the most important factors of internationalization of new businesses is a strategic desire to increase profitability and diversify markets. Not all firms

have objective potential for internationalization, both in terms of resources and the competitiveness of products / services. Beneficial from the point of view of Polish new entrepreneurs are conditions on the foreign markets what is one of the main reasons for the international expansion of Polish new entrepreneurs. In general, the results of the study show that it is justified to take action in contact entrepreneurs from the international environment. Their goal should be to broaden awareness of the benefits of foreign markets, but also, and perhaps above all, creating opportunities for some contacts, which can turn into the first orders and contracts. While existing exporters in the majority chose foreign markets due to their higher attractiveness, is currently more entrepreneurs planning such activity is guided by a factor pushing the domestic market. The situation with regard to the role of the domestic market is dynamic change. Generally, however, likely continuation of the observed trend of tightening competition in the domestic market will continue to drive to take Polish particularly new entrepreneurs trying to enter foreign markets. The results of qualitative research show the great importance of previous experience of owners on the foreign markets for the internationalization of their business. Understanding of quality of products / services as a factor in competitiveness implies that it is sufficient to allow the placement of products on the foreign market, the main advantage stays price. Changes in macroeconomic conditions associated with an increase in production costs in Poland may seriously undermine the pricing source of competitive advantages of new entrepreneurs in foreign markets. Polish new entrepreneurs produce too little unique products with the potential of spontaneous acquiring foreign markets.

It is necessary to improve innovation, including technological level of its products. Moreover, there is observed examples of new entrepreneurs serving global companies located in Poland, which are therefore able to make the expansion on the markets of other countries. The case of companies such Born Globals should be taken into consideration when designing actions to increase the involvement of Polish companies on foreign markets. The study showed that there is potential for the development of internationalization of companies based on innovations in the field of advanced technology.

## **ANALYSIS OF THE PROBLEMS IN RUNNING EUROPEAN SOCIAL FUND PROJECTS BY PUBLIC ADMINISTRATION IN POLAND IN THE PERSPECTIVE OF 2007-2013**

The main subject of the interest in the article is analysis of the problems in running European Social Fund (ESF) projects by public administration in Poland in the perspective of 2007-2013. The interest in this issue results from lack of empirical studies concerning public administration units, which benefited from the subsidy from the ESF. In the second EU perspective, within the years of 2007-2013, Poland received from the ESF the amount of 11 429 billion euros, becoming the biggest beneficiary in European funds from all new EU members. Until the end of 2015 the employees of over than 1,2 thousand local administration units were trained from human resources management (Ministry of Infrastructure and Development, 2016, p. 73-73). In this context the goal of the article is to present initial empirical studies concerning problems in running European Social Fund projects in Poland. The empirical studies were carried out in 50 local administration units in 2015 using the CATI method. The final research conclusions relate to the dysfunctions which were diagnosed at 3 stages of the organization cycles such as planning, implementing and controlling the EU projects. The structure of the article is as followed. First is the review of research studies in the field of dysfunctions in managing EU projects in public administration and conducting them. Later the method and results of own research was presented. Finally the conclusions and possible directions of improvement in managing European Union projects were presented.

## **Analysis of problems in project management of the ESF in the view of previous researches**

The aim of this part of the article is to outline the essential findings, which are the result based on selective review of the literature on empirical researches in the field of problems in the management of European projects and to create a rational justification to present the results of own empirical research and formulating conclusions based on them. Researches carried out by A. Podgórnjak- Krzykacz and M. Kalisiak-Mędelska show that training in local government administration section are the most organized in the range of the current functioning of local self-government subdivisions and its administration. The entry into force of the new laws are the main concerns (2016, p.69). Another topic, especially concerning the management, psychology and communication, appears sporadically (Kowalski, 2006, p. 259). According to J. Regulski trainings are treated as short-term efforts for resolving the current problems. This view is shared W. Karna, which research shows that there is lack of developed procedures for determined training needs or systems assessing their efficiency (2011, p.104). Researches in the field of human resources management in local self-government administration by M. Gableta and M. Duniakowska pointed to the internal and external limitations of training and development. They were: the high cost of professional training, lack of funds for employee development, preference in the implementation of current tasks, as well as the lack of a formal system of performance appraisal (2008, p. 107). Other studies show that 70% of offices in local self-government administration in Poland do not carry out training needs analysis and do not create training plans. Temporary short-term training objectives dominate. All is limited by financial resources for the implementation of development activities (Tracz, 2008, p. 591-592). Also, the NIK report referring to implementation of the employers tasks in relation to officials of local self- government subdivisions show that the share of expenditure on employee training is rather small. The subject of training is not adapted to the real needs, and there are no clear eligibility rules for officials' trainings and the unwillingness of management in delegating employees for trainings are noticeable (Najwyższa Izba Kontroli, 2012). Keeping in mind the absence of sufficient financial resources as a barrier to date in the implementation of training and development the author has made attempts to implement a pilot study concerning the development of employees in local self- government based on funding from the European Social Fund. There is a lack of qualitative data in the literature regarding the objectives, types and effects of training activities undertaken by the EU. There are only ministerial reports, which are descriptive, and there is a lack of justifying and predictive perspectives (Tracz-Krupa, 2014, p. 80). In the foreign subject literature the case of Portugal is widely, its use of the European Social Funds (Tome, 2012) and Spain (Cardenete, Delgado, 2013). What are missing are reliable researches on dysfunctions in the use of ESF funds by Poland.

## **Methodology of own research in local public administration units**

The studies were carried out in 50 local self-government subdivisions in the first quarter of 2016 in the province of Lower Silesia and Opole, of which 82% were local communities, counties 16% and 2% provincial units ( see Figure ).

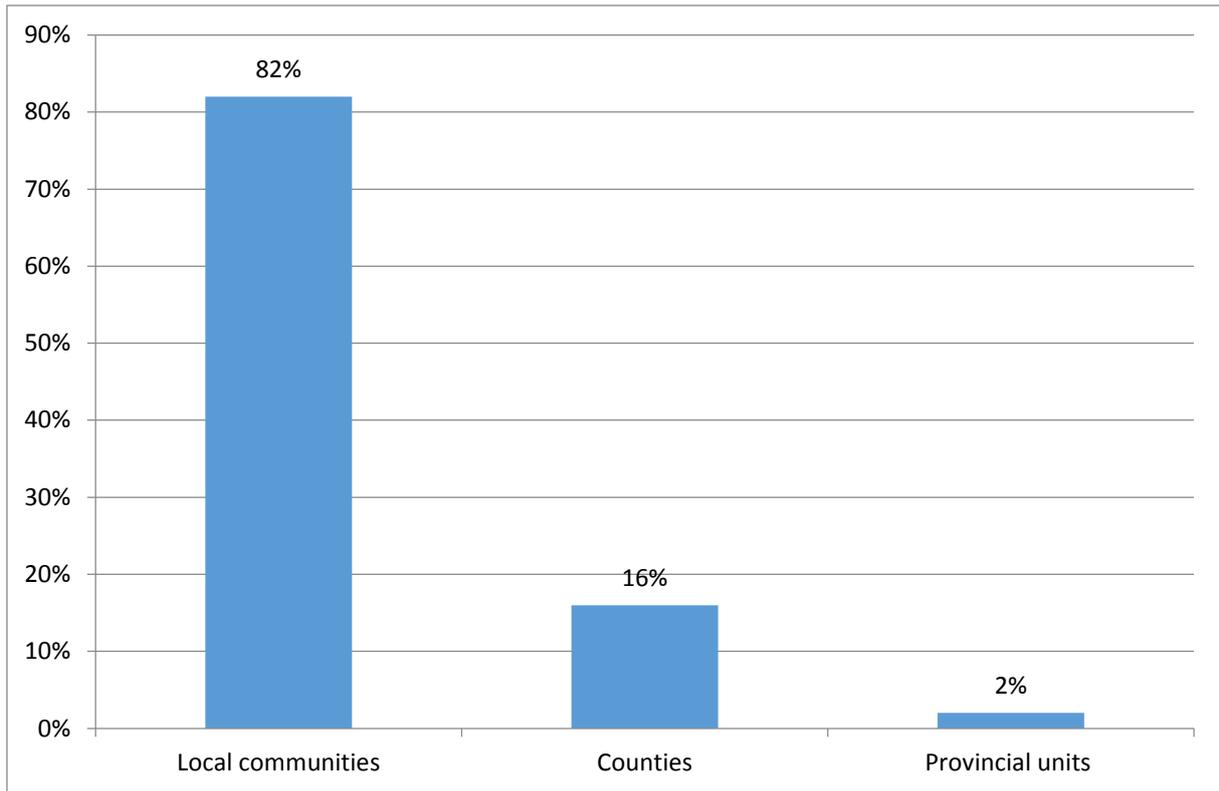


Figure 23: Types of local administration units  
Source: own research

As a research computer assisted interview tool CATI (Computer Assisted Telephone Interview) was used. The main selection criteria for the study were carried out at least one project from the European Social Funds in 2007-2013 perspectives by the local public administration unit. The respondents were people in the vast majority of higher education, managerial positions (54%) or employed as specialists (46%) ( see Figures No.2 and 3)

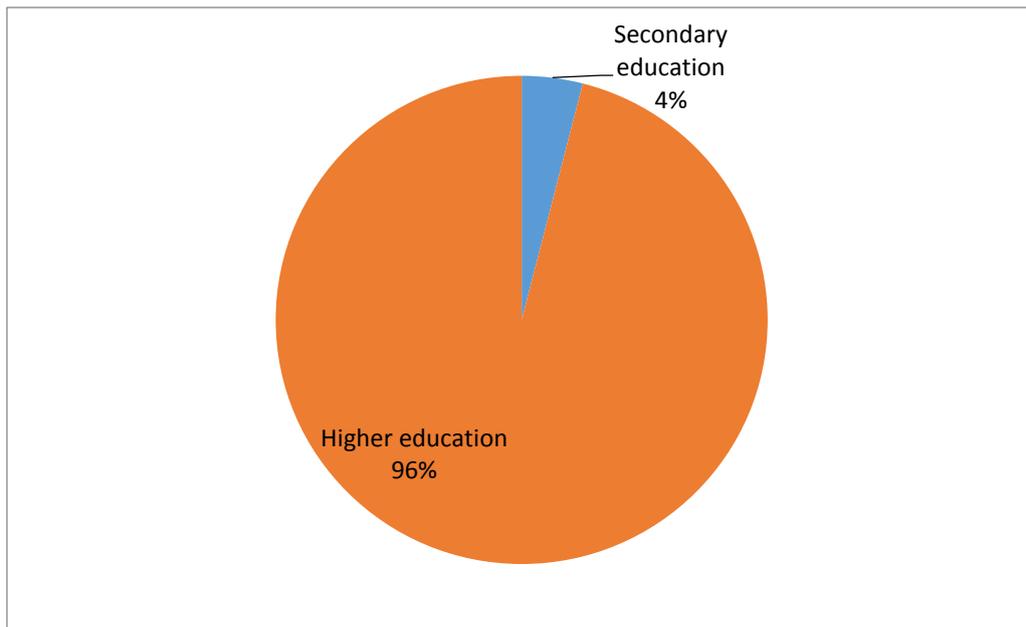


Figure 24: Education of respondents  
Source: own research

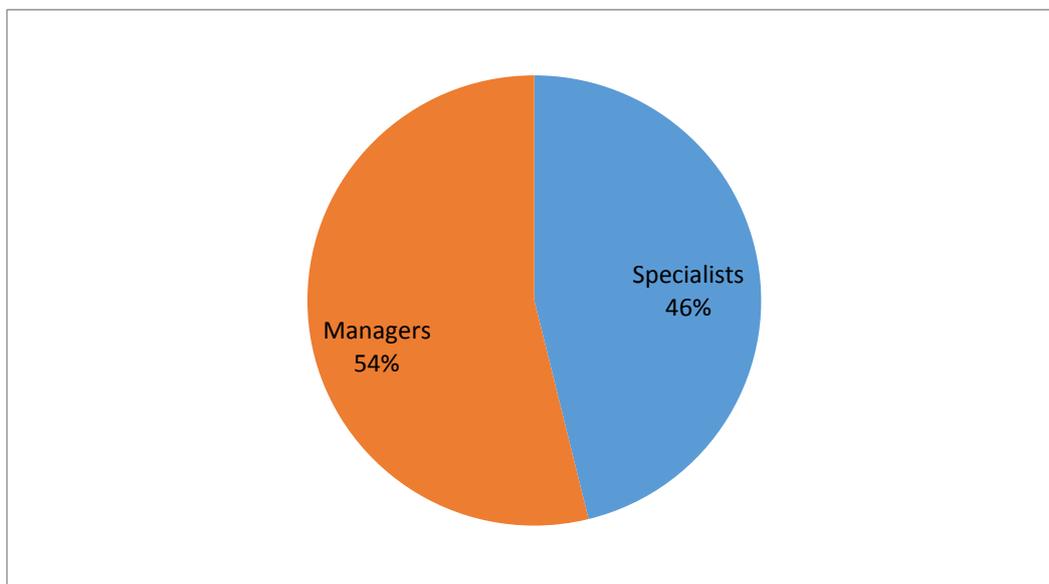


Figure 25: Positions of respondents  
Source: own research

The main objective of the study was to find out about the problems faced by the beneficiaries at the level of planning, implementation and control of ESF projects, as well as the possible directions in improving projects from European funds.

### **Presentation of the results of empirical researches**

The study obtained data based on the difficulties in applying for EU funds, both in the planning, implementation and project control. 68% of respondents indicated it to be too time-consuming procedure. Other difficulties in the planning stage were the high fees of private companies to assist in the preparation of the application for funding (52% of responses), too

complicated forms for the preparation of an application for payment (48%). For 1/4 of examined the problem was the needs in bringing their own contribution to the project or displaying bias in the evaluation of proposals (24% of responses) ( see Figure No. 4).

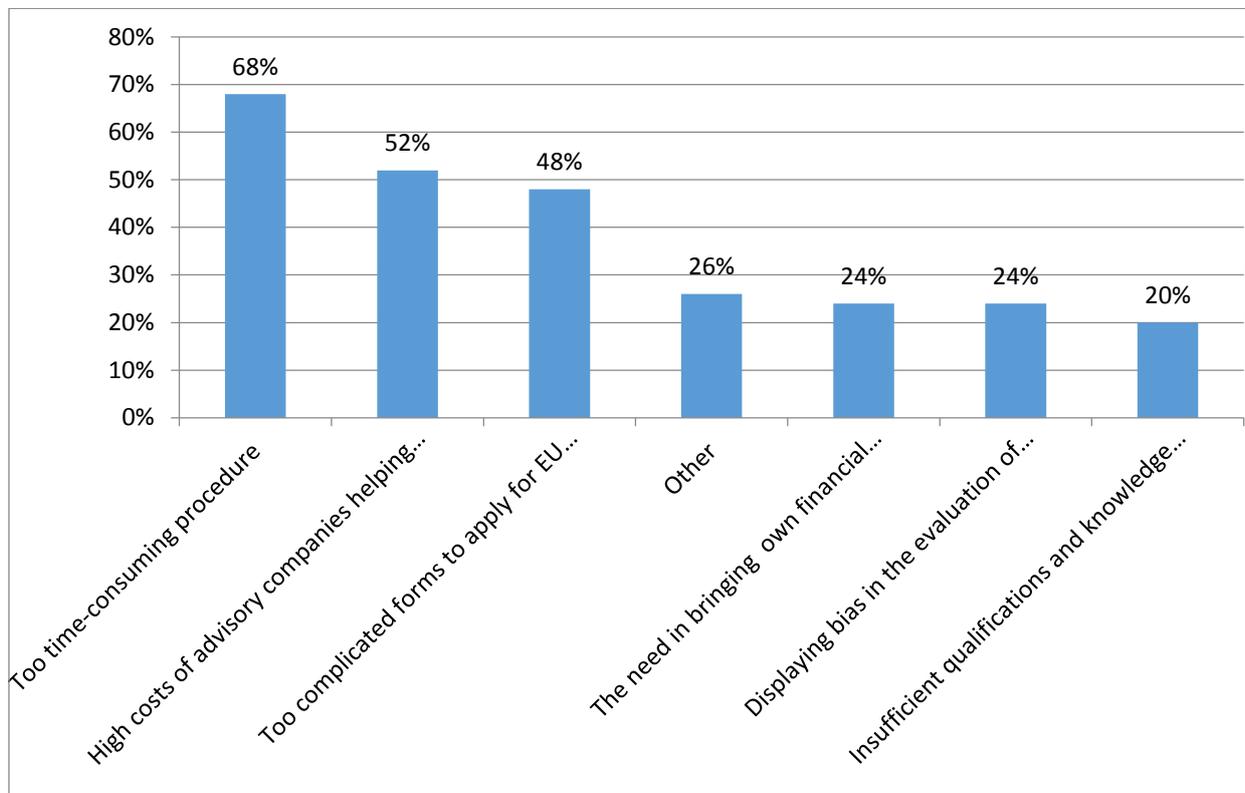


Figure 26: Difficulties in applying for EU funds  
Source: own research

At the implementation phase of projects from the ESF 54% of beneficiaries have experienced excessive meticulousness from officials clearing such a project. 38% indicated that payments were delayed and 32% - that the project has been delayed in time due to the prolonged evaluation of proposals and the final signing of the contract. In addition, respondents answered that the value of individual items in the budget were reduced for them, making it difficult for the project to be completed. They also faced problems with recruitment and selection of the target group. Only 28% of respondents indicated that they had no problems with the settlement of the application of the EU (see Figure No. 5).

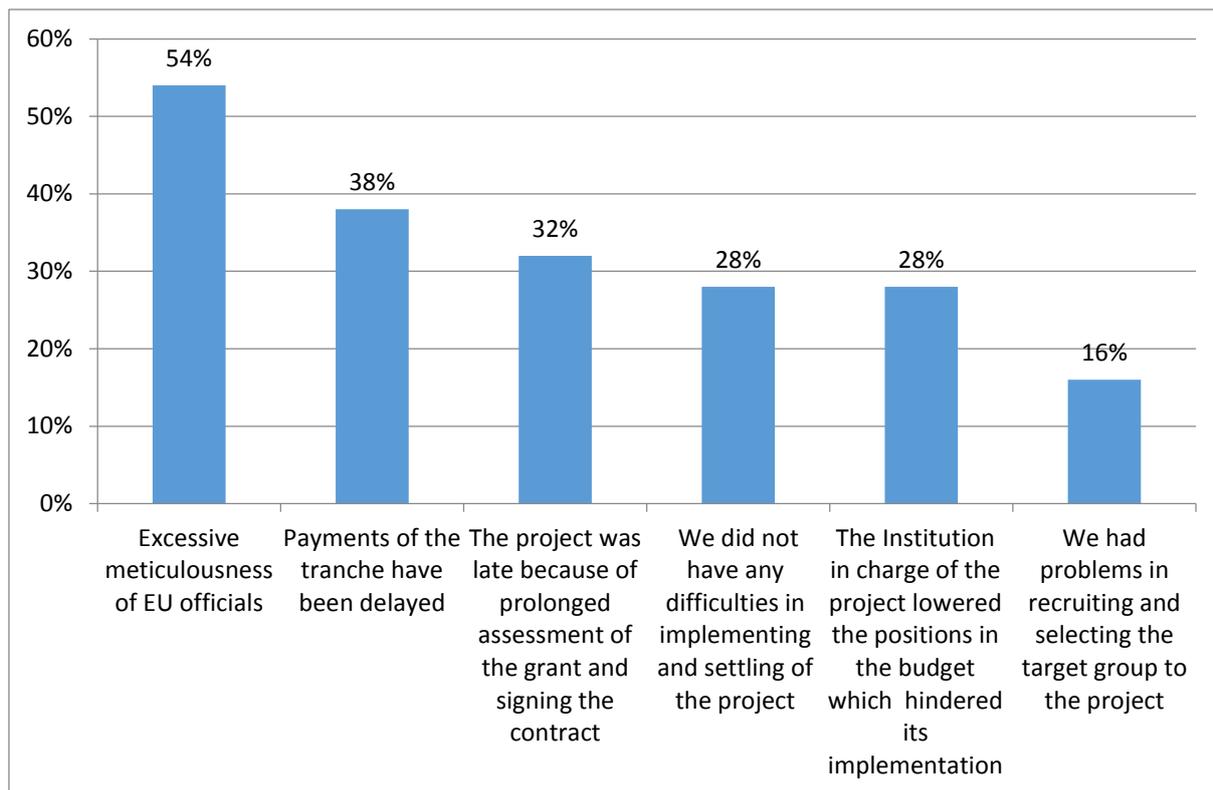


Figure 27: Difficulties in settlements grant funding applications.

Source: own research

The respondents were also asked in the study about plans for the next EU perspective - 2014-2020. The majority of them, because as much as 76%, were still interested in applying for EU funds, 22% were still undecided (see Figure No 6). Conclusions based on that matter show that despite difficulties in completing the application for financing and its settlement benefits of completed grants are much higher than the costs of a different nature.

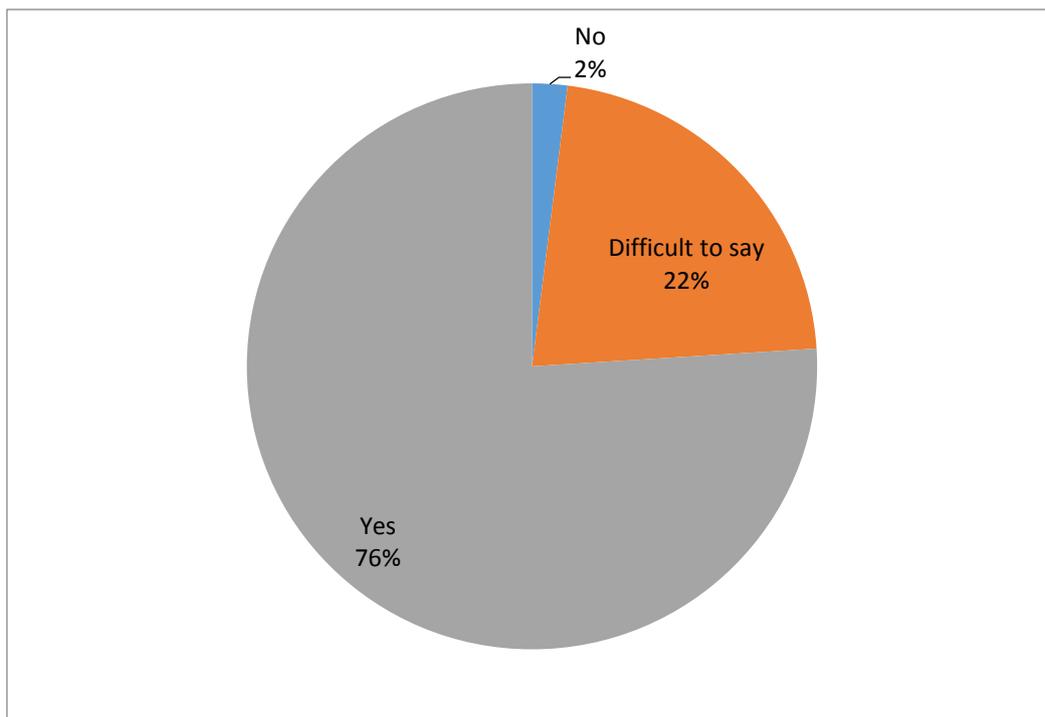


Figure 28: Applying for funding in the perspectives of 2014-2020  
Source: own research

### **Possible directions of improvement projects from the ESF**

The study also obtained data on the postulated trend of changes in running projects from the ESF (see Figure No. 7). 70% of respondents believed that it is necessary to simplify the forms for drafting applications for grants funding. Although were shortened compared with the prospect of 2004-2006, many people think they are still too complicated and hindering the decision to administer. 58% of respondents felt that it is necessary to shorten the waiting time for the results of the competition. In practice, since the submission of the application for grant funding to the signing of the agreement marks at least 6 months. More than 50% of respondents were of the opinion that it is necessary to train officials in clearing projects of cooperation with the customer. Interestingly, these opinions were held by the officials towards other officials dealing with the area of European Union funds. Almost 50% of the beneficiaries were of the opinion that it should periodically conduct training on the use of EU funds.

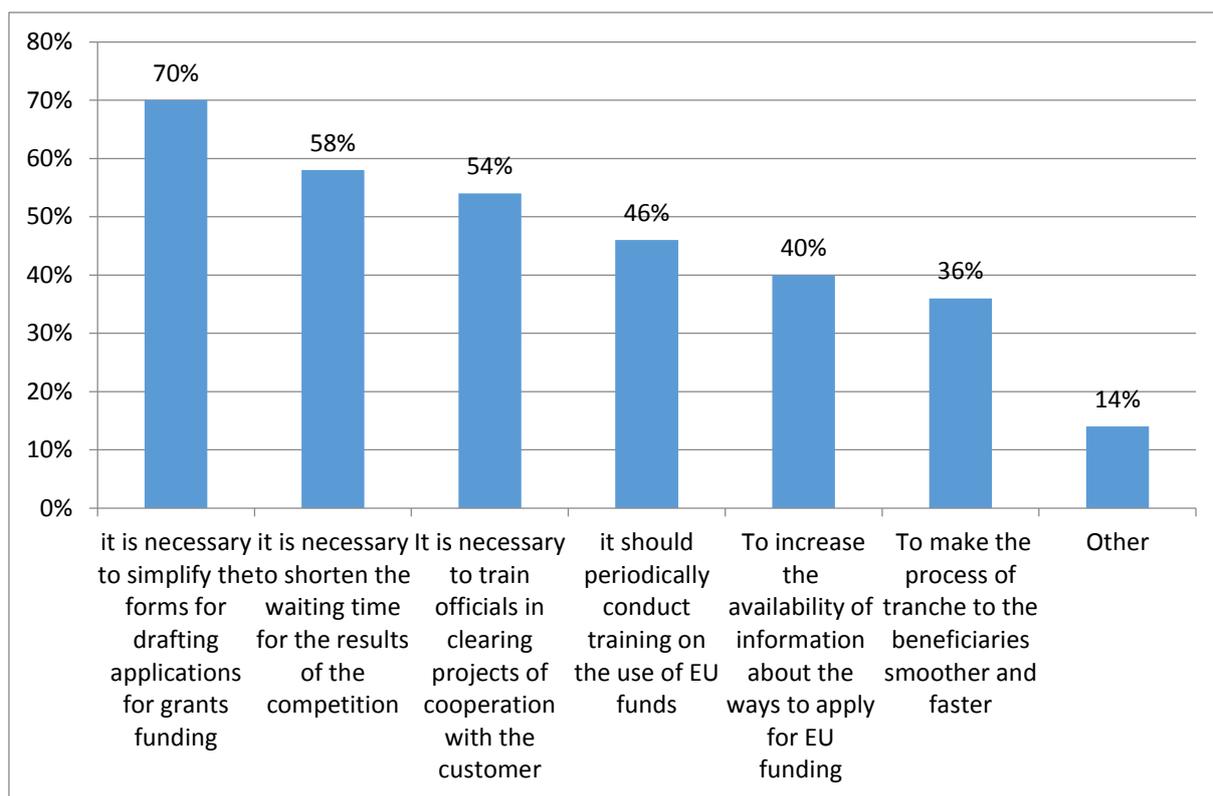


Figure 28: Possible directions of improvement projects from the ESF

Source: own research

The results of fragmented researches carried out by the author on a group of 50 public local administration units in Poland allow to draw following conclusions:

1. Most difficulties when applying for EU funds are caused by too time-consuming process, high fees consulting firms to assist in the preparation of the grant funding applications and too complicated forms.
2. If difficulties arose during the project, they were associated with excessive meticulousness officials, recruitment of the target group and delays in payments.
3. The demands for improvement projects from the ESF included: simplifying EU forms, shortening the waiting time for the results of competitions, increasing the availability of information on the possibility of applying for EU funds and improving the flow of tranches for beneficiaries.

## Conclusions

For many public administration units, ESF funds are not only an important source of action, but also the maintenance and protection of existing infrastructure and resources. The main critical conclusions which come from past experience the ESF actions are as follow:

1. There is still too far complicated system of applying for EU projects.
2. In many regions of the Poland several weeks and even many months' delays occur in the review of applications for payment and payments of the next tranche, which threatens completing many projects.
3. There is still a widespread lack of confidence in the Inter, which is particularly evident during the inspection and of the conclusions of audit.

4. Personnel institution clearing/completing projects from the ESF has tendency of technocracy, formal planned results of the projects are far more important than the results of completing the projects.

5. There is a chaos of information which in favor beneficiaries being well informed about the terms and conditions of accession to the programs or projects (Grewiński, 2009, p. 22-23).

6. The existence of the need for the law of public procurement law and the provisions in the grant agreement, which are more restrictive than the law itself, requires selection of suppliers of goods or services based solely on the lowest price, which often is associated with not the highest quality (Kwiatkowska-Ciotucha, 2013 p. 178).

Eliminating these problems in the near future will lead to accelerating the activity of public administration in the implementation of ESF projects and contributing to a more effective and efficient spending of EU grants funding from the European Social Funds.

## **PARTNERSHIP IN SLOVAK-FOREIGN JOINT VENTURES**

The most important precondition of joint venture success is the right choice of the partner. Partner selection criteria, along with strategic motives of international joint venture (IJV) creation, management control and IJV performance are the core dimensions of this type of strategic alliances (Glaister, Husan & Buckley 2005) According to B. Nielsen (2002), company which wants to create strategic alliance should make an analysis of current and potential future resources and capabilities of the partner needed to achieve alliance success. He divided the partner selection criteria into two groups. Partner-related criteria include mutual trust among the managements, partner's reputation or positive experience with the business interaction in the past. Task-related criteria comprise of access to knowledge about the local markets, regulations and culture, access to suppliers and customers of the partner and to its distribution channels. Degree of favourable past association among partners seems to get more important for partner selection as the number of prior relations increases. The more prior relations with potential partner, the higher the importance of favourable past association as partner-related selection criterion (Glaister, Husan & Buckley 2005). Financial health of the prospective partner is also important when making a selection (Zambuto, Kumar & O'Brien 2013). The higher the uncertainty, the higher the consideration given to the potential partner's status, and the tendency to rely on company that can be trusted (Chung, Sing & Lee 2000). Companies which want to create an alliance should be more aware of the value of personal networks especially in regard to the selection of partners in joint ventures and strategic alliances (Boyd, Dyhr Ulrich & Hollensen 2012).

In the 1990s, basic attitudes of the partners, IJV financing or division of profits were often not formalised in the joint venture agreement of Slovak-foreign IJVs (Šestáková 1994). However, risk and profit allocation, scope of the alliance and valuation of respective partners' inputs and equity shares are important aspects which must be clearly defined if the partners want to prevent disagreements during the alliance existence (Pekár & Margulis 2003). Rights and responsibilities of the partners, their contributions to the alliance, and processes in the alliance, conflict resolution and expected outcomes of the alliance should be defined in detail in the IJV agreement. Other important aspects include clearly specified information-sharing process, alliance termination and which severe violations of agreement could eventually lead to the end of the partnership (Kale & Singh 2009).

Careful specification of the various cooperation aspects should lead to lower risk of partner's opportunistic behaviour. Joint venture agreement is also decisive in division of

competences among the alliance partners (Smolková 2009) and important tool to exert control over the joint venture. Clearly defined critical aspects of alliance functioning are thus an important prerequisite for successful partnership. According to Glaister, Husan and Buckley (2005), partner companies seek to concentrate on particular aspects of IJV control associated with their key skill and competences. The company which is trying to create a joint venture should also think about the potential reactions of the partner in unexpected circumstances (Smolková & Borovský 2005). Risk management is an important aspect of alliance management. It includes management of the risk of worsened reputation, intellectual property rights protection or management of legal risks (Išoraitė 2009). Partner selection and effectiveness of the agreement are the priorities to achieve long-term outcomes of international strategic alliances (Kimiagari et al. 2015). Formalized management structure of the alliance is more costly, but it should lower the risk of partner's opportunistic behaviour. The higher the risk of opportunistic behaviour, the higher the expected benefits of alliance based on equity arrangement. Different set of skill than that of the other partner might lead the company to the idea that its role in alliance is irreplaceable and subsequently to the opportunistic behaviour (Globerman & Nielsen 2007). It can be assumed that the cooperation of partners in equity arrangement alliances is more intense and the interests of the companies are interconnected, which lowers the risk of opportunistic behaviour (Teng & Das 2008). Other factors limiting this risk are positive reputation of the partner and mutual communication of the companies (Ali 2013).

## **Methodology**

The paper presents results on selected issues concerning partnership in IJVs based on the research of 45 Slovak-foreign joint ventures - for the purpose of the research, Slovak-foreign joint venture is a company created by at least two entities from different countries and at least one of these entities (Slovak company) was established in Slovakia. It is the first detailed research of these strategic alliances with Slovak participation since 1990s. The information has been gained via questionnaire survey, with IJV partners as respondents. The questionnaire itself was focused at three main areas: background information and structural characteristics of the international joint ventures; international joint venture relationship characteristics; and finally ownership changes and performance-related issues. The IJVs were included in the research sample only if they met one of these conditions: a) the company established in Slovakia is a partner in an international joint venture established and conducting business in Slovakia, or b) the company established in Slovakia is a partner in international joint venture established and conducting business in country other than Slovakia. The ownership structure can be often verified using the information in the Slovak business register: names or business names and countries of origin of the associates (in the case of limited liability company) or, if stated, the shareholders (in the case of the joint stock company).

Nevertheless, there are also companies which formally fulfill the joint venture definition, but they are not real joint ventures as they do not comply with the basic requirement to be considered as this type of alliance – cooperation of different partners from different countries in order to share their resources and learn from each other. These enterprises were not included in the research sample as they are more similar to the affiliates of foreign investors, established by their other affiliates from different countries.

As for the size of IJVs, the research sample includes 17 (37.78%) large (250 and more employees) companies, seven (15.56%) medium-sized (50-249 employees) firms, 11 (24.44%) small (10-49 employees) enterprises and eight (17.78%) micro-companies (less than ten employees). Two companies stated the number of employees only in the interval of 10-99, it can be therefore assumed they are either small or medium-sized enterprises.

## Research results

The companies included in the research sample were asked about issues concerning the choice of the alliance partner, as existence of their previous relationship, number of potential candidates, or reputation and referrals on the partner. The other set of questions was focused on the quality of the partnership during the IJV existence, mainly the communication and behaviour of the partners. The figures accompanying each issue examined in the research visualize the opinions of respondents on statements cited in the figure titles. In some cases, certain companies did not provide any answer

*Relationship with the future partner before the IJV establishment:* 20 respondents (45.5%) did not have any previous relationship with their current partners before the IJV establishment. Two companies described the relationship as technology transfer agreements, other two firms chose the IJV option. 13 partner companies had supply contracts and four had signed marketing agreements with their future alliance partner. Two respondents had supply contracts and marketing agreements at once. The rest of the research sample quoted other options such as long-term cooperation, agreement of the CEOs or cooperation agreement. One respondent did not provide answer for this question. Only 54.5% of IJV partners therefore had any previous business experience with their future partner.

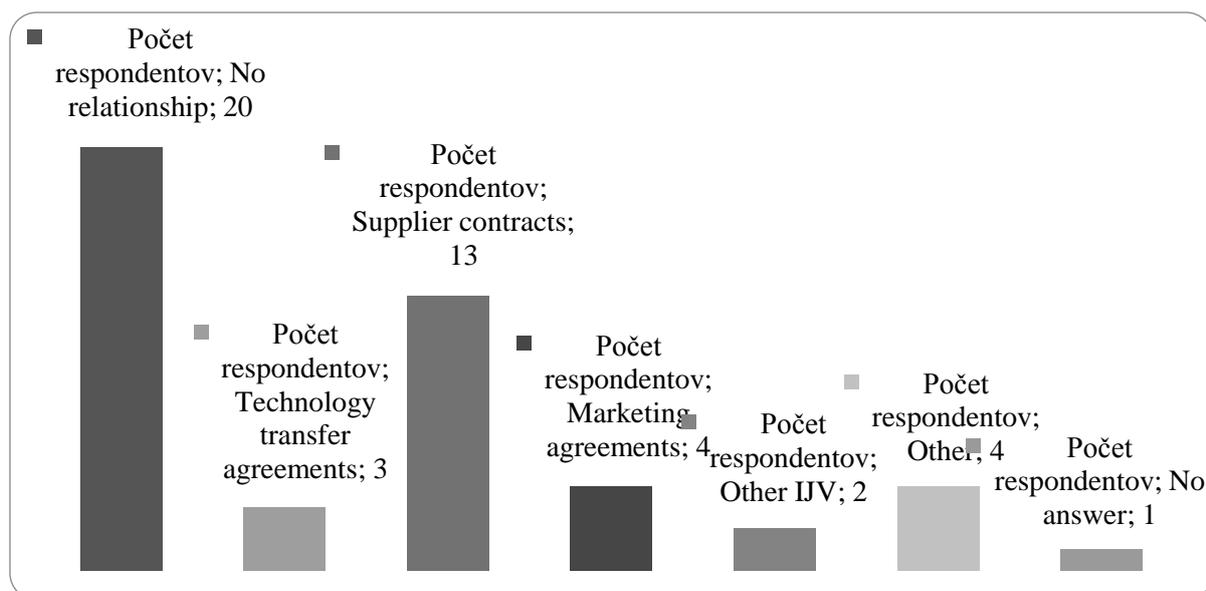


Figure 30: Relationship with the future partner before the IJV establishment

Source: own research

*Previous alliance with the partner:* 12 respondents (26.7%) had any type of alliance before the IJV establishment. Satisfaction with the previous alliance was very high in the case of six firms, high in another four and moderate in two companies. One of the respondents which had other alliance with the same partner did not specify the level of satisfaction.

*Number of companies considered as potential partners:* the majority of the respondents – 28 (66.7%) stated that they did not evaluate any other potential partner than the current one before the final choice on IJV. Eight (17.8%) companies considered two partners, four (8.9%) firms made decision among three to five companies and two (4.4%) respondents made their choice among six to nine firms. Three companies did not provide answer on this topic.

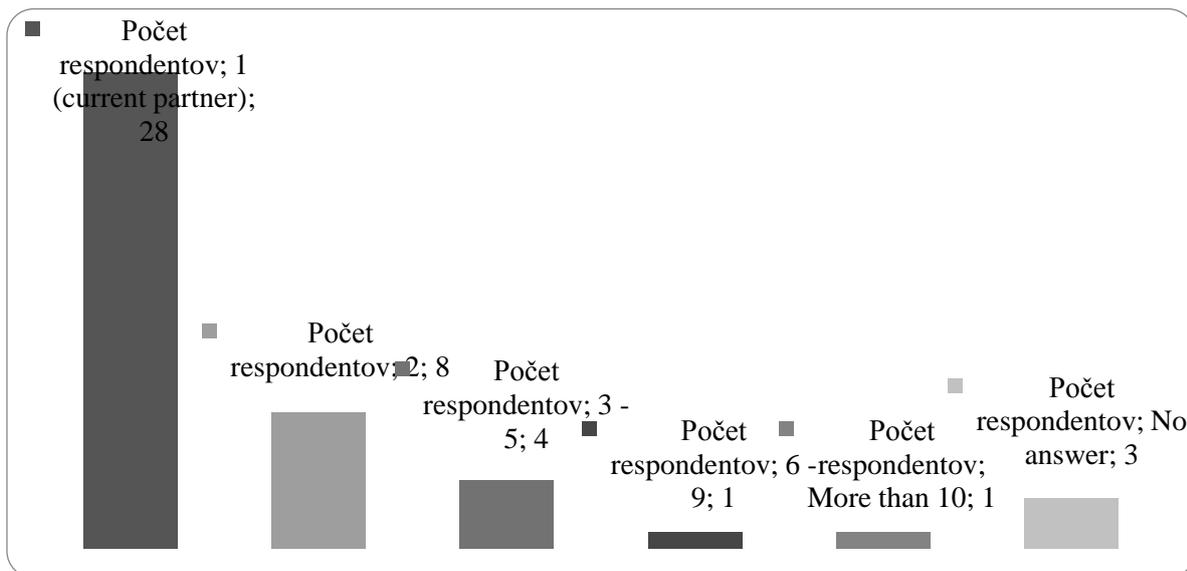


Figure 31: Number of companies considered as potential partners

Source: own research

*Reputation of the potential partner for being competent:* 20 (45.5%) of the companies in the research sample described the extent to which partner's reputation for being competent in terms of resources and abilities was favourable as very high, 19 (43.2%) firms quoted the extent of favourable reputation was high. Moderate extent of partner's favourable competence reputation was expressed by four (8.9%) companies and only one (2.2%) partner considered the extent of favourable reputation as low. One (2.2%) respondent did not reply this question.

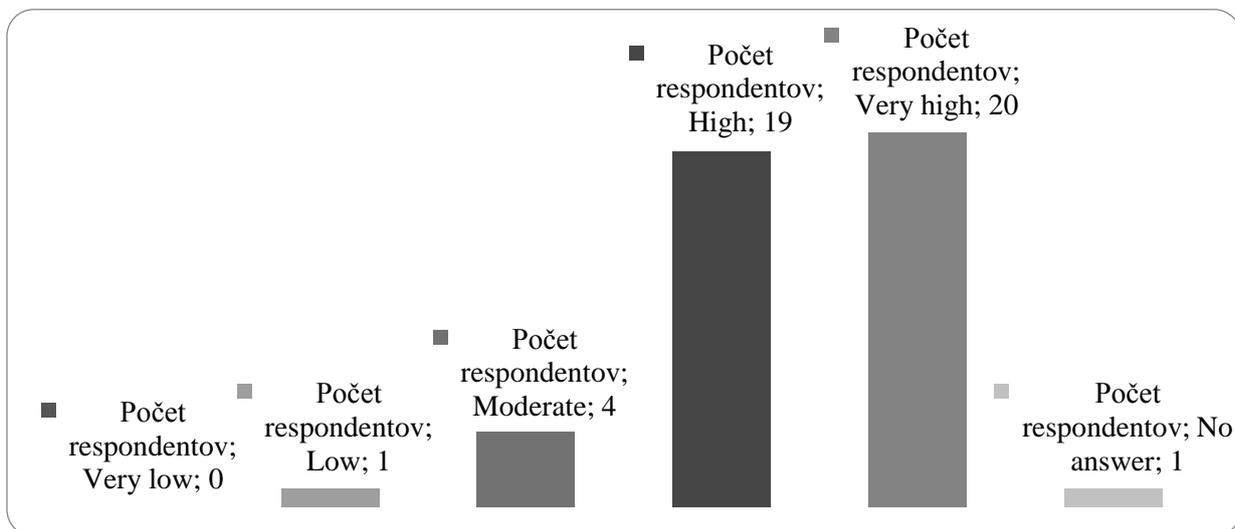


Figure 32: Reputation of the potential partner for being competent

Source: own research

*Reputation of the potential partner for being trustworthy:* as for the reputation of being trustworthy, 21 (47.7%) firms expressed the extent of favourable reputation as very high, 18

(40,9%) companies as high, four (8.9%) respondents as moderate and one (2.2%) partner as low. One respondent did not state the opinion on this issue.

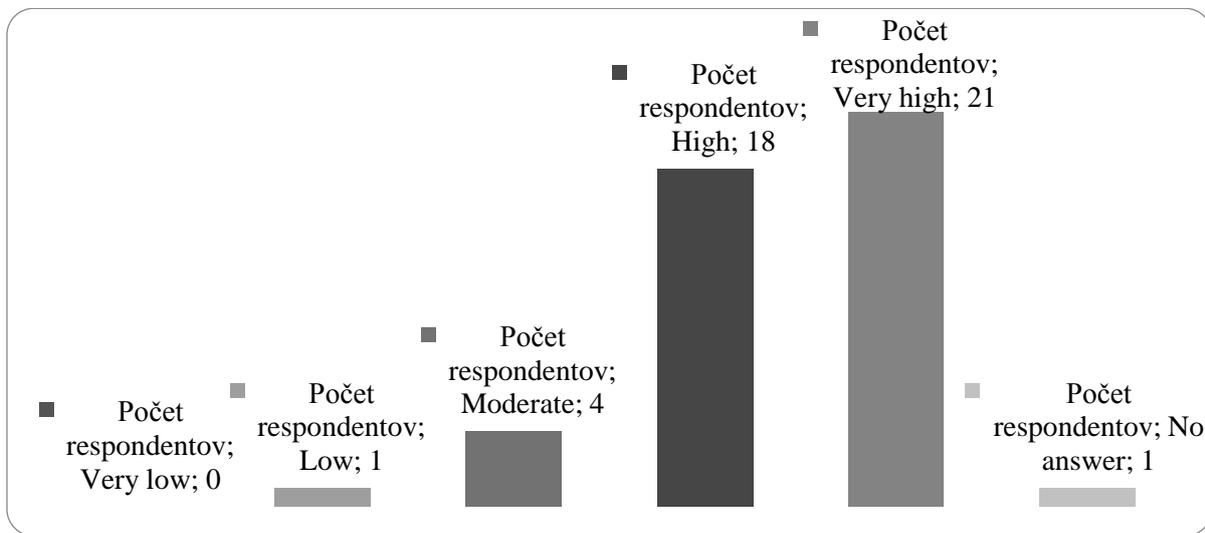


Figure 33: Reputation of the potential partner for being trustworthy  
Source: own research

*Quality of communication between the partners:* 25 (55.6%) respondents strongly agreed that quality of communication between the partners is on a very good level, 12 (26.7%) IJV partners partly agreed with this statement. Five (11.1%) companies held the neutral view, while two (4.4%) firms partly disagreed and only one (2.2%) partner strongly disagreed with the positive opinion on the quality of communication.

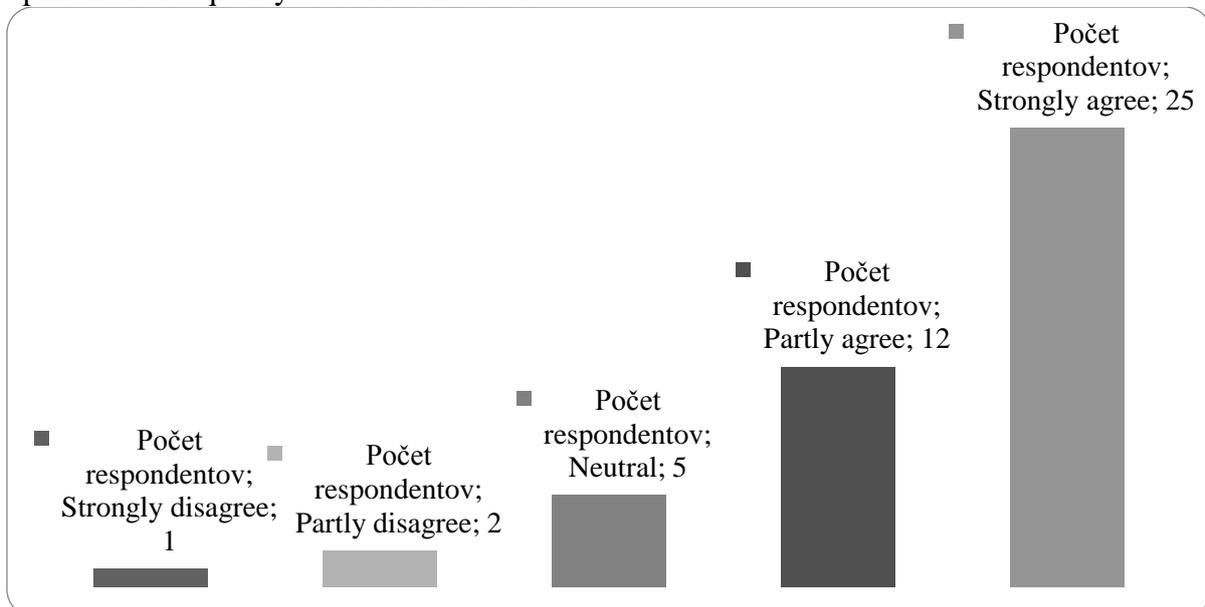


Figure 34: Quality of communication between the partners is on a very good level  
Source: own research

*Misunderstandings and conflicts among the partners:* 12 (26.7%) IJV partners strongly disagreed that misunderstandings and conflicts among the partners are common, while nine (20%) other respondents partly disagreed with this opinion. 13 (28.9%) companies had neutral

standpoint, nine (20%) firms partly agreed that misunderstandings and conflicts are common in the partnership and two (4.4%) respondents strongly agreed with this assumption.

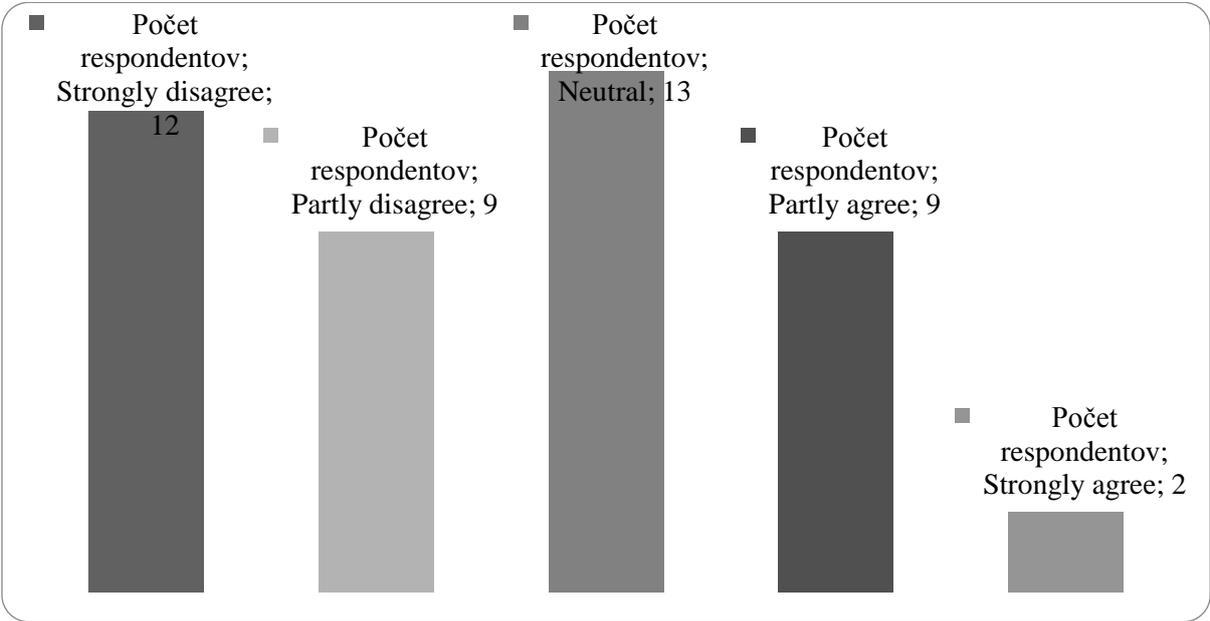


Figure 35: Misunderstandings/conflicts among the partners are common  
Source: own research

*Opportunistic behaviour of the partner firm:* 25 (55.6%) companies strongly disagreed that their IJV partner behaves opportunistically and six (13.3%) firms partly disagreed with this opinion. Nine (20%) companies held the neutral view on this issue. Two (4.4%) respondents each partly agreed or strongly agreed that their alliance partner engages in opportunistic behaviour. One (2.2%) respondent did not provide answer on this question.

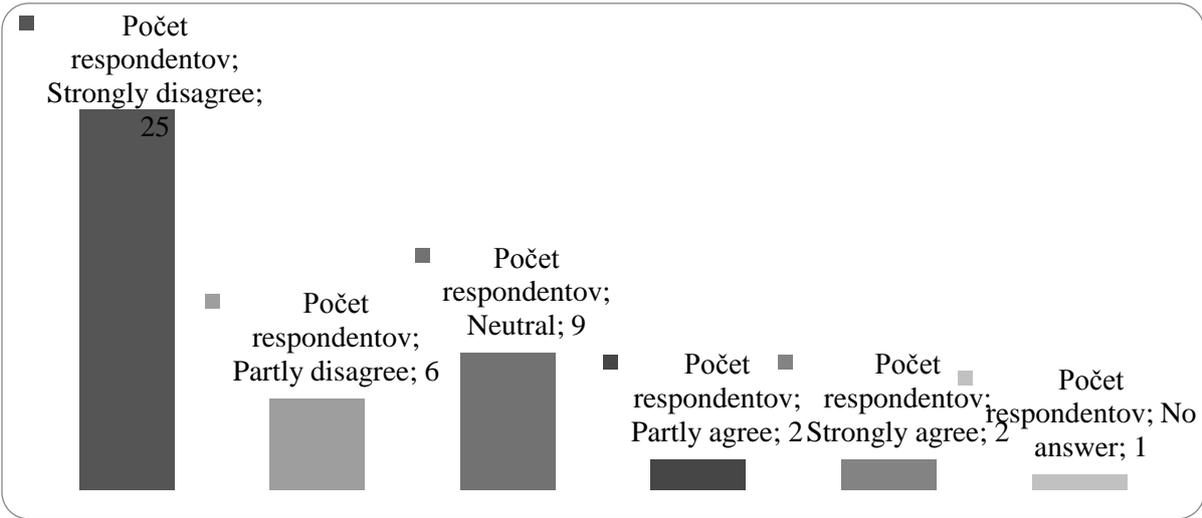


Figure 36: Partner firm engages in opportunistic behaviour  
Source: own research

*Disagreements on IJV operations and strategic decisions between the partners:* 22 (48.9%) companies strongly disagreed that there are disagreements and conflicts between partners on operations and strategic decision of IJV, while ten (22.2%) other respondents partly disagreed with this opinion. Six (13.3%) IJV partners expressed neutral standpoint, other six (13.3%)

respondents partly agreed and none of the companies strongly agreed that there are always disagreements/conflicts between partner firms on operations/strategic decisions of IJV. One (2.2%) respondent did not express its opinion.

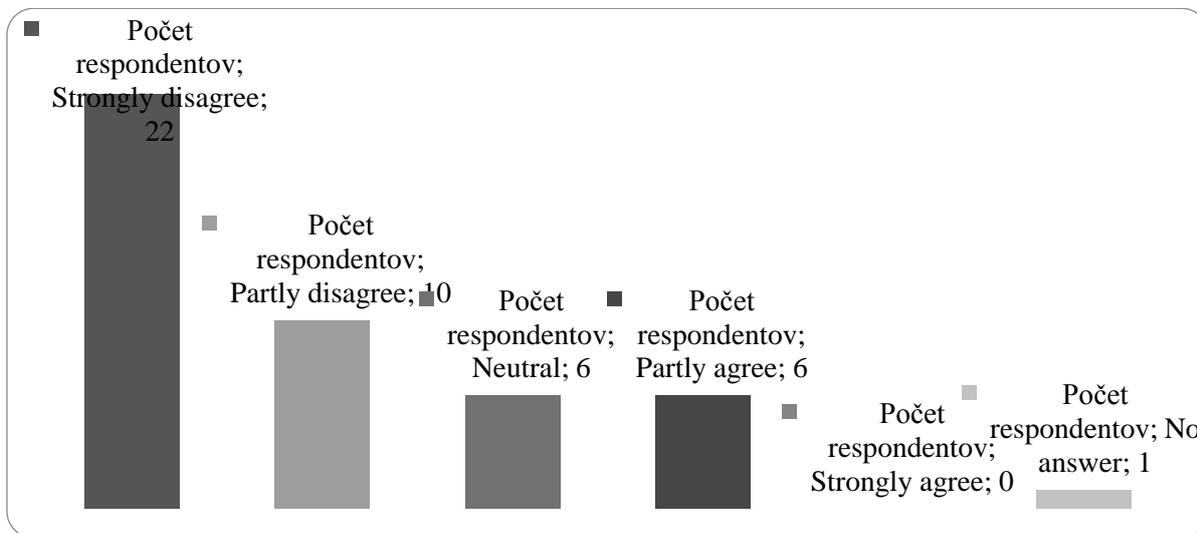


Figure 37: There are always disagreements/conflicts between partner firms on operations/strategic decisions of IJV  
Source: own research

## Conclusions

After more than 20 years of functioning in the market economy and accession of Slovakia into various integration entities and international organisations such as the European Union or Organisation for Economic Co-operation and Development, it can be assumed that Slovak companies have amassed certain amount of knowledge and experience in international business operations, as well as in cooperation with other companies. It can also be expected that the managerial know-how in Slovak companies has improved since 1990s, partly because of the aforementioned assumptions and partly due to foreign investors' presence and transfer of their know-how. This positive development might lead to better preparedness for cooperation with partners and more precise formalisation of respective cooperation aspects as the ultimate outcome. However, it is quite difficult to gain any information on Slovak-foreign IJVs, as there is no official statistical information on number of this type of business entities or on any other characteristics of these companies. The questionnaire survey among the IJV partners therefore seems to be the most suitable way how to learn more about these alliances with Slovak participation. The size and structure of the research sample is limited by the possibility to determine whether any company is or is not a Slovak-foreign IJV. In case of certain types of firms (such as limited liability company or joint stock company), it is usually possible to find the information on the company owners. Nevertheless, to create research sample formed by the other category of strategic alliances – contractual agreements – is virtually impossible as they can be tracked down only by their mentions in media or based on the own information of the researcher.

The research on the sample which is partly presented in this paper is thus the most complex research on IJVs or any kind of strategic alliances with the Slovak participation since several studies written in 1990s. However, more recent efforts to describe the international joint ventures in Slovakia were more focused on case studies of selected companies than on the effort to provide detailed information based on the larger research sample. The conclusions of the research presented in the following paragraphs are centred on the partnership in Slovak-foreign

IJVs. Partnership, its formation and quality is one of the most important prerequisites of alliance success and longevity.

Even though previous relations with the potential partner are important factors in partner selection process, only slight majority of the respondents had any previous relation with the alliance partner before IJV creation and only 12 companies had previous alliance with the very same IJV partner. Two thirds of the respondents did not consider any other firm than their current partner before alliance establishment. The vast majority of companies expressed that the extent of partner's favourable reputation in terms of competence and trustworthiness was very high or high. The results of the research hint at the possibility that the firms in the research sample do not count only on their previous experience with other companies, but they are willing to take risks and consider unknown firms as potential alliance partners. Nevertheless, the reputation of the chosen partner was usually favourable. As for the arrangements formalized in the IJV written agreement, the situation has significantly improved compared to 1990s. The vast majority of the companies have specified aspects as alliance management, cooperation, conflict solution or impact of the written arrangements on real cooperation in their IJV agreement. Nevertheless, management of unanticipated circumstances which might occur during the joint venture formation and operation is the least formalized part of the cooperation, which might pose a threat to continuity of the alliance: the unexpected and crisis situations tend to be difficult to manage and they often need to be solved as fast as possible. If the basic framework which specifies how to act in these circumstances is missing, it may be difficult to coordinate the partners' efforts and to minimize the negative outcomes. However, several IJVs still do not have these aforementioned important issues formalized, as was the case of many Slovak companies in 1990s. In these cases, any disagreement among partners on important issues might pose a risk for the quality of their cooperation and continuity of the alliance.

The majority of respondents (32 companies - 71.1%) - strongly or partly disagreed that there are misunderstandings or conflicts among the partners on operational and strategic decisions in IJVs, which is partly in line with research results on misunderstandings and conflicts in general (21 partners – 46.7% - strongly or partly disagreed that misunderstandings and conflicts among the partners are common). It can be assumed that even when they occur in IJV, they concern less important issues than strategy or operations of IJV. 37 (82.2%) respondents strongly or partly agreed that the quality of communication between the partners is on a very good level. Well-functioning communication is an important prerequisite of partnership success and longevity and its perceived good quality is theoretically interconnected with the decreased risk of opportunistic behaviour. This theoretical assumption is (at least in part) confirmed by the results of the research, as 31 (68.9%) companies in the sample strongly or partly disagreed that the partner firm engages in opportunistic behaviour. The findings of the research hint at the positive development in Slovak-foreign IJVs since 1990s, as the opportunistic behaviour of (usually foreign) partner was common in this type of alliances. Foreign investors often viewed IJVs with Slovak companies only as a transitional stage in getting the full ownership of the company and the legal prerequisite to enter the Slovak market. Unfortunately, the Slovak partners usually did not think about the alliance in similar way and expected the IJVs to be beneficial for all the involved companies. The lower level of opportunistic behaviour is thus in line with the assumption that alliances based on equity arrangements decrease the risk of partner's opportunistic behaviour. Unlike the situation in 1990s, the majority – 32 (71.1%) of the Slovak-foreign IJV partners in the research sample expressed their satisfaction with the IJV performance (2 companies did not provide answer on this issue). The shift in performance satisfaction is the ultimate outcome of changes in numerous characteristics of these alliances which occurred in the previous 15 years and also the most

striking difference between the present day IJVs and the likes of them in the 1990s. The intent of majority of the respondents to continue their participation in the alliance is less surprising, as Slovak companies seem to understand – now and also back in the period after the fall of the socialist regime – the benefits of partnerships with foreign firms. Even if some of the partnerships will end up as a failure for the Slovak partners, these alliances undoubtedly contributed back in the 1990s and still contribute nowadays to the country's economic success and, from the long-time perspective, have also learning and transformational effects on the Slovak business entities in general.

## **EFFECTS OF COMMERCIALIZATION OF HOSPITALS MANAGED BY LOCAL GOVERNMENTS**

The most important social tasks of local governments in gminas, powiats (gminas and powiats are principal units of territorial division in Poland of the first and second level) and voivodeships in Poland include health care and health promotion. These governments have become governing authorities for independent health care institutions and took over these tasks from units of government administration after the reform from 1998. They are facing the increased expectations of inhabitants in terms of availability and quality of services.

The tasks of out-patient health care entities as the most basic health care units by local governments can be considered as achieved efficiently. Out-patient health care has been restructured to the highest extent through commercialization and privatization. A serious problem is in-patient health care (hospitals). They belong to a particular category of health care units since statutory activity is aimed at people who need all-day health services (Dercz&Rek 2010). Local government hospitals are equipped in some 60% hospital beds in Poland (Journal “WartoWiedzieć” 2016).

Difficult financial standing of independent public health care institutions (in Polish: *Samodzielne Publiczne Zakłady Opieki Zdrowotnej, SPZOZ*) causes that maintaining, renovation and investments of these entities is now responsibility of local governments, which can transfer designated subsidies, including investments in real estate and purchase of medical equipment (Doroszkiwicz, Gniewosz 2015). In 2014, local governments spent nearly 3,675.2 million zlotys including:

- gminas: 561.3 million zlotys, mainly for alcoholism prevention (72.5%) and out-patient health care services (5.0%),
- powiats: 1274.0 million zlotys, including 14.4% for hospitals,
- cities with powiat status: 1065.2 million zlotys, including 29.0% for hospitals,
- voivodeships 774.7 million zlotys, including hospitals 58.5% (Central Statistical Office 2015).

However, health safety of inhabitants largely depends on the decision made outside the local governments, concerning legal and financial solutions.

Management of public services in local governments should be based on thoroughly prepared strategies and plans with regard for the objectives and analytical studies (both internal and external), evaluation of the effectiveness of activities through confrontation of the aims planned with the aims achieved and quality expected with the quality achieved and on the analysis of unit costs of services. (Wrona 2015, p. 223) Therefore, for this reason and facing financial difficulties of hospitals, many local governments, without waiting for systematic regulations, started activities using previous legal regulations. Negative financial result in the SPZOZ caused the threat to the continuity of their operation. The debt exceeded the real capabilities of handling it by the founding bodies. These transitions need a very transparent concept, substantial determination and cooperation between many institutions (Kachniarz 2008).

## **Description of transformations**

The concept of commercialization was defined in the regulations of the act on commercialization and privatization (Polish Sejm 1996).

The concept of hospital commercialization should be understood to mean a process that consists in transformation of hospitals which are independent public health care institutions into commercial law companies while maintaining the previous ownership structure, because in these terms, the concept of commercialization should be referred to solutions contained in the regulations of the health care act (Polish Sejm 2011) (Horosz, Grzesiok-Horosz & Skowron 2012).

Regulations of the act on health care institutions (Polish Sejm 1991) did not allow the founding bodies to directly transform SPZOZs into commercial law companies. They only accepted that the entities could be restructured through liquidation, whereas the founding body was obliged to ensure the continued access to the same health services. Simultaneously, a new type of entity emerged: the company that managed non-public health care institutions and took over the obligations of the liquidated SPZOZs in terms of health care and liquidation of the old one without legal succession (Horosz 2011). After liquidation of SPZOZs, their obligations and receivables were moved to local governments as founding bodies while the property after liquidation and satisfying the liabilities became the property of local governments which decided on its further designation (Dercz & Rek 2010).

At present, if a hospital SPZOZ generates a negative financial result that cannot be covered from their own resources, the founding body should choose one of three methods: to cover it from its own resources for the financial year of the SPZOZ within three months from the deadline for the acceptance of the financial report, liquidate the SPZOZ or change its organizational and legal form through transformation into the capital company i.e. commercialization (Horosz 2011).

The transformation process needs preparation and coordination of the procedure of taking over the provision of health services. Local government in the city of Częstochowa faced similar challenges. A task force was established, which is the necessary component of effective changes. The task force engaged the representatives of: the founding body, management board of the Municipal Polyclinic Hospital in Częstochowa (MSZ) and liquidator of the SPZOZ.

The reasons for the decisions on organizational and legal changes in MSZ were e.g. high level of liabilities and high likelihood of their accumulation due to losing of financial liquidity and increasing operating loss, uncompensated financial loss from previous years and inevitability of completion of the current year with a negative financial result and high level of fixed costs with regards to hospital revenues.

The analysis of the organizational and economic status of the SPZOZ - MSZ with the operating strategy was developed (Adamus, Mróz & Gilewicz 2007). The Częstochowa City Council moved the resolution concerning the establishment of the Częstochowa Health Centre (Częstochowskie Centrum Zdrowia sp. z o.o., CCZ) as a company with its activities focused on providing health services by the non-public health care institution (NZOZ) (City Council of Częstochowa 2007). The difficulty in this process consisted in the fact that the following autonomous processes had to occur at the same time: completion of activity of previous institution/starting of services by the new one; end of the period of notice for SPZOZ employees should start with the beginning of new employment contracts in the new NZOZ; expiry of contract for SPZOZ/start of contract for NZOZ. Schedule for restructuring activities is presented in Table 20.

Table 30: Schedule for activities connected with establishment of the company and liquidation of the Municipal Polyclinic Hospital

<b>Task</b>	<b>Action</b>	<b>Responsibility</b>
Establishment of the limited liability company	Preparation of the City Council resolution on establishment of the company Preparation of the articles of association	Municipal Polyclinic Hospital, Department of Health and Social Affairs, Department of Property and Owner Supervision
	Establishment of the Supervisory Board and its president	General Meeting
	Appointment of the members of the Board, including the President and Vice-Presidents	Supervisory Board
	Setting the bank Account (condition: the founding act and the Board appointed)	Board of Directors
	Transfer of contribution of the city to the banking account	Board of Directors, Department of Health and Social Affairs
	Concluding the contract of lending the rooms in MSZ for use by CCZ	Department of Property and Owner Supervision, Municipal Polyclinic Hospital, Board of Directors
	Annex for the founding act	General Meeting, Department of Property and Owner Supervision
	Application of the entry to the National Court Register	Board of Directors, Department of Property and Owner Supervision
	Application of the REGON number in the Statistical Office	
	Application of the NIP number to the Tax Office	
	Application of the entry in the Social Insurance Institution	Board of Directors
Preparation of the Municipal Polyclinic Hospital for liquidation	Determination of the debt structure	Municipal Polyclinic Hospital
	Budgeting of departments	
	Staff restructuring	
	Cooperation with trade unions	
	Staff analysis based on current employment rate in MSZ	Board of Directors, Municipal Polyclinic Hospital
	Development of the Company's strategy	
	Analysis of staff demand for NZOZ	Board of Directors, Trade Unions
	Determination of the criteria for selection of staffs for NZOZ and transfer to trade unions	

<b>Task</b>	<b>Action</b>	<b>Responsibility</b>
Establishment of the Non-Public Health Care Institution	Determination of the organizational structure	Board of Directors
	Resolution of the General Assembly on establishment of the NZOZ by the Company, statute of the NZOZ, appointment of the manager of NZOZ	General Meeting, Department of Property and Owner Supervision
	Registration of the NZOZ in the Voivode Register	Board of Directors
	Preparation of internal organizational documents in NZOZ, organizational regulations, work regulations, remuneration and reward regulations	
	Contract with the National Health Fund	Board of Director, Manager of NZOZ
Liquidation of the Municipal Polyclinic Hospital (transfer of tasks to be achieved by the Czestochowa Health Centre Sp. z o. o.)	Transfer of the draft of the City Hall resolution concerning liquidation of MSZ to be verified (opinion by the Board of Trustees of MSZ, opinion by trade unions, Voivode and gminas/powiaty)	Department of Health and Social Affairs, Municipal Polyclinic Hospital
	Presentation of the draft resolution of liquidation of the MSZ to the session of the City Council (resolution published in the Journal of Laws)	Department of Health and Social Affairs
	Dissolving the contract with the SPZOZ's manager	
	Appointing the liquidator of MSZ	
Employee affairs	Preparation of publication on the public recruitment of employees for NZOZ	Board of Directors
	Evaluation of the offers, job interviews	
	Preparation of the list of competencies of people who will not be employed in NZOZ	Manager of the Municipal Complex Hospital
	Definition of the forms of support for redundant people	Powiat Unemployment Office
Preparation of the principles for managing the SPZOZ's property	Preparation of the City Council resolution concerning the principles of selling, or leasing fixed assets of the SPZOZ for which the founding body is the City Council in Czestochowa	Department of Health and Social Affairs, Department of Property and Owner Supervision
Making contribution to the Company	Renouncement of property by liquidator	Department of Health and Social Affairs, Department of Budget and Analyses, Department of Property and Owner Supervision
	Presentation of the draft resolution of evaluation of total value of contributions in a non-financial form (contribution in kind) and financial form (share capital) in the City Council session	

Source: author's own elaboration based on the unpublished materials from the Czestochowa City Hall The table contains the names of the departments of the Czestochowa City Hall.

Due to the changes in the city's authorities and the related political decisions, despite the far-reaching initiatives in terms of commercialization, MSZ has not been transformed to date and the annual loss is covered by the Częstochowa City Hall, which leads to continuous discussions about the hospital future (Kluczna 2015).

In 2002-2014 (until 30 April), 174 hospitals were commercialized in Poland, including 125 based on the act of 30 August 1991 on health care institutions and 49 based on the act of 15 April 2011 o health care activities (Fig. 1). In 38 SPZOS's transformed into limited companies, the local government entities sold the shares or stocks (Supreme Audit Office 2015).

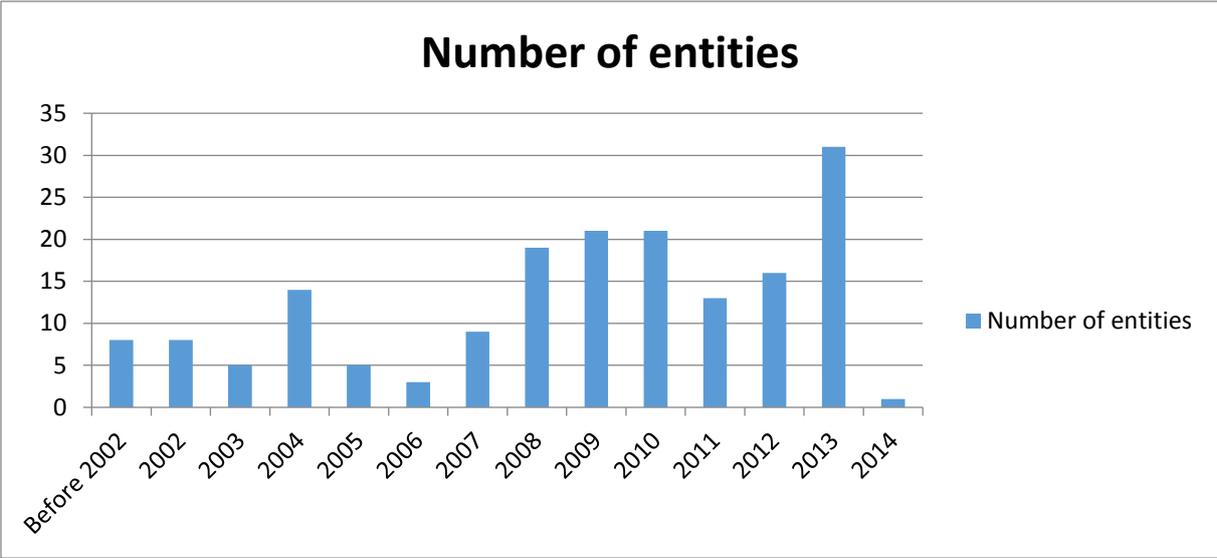


Figure 38: Number of public hospitals that changed their organizational and legal form from SPZOS's into limited companies in 2002-2014 (to 30 April)

Source: The data published by the Ministry of Health as of 30th April 2014 based on information of the audit by the Supreme Audit Office (Supreme Audit Office 2015).

Despite intensive measures taken by the local government entities and state government (debt adjustment and supporting SPZOS's restructuring) in 2003-2012, ca. 60% of hospitals were unable to reach profitability and reduce debt maintained in the country at the level of 10 billion zlotys (ed. Hausner 2013). However, in light of large debt of hospitals, the attempts of local governments to make investments and buying equipment to substantially improve medical services should be emphasized.

**Conclusion**

Facing serious problems with financing of in-patient health care, many local governments decided to transform hospitals in commercial law companies. Hospital commercialization was preceded by adoption of the restructuring program (often limited to staff reductions). In many cases, commercialization improved the financial standing, but there were also cases that were opposite to this tendency. Positive financial result of hospitals is not connected with its organizational form, which is demonstrated by the below presented audit results. The level of contracts from the National Health Fund (NFZ) is decisive. The audit of property transformations by the Supreme Audit Office in 2006 - 2010 demonstrated that commercialization of the most of hospitals does not yield the expected effects (short time of

operation of the limited companies established to replace the liquidated public hospitals does not allow for a more comprehensive evaluation of the solutions and effects). The most important goals concerning stopping generation of loss and reduction in the queues of patients waiting for health services were not reached in the most of the hospitals. It was found that the hospitals that generated substantial loss before commercialization, started another "debt spiral". Profit was made by these institutions which turned around and seriously limited loss through adjustment of their own structure to the market needs, optimization of employment, good work organization and effective negotiations with price suppliers and deadlines for medicines and medical equipment (Supreme Audit Office 2011)

The last audit by the Supreme Audit Office for the years 2011-2014 revealed that establishment of companies to replace SPZOZ did not limit the number and scope of health services. No significant changes were observed in the method of management of these entities and the hospitals transformed did not take sufficient actions in order to improve performance. They did not perform analyses of costs incurred for implementation of individual medical procedures did not evaluate their profitability. None of the audited entities developed tools for current analysis of local demand for paid medical services. It was found that in 2011-2014, merely 34 local government entities obtained subsidies based on the act of 15 April 2011 by transformation of 45 SPZOZ's of the total of 500 entities as expected by the Ministry of Health. In the same period, 23.8% of the resources from the budgetary reserve for this purpose were used.

The Supreme Audit Office's audit revealed that the change in legal form of the health service entities may yield benefits if the companies implement tools to facilitate management through recognition of local needs and assessment of the market of medical services and further rebuilding of the system of health protection by the Minister of Health and creation of the mechanisms of real competition between companies for public resources based on quality and effects of the services (Supreme Audit Office 2015) Therefore, commercialization cannot be approached as a goal itself but as an introduction for further transformations that engage the whole economic and financial management of hospitals. The effect and goal of these transformations should be to find additional capital, improve performance and quality of services and to facilitate access to financial instruments used by private entrepreneurs (Horosz, Grzesiok-Horosz&Skowron 2012). However, commercialized hospitals transformed into companies may actually generate the risk of the negative financial results. However, since the companies, contrary to SPZOZ, have the liquidation capability, the other effect of commercialization may be even liquidation of the hospital (Horosz 2013). Both liquidation and recovery proceedings can be used with respect to the commercialized hospital. Therefore, resting the whole system of health care only or mainly on private entities may pose threat to the health system in the state (Dercz&Rek 2014)

There are examples of SPZOZ's which reach positive financial results, with managers coping very well with cost management. Therefore, their liquidation or transformation into limited companies seems inevitable. In other cases the only solution to avoid liquidation or transformation of the institution in the limited company is profound recovery restructuring of the entity. In the case of entities that reach negative financial result, it is usually necessary to reduce personnel costs, which are often excessively high at non-medical administrative positions. One of the methods to reduce costs connected with insurance by the health care institutions can be establishment of the internal mutual insurance company (Rapkiewicz 2012). It is important that the hospitals operate within the system of contracting the services by the public payer with consideration for the map of health needs correlated with financial opportunities of payer and based on the rating scale of health care entities (ed. Mađrala 2013) At the end of 2015, the Ministry of Health (MZ) presented draft legislation guidelines for the act of health activities with its goal being stopping the hospital commercialization. According

to the Minister of Health, commercialization and, consequently, transformation into companies and privatization of public hospitals is a process which did not prove successful. The MZ stipulates that if hospitals cannot cover their own debts, the recovery activities should be taken by the founding entity (mainly local government). The MZ also proposed the legislation that allows local governments to finance health services by buying the services from the SPZOZs for which they are the founding bodies and in the companies where they have a majority interest (Polish Press Agency 2016).

According to the president of the Polish Powiat Association, the negative financial result of hospitals results from constantly changing legislation, insufficient medical staffs in Poland, lack of payments from the National Health Fund (NFZ) for overspending, and many years of underestimation of the costs of services by the NFZ (Mikołajczyk-Kłębek 2016).

## **ASTROTURFING VERSUS GAMIFICATION– HOW COPANIES CAN MISLEAD CLIENTS**

Nowadays, astroturfing and gamification are not only a business practice but also the subject of scientists' interest. It has been researched on from various perspectives – motivation, education, environment and, of course, business. Many reasons lead to choosing astroturfing and gamification as research objects. They were formed and started to function at a similar time – '50s. But technology evolution and the World Wide Web spread had a key impact on their development. The Internet let both techniques expand and extended their influence on communication reality and strategy of nowadays organizations.

Astroturfing is a strategy that usurps citizens' identity; it disseminates deceitful messages in the public sphere, and it benefits from the credibility and empathy usually attributed to citizens' participation and communications. Moreover, there is no paper that offers a research design dedicated to astroturfing as a phenomenon or communication strategy. No definition is consensual in the literature. There are many other expressions invented to refer to astroturfing or similar strategies (undercover marketing, sock-puppeting, front groups, cloaked websites, etc). And again, there is no consistency among them. However, the biggest challenge here was to find data about astroturfing cases. Direct observation or interviews are not possible. McNutt and Boland named this difficulty: "These will be difficult entities to study because they are identified only when they become ineffective. Standard approaches to [...] sampling won't work. [...] Insiders would probably consider this as client confidentiality or trade secrets." (2007, p. 7). The research can only be based on denunciations from secondary sources hence each source has its own bias. Although there are some outworn examples of astroturfing (dated 2006) already functioning in the literature – a failures of Apple App Store and Wal-Mart [Jacobs 2012; Yin 2008] One of the first examples recognized and named in literature as astroturfing was case of Tobacco giant – Philip Morris – executives telephoned art institutions that received significant donations and asked them to voice support for the company with the City Council [Goldberger 1994]. The Federal Trade Commission (FTC) brought charges against Apple App Store for deceptive advertising after the firm hired interns to write positive reviews for video games for its clients. The settlement involved an order to remove all posts made by staff of the firm. [FTC, 2010] Wal-Mart was spectacularly caught for astroturfing in 2006 [Barbaro 2006] and again in 2010 using a fake online community to support opening a Wal-Mart outlet in Chicago. [Robinson, 2010] Wal-Mart also secretly funded antidevelopment campaign by opposition outlets, artificially boosting grassroots action in Chicago. [Zimmerman, 2010] Also the term 'gamification' is misleading and has introduced a number of associations and definitions. It may suggest playing at work, in the sense of adding rewards and points [Robertson 2010] or adding fun competitions and using 'Game Theory' [Peters 2011] to introduce

cooperation and conflict into decision-making processes or the application of lessons from the gaming domain in order to change stakeholder behaviors and outcomes in non-game situations [Robson et al., 2014 p. 352].

Gamification is a technique with wider organization perspective than astroturfing – it is met just as an example – in education [Müller et al., 2015], motivation [Lazzaro 2004], engagement of employees, clients or shareholders [Cruceru, Moise, 2012; Zichermann, Linder, 2013], marketing [Moise 2013] and market research [Bailey, Pritchard, Kernohan, 2015; Zichermann, Cunningham 2011], innovations [Roth, Schneckenberg, Tsai, 2015] and purchase context as well as in social and communicative persuasion and attitude change [Fogg, 2003, Hamari et al., 2014, Oinas-Kukkonen, Harjumaa, 2009; Oinas-Kukkonen, 2013]. This is of course the reason for having a lot of approaches and contexts and, as a consequence, researches and publications. Having that in mind, the perspective of this article was narrowed only to manipulative face of this phenomenon. There is a suggestion [Robson et al., 2015] that the heightened interest in gamification today is the result of three recent developments – the growth and importance of the computer game industry. For over 20 years now, game designers and researchers have invested in studies to understand what makes a computer game so engaging and successful. As an outcome there is a number of theories about the design and management of gaming experiences, and motivation of individuals to play. Moreover, the web-based technologies have changed how individuals and organizations conduct business. Companies continually work on finding new and impactful ways to better connect with, learn from, and influence the behaviors of employees and customers.

Opposite to astroturfing, it is easy to find examples of gamification, or even better, companies bandy in producing better games, and they boast who made the best game on the market. On the web pages it is easy to find companies' products as well as scientific articles and publications, e.g. Nike+, World Without Oil (designed by Jane McGonigal), Lego Mindstorms, and the newest Pokémon Go by Nintendo and many others. Of course, chosen techniques differ in principles and application methods, but their common ground is a need and desire to communicate with the client and the possibility of handling their manipulative application. For both techniques, the receiver of the message is substantially the same – the customer of organization. Recognized differences are in the other steps or components of method introduced by means of the communication process.

There is no doubt both techniques have become tools for companies to persuasively communicate with their clients and the general public. They may be inspired and used by members of the public themselves or they may be inspired by companies in the persuasive context. A company's inspiration may have an encouraging context or one which happens to be misleading in the sense of communication (persuasive, manipulative). This paper concentrates on the 'misleading-on-purpose' type of using the abovementioned techniques of communication by organizations. The aim of this paper is to compare these two types of communication techniques used by companies in a misleading form and – as a consequence – to resolve which one violates the social norms to a greater extent. The scale taken for the comparison is qualitative, based on elements of the Lasswell model of communication.

## **Methodology**

The method used here is a comparative analysis of astroturfing and gamification communication techniques. The article is based on literature review. The Lasswell model of communication has been chosen as a basis for comparison because it is a classic, linear, simple and well known model of communication, based on five systematic questions: who says? (control analysis), what was said? (content analysis), by which channel? (media analysis), to whom he directs the message? (audience analysis), what is the effect of the sent message?

(effect analysis) [Lasswell, 1973, p. 13] The formulated questions are here considered as the criteria to analyze the communication process. The model does not include a feedback, which is an essential element of communication. Without feedback it is an informing process, only feedback allows the process to be called communication. This is not a failure or objection against the Lasswell's model – he was considering the stage named *effect analysis*, which may be regarded – to some extent – as a feedback. It may take the form of final job effect, acting or giving up the task though, not just constructing another message. However, feedback has been considered as another criterion for comparison at the end of the list, to emphasize the essence of, the need for and power of this component of the communication process and to complement the comparative analysis of both methods of communication with client in its manipulative version, handling – astroturfing and gamification. There are numerous definitions of the astroturfing and gamification phenomena in subject literature. For the purpose of this study the following were accepted: Astroturfing is “a PR tactic used in politics and advertising in which actors are paid to display overt and apparently spontaneous grassroots support for a particular product, policy, or event” [<http://www.dictionary.com/browse/astroturfing>]. It is also the use of bogus grassroots efforts that primarily focus on influencing public opinion and are typically funded by corporations to form opinions [Cho at al. 2011, pp.571–587].

Astroturfing is an American neologism referring to the creation of fake grassroots strategies. It was coined in the mid '80s by Lloyd Bentsen, then senator of Texas. Astroturf is the brand name of synthetic grass used on sports fields. The term is used to compare authentic grassroots campaigns to other public relations, political or advertising campaigns that pretend to emanate from citizens, but do not. An astroturfing strategy is characterized by three specific facts. First, its true source is hidden. Second, it suggests that citizens created it and third that it strictly defends citizens' interests, without pursuing other self-serving goals. [Boulay, 2013, p. 179; Kolivos, Kuperman, 2012] Gamification is the use of game-play mechanics for non-game applications [Deterding et al. 2011]. It is the application of typical elements of game playing (e.g. point scoring, competition with others, rules of play) to other areas of activity – in this paper it is narrowed and relates only to a company's communication with clients. [Pavlus, 2010] The term gamification was coined by Nick Pelling in 2002. [Szyma, 2013] first documented in a blog post by Terrill [Terrill, 2008; Zac, 2013] but the second half of 2010 brought its popularity. [Deterding, et al., 2011].

## **Principal results**

Five criteria were taken into account, which will be subsequently discussed below.

### ***Who says? (control analysis)***

Some authors [Wang at al. 2011] consider astroturfing as information dissemination campaigns which are sponsored by an organization. As it is misleading, astroturfing is conducted by an external company, usually a PR agency, rarely does a company carry out astroturfing itself (e.g. Microsoft [Gillmor 1998]). A “front group(s)” may be used – these are “fake citizens' groups” who create the impression of serving the public interest, while in actual fact they are working on behalf of the company that is sponsoring them [Johnson, 2009]. Front groups try to resist legislation and/or scientific consensus (e.g. environment warming issues) that is damaging to the sponsor's business. They emphasize minority viewpoints, spread doubt and publish counterclaims by experts sponsored by a corporation. [Cho at al. 2011, p.572-3; Monbiot 2010; Monbiot 2006; Lyon, Maxwell 2004, p. 563]. Other type of disseminators are fake bloggers [Sweetser, 2012], who create blogs to pretend a consumer originated one but they write to fulfill the company's commercial interest [Shippey 2013]. Astroturfing is also conducted by the use of ‘sock puppets’ – one person who has multiple on-line identities to give

the appearance of huge support. They post under these fake identities or anonymously [Bruinius 2013; Lyon, Maxwell 2004, p. 573; Wright 2004]. Some companies even use “persona management software” – which automatically generates online furniture that a real person would possess – resembling an authentic profile (name, email accounts, web pages and social media) [Monbiot 2011]. *A massive support for a project is staged by using databases, people are hired to demonstrate support in the streets* [Gittlitz, 2013] *Ghostwriters send letters to editors* [Oostveen, 2008]. Astroturfers may be paid a small fee to talk up organizations products and services on the Internet [Simpson 2011, p. 37] eg. on crowdsourcing sites [Kyumin et al., 2013], the payment is based on the number of posts they make that are not flagged by moderators. The software used enables each paid poster to manage five to seventy convincing online personas without getting them confused. [Monbiot 2011; Cheng et al. 2012] *They may also receive sponsorship, free products, paid travel accommodations or other rewards* [FTC]. On the other hand, gamification is created and conducted by a company, some of whom are even proud of the game they introduce to the public and to clients. It is a public and open communication and the company must take full responsibility for the content as well as for the result. It is based on encouraging, attracting or luring people to join the activity the company offers, in order to spend money. A number of games are offered as services to consumers [Huotari, Hamari, 2012, p. 17].

#### ***What says? (content analysis)***

Astroturfers say whatever a company needs or wants – positive reviews of a service or product of the company, negative comment on competitors’ products or on whole competitor company (using product’s or company’s name), criticize participants and their comments, build online rankings of best/worst product. [Bruinius 2013; Lyon, Maxwell 2004, p. 573; Wright 2004] If in the absence of widespread support for a position, some unseen entity manufactures the appearance of it, the recognition is complicated, but “Here’s a rule: Organizing isn’t cheating. Doing everything in your power to get your people to show up is basic politics. If they believe what they’re saying, no matter who helped organize them, they’re citizens and activists. The language at the town halls may get ugly and rough. But it’s not Astroturf.” [Sager, 2009] The content of gamification communications may vary – but it is usually very much thought over and set on five necessary elements for the game to be considered interesting: (1) to look for something novel, do something new; (2) set challenges; (3) think creatively; (4) to choose a more difficult path (5) to make new contacts [Kuszewski 2009]. The player is a center character of the game with a set mission (a kind of journey), given motivation (challenges and constrains) given rules (points, badges, leaderboards, relationships) – these should be designed in the corporate context, with legal, social and ethical consideration, and what is most important – it should be a pleasure and fun. The consumer should find it irresistible. The most popular is a game or platform with a set of different games which are virtual (e.g. Samsung) or conducted in real life (e.g. ‘Nike+’ with ‘Zombies, Run!’ or Nissan for electric cars) This is about loyalty–set programs where the client can get a discount on a future purchase (e.g. ClickBlog gives one point for every dollar spent on the website, a discount is then given for the accumulated number of points, BP gives points and then gives chosen goods for a certain number of points).

#### ***By which channel? (media analysis)***

Astroturfing is possible only by non-face-to-face communication. The Internet is the best channel for this purpose [Simpson 2011; Wright 2004; Bruinius 2013]. Newspapers are also worth mentioning – mass-produced letters may be printed on personalized stationery using different typefaces, colors and words to make them appear personal [Shippey 2013]. Gamification is a communication technique also conducted via the internet, but sometimes refers to real life activities – collecting mugs, cards or other material items. Actually, the mug

is not a communication itself, but it is a not so straightforward and obvious statement. The mug may be sent by a company without informing the client, as a surprise – which may be considered a message of a company’s involvement with and care for a client. The mug may exhibit a graphic image – which is also a message. Additionally, gamification activities may be started on a web page, then transferred to real life, then the outcomes return to the computer.

***To whom the message is directed? (audience analysis)***

Both ways are directed at the client and society to encouraged them to engage in a company’s activities. Both want the client to spend money on a company’s goods and services.

***What is the effect of the sent message? (effect analysis)***

Astroturfing’s effect is to create a false impression of grass-roots support for issues, to convince to buy, support, or to refrain from some activities or purchase – like the greenwashing campaign for “safe towels” [Sullivan 2009] or the National Smokers Alliance for Philip Morris [Beder 1998]. Apart from being encouraged to make a purchase, the same message used by companies may – in the case of gamification – be used to recruit staff (from clients), motivate clients to engage (make a purchase, advertise a company and its products to others, win something extra), maintain loyalty by rewarding and building membership, educating, and reducing a company’s costs.

***Feedback – possible defense way***

The effective astroturfing strategy is the one nobody notices, no organization or professional will voluntarily share its latest coup or best practice (apart from the article on the return on investment discussion of three strategies: lobbying, bearhugging and astroturfing, by Lyon & Maxwell 2004). In the communication industry, be it in public relations, political communication or marketing communications, astroturfing is an open secret (Krashinsky, 2009).Astroturfing can be effective in the short term and damage the company’s profitability and reputation in the long run. A single act of astroturfing discovered by receiver can result in a continuing campaign of distrust. The damage to brand reputation may not be erased, as the history of all such feedback can be captured by internet archives and reproduced even for already well behaving organizations. There are proposals of defense method against astroturfing [Jacobs 2012, p. 570]:

1. If comments are posted on Twitter, check the date of establishment of the account, and past behavior of that user. If they are a recently established account or if their past behavior includes a seemingly random array of posts with little interaction they are likely to be a fake account. Advised response: report account to Twitter. [<https://support.twitter.com/articles/64986-how-toreport-spam-on-twitter>]
2. The same applies to comments posted on Facebook. Advised response: report account as a fake to Facebook. [<https://www.facebook.com/help/?page=204546626249212>]
3. If comments on app markets appear suspicious, you can report these reviews to the app market. A warning though: if you are consistently identifying accounts as spam or fake, then you may be flagged as a spam user yourself. You need as much evidence as you can get. Advised response: on the Play Store, hit the spam button on any individual review. On the Apple App Store, contact the support section [[www.apple.com/support/mac/app-store/](http://www.apple.com/support/mac/app-store/)], and on Microsoft’s Marketplace, you can place a post on identifying any reviews you feel are suspicious. [<http://answers.microsoft.com/en-us/winphone/forum?auth=1>]
4. If the reviews are occurring within a network or reviews site, then most networks will have their own reporting mechanism in place. Advised response: find the help centre or

‘contact us’ section of the site and follow their internal processes for reporting a breach of user policies.

5. Where you find an extended campaign of astroturfing action online on a dedicated site or across a range of sites and resources, the best response is to lodge a complaint with the Advertising Standards Bureau [[www.adstandards.com.au](http://www.adstandards.com.au)] or your local fair trading authority. [[www.business.gov.au/BusinessTopics/Fairtrading/pages/Fairtradinglawsinyourstateorterritory.aspx](http://www.business.gov.au/BusinessTopics/Fairtrading/pages/Fairtradinglawsinyourstateorterritory.aspx)]

On the other hand there is an organization which may be accused of astroturfing. There is a way to avoid such problem by [Lee, 2010]:

1. understanding the public’s digital and political savvy – achieved by developing content that both educates the public and helps inform constituents about an issue;
2. being up-front about participation – done by telling the public why company supports an issue, instead of hiding the reasons,
3. educating activists – teaching grassroots activists how to write letters on issues and meet members of Congress as a way to be more impactful.

Astroturfing is this kind of action that depletes the value of any and all grassroots action. It may also have legal implications. Although it is difficult to catch businesses in the act and it is difficult with enforcing consumer laws to protect, it is possible. If company suspects that a competitor is engaging in astroturfing, it is possible to track him down, to find the person responsible (e.g. through an IP address) and reveal it. Facebook and Twitter and other social networking sites may cooperate to help in tracking down fake accounts.

The case of gamification is different – the manipulative version occurs only sometimes, and if it happens, it influences any company cooperation, relations for a long period of time. To prevent from being manipulated by gamification, it is necessary to know the engagement gamification mechanism. One of them is shown below: Mechanics form the structure that the gamified experience exists in; however, on their own, mechanics are not enough to create an experience that will motivate behavior changes in target employees or customers. Emerging from this structure, both dynamics and emotions animate the experience and are key dimensions in creating the desired behavior change. This interdependent relationship between the three gamification dimensions signal to designers what changes, if any, need to be made to the mechanics to ensure that the organization's goals are met.

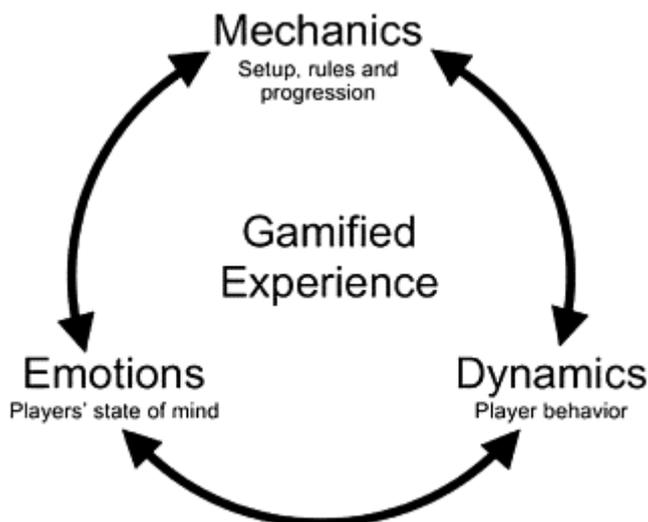


Figure 39: MDE framework of gamification principles

Source: Robson K., Plangger K., Kietzmann J.H., McCarthy I., Pitt L. (2015): Is it all a game? Understanding the principles of gamification. *Business Horizons*. July-August 58(4), p. 414

**Mechanics** are the decisions that designers make to specify the goals, the rules, the setting, the context, the types of interactions, and the boundaries of the situation to be gamified. They determine who the key parties are, how they interact, how to win or lose, and where and when the experience takes place. There are three different types of mechanics: setup mechanics, rule mechanics, and progression mechanics. *Setup mechanics* are for shaping the environment of the experience, including the setting, what objects are needed, and how the objects are to be distributed among players (e.g. determining competitor as known or unknown, internal or external, single competitor or group). These decisions impact the overall context of the gamified experience. *Rule mechanics* shape permissible actions and also the constraints (e.g. time restriction) that limit those actions in order to create pressure for players. Some rule mechanics are highly deterministic and invariably produce the same result if the player input is identical each time. Other rule mechanics are non-deterministic, especially when elements of chance are involved or when players are allowed to interact with each other. *Progression mechanics* are particularly important: they dictate the reinforcements present in the experience. Behaviors with rewarding outcomes are more likely to be repeated. Rewards used may be virtual victory point systems that players accumulate as they progress – such as scores, levels, progress bars, or resources (e.g., strength), and they may also be real rewards (e.g. currency) or achievement rewards with social significance (e.g. badges, trophies, leaderboards) that indicate the social standing within a community. Progression mechanics provide important feedback of a player's success but it must be desirable for the players; otherwise, the experience loses its salience.

Gamification **dynamics** describe in-game behaviors and the strategic actions and interactions that emerge during play. Ultimately, possible dynamics include competition, cooperation, cooptation, cheating, and many other behaviors. Gamification dynamics are difficult to predict and thus can lead to unintended behaviors and outcomes, which can be positive or negative in nature. Designers do not know exactly what will happen. The designers are challenged for anticipating the types of dynamics that can emerge and to develop the mechanics of the experience appropriately. Gamification **emotions** are the mental affective states and reactions evoked among individual players when they participate in a gamified experience. Emotions are a product of how players follow the mechanics and then generate dynamics. The emotions in a gamified experience should be fun-oriented, because players will not continue to play if they do not enjoy themselves. Fun and enjoyment can occur as excitement, amusement, amazement, surprise, wonder, and personal triumph over adversity. While fun should be part of the experience, a mix of emotions is often felt by the players – including negative feelings, such as disappointment at losing or sadness at not achieving a reward.

In sum, the MDE framework shows how small changes in one principle can impact the other two and create different experiences. In case of manipulative version of a game it helps clarify how designers and players may perceive gamified experiences differently. Usually, gamification designers' foremost focus is on selecting appropriate mechanics in order to retain control over the experience, followed by a focus on dynamics, and lastly on players' emotions. In case of manipulation, emotions are key. In optimized gamified experiences, the equilibrium is requested. As a result, understanding gamification mechanics, dynamics, and emotions and how these principles relate to one another is a key to avoid succumbing to manipulation process.

## **Result and discussion**

Taking into consideration the below mentioned criteria – it may be stated that astroturfing is more misleading than gamification. The company initiates both activities, but in case of astroturfing, the company hides its identity through so-called social movements, grass-roots paid for by the company. The message is either to praise and glorify the company and criticize and disapprove of others (in the case of astroturfing) or to lure people to engage in a company’s activities. Gamification is a sophisticated technique where specialists work to design an ‘unrejectable’ game. Both are designed to sell a company’s product and services. The channel itself does not have differentiate features – in both cases it is the internet, but games played have an impact on real life not only in the form of luring to purchase but also luring to e.g. starting new sport activities. In both cases clients may not know that they are the subject of manipulation, in a sense, to win their engagement, information, time and money.

Table 31: The astroturfing versus gamification message – the perspective of Lasswell's model

<b>Astroturfing</b>	<b>Lasswell criteria</b>	<b>Gamification</b>
A front group(s), fake bloggers, sock puppets in the name of a company	who	The company itself
Positive: encouraging about a company and its products Negative: about competitors	what	Engage, encourage, lure into a company’s activities
The Internet, newspapers	which way	The Internet, real life
The client	whom	The client
The impression of grass-roots support	what effect	Recruit staff, engage clients, maintain loyalty, building membership, educating, reducing a company’s costs.
Drop on credibility and reputation (archive), legal effects, check the reliability of web-user	feedback	Mechanics, dynamics, emotions – keep and stabilize proper proportions.

The effect is more spectacular in the case of gamification. It may bring certain positive outcomes to the client, as opposed to astroturfing, which is the reason it may be considered as less ethically unfair.

### **Conclusion**

There is a great deal of scientific elaboration on the techniques of astroturfing and gamification, as a quick internet search will show. Astroturfing is – by definition – treated as a manipulative, dishonest technique, unlike a real ‘grass-roots’ phenomenon. There is no doubt about the ethical attitude. Completely different is the approach of gamification, which has a mainly positive resonance. There are rankings of the best company games and gamification tactics, as well as ranks of the worst. Games are good if they are interesting, addictive or/and engaging. Educating as well, but this is an additional feature, not the main one. The question arises: how many clients are aware of the effects of their gaming – shearing the personal issues – health state and habits, money spending pattern and so on. What if they were or are? What are their attitude towards particular elements of games? On the basis of this paper, more in-depth research is recommended on gamification in its manipulative communication context.

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