INNOVATION AS A SOURCE OF THE COMPETITIVENESS
Looking for Management Advantages

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PREFACE

Innovation is a natural tendency of the human mind to thrive on variety, regardless of the activity involved. All the man-made changes that the world has witnessed are a result of this tendency to look for something different. The urge to try something else is a prominent human characteristic. When properly directed, this urge can have results that enhance the quality of an activity. A positive outcome of this urge to be different is called innovation. There is no end to the new ideas in the world, but when these ideas create value, it becomes innovation. Often enough, it is the application of existing knowledge in a different manner that stands out as an innovative idea. Usually, one idea gives birth to the next and new technologies, processes and methods come into being. Good ideas are of no use unless they are implemented, and implementation in a new way always attracts criticism. It is only by being optimistic in the face of odds that an individual stands a chance of achieving something unique.

Different business reports produced by the Boston Consulting Group demonstrate that for almost 90 per cent of CEOs generating organic growth through innovation has become essential for success in their industry. Over the recent decades, rapid development of various aspects of innovation has been observed. Innovation is understood as the process and outcome of creating something new and valuable. Traditionally, attention has been mainly devoted to new products or processes but recently new business models have come into focus, i.e. the way a firm delivers value and secures profits. According to Schumpeter, innovation encompasses the whole process from opportunity identification, through ideation or invention to development, prototyping, production, marketing and sales, while
entrepreneurship needs to involve only commercialization. Nowadays, it is also believed to be characterized by the capacity to adapt quickly by introducing new innovations (such as products, processes, strategies, organization, etc). Innovation refers to the entire process involving the use of creativity and research to generate new ideas as well as feasibility studies to evaluate their cost-effectiveness, the use of risk analysis, design and development, new policies and procedures, market research and marketing, and launching of the new product or service. So innovation is everything that can help an organization to improve its competitiveness.

Why is innovation important for competitiveness? Innovation can help to develop an organization’s ability to create value for the shareholders, customers, vendors, and employees, to reduce costs incurred by this organization, and to provide stronger business relationships. In our opinion, the innovation process may be divided into three levels which could be understood as a source of competitiveness in contemporary organizations: (i) organization culture, governance and knowledge capital, (ii) marketing, public relations and product design, and (iii) competitive advantage strategy. However, we should not forget about several modern challenges to innovation, such as: globalization; changing technologies, markets, customers and their needs as well as outsourcing, and the pace at which innovation becomes obsolete. Nonetheless, it is crucial to bear in mind that only innovative thinking is the nucleus of innovation and competitiveness.

It is widely recognized that learning involves both the development of absorptive capabilities at the level of organization and the use of knowledge from a variety of sources. The role of external sources in innovation has been increasingly emphasized in the analysis of innovative behavior, and in studies of evolutionary economics and systems of innovation. The external sourcing or knowledge utilized for the purpose of
innovation has also been clearly highlighted in theories of organizational learning in knowledge-based firms, and in the emerging theories of open innovation. Theoretical implications of these approaches propose that innovation depends on the leveraging of organizational capabilities and resources – both the ones accumulated by internal functional units and the ones that may be acquired through contacts with other organizations such as suppliers, customers, universities, research institutions, etc. Evolutionary theory suggests that diverse sources of information allow a firm to create new routines through a combination of technologies and knowledge, which leads to an increased number of opportunities for dynamic innovation and selection of a competitive technology. Likewise, organizational learning theory holds that innovation is an interactive learning process involving generation, adoption, implementation and incorporation of new ideas and practices both on the internal and external level. Thus, the outcomes of organizational learning generate knowledge and skills that firms need in order to be able to select, acquire, maintain, adopt, improve, and develop competitive capabilities. Such knowledge and capabilities further foster better understanding, evaluation, and utilization of external knowledge by these firms in the future. More recent theories of open innovation elaborate on the use of both internal and external ideas and paths to the market, which increases the number of possible innovations and ways in which firms can capitalize on these innovations. Finally, innovation theories suggest that innovation is rarely achieved merely on the basis of resources available within a firm but it is also developed within the context of institutions, government policies, competitors, suppliers, customers, value systems, and social and cultural practices that affect innovation activities.

Based on thorough theoretical and up-to-date knowledge on innovation processes, our book analyses the role of innovation in increasing competitiveness of different types and in various organizations, business
entities or other institutions. It is build on an assumption that innovation and competitiveness are closely related. Such a close relationship between these two notions becomes clear if we take a look at the following proposed definition – innovation is an activity that involves discovery, evaluation, and taking up opportunities to introduce new products and services as well as exploring new markets, ways of organizing, processes, utilization of raw materials, which is achieved through developing methods that has not existed before and which could bring competitive advantage to an organization.

Our additional aim is to find out where contemporary innovative ideas come from and how they evolve in modern organizations. Another question that is raised touches upon impacts of innovation on an organization’s performance, survival and competitiveness.

We decided to divide the book into three main parts. The first part is composed of three chapters containing an introduction to the subject of innovation and presenting it as a process, system, and type of organization of economic activity. Chapter one discusses perspectives provided by integrative complex evolving systems (CES) on innovation in the wider context of organizational systems. Its sections demonstrate how and why the perspectives provided by CES constitute the most appropriate paradigm for considering innovation in the context of business. The aim of Chapter two is to present some characteristics of the newly established regional innovation platform and competitive business behavior that represent a source of current business dynamics. It examines innovative regions marked by competitive behavior of actors from the firm-level perspective. It also focuses on the different options business actors have in seeking higher competitive positions and presents a framework where competitiveness and a regional innovation policy play a crucial role. Chapter three closes the part of the book dedicated to macroeconomics
and macro-innovation problems and presents changes in innovation that the Polish economy has undergone within the last twenty years.

The next part of the book covers different topics connected with micro aspects of innovation or business areas and levels of it. Chapter four of the book defines main economic and non-economic determinants for improving innovative activity of small and family-owned enterprises. The benefit offered by improvement in this field is that innovative strategies followed by small and family-owned businesses may develop competitiveness of the national economy. The central aim of chapter five is to define the interrelation between the means of personnel appraisal applied at an enterprise, and the level of knowledge management achieved by it. The author concentrates upon the issue of human resources management and its role in the development of knowledge and innovation management in enterprises. Chapter six focuses on presentation of the consequences of innovation and globalization on further programming of advertising activity of foreign companies functioning at the Polish market. The author wants to show that innovative advertising strategies, especially adopted by foreign small and medium-sized enterprises, may contribute to the development of the domestic advertising services market and competition between advertising firms. Chapter seven presents an immensely interesting subject of the model of kleromarketing management. Innovative activity of church and its institutions can help them to compete in difficult business areas. The last chapter of this section presents organizational culture as a key factor in enhancing the degree of innovation in small and medium-sized enterprises, based on the example of Romania.

The last section of the book is concerned with introducing innovation with regard to different potential fields of innovation and competition. Chapter nine presents the growth of tourist activity by
clusters development. Clusters have become one of the most popular concepts of local and regional development for modern tourist practices. The next chapter elaborates on all the features and qualities which should characterize modern innovative managers. Chapter eleven proposes that investment in human capital, development of knowledge and skills, and innovation are of decisive significance for the economic growth of a region. In consequence, in order to create economic growth, it is necessary to attract, develop, and retain human capital.

The book is written by researchers from several countries and academic centers (e.g. Slovakia, Romania, Norway, Poland) who remain active in their respective areas of interest. The writing style makes the chapters accessible to students, scientists and practitioners. We would like to thank all of the contributors for their hard work and patience in making this book come to fruition.

Warsaw, June 2012

Marcin W. Staniewski
Piotr Szczepankowski
A COMPLEX CO-EVOLVING SYSTEMS PERSPECTIVE ON INNOVATION AND BUSINESS

Adina Tarry

Introduction

The world around us has been changing in the last few decades faster and more profoundly than even before in the history of mankind and this new world, highly complex, interdependent and connected, requires a shift of our analytical paradigm to match this new reality. It calls for an integrative model which considers the interconnectivity and interdependence of as many aspects of our reality as possible is the new appropriate and necessary paradigm which reflects our times defined by complexity and change.

No longer is it sufficient to take a convergent approach and analyze aspects of reality “in vitro” through specialized and scientifically separate disciplines. The time now is for a new perspective which is holistic and integrates the rich and advancing knowledge of discreet disciplines, into a connected and dynamic bigger picture.

The following sections of this paper demonstrate how and why a complex evolving systems (CES) perspective is the most appropriate paradigm when considering innovation in the business context.

1. THE NEW WORLD OF BUSINESS

The world of business has changed dramatically in the last 20 years and the depth and pace of change have been unprecedented. This change has impacted our business and personal lives in all their aspects. Understanding this impact requires a new perspective, a systems based
point of view and to demonstrate why, this section covers just a few of the critical aspects that define the world of business today.

1.1 Technology.

The face of the world has been irreversibly transformed by a few but far reaching technological events starting with the 1980s. The workings of our office and our daily lives have since been modified irreversibly.

To name the most significant two, the Fax machine (replacing the telex machine and often the post) and the PC (replacing manual information processing, storing and transmission) brought about unprecedented speed and flexibility for managing, storing and transmitting data.

Within years the PC became mass produced at ever decreasing prices and invaded not only our offices but also millions of homes around the globe.

The price of this technology has dramatically decreased whilst the new technology makes possible the transmission text, sound and vision, as email attachments, instantly. The gates to information for all have been opened by the Internet, and the combination of PC and internet has placed an awesome power in the hand of everyone who can access a computer and a mobile phone.

Today knowledge is available around the world 24/7 for anyone to access.

Whilst some generation have been left behind by this change, there is an expectation of all to utilise this new technology.

Software brings together the head and tail of the business process.

This integrated software and communication technology gave rise to ICT – information communication technology.
A perfect example of this very profitable marriage is the Call Centre, designed to break the barriers of geography, biology and time and operate 24/7, around the world and “never sleep”. The “call centre agent” man the phones attached to their heads and watch the screens with an efficiency of 58 or so seconds in every minute.

1.2 Globalised work force.

Forced by the technological changes, the global companies were forced to react and change the way they utilize workforce, by integrating workers from around the globe, often managed remotely by bosses sitting at the other end of the planet and other cultural paradigms.

This reality was only reflecting the overall movement of people across the globe, as tourists or economic and political migrants, taking advantage of easier and cheaper travel.

The planet has become increasingly integrated, culturally cosmopolitan and economically globalised, with companies worldwide becoming micro-representations of society at large.

Reflecting these changes and a new slimmer way of faster and flexible operating need, the matrix organization was born.

The implications of this in terms of job nomenclature and skill set are as obvious as they are deep. Many of the jobs we casually talk about these days simply did not exist even five years ago.

1.3 The new consumer.

Organizations were now focusing on returns to shareholders and customer satisfaction.

But the very concepts of Market and indeed Client have also enormously evolved.
The “Do it yourself” customers of today, can order products, pay bills, print statements and install and fix products themselves, make all booking, even check in on air flights, are all possible due to the Internet, the PC and the mobile phones, widely accessible and affordable.

The Client of today is a powerful figure, educated, sophisticated, informed, demanding and discerning, asking organizations not only for a good product, but corporate responsibility and global citizenship. Reputations and brand image are now worth the position of a company on the stock exchange. Today we talk about “stakeholders”.

In this complex backdrop, quality management and TQM becomes a critical force, holding the balance between “hard” aspects of quality, related to process, technology, production on one hand and the human “soft” aspects of quality related to intricate relationships between the work force, internally and the organization and its mega system or clients and stakeholders, on the other. A convergence not easy to achieve (Tarry, 2008).

1.4 Generational values.

But consumers as well as employees and the markets are subject to biological and generational trends.


In the emerging markets of the larger Europe and the former Eastern block, there is also the juxtaposition of the pre and post market economy generations, creating a mixed and challenging melting pot of value and beliefs (Tarry, 2008).
1.5 Culture.

Quite likely, these generations are carriers of a culture with different, possibly antagonistic values and aspirations. Process and technology alone could not possibly align this internal diversity but could be jeopardized by resistance to change.

Different generations and groups driven and motivated by different, sometimes antagonizing goals and expectations, plus all the other external and internal environmental factors, create a very complex and potentially uncontrollable mix, which could be considered a complex evolving system (CES).

Culture itself is a multi faceted term. When talking about culture in organizations we actually talk about team culture, function culture, organizational culture, industry culture and national culture, all at once. In addition we have subcultures, trends and memes.

With so many layers, the theory of complexity and chaos theory have become explanatory modes, closer to reality and significant work has been done to Complex Evolving Systems theory and principles, to human systems, namely in organizations and management.

AN INTRODUCTION TO COMPLEXITY

To understand the suitability and applicability of a complex evolving systems perspective on innovation in the business context, this section provides a brief introduction to complexity ideas and principles.

This section will endeavor to very briefly demonstrate the usefulness of considering this point of view, when positioning the business innovation as a complex evolving system, within the wider organizational eco-system.

The theory is in fact a unified point of view, based on research cumulated and merged, coming from both the USA (Santa Fe Institute and

1. Definition.

A complex evolving system could be defined as a system, where at least the four principles operating in what are known as complex systems are present and interact with another set of six principles, defined by further research, natural sciences (dissipative structures in chemistry-physics, complex adaptive systems in evolutionary biology, autopoiesis in biology and cognition and chaos theory) as well as social sciences (increasing return in economics). Together, they create the ten principles operating in what is known as complex evolving systems.

In complexity thinking, the systems rank from complex, to complex adaptive to complex evolving, each level being superior and also integrating the previous level.

Only since the 1990s and with much less impact, this viewpoint has been considered for human and social systems.

These principles present in the material world have – in our view – a part to play not only in social systems but also in sub-systems such as innovation and business, both being complex and also evolving.

The changing nature of such systems (social-economic-individual) has been established within the relevant sciences: psychology, cognitive psychology, psychology of the ages, psychopathology, pedagogy, sociology, which are all in agreement on the essential point that evolution
and change are intrinsic to both societies and individuals, their subject of research and existence being provided by precisely this reality.

Innovation is part of creativity and as such the object for research in psychology, cognitive psychology, whilst organizations are subject for social-psychology and sociology.

2. Operating principles in systems and complex systems.

The initial four principles used in systems theory are: connectivity, feedback, interdependence and emergence.

The complexity theory adds new dimensions to explore interrelationships between these four, but also between them and the other six principles of: far from equilibrium, space of possibilities, co-evolution, historicity & time, path-dependence and creation of new order.

The following is a simplified overview of what these principles mean, with occasional examples from the social, organizational or innovation perspectives, for clarity.

2.1 Connectivity, feedback and interdependence

The principles of connectivity and interdependence qualify the fact that within a system or complex structure, the components are very deeply interrelated and intertwined, so much so that if an external force impacts the system, or an internal component functions in a different way from usual, this will cause a reaction throughout the system due to the intra-relatedness and extra-relatedness that operates throughout the system, as a whole. The components of the system are also interdependent due to inter-connectivity, throughout the system.

In terms of human systems, at work or in everyday life, the interaction of a small group of people, for instance, will be changed by the
topics brought in by its members, and also by who and when they join or leave the group, and so on.

Complex systems interact with internal or external factors by the feedback mechanism, a correcting loop meant to either redress and maintain stability in the face of another influence, or move the system to a change.

Feedback also operates in relationship management where the behavior of individuals interacting is directed and regulated by the information going back and forth between individuals. The management process or the performance review process in business triggers a degree of regulation by the recipient of that activity is also dependent on feedback, in order to reinforce the continuation of that activity or cause it to change.

Positive or negative feedback can have dramatic repercussions within the wider system, due to the non-linear ripple effect and sweep the whole system.

A disenchanted manager can impact the whole team’s moral, a competent charismatic leader, can cause a whole positive cultural shift.

In addition, the feedback in human systems and also individual systems are not linear predictable, input-output loops, and so negative and positive feedback also needs to be redefined for human and individual systems, in the context of a non-linear, multi-dimensional, multi-leveled, multi-processed, intricate, intertwined and interdependent structure.

Individual psychological difference, personality types, varying values and belief, and internal or external motivation prevalence, cultural backgrounds, state of well being and mental health, all make a great difference, in the outcomes, when a group of employees are presented with the same external influences (job description or training activity or a management style or a given organizational structure)
Complex systems, however, are also subject to co-evolution, are dissipative, self-organizing, explore their space of possibilities, in addition to being subjected to feedback loops.

In a human system, connectivity and interdependence mean that a decision or action by an entity (group, organization or individual) may affect related entities not in the same way, but depending on the state each entity finds itself in. In social and human systems, aspects such as the state of knowledge, technology, beliefs will be a part of the entity’s structure and organization.

Complex systems are also multi-dimensional systems, all dimensions or layers. This is why interconnectivity is not necessarily a positive attribute for systems, due to ripple effect.

In human systems there is an optimum size of an organization around 300 individuals and this is based on the ability of humans to establish closer connections with a community, the size of a village. This model is also used by some organizations such as Johnson & Johnson and Virgin.

2.2 Far from equilibrium and space of possibilities

Given that complex systems are live and dynamic environments, the occurrence of an external force or a variance in internal forces will push a system outside its equilibrium and push it to find a new state of equilibrium.

The introduction of new technology in an office will disrupt the old way of working; require new training and new processes, possibly a new job description. Eventually the new way of working will become the normal way of working for a while until another change may disrupt this.

Innovation and new processes, in this respect have a disruptive challenging and destructive nature.
Organizations today in this new changing world must be able to respond quickly to change, adjust, adapt, modify the way they do business, their products, processes, to ensure business longevity and in the process find the best option for change and be able to explore the whole space of possibilities. One such specific ability to be flexible is called exaptation.

The important thing when far from equilibrium, is to allow the systems to find their own adjacent possible or “next best” path without too much design. path out of the possibilities in a creative way.

Entropy may cause a system to disintegrate but also to reorganize and be a positive force for change.

In this sense, a shortage of labor or resources may stimulate new innovative ways of working and utilizing resource.

But in human systems, humans can purposely create perturbations or facilitations for a new order.

So in organizations the concentration has to cover critical enabling aspects such as socio-cultural and technical conditions.

2.3. Historicity and time and path-dependence principles

Out of the exploration of possibilities, the one critical choice that is made, will become, in the future, the history due to which, in a new situation of several possible options, one single path will be taken. For an individual it means that future solutions, for a space of possibilities and alternatives, and path taken, will not be due to random occurrences but will be based on that person’s history, style and specific identity, making it very personal and coherent.

Whilst one single path is chosen, the alternatives explored remain as sources of innovation and diversification, which open up possibilities.
So history plays in complex systems and their evolution, a very important role.

2.4. Co-evolution, creation of new order and emergence principles

One of the key defining features of the complex evolving systems is their capability to adapt and evolve, create a new order and a new coherence and equilibrium.

When connectivity relates to different systems or sub-systems within an ecosystem, the changes triggered in one influence another, leading to co-evolution. Adaptation in one system will cause a change of landscape in the other.

Systems as such will adapt to a change in the environment (a distinct and separate environment or element) but co-evolve with other neighboring systems, as a part of their ecosystem (Mitleton-Kelly, Papaefthimiou, 2001).

In social ecosystems, all sub systems such as business, global, cultural, technology, legislation etc. are all related. Changes in consumer perception and legislation have forced organizations to change too. The sub-systems have adapted (organizational practice in response to change of labor legislation) but by co-evolution, the global picture today is very different from 10-15 years ago. There are also corporate responsibility and organizational reputation, new concepts that today weigh as much on the stock exchange as the very products of an organization in terms for instance of share prices.

Co-evolution also amplifies ripple effect: the velvet revolution or Ghandi’s passive resistance, which led to Indian independence and later to the collapse of the Empire. Co-evolution is therefore also subject to boundaries of responsibility and ethics.
In recent years the collapse of the world financial system was due, amongst other, to this short sighted appetite for profit and risk, backed up by specific culture and lax regulations.

Co-evolution (endogenous and exogenous) of a complex co-evolving system comprises, multiple, intricate, multi-directional links, and influences, direct or many times removed, which are propagated and established by the levels of connectivity and interdependence, in various degrees, and variable amounts.

2.5 Emergence

Self-organization, emergence and the creation of a new order are three of the key characteristics of complex systems. Emergence is a process to be considered as a whole, and creates a new order together with self-organization. Emergent properties rise above and beyond the sum of parts and represent a whole different from the sum of parts.

The relationship between the brain functions and the parts of the nervous system, as well as between brain and consciousness or creativity for instance, illustrates the concept of emergence.

One other key co-evolutionary process is quantitative accumulations causing qualitative jumps, and sending the system into a different level altogether.

The important notion about human systems is that they tend to create structures and ideas, an emergence which becomes part of individual and collective history and as such is irreversible. On this new knowledge, the building of the new continues by connectivity, interdependence, self-organization and emergence.
3. Complexity and chaos

Applied to human systems, the chaos and complexity theory are specific in that they describe the iteration (repetition) of certain patterns through the system, which can range from simple to complex, and give rise to very intricate outcomes, in spite of the original pattern being simple. Emergent order and disorder coexist in complex systems, at the edge of chaos, but complex systems are capable of adaptation and evolution, and changing the rules of interaction, breaking the pattern. This is due to human behavior being able to suddenly break repetition that natural systems may sustain.

One peculiarity of complex systems is that similarity and similar characteristics, can apply to both levels and scales of one system as well as between the system and another adjacent one. (rules applicable in one organization, across several functions of that organization, in one business sector, also apply to another organization in the same or another sector)

One pattern that can be repeated across different levels and scales, is known as a fractal. It denotes the multiple levels of a system whereas hierarchy denotes the levels of an emergent property.

BUSINESS AS A COMPLEX EVOLVING SYSTEM

Having demonstrated in the previous sections that Innovation is a complex system made of inner sub-systems and also part of outer mega and meta systems, such as creativity on the one hand and business on the other, it is necessary to keep in mind that organizations are themselves complex evolving systems. (Mittleton-Kelly, 1998)

An organization is formed of a number of sub-systems, such as business functions (HR, quality and compliance, R&D, manufacturing, sales and marketing etc.) also processes and technology, people and most
importantly, a specific culture that carries related values and beliefs, which set up a micro-society.

This section explores some of the main aspects of business, which in the next section, will be discussed in the context of being involved in or impacted by innovation.

1. Business and management

The role of management development and leadership in organizations has been widely discussed and researched and all findings tend to lead to the same conclusions. Management capability to ensure successful business in both tactical and strategic ways is a critical factor in every organization, hence a direct link to “soft” capabilities related to people and communication and organizational culture.

O'Sullivan, 2002, lists the following factors related to organizational culture:

1. Poor Leadership
2. Poor Organization
3. Poor Communication
4. Poor Empowerment
5. Poor Knowledge Management

These aspects of the organizational life are not technology and process related and do not suit a mechanistic approach to the subject; they link to individual psychology, motivation, collective socio-psychological context, values and aspirations.

The captains at the helm of this challenging and relentless change and transformation are themselves, on the one hand, just individuals, like any other, people following their own motivational, cognitive and emotional journey (Tarry, 2008). On the other hand, they are powerful and
instrumental in making decision in leading forward a large number of other people.

This is why in the last 15 or so years, Executive Coaching and Mentoring has become a very useful and effective supportive and developmental too. Coaching and mentoring supports managers and leaders as dual entities, particularly focusing on their responsibility for the many, in their organization (Tarry, 2006).

Because of the complex environment of the coaching interactions as well as the complex temporary system created by the partnership of coach and coachee, each a complex and evolving individual, carrier of their own legacy and aspirations for the future, the use of a complex evolving systems model has been proposed as a Unifying Coaching Model (Mitleton-Kelly, 1998).

Developing management skills is a paramount requirement for business success (Tarry, 2006) (Cavanagh, Grant, 2005).

1.2. Business and the HR sub-system

Since the late nineties the HR profession has been undergoing a painful and inevitable change to transform itself. This was triggered by the same mega and meta systems pressures of new technology, globalization, new values and new legislation to name but a few. (Tarry, 2009).

The new HR profession is now largely divided into two main categories. The HR generalists who are in fact specialists in one or more of the following shared services: payroll, training and development, compensation and benefits, health and safety, employment law, industry standards, HR operations processes, etc (Staniewski, 2008).

The other group of HR Business partners or consultants take a more strategic stance, in the top management team development and succession
planning, long term availability of skills, business continuity, change management, organizational culture and surveys.

The two aspects of HR, tactical and strategic, do overlap across policies – which are strategic statements – and procedures – which are concerned with operational implementation.

For every organization it is useful to have both aspects of HR covered with more or less focus on one or the other, depending on specific circumstances.

The HR has a critical role to play in supporting innovation through policies, reward, training and development and a positive culture encouraging innovation and change and the business is quite impatient and demanding to see the HR function fulfill their expectations.

1.3. Business and well being & mental health

Most healthy individuals will experience at some point in their lives, episodes or times of “momentary lapse of reason” or “a moment of madness” in one shape or another.

Inevitably, the pathological landscape of society will also leave a footprint on the organizational landscape.

And certain professions are known to harbor a higher number of people addicted to substances such as alcohol, yet are not better equipped (or willing!) to deal with this.

So what can be done and by whom?

In the last 10-15 years, therapists working in organizations have been replaced by coaches even though the two are no interchangeable.

Practicing coaches must be equipped to see the difference and make referrals.
Managers, coaches and the HR can also suggest that affected individuals see their regular Doctor.

Individuals with neurotic episodes are more likely to co-operate, whereas those with psychotic episodes may be more reluctant to do so.

To conclude, mental health needs to be considered as part of a broader wellness picture: building a stable personal and socio-economic position, purpose and meaning, for a good general and mental health (Tarry, 2008).

1.4 Business and the quality sub-system

Business typically perceives the Quality function for what it known as the “hard” aspects of quality mainly related to control, measurements, deviations, quality assurance, decreasing defects etc. However quality is also responsible for many people aspect the “soft” aspects of quality such as roles and responsibilities, job descriptions, management training, change management.

The link needs to be drawn between process and output, and people (with their emotions, brain functions, behavior and cognitive processes) which are actual drivers of everything else, as a key variable rather difficult to control measure or predict.

The “human variable” can introduce variations, deviations and errors from one moment to another, hard to predict and for simple reasons such as fatigue, anger, frustration, depression, loss of confidence, de-motivation, or simply having a bad night’s sleep (Tarry, 2008).

1.5. Business and the organizational culture sub-system

It follows that in organizations the responsibility and the ownership of culture sits with the managers who, need to themselves to believe in and
feel inspired by the vision of what the organization is trying to achieve and live it through example.

...Unlike machines, human beings - who build the machines and who built the tangible universe around us - are also great builders of the invisible network of communication, relationships and partnerships and in that context utilize a combination of soft skills, also known as “emotional intelligence”. They are also driven by values, belief, motivations and aspiration, which are not immediately visible and predictable and must be carried and demonstrated by the leadership.

...The latest EU joining countries, have seen their obsolete technology of 50 years ago, replaced, without transition, by a state of the art technology. Yet can we say that this particular change has also been matched - in terms of process maturity, adherence to quality best practice and modern mindset? Probably not.(Tarry A., 2008)

...So the new joiners of the European Union may have to concentrate even harder on monitoring and contributing to the cultural change of values and beliefs, which is the one “soft” key to the hard bottom line measure of business success.(Marcin Staniewski, 2006)

1.6. Business and the cross cultural mega-systems

...But today’s environment for businesses has enormously changed in that our economy is a global one and there is a very high interdependence between what happens in one country or on one continent, and the impact on the others.

...Our current economy is also extremely competitive with a multitude of players fighting over practically the same global market.

...In this context business can no longer afford to operate in silos and has to engage its work force in global way, transfer skills from one country to another, also build up capacity in every global point theory are present.
The importance in this context of developing local culture savvy is not to be overestimated and business may more often than not tend to impose a centralized modus operandi across geography, which typically does not work too well.

Involving the local business units to have a say in how business is conducted, from a cultural and social mores perspective is critical to success. Setting up cross cultural training, coaching and mentoring for manager is a paramount need that the HR function should be fully endorsing.

1.7. Business and the change process

The change process has been widely research and there is a wealth of research and also literature about it.

From a business perspective change relates often to different technology, processes and procedures as well as new products, new markets, new sales strategies and also new organizational structure which all change over time.

Change related to job definition and automation of activity through ICT is the most prevalent and continues to be the one “hard” factor that organizations have to face but more than this, have to learn to like, not an easy task. Skills have also become a commodity and have a market movement just like other commodities. (Mitleton-Kelly, 2000).

Key aspects of change involve planning, communication, motivation, proper management, the change curve, the 360 degree monitoring of change in outer systems such as clients and suppliers, dissipating the resistance to change, restructuring, restoring a new psychological contract, due diligence, adjustment of most HR processes, mergers and acquisitions,

Change is the only permanent feature of our times!
INNOVATION AS A COMPLEX EVOLVING SYSTEM.

In order to discuss innovation it is necessary to position it within the wider system of creativity.

In a way innovation and invention could both be regarded as sub-systems of creativity, because creativity is a pre-requisite for both to occur.

But creativity in turn is a complex system itself with many layers and aspects to it as well as being subject to analysis by different disciplines and subjects to different interpretative models.

1. CREATIVITY

Given that the research of creativity is ample and runs across various aspects of psychology, physiology, mental health, personality etc. this section will not discuss in great detail any of these specific aspects but will provide an overview of each aspect with the purpose of demonstrating to what degree creativity is a composite concept which is at the centre of a complex system and appears as an emergence at the intersection of many variables concurrently at work.

Creativity is defined as an act of producing new ideas, actions or approaches. As such it is a first step towards invention and innovation. Without the greater pool of creativity neither of the other ones can emerge.

1.1. Creativity and its related sub-systems

In order to understand, research and explain creativity however a number of perspectives have been taken and as such creativity sits as an object of research within a number of distinct scientific fields.

1.1.1. A psychological phenomenon, creativity is seated in the brain and related to specific areas and processes of the brain and one may consider a relationship with intelligence.
Guilford, Barron, Wallach and Kogan suggested to consider them separate entities. Perking holds the “nothing special hypothesis” - creativity and intelligence are based on the same cognitive processes.

E.P. Torrance - “the threshold hypothesis” - concludes that intelligence is a necessary but not sufficient part for creativity to occur. (Torrance, 1974).

An alternative perspective, Renzulli's three-rings hypothesis, sees giftedness as based on both intelligence and creativity. More on both the threshold hypothesis and Renzulli’s work can be found in O'Hara and Sternberg.(O'Hara, Sternberg, 1999).

1.1.2. The neurobiological perspective on creativity suggests that creativity may require a co-activation of various more specialized areas of the brain which are normally not very strongly connected; frontal cortex, temporal lobe and the limbic system, plus norepinephrine and dopamine facilitation. This followed the observation that creative people seem to have a very high specialized knowledge, an ability to think divergently and also an ability to modulate their neurotransmitter.

1.1.3. In 2005, Alice Flaherty (Flaherty, 2005) presented a three-factor model of the creative drive. From evidence in brain imaging: frontal lobes for idea generation, temporal lobes for idea editing and dopamine for the limbic system to increase general arousal and goal direction. All these factors increase the drive to generate ideas.

1.1.4. Vandervert has described the involvement of the cerebellum which is able, as a structure to adaptively model all movement of the body, all emotions and thought and also adaptive model of working memory processing. This information fed to the frontal lobe generates the creative thought followed by the “aha!” moments thereafter triggered in the
temporal lobe. The initial stages of creativity start in the cerebellum (Vandervert, Schimpf, Liu, 2007).

Vandervert’s (Vandervert, 2003a, 2003b) model is quite helpful in explaining creativity and innovation in sports, art, music, the design of video games, technology, mathematics, the child prodigy, and thought in general.

1.1.5. The REM sleep is thought to be instrumental in the creative though particularly due to changes in cholinergic and noradrenergic neuromodulation.

During this period of sleep, high acetylcholine in the hippocampus lower the levels of acetylcholine and norepinephrine in the neocortex, and so encourage the spread of associational activity within neocortical areas without control from the hippocampus. It is proposed that REM sleep allows neocortical structures to reorganize associative hierarchies.

1.1.6 Psychologists have studied correlations between creativity and intelligence and psychoticism as well as mood disorders (bi-polar and un-polar disorders) quite evident in artists, writers and poets (Virginia, Hemmingway, Schumman, Michelangelo).

With divergent thinking, involved in creativity, the bilateral activation of right and left cortex is instrumental and appears to be linked to skyzotypal individuals. Accordingly, the right frontal lobe enables new and fast connection between both frontal lobes which are possibly instrumental in original thoughts. (Rushton, 1990).

1.1.7 Another way of looking at creativity is to measure it in relation to personality traits and aspects such as self confidence, independence of judgment, attraction for complexity, risk taking and
aesthetic orientation. Other research has attached creativity to personality trait such as openness to experience. (McCrae, 1987).

To conclude this section:

It is clear that creativity itself is connected, dependent and an emergence of sub-systems working together: the brain (frontal lobes, cortex, temporal lobes, limbic system, cerebellum) neurotransmitters (dopamine, norepinefrine, cholinergic and noradrenergic neuromodulation, acetylcholine), depression and psychoticism (facilitating the co-activation of both right and left frontal lobes), the REM sleep (neuromodulation which decreases the hypocampus to neocortex activation link), personality traits (openness).

1.2. Creativity and its related larger outer systems

But creativity is not related only to sub-systems but also to many larger systems outside itself, called in this paper mega-systems.

1.2.1. One examples is that of professions, where there are whole professions where creativity is a key central ingredient such as writing, art, design, theatre, television, radio, motion pictures, related crafts, as well as marketing, strategy, some aspects of scientific research and development, product development, some types of teaching and curriculum design, and more. It also has an important if in an implicit or less visible explicit way in professions such as engineering, science, fundamental research, mathematics and accounting.

1.1.2. Another important mega-system which includes the creativity sub-system is the business world.
Amabiles’ work (Amabile, Barsade, Sigal, Mueller, Staw, Barry, 2005) (Amabile, 1996, 1998) highlights the fact that according to her, there are essential aspects that need to be present for fostering creativity in business:

- Expertise (technical, procedural & intellectual knowledge),
- Creative thinking skills (how flexibly and imaginatively people approach problems),
- and Motivation (especially intrinsic motivation).

1.2.3. The relationships established within the workforce in organisations, expressed in positive and negative effects, are also significant bringing to the fore a social dimension to creativity. According to Isen, (Isen, Daubman, Nowicki, 1987) positive affect has three primary effects on cognitive activity:

1. Positive affect makes additional cognitive material available for processing, increasing the number of cognitive elements available for association;
2. Positive affect leads to defocused attention and a more complex cognitive context, increasing the breadth of those elements that are treated as relevant to the problem;
3. Positive affect increases cognitive flexibility, increasing the probability that diverse cognitive elements will in fact become associated. Together, these processes lead positive affect to have a positive influence on creativity.

Fredrickson (Fredrickson, 2001) suggests- in her Broaden and Build Model- that positive emotions of joy and love enhance creativity because they broaden the individual repertoire of actions and cognition (increased attention scope).
An increase in negative affect typically related to unipolar and bipolar disorders and depression in creative people.

1.2.4. There are relationships between diverse culture and creativity and the work of Francois Jullien, Fangqi Xu, Todd Lubart relate for instance a more pragmatic approach to creativity in the USA whereas in China creativity tends to have a more holistic approach.

1.2.5. An interesting and divided perception of creativity is reflected in social attitudes to creativity. The reason is that creativity brings with it the challenge of the old and the emergence of the new, and in this process it has both a constructive and destructive force. Society may be excited by creativity but also fearful of its implementation! Pioneers typically have a hard time to introduce reforms. Resistance to change is a common response.

1.2.6. But today creativity also forms the core activity of a growing meta-system: that of the global economy.

The Creative Industries Mapping Document 2001 provides an overview of the creative industries in the UK. The creative professional workforce is becoming a more integral part of industrialized nations' economies, through intellectual property exploitation.

1.2.7. Another containing system, which sustains all living creatures, is that of the eco-system, and as such this is also a meta-system.

To summarize this section:

Creativity is also a sub-system and part of outer Mega and Meta systems: business, relationships, culture, social attitudes, global economy and the eco-system.
2. INVENTION

Creativity is a pre-requisite for both invention and innovation.

Invention has in common with innovation the aspect of uniqueness, but invention is not necessarily linked to profitability and market performance. In terms of resources, invention requires resources whilst innovation generates returns and the difference must be substantial.

Innovation has a strong commercial success connotation.

3. INNOVATION

Innovation reffers to a change - incremental or radical - which result in things being done differently and having an useful outcome. It can impact everything from new thinking, process, product and structures. In arts, economics and policy the novelty must be radical to be innovative. In business and economics it must increase value to client or producer. The innovative idea must be manifest and also positive. In macro-systems it increases the wealth of nations.

Innovation is closely linked with engineering, technology, business, entrepreneurship and design. Economists focus on the process aspect of innovation. Because innovation impacts. economies, it is matter of national policy.

In business innovation is moved forward by pioneers – individuals or organizations - who drive the change forward. In organizations innovation can manifest itself in all the areas of business such as R&D, efficiency, quality, market positioning, competitive advantage and this approach can be embraced in any type of organizations, even if the aspects that are impacted may differ with the business specific parameters.
Innovation brings about change, eliminates some old forms, and as such has a destructive and renewal connotation.

This is why innovation implies a degree of risk and also brings about resistance to change and anxiety. There is also a cost to innovation in that resources (human and financial) must be dedicated to researching ideas, then more time to develop the idea and finally even more time and resources to commercialize the idea and bring it to the market. Finely balancing the various stakeholders involved requires to mitigate the balance process and product innovations where process innovations tend to involve a business model which may develop shareholder satisfaction through improved efficiencies while product innovations develop customer support however at the risk of costly R&D that can erode shareholder return.

Innovation has been studied in a variety of contexts, including in relation to technology, commerce, social systems, economic development, and policy construction. There are, therefore, naturally a wide range of approaches to conceptualizing innovation in the scholarly literature (Fagerberg et al., 2004).

INTRODUCING A UNIFIED BUSINESS INNOVATION MODEL AS AN EMERGING SYSTEM, CO-EVOLVING FROM BUSINESS AND CREATIVITY.

Having demonstrated in the previous sections that Innovation and business are both systems which host sub systems and are also linked into wider meta and mega systems, this section proposes a unified view of the two under a business innovation perspective by utilizing a proposed Unified Business Innovation model based on complex evolving systems principles and also a few concepts and structures meant to create a simple but quite accommodating frame work to facilitate a systemic approach to business innovation.
Given the topically appropriate and useful but large number of existing and widely used models, related to the various specific disciplines, our proposed model represents an attempt to unify this diversity, taking a divergent perspective in order to establish a more universal, flexible and all-encompassing framework, able to accommodate a high diversity of specific “subsets” as and when required for a specific occurrence or aspects of the same greater picture. (Tarry, 2006).

The Unified Theory of Systems and Model (Tarry, 2006) are thus designed to be used as a frame of reference, a roadmap positioning landmarks when considering business innovation, which need to be taken into account, regardless of any specific entry point to the subject that may be used.

The Unified Theory of Systems and the Unified Business Innovation Model, have been firmly based in our appreciation and learning on science namely: physics, neuroscience and biology, combined with humanities namely: psychology, sociology namely, philosophy and anthropology, all framed by complex evolving systems principles, applicable in science and more recently in organizational studies.

Some examples from science may be mentioned in passing with greater emphasis on usefulness of a complex evolving systems perspective in innovation and organizational life, which is the subject of this paper.

1. The Unified Systems Model

1.1. Concepts and definitions.

The Unified Systems Model uses the following familiar concepts and definitions:

*Entity*: something that has a separate, distinct existence

*System*: a complex entity (itself made of other complex entities), which is the object of our attention at a point in time.
Sub-system: complex elements which together make up a system (zooming in)

Mega-system: the larger complex system, which incorporates a number of systems (as defined above) as components of itself. (zooming out)

Meta-system: an even larger complex system that incorporates mega-systems.

Eco-system: a multitude of entities, systems, mega and meta systems that are interconnected living things

Key terminology specifically used in the context of this Unified Systems Model refers to:

Content: the sub-systems, which make up a system.

Context: the outer meta, mega and eco-systems, to which a system and its sub-systems belong.

Zooming in: closing in on a system to consider its sub-systems.

Zooming out: moving away from a system in order to observe and consider the wider, mega, met or eco-systems to which it belongs.

1.2 Structure

The Unified Systems Model is also defined as:

Multidimensional in structure: because there various internal components inert link in both vertical and horizontal way, often in a matrix type of connections, therefore is not one-dimensional or linear. The descriptions of the multitude of internal dimensions of levels, related to the specific content of the system described. (for instance innovation is part of complex system defined as creativity, whilst any business function (HR, Quality etc.) is part of the business system.
The levels and dimension are themselves complex and changing and add a higher level of complexity, due to the fact that they are themselves made of sub-systems. The levels and dimensions are in their own right are open to change to a variable degree.

The description or definition of the levels and dimensions is simply made by transferring any familiar notion that is a subject of discussion.

Hierarchical: by virtue of precedence, in that some levels, are inherited and others develop on a foundation, moving the system (as entity) from a less to a more complex structure, and also though a life cycle that may involve birth, maturity, decline, transformation.

Dynamic: in that the levels and dimensions will interact and together create a degree of alignment, dis-alignment or mis-alignment, necessary to either provide equilibrium or, due to changes, cause a movement (far from equilibrium) leading to evolution towards another state of equilibrium. The same can be said for a change from dis-functionality to functionality or to a new level of functionality. The operating principle of the Complex Evolving Systems, provide the dynamics of the model.

Dialectic: the levels and dimensions will interact in order to reconcile and integrate cumulating quantitative changes to drive a qualitative jump, in a continuous process, which by and large should provide an adaptive appropriate outcome, in the given context.

1.3. Operating principles: The operating principles are those of the Complex Evolving Systems: connectivity, feedback, interdependence and emergence, far from equilibrium, space of possibilities, co-evolution, historicity & time, path-dependence and creation of new order.

They drive the dynamics of the Unified Systems Model (Tarry, 2006, 2010).
In this new context interconnection between innovation and business become apparent, also highlighting how business needs to approach innovation from a systemic perspective.

2. Innovation and the complex business system

The term innovation is often used to refer to the entire process from creative new ideas to viable commercial products, services, and business practices. Creativity is a necessary previous step of generating new ideas, to stay competitive.

Below are a few definitions of the term innovation from an organizational perspective:

Luecke and Katz (2003):

"Innovation . . . is generally understood as the successful introduction of a new thing or method . . . Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services.

Baregheh et al. (2009):

"Innovation is the multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace."

Amabile et al. (1996) propose:

"All innovation begins with creative ideas . . . We define innovation as the successful implementation of creative ideas within an organization. In this view, creativity by individuals and teams is a starting point for innovation; the first is necessary but not sufficient condition for the second".
"Innovation, like many business functions, is a management process that requires specific tools, rules, and discipline."

Creativity is typically the basis for innovation. Innovation is the successful implementation of creative ideas through changes of processes and procedures leading to new business products, services, or internal ways of working.

Therefore innovation impacts ALL facets of the organizational sub-systems and the business complex system as a whole.

2.1. Innovation and the management sub-system

Analyzing specifically the management and the innovation process, O'Sullivan (2002), also lists failures in the innovation process itself:

1. Poor goal definition
2. Poor alignment of actions to goals
3. Poor participation in teams
4. Poor monitoring of results
5. Poor communication and access to information

These factors clearly link to communication, leadership, motivation, cultural alignment, respect of individual contributions, poor vision and mission statements, lack of clear goals and objectives, roles and responsibilities, empowerment, accountability and reward and recognition (Cavanagh, Grant, 2005). Undoubtedly all these fall into the people and communication related skills.

Innovating requires managerial capability. Without a strong implementation enabling management system, the creativity and innovative capability of individuals and organizations is lost (Tarry, 2006).

The management aspects of organizational life are not technology and process related and do not suit a mechanistic approach. We deal here
with individual psychology and motivation and also its team and collective socio-psychological context. The meaning, values, aspirations and motivations are instrumental in realizing the greater vision and purpose for innovation which needs to be provided and practically supported by the leaders and managers.

Poor management destroys creativity and cannot foster innovation.

2.2. Innovation and the HR sub-system

Today’s HR function is involved in everything across the inner sub-systems and outer sub-meta and mega systems, from payroll, H&S, procedures, training, to organizational culture, management and leadership development, corporate governance, corporate citizenship, the market and competition, environmental matters, work/life balance, ethics and code of conduct.

Innovation must be supported by HR through training, development, appropriate recruitment, reward, policies and procedure. They also need to foster and propagate a flexible, innovative leadership and culture to support their business remit. (Staniewski, 2008).

And in order to do that the HR function itself needs to become itself innovative and creative and also be able to recruit, motivate, retain, reward and developed a creative and innovative work force (Tarry, 2009).

2.3. Innovation and mental health in organizations

Organizations, just like society at large, have a mixed and diverse population, including individuals with psychological and psychiatric problems. This is something that the HR function and other professionals working in organizations – coaches, trainers, facilitators, consultants - need to be aware of.

It useful to differentiate in organizations, who may need psychological or psychiatric help, from those who may be “difficult to
manage” but also contribute “outside the box” creative ideas and finally those who may harbor a selfish and destructive intend (sociopaths, white collar criminals) and can jeopardize not only the capability of creative contributions but the reputation of the organizations at large (Tarry, 2008).

2.4. Innovation and the quality sub-system

The 14 points of Deming's quality philosophy contain 11 points related to people, in spite of his personal area of specialism being statistics! Some of these are: Training, leadership, driving out fear, eliminate silos, the right to pride in employees' workmanship, education and self-improvement.

The 5 founding elements of Kaizen, (Toyota 1950’s, developed by Taiichi Ohno and Shigeo Shingo) are all related to people and not process!-Teamwork, personal discipline, improved morale, quality circles, suggestions for improvement

In addition the “hard” aspects of quality related to process, statistical analysis and quality insurance are also part of the innovation implementation process.

Because it is related to improvement, process, product, suppliers and clients as well as internal resources and management capability, Quality management harbors the highest number of links and feed-back loops with innovation (Tarry, 2008).

2.5. Innovation and the organizational culture sub-system

Culture is about vision, beliefs and values and also related to business goals and implementation in terms of tactical and strategic competitive business objectives.

Managers and leaders must develop the vision but also inspire implementation and walk the talk it for the benefit of every person in their
organization. Strong management and leadership enables cultural change and imbedding new cultural values but also as a process, takes time and demands a sustained focus.

The last wave of new EU members, have benefited from major technological upgrades to their economy.

But replacing a culture of disengagement, secrecy, individualism and lack of inspiration and motivation which defined the communist economy, cannot be shifted over night.

A culture of learning and innovation must have its sight on the future and can only come about if the people of the present are engaged and hopeful. Short term gains must give way to an aspiration for long term achievement. Innovation does have this strategic connotation.

Social attitudes to creativity remain ambivalent. It is one thing to pay lip service to the idea of innovation, another to create a culture that is genuinely open to challenge and break down hierarchies and command and control management line.

2.6 Innovation and the cross cultural mega-systems

Culture is a composite concept including everything from high culture and the anthropological aspects of culture, covering values, beliefs and artifacts, but also internally in organizations, the function, team, corporate, industry or national aspects.

The management needs to be able to understand and embrace a mixture between the company specific culture and that of the nations, particularly in companies that operate globally.

Current technology provides the possibility of global platform that can harvest and host local ideas from around the world and offer them to a collective pool of wisdom and innovation, for the benefit of the organization.
Research on international virtual teams reveals the existence of a more connective, cooperative and collective nature of creativity and that the creative process is affected by the national identities, cognitive and conative profiles, other factors affecting the team members (Human-Computer Interactions (HCI), Computer Supported Collaborative Work (CSCW), computable metalanguage like IEML from the University of Ottawa Collective Intelligence Chair, Pierre Levy., Empirical Modelling, Metis Reflexive Global Virtual Team has develop a Trace Composer, The Creativity and Cognition conference series, sponsored by the ACM and running since 1993)

Managers must become open and embrace this new reality which can only benefit the competitive success of their organization (Tarry, 2006).

3. Innovation and the change process

Innovation is impossible without change.

Aesob’s Fables provide some examples of various aspect and ways of change, in a “soft” manner:

The Crow and the Pitcher (change being provoked by pressure or necessity)

The North Wind and the Sun (gentle persuasion rather than force)

The Lion and The Ass (enforced change - might is right)

The Crab and his Mother (lead by example and evidence - or you'll not change people)

The Miller, his Son and the Ass (no single change is likely to please everyone - everyone wants something different)

The Oak and the Reeds (the need for tolerance - changer or 'changees')
The Rich Man and the Tanner, (time softens change - given time people get used to things)

The Ass and the Mule (agree to reasonable change now or you can risk far worse enforced change in the future).

MEASURING AND ENCOURAGING INNOVATION IN ORGANISATIONS

A number of ways to encourage and assess innovation and creativity have been developed and below are a brief list and description of some of them.

1. Measures, methods and techniques.

A number of methods, frameworks, benchmarks, indices and manuals are available and can be used as required and in tandem, to assess, measure and develop creativity: and below are some examples:

1.1. European Foundation for Quality Management. The OECD Oslo Manual (1995-2005), the Frascati Manual from 1963, Global Innovation Index, Richard Florida’s index for the Creative Class and the Innovation Capacity Index (ICI), The Global Innovation Index (produced jointly by The Boston Consulting Group (BCG), the National Association of Manufacturers (NAM), and The Manufacturing Institute (MI), the NAM's nonpartisan research affiliate).

1.2. The International Innovation Index is part of a large research study that looked at both the business outcomes of innovation and government's ability to encourage and support innovation through public policy. The latest index was published in March 2009 and ranks countries in terms of innovation inputs (government and fiscal policy, education policy and the innovation environment) and outputs ( patents,
technology transfer, R&D, labor productivity, shareholder returns, business migration, economic growth).

1.3. Psychometric measuring of creativity.

In 1967 JP Guilford pioneered the testing of creativity producing a range of tests:

- Plot Titles, where participants are given the plot of a story and asked to write original titles.
- Quick Responses is a word-association test scored for uncommonness.
- Figure Concepts, where participants were given simple drawings of objects and individuals and asked to find qualities or features that are common by two or more drawings; these were scored for uncommonness.
- Unusual Uses is finding unusual uses for common everyday objects such as bricks.
- Remote Associations, where participants are asked to find a word between two given words (e.g. Hand _____ Call)
- Remote Consequences, where participants are asked to generate a list of consequences of unexpected events (e.g. loss of gravity)

In 1966 Guildford (Guilford, 1967) developed the Torrance Tests of Creative Thinking which tested problem solving skills and divergent thinking and were scored on:

- Fluency. The total number of interpretable, meaningful, and relevant ideas generated in response to the stimulus.
- Originality. The statistical rarity of the responses among the test subjects.
• Elaboration. The amount of detail in the responses.

In 2005 the self report test named The Creativity Achievement Questionnaire, was developed, to measure creative achievement across 10 domains with strong reliability and validity, as compared to other instruments.

For individual testing: Osborn-Parnes Creative Problem Solving Process, Synectics, Inventium and science-based creative thinking, Purdue Creative Thinking Program, lateral thinking Edward de Bono, TRIZ (the Theory of Inventive Problem-Solving, ARIZ (the Algorithm of Inventive Problem-Solving), both developed by the Russian scientist Genrich Altshuller.

1.4. Intrinsic motivation. To encourage intrinsic motivation specifically, the following managerial practices can encourage it:

• Challenge - matching people with the right assignments;
• Freedom - giving people autonomy choosing means to achieve goals;
• Resources - such as time, money, space etc. There must be balance fit among resources and people;
• Work group features - diverse, supportive teams, where members share the excitement, willingness to help and recognize each other's talent;
• Supervisory encouragement - recognitions, cheering, praising;
• Organizational support - value emphasis, information sharing, collaboration.

1.5. The creativity techniques developed by business and academia list the following (Nickerson, 1999):

1. Establish purpose and intention
2. Building basic skills
3. Encouraging acquisitions of domain-specific knowledge
4. Stimulating and rewarding curiosity and exploration
5. Building motivation, especially internal motivation
6. Encouraging confidence and a willingness to take risks
7. Focusing on mastery and self-competition
8. Promoting supportable beliefs about creativity
9. Providing opportunities for choice and discovery
10. Developing self-management (metacognitive skills)
11. Teaching techniques and strategies for facilitating creative performance
12. Providing balance

**CONCLUSIONS**

Creativity in organizations can utilize a host of specific measures, technique and approaches to evaluate and stimulate innovation in organizations, but more importantly in our view is to embrace a complex systems approach to business innovation and in so doing maintain an overall overview of a picture that organizational leaders need to understand that is complex, changing and therefore a moving target.

Unless this reality is acknowledge and embraced, the complexity of our reality today will always end up in undermining, minimizing or erasing any discreet and not concerted innovation related initiatives, which are most likely to fail, if undertaken in isolation.

1. Fostering innovation from a Unified Business Innovation Model perspective
The main point to consider is that innovation has to be positioned as system related activity and concept and meet the following basic but essential requirements:

- Be managed properly and concurrently in all organizational functions (sub and meta systems)
- Become the task of a multi functional team responsible for this innovation
- Be sponsored by powerful and visionary individuals who have the authority to make decisions and divert human and financial resources as and when necessary to implement innovation
- Constantly reduce fear of change in organizations
- Create feedback mechanisms across all innovation aspects involved
- Position innovation as a strategic activity, planned and monitored over long periods of time and ongoing
- Align culture, values and beliefs to behavior all related to innovation
- Ensure that managers are true innovation agents and sponsors, in order to permeate this attitude down the teams and through the entire system
- Select and develop relevant skills and people resources
- Avoid starting innovation initiatives for short term, short supplied, poorly managed, bursts of activity; bursts of enthusiasm only destabilize the existing equilibrium but does not provide new feedback mechanisms for a new order to take hold and as such is more counterproductive than maintaining the status quo
- Initiate and maintain an innovation culture by monitoring and changing first the elements that have the strongest bearing and hierarchically have the greatest number of connections to the wider
system. Innovation driven from sub systems that are less influential to the whole mega-system will not go far and become embedded.

In a systems perspective and in reality, innovation is not possible outside strong and competent management and also the need to embrace change as direct consequence of innovation.

The world is interdependent, connected and globalised and so are all the elements that create an organization and also the various aspects that manifest themselves in innovation. Innovation is dependent on management rather that the creative potential of individuals in organizations.

The transformation of creative ideas into commercial success goes through the process of implementation, sampling, process reengineering and product release and support. Without this implementation great creative ideas come to nothing.

This is why managers and organizational cultures are enablers or disablers of innovation. And given that creative and innovative ideas are also threatening to the established structure and culture, and in any event bring about change, they are most likely to be stifled due to fear of change and desire to maintain the old order.

Yet organizational resilience and success in today’s changing world is impossible without flexibility, change and innovation.
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INNOVATION-ORIENTED REGIONS AND CO-OMPETITIVE BUSINESS BEHAVIOR AS SOURCE OF BUSINESS DYNAMICS

Danes Brzica and Koloman Ivanicka

Introduction

Altering patterns of global business activities have been accompanied by rapidly changing corporate strategies, production processes and organizational configuration. Regional innovation system (RIS) and efficient knowledge governance represent important platforms for building and expanding business innovation capabilities in a particular region. Having such platforms and innovative tools in place is not only crucial for the region itself, but also for all its actors – especially firms operating within its territory. Together with the process of enhancing institutional framework supporting regional innovation, goes also transformation of traditional way of competing among firms and other business actors. Such a transformation has been gradually leading to a new phenomenon of competition through cooperation (hereafter referred to as co- ompetition), meaning that competitors are becoming at the same time also collaborators or that they compete on one market while cooperating on the other.

The aim of this chapter is to present some recent characteristics of the newly formulated regional innovation platform and co- ompetitive business behavior, which represent a source of current business dynamics. After the introductory part, the first section briefly describes, from an economy policy perspective, various elements of changing regional innovative environment stressing its new characteristics – like co- ompetitiveness - appearing in relations among different regional actors
including regional government. The second section looks at innovative regions with co-ompetitive behavior of actors from the firm-level perspective. It focuses on the different options business actors have in seeking higher competitive positions and present a framework where co-ompetitiveness and regional innovation policy play crucial role. In the third section, are demonstrated actual changes in one particular region – CENTROPE trans-region – formed by selected regions of Austria, the Czech Republic, the Slovak Republic, and Hungary. Finally, conclusion provides a summary and policy advice.

1. Co-ompetitiveness and regional innovative environment: policy perspective

Recent signals that global competition brings more challenges at national as well as regional and local levels, through processes like re-location, outsourcing etc., has stimulated more research focusing on processes and strategies related to this phenomena stressing the role of various types of innovations. Some authors look at regional innovation policy from the point of view of its important elements (e.g., Boschma, 2004), others, like Brach and Kappel (2009), focus on global value chains, technology transfer and local firm upgrading. Stam and van Stel (2009), to show some other level of analysis, present types of entrepreneurship and economic growth.

International business cooperation and technology transfer helps to smooth economic convergence among newly industrializing and developed countries. Current production and service activities often require a large network of suppliers and collaborators. This situation brings with itself some positives as well as negatives. Among positives are usually listed specialization, just-in-time delivery, and high innovativeness of inputs.
Negative features are represented by higher costs of coordination, propensity to failure of cluster and network coalitions and proximity problems. Nevertheless, it is broadly accepted that for firms to become more innovative, regions need to develop and promote innovation measures and policies and assist in interconnectivity of regional (and extra-regional) actors. In theory (Asheim et al., 2006), it is firm, which benefit the most from such processes. In reality, many different actors receive various advantages during co-competitiveness processes. Innovations within firms and regions are nowadays becoming ever more important in areas other than traditional product and process innovation directly linked to production process and are expanding to pre- and post-production phases (innovation in R&D process, customer channel innovation etc.). Interconnectivity in this area is becoming an important element. Supportive argument for this is that Almus and Nerlinger (1999) found that partnerships with other firms correlated with greater growth rates.

Among the key elements (enablers) characterizing innovative regions where co-competitiveness behavior can be identified, among others, are:
- joint research facilities (or open access to a facility by a partner);
- time-sharing of R&D facilities;
- expert rotations;
- cooperation in pre-production stage;
- regional diversity;
- institutional density and institutional flexibility.

It is evident that not each of the factors enabling cooperation or co-competitiveness in innovation processes (enablers) listed above represents the same level of importance. Some of them are more general and complex (e.g., institutional density), others more specific or local in its nature (e.g., time-sharing of facilities). Pro-innovative regional economic policy must
support all those elements mentioned above and to do that in a comprehensive manner – with respect to local context - guaranteeing critical amount of necessary progressive changes. Our focus is more on those external and internal factors, which – to a various degree – affect co-competition of firms in innovation process. Such factors influence relations firms with various other regional business actors and contribute to better competitive position of regions.

Boschma (2004) considers several aspects of regional innovation policy from evolution geography perspective – regional specificity, regional diversity and institutional flexibility. According to him, there exists no optimal development model that could be applied universally to whatever local context. Since inter-regional variety is a persistent feature of economies, policymakers have to define their objectives and policy measures based on an analysis of the region-specific context. Top down models are rejected and, instead, the local environment determines to a large extent available options and probable outcomes of regional policy. Therefore, it is advised to stimulate innovation based on existing capabilities in regions (Boschma, 2004). Important in his note is the idea that regional innovation policy based on R&D is too narrowly focused. Inertial forces are often crucial in regional economies so current regional trajectory acts not only as a filter for interpreting and assessing new opportunities. It also constraints adjustments that local actors and institutions need to implement to seize these opportunities. To avoid such a situation of lock-in, it is important to stimulate diversity and openness in local contexts (Boschma, 2004).

Proper regional innovative environment generates enough enablers within the whole set of value chain activities. Highly innovative regions following pro-innovative regional policy usually possess many enablers,
which allow flexible enough reactions of business actors to changing business opportunities and environments. Without some critical amount of enablers there is difficult to establish efficient RIS. Such enablers like, e.g. efficient system of law enforcement, make possible for individual business actors to follow co-competitive behavior without substantial negative consequences, like, e.g., loss of confidence in partners or failure to fulfill obligations. Often critical to local policy success is to have proper institutional set-up at the national level.

2. Innovative regions with co-competitive behavior of actors: firm-level perspective

In the previous section, we stated that for a region to be dynamic and competitive, it has to have some critical level of functional enablers. Among the most important enablers we listed also institutional density. This means that for an innovative region is very important to have a broad set of institutions, which help to promote business innovation activities. This is important for the region from policy perspective, but it is not enough from corporate perspective. Unlike the state or regional and non-profit actors, firms and other business actors have only limited social responsibility to localities where they operate. Therefore, in contrast to cities, localities or regions, they are less territorially embedded, more open to re-location alternatives and more flexible. They can re-locate to other places if they can get there better access to critical resources, competences or other highly specific/complex production factors. Despite the fact that all regional actors are partners in modern RIS, their goals and strategies to reach them differ significantly. The first section presented some enablers, which must be developed locally to assist regions to attract enough innovative and dynamic firms. Successful regions usually posses also a rich
set of research, educational and other facilities combined with wide scope of different (multicultural instead of monoculture) firms. Such richness of enablers/institutions occurs in various dimensions and areas. Only sufficiently rich set of actors and institutions can provide necessary, but not sufficient, condition for success at present time.

Firms have to build linkages of various kinds to other partners be they firms, local governments or customers. Global market competition pushes to innovate and grow further and this means that regional partnerships and networking have to be also innovated. Firms have to have enough business/non-business regional and global partners to be able to stimulate demand or react to demand in highly competitive environment. Intensive competition and increasing cost of innovation require more flexibility of each actor and necessitate higher level of cooperation. Unlike past decades, today this cooperation among firms is not necessarily long-term in its nature and in some cases – like in the case of large projects – it can represent only one-time cooperation. Corporate managers as well as small business owners are becoming more and more committed to co-competitiveness, meaning, as already mentioned, to combine cooperative elements with competitive one. This mixture of cooperation and competition in dealing with a partner firm provides firms with some advantages like, e.g.:

- lower costs,
- higher scope of competencies,
- diversification of focus,
- higher dynamics.

Even more opportunities to increase corporate competitiveness come to firms from their cooperation with other actors of regional (national)
innovation system. Here certain problems for managers occur which they must cope with. Among them are:
- low institutional density;
- weak governmental regulation and poor legislation (weak institutional environment);
- low level of interactions among local/regional actors;
- lock-in trap (traditional orientation on less competitive areas of production/services);
- monoculture (one type of production or low scope of such production);
- extremely wide scope of production eroding competitiveness due to low level of specialization and/or quality.

The above-mentioned problems represent only small sample of a wider set of exogenous factors negatively influencing the ability of firms to innovate. In this chapter, however, we are dealing specifically rather with some macro-organizational and regional-level relevant corporate elements than looking at insider factors, like internal organizational set-up, internal knowledge governance within research institutes etc. Nevertheless, corporate aspects of regional innovation cooperation are equally important as territorial/public economy ones. Co-competitiveness requires from all actors involved (stakeholders) to adjust their long-term plans, strategies, business models or marketing approaches to a certain common platform allowing networking and cooperation on innovative projects. Failure to meet this condition means that no efficient mechanisms and platforms can be formed and applied. It is evident that market characteristics and nature of business activities have also certain impact on corporate strategies. The Table 1 demonstrates the main effects of market characteristics on corporate strategies. In all areas mentioned in this table, some innovative elements can be introduced. However, the success usually critically
depends on how and when such innovations by a specific actor are made. Specific macro and micro conditions, intensity of networking and co-competition – framing business activities – and scope and quality of innovation finally determine the success or failure of such innovations.

Table 1: Effects of market characteristics on corporate strategies

<table>
<thead>
<tr>
<th></th>
<th>R&amp;D</th>
<th>Production</th>
<th>Distribution/Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing power</td>
<td>Focus on functionality</td>
<td>Small packages/sachets</td>
<td>Combining financial services with the product</td>
</tr>
<tr>
<td></td>
<td>Price/performance</td>
<td>Increased use of labor</td>
<td>Collective payment option</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Acknowledge endogenous solutions</td>
<td>Robust production to work in hostile environments</td>
<td>Customer education</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Viral marketing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Creating dedicated distribution network</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Adapting to existing means of transport</td>
</tr>
<tr>
<td>Diversity</td>
<td>Developing scalable solutions</td>
<td>Using local production capacity</td>
<td>Partnership with civil communities, NGOs</td>
</tr>
<tr>
<td></td>
<td>User-innovation</td>
<td>Modular design</td>
<td></td>
</tr>
<tr>
<td>Institutional</td>
<td>Local search lab</td>
<td>Partner with local producers</td>
<td>Local immersion</td>
</tr>
<tr>
<td></td>
<td>Local entrepreneurs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ghazi (2008)

All the examples of elements in rows and columns represent for innovating business actors an opportunity to innovate and obtain better competitive positions. Some innovative firms, however, can have problems
in building efficient local/regional networks to reach better competitive positions. Reasons are different given the existing specifics, like characteristics of the territory where they operate or industry sector in which they do business. Often the problem is due to lack of adequate infrastructure, research facilities or institutional environment. Similar problems exist when the territory where such firm operates has no firm network or has only firms on the lower level of value chain activities. In such a situation, negative effects, like lock-in effect, can lead to fixation of existing activities in traditional business activities, which often have low value-added or lack innovative content.

In general, innovation is possible only under certain critical mass of conditions – enablers – influencing regional innovation development, enhancing networking of innovative firms and their innovative capacities/capabilities. Among traditional enablers are the proper levels of deregulation and entry barriers, availability of venture capital or well-functioning stock markets. Naturally, efficient level of taxation, experienced workforce, loans, high quality business education, low personal income tax, good bankruptcy legislation are among such pro-innovative enablers. Nevertheless, while corporate taxes and fiscal incentives can stimulate innovative firms to choose particular location, its importance in knowledge-based economies is – unlike traditional industrial economies - rather limited. Efficient labor market regulation makes it possible to attract highly qualified experts and provides firms with flexible tool of employment. Whereas administrative burdens, in general, weaken attractiveness of locations for highly innovative firms, specific incentives or pro-innovative culture are important intangible elements. Framework conditions relating to entrepreneurship are numerous and subject to change. Presence of business angels, efficient external linkages allowing knowledge
transfer, effective mechanism of implementation and entrepreneurship infrastructure are among crucial enablers of pro-innovative environment.

Erosion of competitiveness, as seen in some cases today, is generated by inadequate reaction, in size or scope, to changing global and local environments. Current global changes require substantial corporate flexibility not only in term of flexible response in changing marketing strategies or product composition of firms, but also require changes along the whole value chain including new modes of business model. In addition, current global competition requires also adequate flexible reactions from other regional/state organizations and actors. Their flexibility in forming new and innovating traditional enablers is also crucial and such processes are becoming more and more critical today (Brzica, 2010 forthcoming). Relocations, outsourcing and other processes markedly transform conditions under which firms and other actors operate in regional, national and supra-national environments. Recent conditions within economies also allows for more dynamics of individual actors (especially small firms) due to networking processes. As one of the crucial enabler of pro-innovative environment, regional diversity, we have already mentioned in the previous section, now we can present here another two more non-traditional enablers - institutional flexibility and institutional density. Boschma (1994) also mentions the institutional flexibility aspect, while institutional density was presented in our work (Asheim, Brzica et al., 2006). The institutional capacity of regions to deal with change Boschma considers as maybe one of the key features of regional development.

The Scheme 1 below, based on Chesbrough and Rosenbloom (2002), as presented in Sadre (2008), demonstrates the main elements related to firm strategy. As is seen from the scheme, this business model represents core elements, which contribute to parameters of the business-environment
relations. Our focus in this section is on infrastructure segment where the most changes now occur in terms of innovation capabilities. Nevertheless, it is important to have in mind that all segments of the model in current global environment have to be innovated simultaneously and permanently. Actually, innovation in customer relationships is becoming even more important in the crisis period than during periods of prosperity.

Scheme 1: Theoretical framework – business model

![Scheme 1: Theoretical framework – business model](image)


The Scheme 1 allows us to demonstrate highly complex set of elements affecting corporate management decisions. Intra-regional factors combined with external ones form – in certain positive cases - dynamic environment with high institutional density. Any shift in global factor composition and dynamics thus can provoke either new opportunities or threats, always with high degree of uncertainty. For highly innovative and flexible firms this represents often rather opportunities than threats. Other, less flexible, firms search for such regional environments where enough stability enhancing enablers or “stabilizers” are present. By stabilizers, we
mean such developmental factors and unique set of business configurations in a given regional environment that makes imitation of such environment elsewhere highly complicated if not impossible. Alternatively, stabilizers can represent any factors contributing to the business environment stability.

Innovations is becoming less and less the result of a single firm. In practice progress can be made only under conditions of existence of numerous innovative actors networked heavily by complex webs of formal and informal relations. It seems that the CENTROPE region, discussed later, is following the idea to amass critical amount of innovation, research and development capacities to be able efficiently compete with areas similarly focusing on highly innovative production and services.

Multiple areas and multiple focuses on value chain activities provide a chance to occupy higher levels of innovation profiles. Different sectors, activities and industries are differently demanding innovation content. This means that to become competitive any ambitious (supra-) region has to build its mega-competence on inter-related modern sectors and platforms to avoid trap of being locked in a position of developing traditional low competitive activities and sectors. Debates exist to what extent this should be reached by activities of individual private business actors and how should intervention of state or regional bodies be initiated, mediated and implemented.

Incremental innovations are different compared to radical ones. Therefore, firms have to use different approaches in developing them. Lifecycles of firms and products also require different strategies and approaches (for various aspects of innovation in this context see Pavitt, 2000). Any ambitious region has to build comprehensive supportive framework for innovative firms – via enablers and stabilizers - allowing
inter-twinning/networking various actors of RIS and taking into account the specifics of firms focused on incremental and radical innovations.

The transformation of the regions into innovation oriented ones is not easy in practice. The proper public policy is the necessary ingredient of such transformation; however, the substantial change of organizational cultures of businesses, research institutions, thrift institutions, and universities involved is required. This cannot be unfortunately attained, overnight. Moreover, the involved parties have to evolve the new business models that are being capable to take advantage of the higher level of collaboration among often competing firms. That means that such cooperation must be the source of the additional value creation for the company involved, which necessitated lot of organizational learning, strategic shifts, patience and developing of the local social capital.

Putnam describes social capital as the: “…features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit” (Putnam 1995). Once trust has been established, people are able to overcome their isolation and look for opportunities to interact and network. Trust is the basis of alliances among individuals, community groups and partners (Ferguson a Stoutland 1999). Social capital is often built during many years, but may be destroyed quickly. This is the reason why the creation of the innovative oriented regions represents the slow process in the transforming countries of Central and Eastern Europe (CEECs). It seems to us however that those regions in CEECs that are directly collaborating with the former Western European countries may accelerate this process because of geographic synergies and faster transfer of experience.

The next section looks in some detail on one such example of an innovative region – trans-border Central European region CENTROPE –
where some attempts to form the environment possessing critical amount of enablers and stabilizers are being developed.

3. Case study of innovative supra-region: CENTROPE

3.1. General overview of the supra-region

With the post-1989 changes, national and regional conditions in Central Europe in general are improving over time as well as territorial cooperation. Many aspects characterizing business environment have also been gradually improving since that time. Our example analyzed in this section – the CENTROPE supra-region - is located in the center of Europe, integrating neighboring areas in Austria, the Czech Republic, Slovakia and Hungary. It consists of Austria part (Vienna, Burgenland, and Lower Austria); the Czech Republic part (South Moravia); Hungary part (West Pannon Region); and the Slovak Republic part (Trnava County and Bratislava County) (some definitions include also the South Bohemia region) (Centrope, 2010d). Despite huge potential of this supra-region, there is still a lot to expect when the newly built structures come to their full effect. The supra-region is one of the fastest growing regions of the enlarged EU and includes three of the most dynamic metropolitan areas of Europe (Brno, Bratislava-Vienna agglomeration and Győr) (Centrope, 2010e). All markets in the supra-region are expanding and reinforcing each other. Highly export-oriented markets and a well-trained workforce are among its most outstanding features. Located in the centre of Europe, CENTROPE is the hub connecting countries that are on its way of fast re-integration and an ideal bridgehead to Eastern and South-Eastern Europe (Centrope, 2010e). Approximately 6.5 million people live in the eight federal provinces, regions and counties that form this supra-region. Its
position at the intersection of four countries is reflected in the great variety of its partner regions and cities. The two capitals, Bratislava and Vienna, situated at a distance of 60 km, Brno and Győr as other cities of supra-regional importance and many other towns are the driving forces of this expanding supra-region. Growing prosperity, efficient and export-oriented industries, globally networked service hubs and a highly educated workforce are among the characteristics of CENTROPE region. The supra-region unites partners that complement each other and stand for quality of life, opportunity, creativity, growth and openness. Situated at a meeting-point of different language areas and attracting firms, people and ideas from the whole world, CENTROPE thus defines itself as a hub at the heart of Europe. For this reason, it presents excellent prerequisites to become one of Europe’s most dynamic spaces to live and work in. (Centrope, 2010b).

With the EU enlargement, the supra-region has achieved tremendous progress in economic prosperity within the last decade. It is strategically located, with developed transport connections and high-quality infrastructure; it represents an optimal business location for TNC’s headquarters and numerous business parks and office centers.

3.2. Innovative capacities of the supra-region

The region represents knowledge-based high technologies economy with more than 2,500 R&D providers and highly qualified employees, often combined with favorable unit labor costs. Characteristic for the region is low corporate income tax rates, rich experience in cross-border cooperation and multi-lingual teamwork and excellent quality of life with admirable leisure opportunities based on cultural traditions (Centrope, 2010c).
Recently (Brzica, 2009), we looked at development of the CENTROPE supra-region from the regional dynamics’ point of view. We have shown that internal and external dynamism of this supra-region is increasing providing thus enough opportunities for higher competitiveness of this supra-region. In this section, our focus on innovation goes a bit more towards combination of business actor scale (corporate dimension) with trans-regional scale (regional dimension). Nevertheless, even here we work with the traditional concept of an innovative region. The reason is simple – regional embeddings (stabilizers, enablers or barriers) represents for any local or foreign firm certain advantages or limits for its operations.

To increase connectivity among regional actors, a new database is built to smooth networking of regional actors in the supra-region. It indicates scale and scope of innovation-related actors that can contribute to growing competitiveness of the supra-region within the broader Central Europe area. This database includes a set of 2473 various actors – among them universities (1269 units – representing various faculties etc.), private firms (443), non-university research bodies (707) and others (54) - contributing to the regional R&D base. Unfortunately, the existing state of this database (only name, region, type of organization, research sector and services are collected in this database) does not allow looking what is the current pattern of the structure of that regional R&D base. The reason is that (1) there is not enough information about individual actors registered in the database, (2) there is no comparable database for some other regions of similar size and scope like CENTROPE is, and (3) there are no time series for the number of these actors as they have developed since the beginning of CENTROPE formation. On the other hand, this is the first attempt to collect systematically data on various R&D actors operating in the region. The database provides a simple picture of the regional capacities and allows networking of potential partners providing a chance
to enforce future development trajectories. To be successful it requires from policymakers to use R&D policies to generate: (a) critical mass of institutional density (as an additional factor to the OLI factors); (b) critical mass of institutional flexibility; (c) critical mass of technical infrastructure; (d) critical mass of educated workforce with tacit knowledge. To increase dynamics of structural changes, however, the economy needs to generate these competitive features permanently to attract high-technology firms. In this context, the supra-region should act as a hub for coordinating research activities; initiate and develop leading edge research facilities; increase public investment in education; and continue to change regulation to meet international competitive criteria. The government has to ensure that managing of such changes is efficient, rapid and flexible (Asheim, Brzica et al., 2006).

The supra-region is important not only because it comprises regions of several countries, but also because these regions posses complementary types of knowledge bases (on more details see Brzica, 2009). This makes its innovative potential even higher. Highly innovative firms use the innovation platform as a base for networking and firm-university collaboration. What has been typical for many decades for Austrian regions of CENTROPE is nowadays becoming more visible also in the other parts of this supra-region. Among some examples is Business and Innovation Centre, which was founded in 1991 as a part of European Business and Innovation Centre Network (EBN), whose aim is support of innovation and its introduction in practice (BIC (2010). CENTROPE possesses substantial development potential with 25 public universities and art academies as well as ten universities of applied sciences with over 250,000 students, several hundred non-university research institutions, numerous technology and research-oriented firms. This high density provides a good location for firms engaged in an international research and innovation activities. Its
competitive advantage lies in the diversity of the constituting regions. The university and research environment of the four regions present many comparable characteristics. For example, Vienna and Bratislava focus roughly half of the R&D output of their respective countries on their territory and have correspondingly extensive university and research institutions of supra-regional significance. As the second most important science hub of the Czech Republic, Brno also has an excellent position within the university and research system. Moreover, research and training facilities strongly aligned with the needs of regional economies and application possibilities, e.g. those situated in Győr, Krems, Eisenstadt or Wiener Neustadt (Technopol Wiener Neustadt and Technology and Research Center – TFZ, 2010), are playing even more important role in CENTROPE, (Centrope, 2010). Over the past decade, university and research cooperation ventures among CENTROPE regions have continuously increased in number, extent and intensity. By joining forces, the supra-region can develop into a knowledge region that supports the creation, transfer and commercial use of research findings and facilitates the emergence of cross-border innovation and technology clusters (Centrope, 2010).

As shown on the Picture 1, CENTROPE supra-region has variety of R&D facilities with different focus. Ambition is to make further progress by creating even more profiled area. An example is Brno with its heart clinic centre planned in cooperation with Mayo Clinic (USA).
Source: Centrope Note: In this picture, CENTROPE area includes also the South Bohemia region.

Nevertheless, the situation gradually changes and there are examples of successful research cooperation and international breakthroughs. According to B. Barta (CITT project partner PBN) and G. Krumpak (ICT market researcher), CENTROPE has a share of almost 7% of Europe’s ICT markets and about 60 universities, which represent about 360 000 ICT specialists and 36 000 people working in ICT related research.

3.3. Some innovative projects within the supra-region

The national governments in Central Europe have initiated and coordinated various projects aimed at enhancing cross-border and international cooperation and financed or co-financed from the European Union programs since 1990s. The supra-region has developed from an...
industrial type of single country economy to multi-country integrated area with knowledge-based cooperation. Substantial progress has occurred since 1989 and later since the time when the Slovak Republic joined the European Union. At the beginning of the century, a virtual incubator was created in the Slovak Republic. Successive screenings of prospective clients led to an initial selection of some firms. While the virtual incubator only started in 2001, its activities had expanded across the border. With Innostart and the Business Innovation Center (BIC) in Burgenland (Austria), BIC Bratislava had initiated Project ISTER, in the framework of an EU program for setting up innovative firms. The clients were not only academic spin-offs, but also SMEs. Experts complemented the virtual incubator services with personally delivered services. The services targeted the following areas: support to exports, technology transfer, cross-border acquisition of financial resources, utilizing applicable EU tools and programs, and other activities in support of cross-border business activities. By the end of 2002, ISTER had five Slovak, five Hungarian and ten Austrian firms (Gregor and Hesp, 2003). The main areas of activity were consulting, software/multimedia and real estate/construction. What was innovative was the set-up, which encouraged small firms to work across borders. Another, physical, incubator was set up on the premises of the Academy of Science. After the development of an integrated service package (the services offered mainly by the BIC Group and subsidized through the EU’s Innovation Relay Centre program were business consulting, loan mediation, risk and venture financing, grants mediation, and support to technology transfer), the incubator started operations in September 2001. The Academy institutes, where the incubator firms were located, provided logistic support. The incubator had links with incubators elsewhere in the country (Gregor and Hesp, 2003).
As regards technology transfer a total of six technical business units (TBUs) and industrial liaison offices (ILOs) promoting cooperation between research and industry were established in Bratislava and the regions during 2001. A technology transfer fund established by the Slovak government provided crucial financial support. Activities had included firm visits to gather technology data and analyze technology needs. By mid-2002, 74 SMEs with a potential for international partnership had been visited, most of them in the machinery, chemicals and automotive branches. This had led to a project covering outsourcing and technology transfer among firms in the USA, the Czech Republic and the Slovak Republic, mainly in the machinery industry. Workshops had covered various aspects of R&D/industry cooperation, technology brokering, benchmarking and the role of EU programs. These meetings, and many other technology transfer events, had helped to collect additional relevant data on technology needs and offers from participants firms (Gregor and Hesp, 2003).

By the end of 2002, 15 agreements for inward transfers of technologies were concluded between foreign and Slovak firms (Gregor and Hesp, 2003). With the help of the TBU, several engineering firms were able to obtain financial support from the government. The BIC Group had been very active in the creation of networks initiating creation of the Slovak Association of Industrial Liaison Offices whose aim was to develop cooperation between education/research and the industrial sector. Several universities had joined the Association. The technology transfer package had been offered also to the Technical University, Bratislava. The BIC Group also took the initiative for the international REGILOn network. Finally, BIC became a member of the Innovation Relay Centres (IRC) Network of member and associated states of the EU, which was created to encourage technology transfer to SMEs (Gregor and Hesp, 2003). Followed
by these early stage activities, later on the Austrian partners started with a management consortium involving all partner regions in the process. Slovak partners started with a similar project in Bratislava. Starting with 2008 four countries cooperation units cooperate in a CENTROPE cross-border cooperation management, who is financed equally by all partner regions. Nowadays the specter of activities is becoming wider and wider, which indicates that the idea of supra-national regional cooperation is viable and promising.

The Central European project CERIM represents another initiative, which wants to develop and validate a model to enhance the transfer of technology and innovation from public research institutions and universities in Central Europe to existing firms or new ones. The project has indicated an unclear policy and legal frameworks, a lack of motivation of research institutions and of researchers, a lack of qualified personnel managing the technology transfer process and missing networks to regional, national and international resources, industrial partners and venture capital as main problems existing today. Comparing different models of technology transfer should assist policy makers in designing proper regional structures to enhance innovative capabilities of a region and its business actors and other relevant stakeholders. To improve situation in CENTROPE, many various actions have been taken to assist regional restructuring and help the supra-region to adjust to global competition. During the conference held in May 2009 in Bratislava the project partners and participants from non-partner organizations working in the field of public research and technology transfer in several European countries discussed different models of technology transfer. CERIM project makes unique its collaboration between technology transfer and research organizations from different regions with different basic conditions, having a common aim to increase the number and quality of innovations stemming
from Central European public research initiatives. This will be of benefit for all concerned parties by increasing the attractiveness of both venture capital and high-class researchers to the region. The expected long-term effect of the project is the creation of new research-based innovative firms, which can contribute to the welfare of the Central European economy (Stradner ed., 2009).

**Conclusions**

This chapter deals with business and regional actors’ behavior within and demonstrates that in today’s world it is quite difficult to maintain for all business actors, and even more for regions, stable competitive positions. Innovations, be they corporate, regional, private or public, they all represent dynamic elements influencing - via interplay between actors - numerous processes of different intensity, scope and scale. To be successful in this highly uncertain, complex and dynamic environment, all actors have to adjust to the changes on a permanent basis. Failing to do so, means that their competitiveness is gradually or rapidly weakening and eroding their position. The chapter identifies various factors contributing to pro-innovative environment and shows that regional innovation, territorial cooperation and co-competitiveness are elements contributing to better adaptation to changing business environment. Whereas in the regional innovation and territorial cooperation the key role is played both by public and private actors (regional governments, firms and research or education facilities), in the co-competitiveness processes the key role is mainly with innovative firms and other private knowledge-oriented actors. Our empirical case shows that the CENTROPE region is ambitious enough to transform itself into a modern highly complex business environment with wide-scale of business actors intensively cooperating and competing.
What lessons can be learned from this analysis. One answer is difficult to find. As “no one (policy) fits all (situations)” statement is probably true, it is possible to specify rather what has to be avoided while preparing strategies of regional actors and regions rather than what has to be followed. Avoided should be approaches like: (a) policies reducing openness and enforcing lock-in approaches keeping regions where they are; (b) policy measures or strategies blocking networking, cooperation/co-competition at all levels within a region; and (c) practices reducing flexibility of each actors to form new networks. Of course, exemptions are possible – networking should not be confused with corruption at local level as well as flexibility does not mean automatically move from traditionally prosperous areas of activities to uncertain new ones. The example of CENTROPE shows that political freedom in 1989 as well as the European integration and the EU cross-border programs certainly have helped to transform isolated countries and their regions into a growing, prosperous and innovative area with competitive industries and knowledge-oriented actors. Finally, these were – in the case of former “socialist” countries - ambitions of local entrepreneurs to escape the heritage of underdevelopment caused by poorly functioning economic and political systems before 1989.

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1. State of the Polish economy before 1989

After World War II before the beginning of transition, Poland had been strongly bound with the countries of the Council for Mutual Economic Assistance, especially with the Union of Soviet Socialist Republics. Prevailing in the CMEA, imposed top-down order led to formation of a specialization in production among member countries. Trade between these countries was not regulated by the economic result, but the system of international agreements. Settlements were made on the basis of bilateral or multilateral clearing. Before 1989, in Poland prevailed rules different from the known to the free market economy. Another issue were uneconomical, inefficient, material and energy intensive technologies commonly used in the Polish economy.

Economic problems prevailing in the Soviet Union and Eastern Bloc and the policy of relaxation led to the erosion of relations between the Member States of the CMEA and the eventual dissolution of this organization. In view of the drastic changes in the international environment of Poland, with its obsolete economy, accustomed to using a foreign exchange transfer ruble, quite unsuited to the free-market principles in trade and compete with Western countries found itself in a difficult situation. The disintegration of the existing cooperation structures had closed Eastern markets, while the West remained closed due to lack of relations with these countries and the poor competitiveness of the Polish production associated primarily with the poor quality of products (Nowakowski and Protasowicki, 2010: 147-149).
Another factor impeding the functioning of the economy in addition to the new conditions was the high energy dependence on the USSR. Exploited energy resources of national demand deposits did not satisfy the internal market, and a shortfall was covered by imports from the Soviet Union without the issue of diversification of supply.

Internal economic turnover was governed under central planning. Frequent shortages of goods on the market, especially noticeable in the final period of the PRL were the cause of the introduction of rationing in many products. Access to many products, sometimes even of necessities, became difficult. It was possible to avoid shortages and fulfill the needs of the domestic market with domestic production, but the country was obligated by the agreements concluded within the CMEA and a large part of the production was directed for export.

Polish economy in the period before the transformation of the political system was characterized as a significant overstaffing. Measures justified from a social point of view, led to far-reaching restrictions of the employee's duties, which in turn raised the cost of production and the economy.

However, it should be noted that since the 70s, the period of prosperity of the Polish economy, largely through foreign loans, made possible domestic restructuring and modernization of industrial plants. Polish industry, especially the precise engineering and electronics industry of this period was characterized by high levels of innovation and competitiveness within the CMEA, and sometimes even to products originating from the West. One example could be Wrocław Electronic Plants "Elwro", Precision Engineering Plants "Błonie" or other affiliated companies within the Union of Industrial Control and Measurement Instruments 'Mera'. Many of these companies were producing modern equipment on the basis of its own patents or licenses purchased abroad, while a large proportion of their
production was exported to the CMEA countries, developing countries and the West.
Restructure the industrial production, personnel changes and privatization in conditions of high competition from the highly developed, expansive western economies, offering attractive in the eyes of Polish customers the products was a big challenge.

2. The economic transformation in transition
The scope of the changes introduced in the transformation process included both political system and economic and social development. At the outset the desired direction of change was not specified, because any change would be a success in the rulers' point of view, but targeting on democratization and building of a market economy was apparent (Blok, 1993: 8).
The first change brought the Polish economy in transition was related to the principles of accounts. In place of the command economy market economy was introduced, which was a big challenge for both government and society. In international trade and accounting system has also been transformed. Transfer ruble was abandoned in favor of convertible currencies, which resulted in condition of the national economy.
The disintegration of the CMEA, broke the previous contact with the countries of the former Eastern Bloc, and has amended the terms of trade resulted in a drastic decline in exports, which resulted in a decrease in production, sales and ultimately profits. This has led to restrictions on investment, resulting in innovation and competitiveness of Polish products have declined. Reduction of production, combined with excessive labor has led many companies into bankruptcy, while others have had problems with financial stability. The result was an increase in both unemployment and
falling wages, which, combined with progressive inflation, the failure of state enterprises and an aggressive privatization evoked financial crisis.

Changes of the accounting rules made in the foreign trade has reflected not only on the problems of domestic enterprises, but also in public administration and society. The first tangible result of the resignation of the transfer ruble in favor of dollars was a dramatic increase in prices of imported energy. The natural gas price has nearly doubled, and the upward trend in consumption could be fatal (Nowakowski, 2009: 314-315).

Relative backwardness of the Polish economy to the Western economies on the other hand caused a huge absorption of new technologies. Because of the emphasis on production Polish industry was often a heavy burden on the environment, particularly in the area of heavy industry and raw materials. In addition, environmental awareness in Poland and other Eastern Bloc countries was low in comparison to Western countries, which led, inter alia, to an environmental disaster in the Jizera Mountains and water pollution in the border rivers.

Poor quality of domestic machinery and equipment resulted in technology import growth, but the new machinery required better quality of the supplies. Thus, import growth exceeded export growth significantly. The machines and equipment imported into the country were often operated abroad and their technology was pushed out by newer, more friendly to the environment. A similar situation occurred in the case of imported cars. The opening of borders resulted in a flood of Polish market of machinery, which in some cases have been technological scrap in the West, while Poland still successfully replaced the previously operated device, which gives a picture of underdevelopment of domestic industry of that period.

Another factor reducing the possibility of further development of the domestic economy was the outstanding external debt service from previous periods. In last decades of the existence of PRL the country has entered
into a series of foreign loans for the modernization of the Polish economy, which in the last years before the transformation of the political system were also used for consumption purposes. The escalating costs of handling foreign loans affected the national balance of payments and were increasing burden on the budget.

One of the main tasks of the following governments appointed in transition was to ensure the economic stability of the state, thus the economic and budget issues were widely present in the work of the Sejm. The main points of economic plans was the privatization of enterprises belonging to the Treasury, reducing inflation and unemployment and the restructuring of foreign debt.

The privatization process was the most controversial, and to this day, the views on the course of the privatization are extreme. In the early 90s when the first company was privatized, there was no experience that would prepare the government to safeguard the proper course. In the first place the most attractive for investment companies that generated profits were sold. It was supposed to promote the Polish market as well developed and profitable and ultimately to convince investors to invest their capital in Poland. Contracts were entered into in good faith, without checking in advance, how this type of transactions are taking place in a market economy and what are their consequences. The result of the first phase of privatization was a takeover of the most profitable part of the domestic industry by the foreign capital followed by its slow degradation (Sirojč, 2010). For foreign investors it weren’t Polish companies (which in comparison to the Western companies were in terms of technologies outdated and not very innovative) that were a chief target of their investments, but the priority in the introduction of its products on the Polish domestic market and eventually assuming a dominant market position. An example of so-called "hostile takeover" may be a case of a modern and one
of the most innovative companies in the country "Elwro", producing computers Odra and RIAD, privatized in 1993 and sold to German conglomerate Siemens. Manufacturing has been recognized no longer profitable by the new owner, the factory has been overcome, some halls demolished, and the majority of workers fired for clearance. A similar pattern repeated itself several times. New owners usually want to conquer the market, or take over current contracts for the supply of equipment.

In the field of external debt restructuring in transition could be addressed more successful. The amount of Polish foreign debt, incurred during the communist economy towards the modernization of the state (and consequently also for consumption) in 1989 was estimated at 40.8 billion dollars. In order to purchase the debt if possible below the minimum Foreign Debt Service Fund was appointed, while following governments have worked on the possible debt restructuring. Poland was in debt with creditors of two types - other countries, informally grouped in the so-called Paris Club and foreign commercial banks, informally known as the London Club. Foreign debt accounted for the Polish economy much of a burden which made economic growth almost impossible to achieve. The government and the various parliamentary parties since 1989 have occurred with the proposal of ecoconversion of the Polish foreign debt, which was a plan of reduction of the Polish debt with foreign creditors in exchange for the transfer of these amounts for environmental investment and environmental protection. The plan to establish a series of extensive economic reforms proposed by Leszek Balcerowicz have helped Polish economy to gain trust. As a result of the negotiations Polish debt was reduced by half, and part of the debt converted into bonds or restructured. Conclusion of an agreement with the London Club and Paris Club gave Polish economy a new impulse for development, but unfortunately this was at the expense of the introduction of restrictive economic reform program,
which worked, conversely, withholding economic development for many years.

3. Rebuilding the economy after the 1997 crisis
Transformations and destruction of the Polish economy from the period of transition started in 1989 was finally stabilized after years of extensive reforms introduced by the successive governments. The crisis triggered by the high inflation and high unemployment was stopped in the second half of the 90s and Polish economy began to record economic growth.
The economic boom and the stability have opened up new opportunities for technological development of the country and the international cooperation expansion. The possibility of membership in such organizations as NATO and the European Union became real, which meant access to new sources of international support. Key state-owned enterprises have been privatized, and or strengthened its market position, either were overcome by the decision of the new owner or bankrupt as a result of difficulties in the functioning under the economic crisis and foreign competition. As an example of a modern enterprise which did not endure this difficult test may be a case of Precision Mechanics Industries MERA-Blonie, which since the 50s produced measuring and telecommunications equipment on behalf of major domestic producers, but fell into increasing financial problems caused by the shrinkage of the market due to the decline of domestic production. MERA-Blonie supplied components to the FSO and a car factory in Lublin, telephones produced at the request of national telecommunications operator as well as parking meters and printers. With the decreasing number of orders decreased production and revenues. Finally, in 2003 it introduced the factory of receivership, who managed the company until June 2003 when it declared bankruptcy.
Similar problems are wrangled over all of the most innovative companies. Although production standards, design and ease of use of equipment produced in Poland was adapted to the standards of Western competition, domestic manufacturers had problems with finding new markets, as well as fighting for survival on the domestic market.

Opening the road to membership in NATO and the EU has been associated with the necessity to adapt to the standards prevailing in these organizations (Nowakowski and Protasowicki, 2008: 74-83). The compensation of level of development between Poland and NATO and EU was associated with the modernization and equipment of the national administration and the armed forces, which in turn meant an increase in public procurement. For this purpose Poland received financial support. At that time the law in force in the country favored domestic producers and suppliers in the procurement process, thus increased opportunities for domestic industry development. Increasing the amount of money in circulation caused a slow but appreciable economic growth which translated into an increase in the innovativeness of Polish enterprises.

In this case, for example would be one of the few companies from the former MERA Unification, which survived the changes brought about the transformation of the political system - Elzab. In the case of this company before 1989 90% of the production has been exported to the CMEA countries, especially to the Soviet Union and during the transition a strong competition from Western manufacturers appeared. In 1992 Elzab were restructuring and became a wholly-owned state company. At the request of a foreign contractor company have begun work on a computerized cash register, which coincided with the entry of the VAT Act in 1993. The Elzab Cash Terminal became the first device approved for marketing in Poland.

These circumstances facilitated the company to become a leader in the domestic market and high innovativeness and competitiveness of products.
has allowed competition abroad. In 1998 Elzab appeared on the Warsaw Stock Exchange, becoming an attractive destination for foreign investors. However, in this case, due to the good condition of a company, there was no hostile takeover, and a company had a successful development. (www.elzab.com.pl/historia)

Some impact on the development of innovation Polish production had also grants and development funds under the pre-accession programs, in which Poland took part. The funds from the PHARE and SAPPARD sizes increased domestic investment in order to compensate for the standard of living between different regions of the country and equating it with that of Western Europe. A new wave of procurement by the government that required adaptation to new standards introduced by NATO and EU, and private procurement from farmers and small entrepreneurs who have received support for the modernization and development of production had increased sales of domestic producers and retailers.

The effect of the crisis-induced transition was a natural selection, which survived only the strongest and most innovative local companies. Many strong businesses and a large part of funds from foreign loans provided to modernize were wasted as a result of their sales and falling. But companies that had been on the market had been able to compete with modern ones with the highly industrialized countries.

4. Contemporary Polish economy - development through cooperation

The Polish economy has now stabilized and is in good shape. Poland was the only European Union member state in 2010 recorded growth despite the financial crisis that gripped much of the world. One reason for the good condition of Polish companies is the experience of the crisis in the late 90s, which enabled the survival of the turmoil in global markets after 2008.
In Poland, have remained only the latest and most innovative companies. Their condition at the threshold of transformation allowed to compete at both national and European market with products from the highly industrialized economies of the West, and the inflow of exports and the opening of borders has enabled further technological development. Large impact on innovation of domestic industry has also the Polish education system. Graduates of Polish universities and technical colleges in the educational process very often do not have access to such teaching materials and equipment, as students of universities in the highly industrialized countries, despite the level of education and ingenuity they are equal or even exceed, as seen with the amount of winnings of the international competitions in the field of computer science, robotics and mechanics. There is also an influence of the European Union, which in its budget secures funds for innovation. These measures are distributed in some part on the principle of proportional sharing but privileges the Member States most lagging in comparison to the rest. Some of them however is allocated on the basis of grants for specific research projects in which the principle is the international nature of research. In the past few years for projects with participation of Polish research institutions, the European Union sent more than half of the planned measures for this purpose. The measures agreed by the European Union on the development of innovation are best used in addition to the grants in Poland. Poland is using almost 100% of the allocated budget. Bearing in mind the need for the Polish economy development the Polish Agency for Enterprise Development (PARP) has been established in 2001. It deals with the promotion of competitive and innovative ventures. The activities carried out by PARP aim to develop human resources, increase exports, the promotion of Polish abroad and use of new technologies.
For the past 10 years, the Agency has concluded more than 11,000 contracts for support of almost 8 billion zlotys with Polish enterprises, Funding scholarships for postgraduate training for more than 500,000 employees from 180,000 companies, created the National System of Services for small and medium-sized enterprises, bringing together more than 200 organization, which has already benefited over a million people, gave 828 million zlotys recapitalization for regional and local loan and guarantee funds, held 12 editions of the Polish Product of the Future contest, in which 25 projects were awarded and 51 honored, released 145 books in total circulation of over half a million copies (Polska Agencja Rozwoju Przedsiębiorczości).

In order to compensate for differences in development between different regions of the country the Regional Innovation Strategies (RSI) were created. They were constructed individually depending on the needs of individual provinces, however, have some common parts. Most issues raised in the RSI refers to such needs like building a knowledge economy, improve collaboration of the research and development with business, support for cluster development, the revival of business environment and better access of small and medium-sized firms to external financing, including - offered the seed capital funds and venture capital (see: Strategia Rozwoju Kraju 2007-2015; Narodowa Strategia Spójności 2007-2013; Krajowa Strategia Rozwoju Regionalnego, Krajowy Program Reform 2013).

5. Summary

Polish industry was already innovative in the period before the transformation. During the communist ruling Poland was a CMEA State specialized in automation and precision electronics, and domestic products were exported to all countries of Comecon and affiliated countries.
Technological development and innovation since the 70s was possible due to loans contracted abroad by the communist authorities with other countries and commercial banks. Unfortunately, the economic crisis triggered by a wave of social unrests in the 80s caused a part of foreign loans was spent to meet current consumption needs of the nation, which further hindered the economic recovery in the first years of transition.

Mistakes committed by the Polish authorities in the transformation process, especially in the context of re-privatization of the state enterprises delayed obtaining an economic stability. The economic crisis and the hostile takeovers of domestic companies by foreign capital led to the elimination of many innovative companies, but many of the remaining factories adopted to the new economic reality successfully and began to compete with Western manufacturers.

Government support for innovative entrepreneurship and foreign funds at the present time allow further development of Polish business and further strengthening of the Polish economy in the international arena. Despite the dynamic changes taking place in the country’s economic policy and therefore not fully stabilized economy, Polish R&D units and technical thought can be found in the most advanced groups in the European Union, winning the trust of customers around the world.

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INNOVATIONS DETERMINANTS OF POLISH FAMILY-OWNED BUSINESSES

Piotr Szczechankowski

Introduction

The discussion on the issue of family-owned businesses has been taken on for a relatively short time. For many decades, family influence on the performance of a company was not the subject of scientific discussions and was not considered to be essential in running a company. The situation began to change actually. Family-owned businesses have been successfully included in the scientific discussions mainstream both Europe and globally. In recent years a similar trend has also been observed in Poland. Research and analyses on family-owned businesses began in the second half of 1970s. The first significant study was conducted in 1990s. It can be assumed that the new discipline – the study of family-owned enterprises – emerged as a separate entity at the end of 20th century. Depending on their definition, family-owned businesses in the EU-15 and in the United States constitute from one-third to 70 percent of all business entities on the market, produce between 20 percent and 70 percent of GDP, and employ 27 percent to 70 percent of all employees. Small and medium-sized enterprises sector (SME) is a dominant area for family-owned enterprises to be established and run. It is natural since over 99 percent of all the business entities are SME, and the beginnings of most of the businesses are usually related to a small size of organization. Many of these companies do not develop into larger business entities because of limited resources and often their strategic choice. Family character and
limited size and resources of the entity are the most typical features of most family enterprises and substantially influence the way these enterprises are managed.

Regarding the family-owned businesses’ contribution to economy, it should be admitted that they constitute a valuable part of business sector and that their development should be supported. Especially determinants of innovation activity or innovation strategy of family-owned businesses could be analyzed, because such business entities are probably most ready to quick implement and develop different kind of innovation.

Detailed problems included in this paper are as follows: description of family-owned businesses and their importance in global economy, short characteristic of Polish family-owned enterprises and determinants or features of their innovation activity or strategy.

1. The essence and the definition of family-owned business

Published articles or books on family-owned businesses have not provided us with a uniform definition of a family business that would be commonly accepted by researchers. The notion of family-owned business may be actually understood in a variety of ways. The difficulty in defining it is due to at least two reasons (Safin, 2006: 1-2):

1. A family-owned enterprise is not a “unidimensional” entity, but its nature is very complex. Due to absence of formal criteria of distinguishing it from other businesses, various enterprises with different legal status, ownership structure, size and management style are placed in this category.

2. It combines two groups of terms (notions) which vary in terms of origin, history and social perception, namely family and enterprise, which are equivalent to institutions serving different aims. The first of those two is a social institution aimed at procreation, household running, organizing the life of family members and securing one’s external needs. However, the
aims of an enterprise include meeting the needs of strangers, risk-taking and economic independence. Table 1 illustrates different systems of standards used in family and in an enterprise.

**Table 1. Comparison of family and enterprise standards**

<table>
<thead>
<tr>
<th><strong>Family standards</strong></th>
<th><strong>Enterprise standards</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating the right conditions for meeting the needs of family members and own children in particular</td>
<td>Employing fully-qualified individuals only</td>
</tr>
<tr>
<td>Ensuring that relevant support is provided as the needs arise</td>
<td>Ensuring that remuneration is provided and that it is dependent on an employee's contribution and market conditions</td>
</tr>
<tr>
<td>Perceiving each family member as a unique individual, equal treatment of sibling</td>
<td>No individualized approach to the employee; a tendency to identify the best ones.</td>
</tr>
<tr>
<td>Ensuring that each person has an opportunity to learn depending on their needs</td>
<td>Ensuring that each person has an opportunity to learn depending on the needs of the organization</td>
</tr>
</tbody>
</table>


Published work on the subject provides us with various attempts at definitions of family-owned enterprise aimed at clarifying its special social and economic aspects. Let us quote a few examples:

- "... if at least two generations of the same family had an important impact on the aims and policy of a business, then we may speak of a family-owned business” (Donnelley, 2002: 4);
a family-owned enterprise may have any legal status; its capital may partially or fully belong to the family and at least one family member has an decisive impact on management or is a manager themselves and intends to ensure that the business will be permanently owned by the family (Frishkoff, 1995);

in a family business, at least two family members in charge of management and finance are employed; the succession is planned or has already been implemented (Ashley-Cotleur and West King, 2009).

The criterion used to distinguish family-owned business from other entities is that of ownership and management type. The definitions used also include those which define the extent of involvement of family members in business and those which take into account more than one criterion. The use of succession as a necessary criterion of belonging to the category of family-owned enterprises is less usual. So, it is possible to take into account definitions basing on the following criteria:

1. Structural – when the family owns more than 50 percent of shares in the enterprise.

2. Subjective – when the owner of the enterprise refers to their enterprise as a family business.

3. Functional – when the family is involved in running the business.

4. Generational – a family-owned business is that in which full succession has been implemented.

Taking into account these criteria, we can define a family-owned enterprise as such which is actively in each business, especially from the SME sector, and in which:

- at least two family members working together,
- at least one family member has a considerable impact on managing the enterprise,
family members have a significant share in the enterprise (controlling shares).

Family-owned enterprise is also a type of business where profit occupies a position of equal importance to that of values. It is difficult to imagine a family-owned business based on aiming at increasing profits only. The establishment of a family-owned business is often derived from totally different prerequisites than the foundation of a stock public company. There is a model existing on the capital market consisting in resale of businesses earlier acquired as soon as they gain a significant value. In case of family-owned businesses the will to capitalize their property occurs rarely. More frequently there is a need to educate worthy successors to manage the business thus contributing to the fact that family businesses are more stable.

2. Importance of the family-owned business sector in global economy
In 2006 the American Family Business Magazine (2006, No. 2) carried out surveys about the largest family-owned businesses in the world. It presented 250 most powerful family-owned businesses from 28 countries of the world whose annual income amounted to 1.2 billion USD, minimum. A lot of them operate on their domestic markets, but most run parallel business activity in several countries. Enterprises from the United States occupy as many as 130 of all the 250 positions on the list of the largest family-owned businesses. France comes right after them with 17 enterprises and Germany with 16. But among the leading 15 businesses, only 4 come from the USA, 6 from Europe and 5 come from Asia. In table 2 the list of fifteen most powerful global family-owned businesses have been presented.
Table 2. The main global family-owned businesses

<table>
<thead>
<tr>
<th>Name of enterprise</th>
<th>Country</th>
<th>Family name</th>
<th>Annual turnover in 2008 (in billion USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart</td>
<td>USA</td>
<td>Walton</td>
<td>405</td>
</tr>
<tr>
<td>Toyota</td>
<td>Japan</td>
<td>Toyoda</td>
<td>214</td>
</tr>
<tr>
<td>Carrefour</td>
<td>France</td>
<td>Halley</td>
<td>139</td>
</tr>
<tr>
<td>Ford</td>
<td>USA</td>
<td>Ford</td>
<td>120</td>
</tr>
<tr>
<td>Samsung</td>
<td>South Korea</td>
<td>Lee</td>
<td>117</td>
</tr>
<tr>
<td>Electronics</td>
<td>USA</td>
<td>Cargill</td>
<td>116</td>
</tr>
<tr>
<td>Cargill</td>
<td>South Korea</td>
<td>Koo</td>
<td>108</td>
</tr>
<tr>
<td>LG Group</td>
<td>USA</td>
<td>HP</td>
<td>92</td>
</tr>
<tr>
<td>HP</td>
<td>Philippines</td>
<td>Ayala</td>
<td>76</td>
</tr>
<tr>
<td>Ayala Corp.</td>
<td>India</td>
<td>Tata</td>
<td>71</td>
</tr>
<tr>
<td>Tata Group</td>
<td>Germany</td>
<td>Quandt</td>
<td>66</td>
</tr>
<tr>
<td>BMW</td>
<td>Italy</td>
<td>Agnelli</td>
<td>65</td>
</tr>
<tr>
<td>Fiat</td>
<td>France</td>
<td>Mulliez</td>
<td>52</td>
</tr>
<tr>
<td>Auchan</td>
<td>Germany</td>
<td>Albrecht</td>
<td>51</td>
</tr>
<tr>
<td>Aldi</td>
<td>Sweden</td>
<td>Kamprad</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: own study based on information from Internet.

The following figures constitute another proof of the power and significance of family-owned businesses in the world (http://www.fbn-i.org/01.02.2011):
• 75 percent European businesses are family-owned,
• 25 percent of the list of 100 largest European businesses are family-owned,
• 37 percent businesses of the Fortune 500 list are family-owned,
• 60 percent public companies in the USA are controlled by family-owned businesses,
• family-owned businesses produce in average 55 percent of gross national product (GNP);
• in most European countries family-owned businesses provide more jobs than other enterprises.

Research recently surveyed by Bertrand and Schoar (2006) documents a strikingly high concentration of ownership around the world, primarily in firms held by families. Based on ownership structures of companies from the 27 richest countries, La Porta et al. (1999) show that families control 30 percent of the top 20 firms. For medium-sized firms, family control is more common in countries with poor shareholder protection and a civil-law tradition. According to Faccio and Lang (2002), 44 percent of Western European firms are family-controlled or owned. They also report that firms are more likely to be family-controlled in continental European countries (e.g., France 64.8 percent, Germany 64.6 percent, and Italy 59.6 percent) than in the U.K. (23.7 percent) and Ireland (24.6 percent). These figures are consistent with Franks et al. (2005) who find that family ownership in the U.K. was rapidly diluted in the twentieth century. Researches also show that almost 40 percent of large German stock companies founded in or before 1913 and still in existence in 2003 are family-owned firms. As these results indicate, inherited control is more common in Germany than in other countries like the U.K. or the USA.
The theoretical models of Zingales (1995) and Bebchuk (1999) predict that family owners (in countries with low investor protection like Germany) will either manifest controlling shareholder structures or sell their controlling stakes completely or exit the firm. Other theoretical papers, such as Bhattacharya and Ravikumar (2001, 2005), and Burkart et al. (2003), predict similar patterns in the evolution of family ownership.

The salient finding in Bhattacharya and Ravikumar (2001) is that market imperfections influence the decision of the incumbent family owners either to bequeath the controlling stake (and the business skills), or sell the business and bequeath the proceeds. Therefore, family-owned businesses should be bigger, last longer, and sell out only when the marginal return from the sale exceeds the firm’s marginal return.

Bhattacharya and Ravikumar (2005) focus on succession in family firms by analyzing the trade-off between hiring a family member (with aligned incentives) and hiring a more qualified outside professional (with non-aligned incentives). In that principal agent framework, family firms can professionalize their management only after reaching a critical firm size.

James (1999) shows that the long-term horizon characteristic of family-owned businesses may provide incentives for decision-makers to invest according to market value maximization while limiting agency costs that arise when ownership and control are separated. According to this, we can actually observe that family-owned businesses have got most conservative capital structure. Research realized by McKinsey in 2008 shown that average debt ratio of family-owned business in the USA and East Europe was equal to 25 percent (40 percent in another businesses). Family-owned businesses have expensed only 42 percent of their operating earnings for interest and credit payments (99.6 percent in other enterprises). It is very important for them, because saving profits could be used for...
financing quite high innovation expenditures. Family-owned businesses have financed research and development processes by using average near 7.5 percent of their annual turnover (only 3.1 percent in other businesses). All of this means that family-owned business must generate free cash flows, what help it to be most flexible in the market.

Burkart et al. (2003) report that the quality of minority shareholder protection affects the evolution of family firms in a country. They predict that firms with diffuse stock ownership and professional managers will be prevalent only in countries that have established a high-quality corporate governance environment. In an intermediate shareholder protection environment, management is delegated to a professional and the family acts as a controlling shareholder to monitor the management. In legal regimes with weak protection there is no separation of ownership and control because of the high level of agency costs.

These theoretical models of the evolution of family-owned businesses are consistent with the existence of a variety of corporate governance designs that change through time and differ between firms and legal systems.

3. Family-owned businesses in the Polish economy

Polish family-owned businesses are functioning basically in the sector of small and medium-size enterprises (SME). On the basis of the results of the several empirical studies, it may be estimated that, according to the earlier established definition, family-owned enterprises constitute 36 percent of the SME population (SME with the exclusion of certain sections of the Polish Classification of Activities (PKD) as well as natural persons conducting their own economic activity and not employing any workers) and their number may be estimated at about 219,000 at the end of 2009.
Unfortunately, a 36 percent share of family-owned enterprises in the Polish SME population is a result which is lower than the majority of those quoted in relation to other EU countries (which most often amounts to 70-80 percent). It has to be underlined, however, that the acquired data is not directly comparable due to the lack of information on the definitions and methodology used in foreign calculations. First of all, there is no information concerning the way the entities constituting economic activities conducted by natural persons and not employing workers were treated in these calculations. It may be assumed that most countries included them in their analyses. If we were to make such an assumption, the share of family-owned enterprises in the SME sector in Poland would amount to 78 percent and would be similar to the foreign ones. The second difference may consist in the fact that the population of family-owned enterprises was limited in Poland only to the SME sector, whereas foreign calculations usually took into account also the large companies. This difference may have seriously influenced the estimated, rather low share of Polish family-owned enterprises in the GDP and the employment structure.

It can be estimated that family-owned businesses are responsible for at least 10.4 percent of the total Polish GDP (more than PLN 121 billion; However, the data has to be analyzed with caution – the population defined for the needs of the research is part of the SME sector. Information on the share of population defined in this way in the GDP is unavailable). According to the calculations that employed the data from the Report on small and medium-sized enterprises in Poland in 2007-2008 (PARP, 2009), the SME sector is responsible for 47.4 percent of the Polish GDP, where micro-enterprises account for 30.1 percent, small – 7.3 percent and medium-sized – 10 percent. Calculations were based on a share of micro-enterprises in the GDP, which was limited only to those enterprises which employ from 1 to 9 workers (estimated 21.4 percent of the GDP). The data mentioned above
was multiplied by an estimated share of family-owned enterprises in enterprises of particular level of employment. This way it was estimated that the micro-family enterprises are responsible for 7 percent, small family enterprises for 1.9 percent and medium-sized family-owned enterprises for 1.4 percent of the Polish GDP.

Data concerning the number of family-owned businesses constituted a starting point for estimating the number of persons employed in family enterprises: micro- (about 197,000), small (over 19,000) and medium-sized (about 2,100). The results of the SME study have shown that the micro-family-owned enterprises employed an average of 4.3 workers, small enterprises – 16.6 and the medium-sized ones – 73.4. On the basis of these two sets of data, it was possible to estimate the number of persons employed by family-owned enterprises: about 850,000 in the case of micro-enterprises, almost 330,000 for small enterprises and 160,000 for medium-sized family enterprises. According to the calculations mentioned above, family-owned enterprises employed over 1,300,000 workers. As stated in the Report on small and medium-sized enterprises in Poland in 2007–2008, as of the end of 2007 the total of over 6,200,000 workers were employed in micro-, small and medium-sized enterprises. It can be estimated, therefore, that family-owned enterprises employ 21 percent of all persons employed by SME’s sector.

The family-owned enterprises identified in the SME study will be characterized by way of comparison with the non-family enterprises taking into consideration such basic variables as:

- the level of employment,
- legal form,
- scope of activity (industry),
- size of the city or geographical range of activity,
- age of company,
- turnover, income and investment activity.

According to the calculations presented above, the share of family-owned enterprises in the studied SME population (bearing in mind that particular PKD sections as well as natural persons conducting their own economic activity and not employing any workers were excluded from the population) can be estimated in Poland at 36 percent. The share of family enterprises in the SME sector decreases with the growth of the enterprise size: family enterprises constitute 38 percent of micro-enterprises, 28 percent of small enterprises and 14 percent of medium-sized ones.

One-third of family-owned enterprises from SME sector have annual turnover between 50-100 mln PLN (12.5-25 mln EUR) and 24 percent of them generate turnover between 100-500 mln PLN (25-125 mln EUR). 70 percent of these enterprises are actively from more than 10 years and one-fifth of them from last 20 years. About 72 percent family-owned enterprises increased their turnover and operating income during last two years and 58 percent increased their investment and capital expenditures. This situation is very similar to global trends (57 percent global family-owned businesses increase their operating income and 50 percent of them increase capital expenditures).

Based on last research of the Polish family-owned businesses made by PricewaterhouseCoopers (PWC) during years 2007-2008 we can analyze sectoral structure of these businesses (table 3).
Table 3. Economy sector structure of the Polish family-owned businesses

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share in percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer goods</td>
<td>32.0</td>
</tr>
<tr>
<td>Trade</td>
<td>10.0</td>
</tr>
<tr>
<td>Construction</td>
<td>8.0</td>
</tr>
<tr>
<td>Production</td>
<td>8.0</td>
</tr>
<tr>
<td>Car industry</td>
<td>10.0</td>
</tr>
<tr>
<td>Transport and logistic</td>
<td>8.0</td>
</tr>
<tr>
<td>Chemical industry</td>
<td>6.0</td>
</tr>
<tr>
<td>New technology, media and telecommunication</td>
<td>6.0</td>
</tr>
<tr>
<td>Financial services</td>
<td>4.0</td>
</tr>
<tr>
<td>Real estate</td>
<td>2.0</td>
</tr>
<tr>
<td>Others</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Source: own study based on research results of PWC, 2007-2008.

Unfortunately, we can observe that in innovative sectors, as for example new technology, media and telecommunication, small number of family-owned enterprises are functioning. It is probably depended on investment needed and financial sources barriers connected with it. Maybe other business activity is easier to realize from financial point of view. So, we can tell that innovative activity of family-owned businesses does not testify sector of functioning, but it is only one of the way or method of their activity.

4. Polish family-owned businesses and their innovation determinants
Innovation, competitive advantage, cooperation – these are notions that have gained extreme popularity for the last few years. They often appear jointly. The cross-sectional studies of domestic and foreign literature as well as the review of reference websites have indicated that vast majority
of innovative firms who succeeded on the market are family-owned businesses. For example, several well known international and innovation leading corporations have their roots in family-owned businesses.

Several research results show that the Polish family-owned businesses look out mainly on such basic innovation determinants as:

- strong trade mark – 11 percent of this factor points (relatively 20 percent in the global economy),
- product or business activity idea, clients and quality – 10 percent of points (19 percent in the global economy),
- cost leaderships – 10 percent of points (5 percent in the global economy),
- human capital resources – 5 percent of points (5 percent in the global economy).

Innovation straights of family-owned businesses are different in different areas of global economy (table 4).

**Table 4.** Family-owned businesses straights of innovation

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Europe</th>
<th>Emerging markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client’s loyalty</td>
<td>(19 percent)</td>
<td>Products idea (22 percent)</td>
<td>Strong trade mark (38 percent)</td>
</tr>
<tr>
<td>Products idea</td>
<td>(14 percent)</td>
<td>Client’s loyalty (13 percent)</td>
<td>Products idea (20 percent)</td>
</tr>
<tr>
<td>Flexibility</td>
<td>(12 percent)</td>
<td>Technology (11 percent)</td>
<td>Client’s loyalty (10 percent)</td>
</tr>
</tbody>
</table>

Source: own study based on research results of PWC, 2007-2008.

If we want to search answer about directs of capital expenditures on innovation improvement of the Polish family-owned enterprises, we can find that:
• 78 percent of family enterprises would like to realize strategy of innovation improvement by increasing their human capital resources or other intellectual assets,
• 76 percent want to change information systems and infrastructures,
• 74 percent plan to improve their value chain and relations with clients (e.g. by investing in the CRM systems),
• 50 percent assume to increase their innovation level by research and development activity improvement.

So, we can definitely find some innovation attributes of the Polish family-owned businesses, which are basically based on intellectual capital resources and have got rather social than economic or financial aspects. There are rather soft innovation determinants than hard ones.

Following the assumptions of contemporary approach to management and innovation, based on the use of key, unique skills, experience and cooperation built on mutual trust, family-owned businesses adapt themselves to such requirements really flexibly and easily. The innovation of family-owned businesses is absolutely correlated with commitment and openness to new challenges of their founders who usually built the enterprise from the very foundations. All the capital comes from their personal sources. The businesses engage all their time, eagerness, energy, knowledge, contacts and capabilities in the development and construction of their competitive advantage. The founders treat the business as if it were another family member whose appropriate formation shall guarantee its good functioning in the future. The business development, the appropriate design thereof will bring about the proper development of such firm. Consulting, common discussion of the issues, search for the best solutions by the family members also enables to look at some problems from various angles (Gibiec, 2006). Concentrated on building the firm, the
families do not count on quick profits. When the profits eventually appear, they invest them in the business instead of using them for consumption purposes. They focus on studied, long-term actions or strategy.

J. Kadłubowska (2006) offered solutions thanks to which family-owned businesses can be innovative and maintain a long-term competitive advantage on the market. Firstly, this is the full commitment and hard work. The founders usually work 12 hours a day and enjoy it, losing no enthusiasm on the way. Family members who work together should show as much respect and politeness to each other as they do to other employees. No business practices that conflict with basic family values can be applied by any means. The correlation between the basic family values and the way the business is run are the key components of economical success. The potential issue in business is the pressure to be with the same people all the time. Thus, a family who stay together all the time may become tired with their mutual presence. The solution is to fix various daily routines or even occasional travelling alone and enjoying one’s individual hobby. A very important success factor is also the pride of the business and family that makes it. Moreover, this is one of public relation elements being translated into effective management and marketing.

In addition, the factors providing innovation and buoyant development of family-owned businesses include a clear and firm vision based on a system of values, stress on entrepreneurship, not avoiding changes or risk, strategy verified even totally changed regularly, openness to management structures with a strong role of the management board who considers long-term options, clear division of roles between all the players in the family business, transparency and internal communication (Lipiec, 2006).
Another very important factor of innovation success is a friendly, strong organizational structure. It usually draws as much attention as generating profit or maximization of return rate. It is based on a constant system, unwritten standards, permanent structure, high competence of the staff, significant commitment, the sense of being important, pride of the uniqueness and sharing impressions upon success gained (Zbiegiem-Maciąg, 1999). During the family-owned business development cycle the said culture is subject to transformation and reinforcement (Lloret, 2006). It is worth presenting the development of a family-owned business.

The next element assuring the effectiveness and supporting the family-owned business innovation are measures preventing conflicting situations. In order to avoid the issues related to economic gains the principles of dividend and other income payment are fixed. This is carried out through creating internal funds aimed at solving problem situations and personal needs and regulating the spread of shares. The conflicts that could endanger the mission, vision or long-term family-owned business strategy are stopped by such measures as: statutory agreements controlling the access to property or the principles of following the majority. The measures are usually included in the family rules of conduct. It supports the efficient functioning of the organization, assuring it full professionalism (Lloret, 2006).

The internationalization process is a process of intensive changes in order to enter foreign markets, diversification within the organization itself and evolution of some values characteristic for its culture. The Polish family-owned business usually is relentless in such changes. Moreover, entering new markets, change of organizational structure and transformation of local structure is possible thanks to the mutually acceptable compromise of its managers. Creating a compromise on
appropriate management of human and economic resources, time, it is possible to achieve an efficient process of adaptation to the internationalization of the business operating environment (Lloret, 2006).

The Polish family-owned enterprises realize quite interesting and innovative strategy of their business activity. They call it as rubber strategy. It means that during periods of high demand on their products, it is easy to extend production possibilities, and during worst demand periods family-owned business can be easy wrap up. Such a strategy is based among others on scrupulous cost and profit calculation, on cost reducing processes what can give low prices of the offered products (the cost-leadership strategy), and on internal resources management, especially human, business knowledge, etc. This strategy has given family-owned businesses growth rate about 2 percent points higher in comparison with similar stock companies quoted on stock exchange. Consequently, the value of family-owned businesses is about 6 percent points higher than similar quoted on stock market companies, because these enterprises are more profitable, keep quite well financial liquidity ratios and grow quickly.

The elements presented above are the components of the Polish family-owned business innovation making them achieve market advantage efficiently.

Conclusions
Summarizing studies and analysis presented herein, one may come to the conclusion that innovation strategy is a very important element in the activity of family-owned businesses. The strong sense of being both the founder and owner felt by family-owned business members causes that they put all the effort to make the company very competitive, stronger, financial safety and more innovative than others of the sector. The target to
keep up with the leading best businesses, flexibly adapting to the needs of their clients, creating a friendly and family atmosphere among the staff is their great ambition. Therefore, there is a series of actions making family-owned businesses really innovative.

References


THE INNOVATIVE ROLE OF PERSONNEL APPRAISAL IN THE KNOWLEDGE BASED ENTERPRISES

Marcin W. Staniewski

Introduction
Based on a great respect for knowledge, a new economical conception was created, i.e. Knowledge-Based Economy (KBE). It was supposed to be an alternative of the classical conception of economy, understood in the traditional way, according to which economy was based upon the application of the most significant inputs, such as labor, land and capital.

The author of the present research, due to his particular interest in the problematic of human resources management and as a result of the observation procedures, analysis of literature sources and finally, as a result of the recently implemented analytical research concerning the knowledge management, concentrated upon the issue of human resources management and its role in the development of knowledge management in the enterprise. The most important goal of the present research was to define the dependency between the means of the personnel appraisal applied at the enterprise, and the level of knowledge management achieved by the enterprise.

The role and a place of personnel appraisal in a process of human resources management

Periodical personnel appraisal procedures have a complex character. They enable to evaluate the results of work implemented within a certain
period of time; they make it possible to plan the tasks for the future and to specify the development needs of the employees. They should follow the preliminary defined rules, criteria and techniques, familiar both to the appraising and appraised employees. They can also be a base for making decisions, concerning the current and future tasks, personnel policy, and salary issues. Personnel appraisal is also a strong motivational tool and can be a perfect source of information for managers about current and future problems in personnel management.

By L. Zbiegień-Maciąg, personnel appraisal can be applied in various situations, namely: (Zbiegień-Maciąg, 1996: 99):

- During the personnel recruiting procedure for the purpose of getting the best employees,
- Estimating, if this individual will be a successful employee for the organization,
- Personnel appraisal procedures can provide feedback information about the results of work, they lead to the objective evaluation of the ambitious personnel and stimulate the weak employees,
- Personnel appraisal can be used in constructing of the communication channels: it can facilitate the procedures of communication with the subordinates and superiors,
- During the identification of the spheres where training will be necessary,
- During the definition of carrier development ways,
- During the specification of salary rate,
- During the identification of the best employees and candidates for dismissal,
- During the construction of the image of the company having an effective appraisal system,
As a part of the policy of countermeasures against negative phenomena, like producing of low-quality goods.

The relations between the periodical personnel appraisal and other personnel management elements are numerous and complex: (Compare picture 1)

**Pic. 1. The place of personnel appraisal system in the personnel policy of the enterprise**

Personnel appraisal should be applied in the current personnel policy processes and while defining the personnel strategy of the company.

„The strategy of human resources management is a close set of actions including the definition of long-term goals, formation of rules, plans, and programs of activities, directed at the creation and application of organization's human capital, securing the solid competitive advantage.” (Pocztowski, 2003: 60)

Exactly in this sphere one can distinguish the fundamental role of the personnel appraisal in the process of the development of knowledge management system at the enterprise.

The application of the personnel appraisal is related to the implemented strategy of the enterprise. Enterprises, which implement the strategy of development or defensive strategy, attach more attention to the personnel appraisal. Enterprises, which did not elaborate their own strategy, do not attach sufficient importance to the personnel appraisal (Atamańczuk, 2001: 53).

„The planning of human resources management procedures requires a constant answering to the question about the quality of human potential in relation to the organization's strategy. And due to the systematic personnel appraisal it is possible to come to concrete decisions about the next steps in human resources policy, leading to the employment of new personnel, to necessary training or to the organization of employment procedures” (Janowska, 2002: 116).

The appraisal for the purposes of human resources planning is based on the analysis of work and actual work positions. The appraisal enables to take rational decisions concerning the recruiting of the personnel. The appraisal also enables to compose a personal profile of the
recruited candidate. The appraisal should accompany each stage of recruiting and selection process (Janowska, 2002: 116-130). The candidates for a certain job position may be found at internal and external labor markets. The recruitment of the candidate from the internal market, i.e. from own organization, is an easier and less expensive task. One can implement an accepted personnel strategy and promote enterprise's own and proved employees. To do it, one should analyze the description of job positions, professional profiles and results of the personnel appraisal. The final recruitment of candidates is carried out during the selection.

One of the selection methods is Assessment Centre (Jamka, 1997: 60). This method enables to define the potential of the personnel, its training and development needs; it enables to identify the candidates, which can be employed to a certain position or transferred to the position, which is different from the one he currently occupies.

The system of periodical personnel appraisal facilitates the acquirement of valuable information necessary for the effective motivation of the personnel. Results and conclusions of personnel appraisal can be used in salary grow procedures and tariff rate shifting. The system of periodical personnel appraisal is intended to facilitate closer ties between the systems of reward and the results of employees' work. The application of personnel appraisal may lead to the improvement of motivation level of the employees and to the fair distribution of financial incentives and bonuses for the employees.

By M. Sidor-Rządowska, the employees regard the personnel appraisal system as fair only if there is a close relation between the results of work and the rate of bonus or award (Sidor-Rządowska, 2000: 174).

To ensure a successful motivation it is not enough to tie motivation and financial sphere. Non-material issues shall also be included into the
motivation increase procedures. The system of periodical personnel appraisal initially has a mobilization and motivation character, because it encourages the employed personnel to improve its qualification (Kaczyńska-Maciejowska, 2002: 46-49).

Depending on the result of personnel appraisal, the transfer of personnel - both vertical and horizontal can be carried out. We can differentiate advancing, dismissal, demotion and transferring.

Transfer of an employee is a very serious challenge for the training policy. It is vitally important to pick up an appropriate training program, which would enable the employee to feel comfortable at a new job position. The system of personnel appraisal is also used in the procedures of dismissal of personnel.

It is necessary to carry out an explanatory talk with a negatively appraised employee. This talk is intended to define the reason for the negative appraisal (why the employer works badly). Maybe the reason of bad work does not depend from the employee and \ or is temporary and it will be possible to avoid dismissal.

„Such talk is intended to clarify, that the employee inefficiently performs his obligations because of the following reasons (Sidor-Rządkowska, 2000: 189):

- The employee is not able to perform his obligations- there is a considerable difference between the abilities, necessary to implement his work and the qualifications of this employee,
- The employee does not want- one can observe the difference between the personal opinion of the employee about his duties and the expectations of the management of the company,
- The employee cannot perform his obligations – the organizational structure of the company makes it impossible to perform his professional obligations”.

Before taking any actions it is necessary to check how long the employment period of the employee is, because it can become obvious that the negative personnel appraisal of this employee is caused by the improperly accomplished adaptation period. The method of "full load" without a proper preparation proves ineffective. Young employees should undergo a diligently elaborated preliminary training. It sometimes happens so, that the manager comes to a conclusion that an improper employee was hired. Therefore, recruitment and selection procedures shall be repeatedly analyzed in order to prevent such faults.

If an employee with a long term of service gets negative personnel appraisal, it is necessary to find out whether the requirements, concerning his job position changed, and if they really changed,- whether the employee was sufficiently trained. Maybe the employee has problems, which are not related to his work or he suffers from the "burn-up syndrome". In such case it is necessary to change the scope of his professional duties.

The decision about the dismissal shall be taken only after a proper analysis of positive and negative issues related to this dismissal.

Periodical personnel appraisal is intended to facilitate the identification of the best employees and the successful planning of their individual career development ways. Companies apply various approaches to career development ways of their employees. We can differentiate the following approaches: (Koźmiński, Piotrowski, 2001: 437):

- "Invisible hand" approach- the organization is not involved in the career development ways of its employees, as it presumes that the best ones will cope with these ways anyway, and those who are not
strong enough, should blame themselves for the failure in career development. In such situation more aggressive employees, not the best ones, are promoted.

- "Searching for pearls" approach- it is supposed that there is a group of talented employees in the company, and this group should be taken good care of. The task of managers is to discover this group and securing its members the promotion opportunity,

- The approach of planning the careers- the balancing of organization's needs and opportunities and individual aspirations and professional plans of the employees. Career planning in such case has a character of negotiations. Professional career is a common concern of employees and managers.

The word "career" is chiefly associated with a vertical advance. However, it is true that in the flat organizational structure of the company the number of the positions for the potential advance is less that in the companies with a ramified organizational structure. One should bear in mind that a good specialist does not always prove as a good manager. Therefore, while planning the career development ways one should consider a horizontal advance as well. An employee striving to acquire a certain job position should define his own strategy, his goals and ways to achieve these goals.

Already during the qualification interview it is necessary to analyze the abilities, skills and aspirations of the candidate for a job position. The employee should have a conception of his own career progress and define the approximate time of the realization of his career. It would be useful to come back to the qualification interview during the procedure of personnel appraisal of this employee. Exactly at this stage it is necessary to check the stage in the realization of career development plans, to review the existing difficulties and then make appropriate changes.
The results of personnel appraisal enable to select candidates for the personnel reserve (current, development and perspective) for the management positions and to improve the qualification of the employees by sending them to the training. „To attach the features of a well-thought and well-executed strategy to the actions of personnel training (consisting not just in sending incidental employees to incidental training courses) a periodical personnel appraisal system is needed. It enables to accomplish a fair analysis of training costs.” (Sidor-Rządkowska, 2000: 175). In actual practice the following types of analysis are applied (Sidor-Rządkowska, 2000: 175-178):

- **the analysis of the efficiency of certain employees.** On the basis of personnel appraisal system, the advantages and drawbacks of each employee are defined, as well as the training plan of every employee;

- **the analysis of the requirements of a job position.** It is vital to specify whether an employee occupying a certain job position, possesses appropriate knowledge and abilities, necessary to perform his duties efficiently. If not, such employee should be sent to the training;

The decision about the advance should be supported by the comparison of knowledge, abilities and experience of the employee to the requirements of the job position. A candidate for a higher position should be appropriately trained in order to minimize the possibility of fault and promotion of an improper employee.

- **the analysis of the functioning of the company as a whole.** Advantages and drawbacks of the company are defined. On the basis of such analysis the departments, which sufficiently affect the functioning of the company, are identified. The analysis also enables to identify and train the key employees of the company;
- collecting of the opinions of employees performing management functions and executive functions. The employees should be aware what their own advantages and drawbacks are, and what kind of training they find consider to be the appropriate one.

The personnel appraisal system should be closely related to other issues of personnel policy. The interrelation of various elements of personnel management should take place under the condition of the feedback. Such interrelation should affect the quality improvement of the personnel policy procedures (Atamańczuk, 2001: 25).

The application of personnel appraisal should be based upon the endeavor to achieve the defined goals of personnel appraisal. The personnel appraisal system, if planned and applied correctly, is of great benefit both to the employee and to the organization (Compare: Table 1). The employee gets information, concerning the perception of his behavior and work by his superior. Also the employee discovers his advantages and drawbacks, requiring the improvement. What is equally important is that the employee has an opportunity to compare his results with the results of his fellow-employees. If the appraisal is fair, it has a positive effect upon his relations with his fellow-employees.

From the perspective of the organization, personnel appraisal can be applied at any stage of personnel management. Already at the stage of employment it can be used to evaluate the efficiency of the candidate for a certain job position. It enables the employer to take a more correct decision whether a candidate fulfils the necessary requirements, or whether the abilities of the candidate could be more useful on other position in the structure of the organization.
Table 1. The benefits for the employees and organizations caused by effective personnel appraisal procedures

<table>
<thead>
<tr>
<th>Employees</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction of the need to possess information about the behavior and work results of the employee</td>
<td>Improvement of quality and productivity of labor of certain appraised employees and groups</td>
</tr>
<tr>
<td>Satisfaction of needs for the personal comparison</td>
<td>A closer interrelation between rewarding (pay rise, bonuses, awards) of the employees and the results of their work</td>
</tr>
<tr>
<td>Widening of the feeling of safety due to the familiarity with the requirements and expectations of the organization</td>
<td>Improvement of the employees’ motivation, a better application of their potential and a closer integration with the organization</td>
</tr>
<tr>
<td>Improvement of chances for the professional success due to the familiarity with the employee’s own advantages and drawbacks.</td>
<td>Identification of the best employees and planning of their individual career development ways</td>
</tr>
<tr>
<td>Widening of the education and career development opportunities and ways</td>
<td>Identification of the worst employees and transferring them to lower and less responsible positions, involvement of them to an intense training process or dismissal</td>
</tr>
<tr>
<td>Impact upon the formation of communicative relations with the superior.</td>
<td>Identification of employees’ training needs and gathering of the information necessary for the elaboration of the training plans in the organization.</td>
</tr>
</tbody>
</table>

The results of personnel appraisal can be also useful in the process of decision-making about the transferring of the employees, in the estimating which employee does not fulfill the assigned tasks efficiently and may be transferred to another position, or whose profile of competence coincides with that of an ideal candidate for a certain position. Thus, the employee becomes confident of the efficiency of the employee on a certain job position.

If the opportunities of the employee exceed the expectations and requirements of a certain position, the employee may advance to a more responsible job position.

In the exceptional situations the appraisal results may be a sufficient ground for the dismissal of the employee.

In the motivation sphere the appraisal results should be a bench-mark for the elaboration of an efficient system of encouragement and rewarding. One more sphere of the personnel appraisal application in the planning of individual career development ways.

In the sphere of training and development the appraisal is effective in the identification of the advantages and drawbacks of the employees. Personnel appraisal procedure should be the benchmark for the planning of individual development programs, which are supposed to improve the effectiveness of work.

It should be emphasized that the results of the personnel appraisal contribute to the improvement of internal communication, as they provide the employees with the information about the quality of their work.

**Research methodology**

The investigation was carried out in the research and development organizations (RDU), where the human and his knowledge is supposed to
be the main source of competitive advantage, together with the efficient organization of "knowledge procedures", such as acquisition / creation of knowledge, exchange, gathering and application of knowledge aiming at (for example) the elaboration of new technology or material. Thus, it is worth mentioning that here we mean enterprises based on development and improvement of knowledge management processes.

The procedural conception of knowledge management in the organization was accepted as a basic research conception. The terminological proposals of D.J. Skryme (Skryme, 1999: 39), W.R. Bukovitz and R.L. Williams (Bukovitz, Williams, 1999: 2) was implemented in the project.

The fundamental goal of the investigation was the identification of the influence of personnel appraisal procedures, applied in the research and development organizations, on the process of knowledge management. Simultaneously, the achievement of cognitive and practical goals was presupposed in the present research.

- **Cognitive goals:**
  - Identification and descriptive characteristics of relations between personnel appraisal tools, applied in the investigated enterprises, and knowledge management,
  - Identification of a definite trend in the constructing of personnel appraisal tools (which criteria are appraised?).

- **Practical goal:**
  - The definition of instructions facilitating the projecting of the periodical personnel appraisal tools in the knowledge management enterprise.

  **The fundamental hypothesis of the research was formulated by the author in the following way: the level of knowledge management,**

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achieved by a research and development organization depends on the personnel appraisal tool, applied in this organization.

- **The dependent variable** is the achieved level of knowledge management
- **The independent variable** is a set of applied tools of personnel appraisal.

The subjects of the analysis in the implemented research work were the tools of the periodical personnel appraisal procedures, facilitating the knowledge management procedures. The fundamental questions put by the author were the following:

- What is the knowledge management level in the research and development organization (RDO)?
- Does the tool applied in the research and development organization (RDO) facilitate the introduction of development of knowledge management program?
- What is the set of criteria of the personnel appraisal (contained in the appraisal tool) most efficiently stimulate the employees to engage in the adoption of knowledge management programs?

One of the first steps in the implementation of the investigation was the elaboration of the investigation tool, namely the Questionnaire.

The next step was the pilot examination of the research tool aiming at its eventual improvement.

The task of the Questionnaire, applied at this stage of the research was a general diagnosing of the development of actions related to knowledge management, implemented in the research and development organizations. The investigation enabled to identify various levels of knowledge management in research and development organizations.
(RDO). To differentiate between the levels of knowledge management the conception of R. Maiera (Maier, 2002: 393) was applied.

This approach made it possible to classify all investigated research and development organizations, according to different levels of knowledge management.

The questionnaire contains a positional instruction for the respondent. The investigation was carried out by mail. The questionnaire with the accompanying letter defining the investigation goal was sent to directors of 33 research and development organizations, selected from the Polish national database of research and development organizations, compiled by the Institute of Organization and Management in Industry „ORGMASZ”. This database was limited only to organizations, which contained the attribute "research and development" in their name. In the accompanying letter there was a request to fill in the questionnaire and to submit it back for further investigation of personnel appraisal tools applied in the enterprises (high and middle management levels). The reply rate was 30% (11 enterprises).

The next stage of the research was the analysis of acquired periodical personnel appraisal tools for the appraisal of the managers of research and development organizations (RDO). There was an appraisal questionnaire for each research and development organization. This kind of situation facilitated the implementation of the analysis. The collected appraisal tools (appraisal questionnaires) were classified according to the knowledge management level in certain research and development organization.

Further procedures of analysis were carried out within the groups of research and development organizations (RDO) with different knowledge management levels. The comparative analysis of appraisal questionnaires
in the research and development organizations with the highest and lowest knowledge management levels was the most valuable. The selection of extreme knowledge management levels aimed at showing the difference in the applied appraisal tools.

The final stage of the research was devoted to the definition of recommendations, concerning the projecting of personnel appraisal tools in knowledge management organizations, particularly the identification of appraisal criteria, which are the most essential from the point of view of effective knowledge management.

Empirical material gathered as a result of the investigation was exposed to the analysis, taking into account the goals of the present research. Further the synthesis of results was made, and the conclusions and recommendations, indicating the direction of a more large-scale research were specified. The implemented procedures of the analysis make up a basis for the verification of the research hypothesis.

**Personnel appraisal in the practice of research & development organizations – research findings**

On the basis of the material gathered during the research it was possible to classify the investigated research and development organizations according to the knowledge management level. The results were most promising. The absolute majority of research and development organizations occupied two levels with highly developed knowledge management. Five enterprises reached the fourth knowledge management level (the highest one) - „platform” knowledge management system, and four organizations reached the third level- interactive knowledge management system. Rather positive is also a fact that only two investigated organizations were only on their way to knowledge
management, i.e. on the first, basic level. These investigations did not identify any representative of the second knowledge management level, i.e. integration system of knowledge management (Compare picture 2).

**Pic. 2. The arrangement of the identified knowledge management levels in the research and development organizations**

![Bar chart showing the distribution of knowledge management levels.](chart.png)

Such arrangement of knowledge management levels reached by enterprises may signify the growing interest in this problematics in practice and a regular effort in the development of this conception of management. Besides, such an intense engagement of the organizations in the implementation of knowledge management programs may testify in favor of good management methods applied in these organizations, and a high effectiveness of the accomplishment of their statute charter goals. These
results would perfectly match the data specified in Chapter V, where the investigated objects were generally classified and information opinions concerning their effectiveness were represented.

The identification of knowledge management levels achieved by investigated enterprises and classification according to this criterion was important from the perspective of the further analysis. In compliance with the methodical assumptions of the present research, the next stage of analysis will be dedicated to the identification of common features of personnel appraisal tools within the framework of groups of enterprises (the criterion of achieved knowledge management level). The analysis was started from the most significantly represented level, i.e. from the fourth level of knowledge management (the highest level- “platform” systems). Five research and development organizations achieved this level: Marguerite, Hyacinth, Hibiscus, Chrysanthemum and Crocus.

The personnel appraisal sheet of the employee “Marguerite” consisted of four parts. The first part contained personal information of the appraised employee (such as: name and surname of the employee, job position, department, length of work in this sphere, length of work on this position, date of the appraisal, period of the appraisal) and the level of achievements and abilities of the employee. This level had a form of a 5-grade scale, where the grade “5” denoted a very high level– it definitely differs from all the others-, and the grade”1” denoted a very low level, well below the average- which means that the employee does not fulfill the expectations. The second part of the appraisal sheet contained the appraisal criteria of the employee, these criteria were grouped in three categories:

- Efficiency of the employee in the implementation of duties,
- Qualification (striving to the professional growth)
- Personal and behavior features.
Within the group “Efficiency in the implementation of duties” the following criteria were differentiated: the degree of the accomplishment of the assigned duties (quantity of implemented work), the quality of the implemented work, diligence, accuracy, solidity, honesty in the implementation of work (attitude to work), urgency in the implemented work, austerity and care about the reduction of costs (materials, equipment), implementation of the orders of the superior, willingness to implement additional work challenges.

Next group of criteria – “Qualification” included the following: current qualification (appropriate for the occupied job position) and skill development (professional training- courses, apprenticeship trainings).

The last group of criteria “Personal and behavior features” comprised the following: employee’s initiative and the innovation approach to the ways to increase the efficiency of work, availability, operational efficiency and independence, collaboration within the company, personal culture and punctuality. The appraisal was implemented both by a superior and an employee.

In the third part the marks from the previous parts were summed up and the recommendations for the employee were defined; the fourth part, in its way, touched upon the eventual dismissal of the employee and conclusions of the appraisal team.

The appraisal sheet in "Hyacinth" had also a complex structure and contained an element of self-assessment. It also contained the aim of the appraisal, information about the employee (similar as in "Marguerite ") and 12 criteria of the appraisal with a 5-grade appraisal scale (1 – well below expectations, 5 – excellent). The appraisal sheet took into account the following appraisal criteria: knowledge and professional skills (the volume of the information and the ability to implement assigned tasks), implementation of instructions (understanding and implementation of oral
and written instructions), the estimation of the situation (the ability to analyze and interpret information and to draw logical conclusions), efficiency (the ability to accomplish tasks on time), the quality of work (precise and diligent implementation of assigned tasks according to appropriate requirements), relations with fellow-employees (the ability to make good relationship with the fellow-employees at work, good cooperation with the others); relations with the superior (the ability to draw up good collaboration with the superior), an appropriate approach to the customer (the ability to build up an attentive and open cooperation with customers in the fulfillment of their expectations), appearance (neat, non-defiant clothes, personal hygiene), psychophysical condition (the ability to implement everyday work without the evident signs of tiredness and exhaustion), obligatoryness (the ability to carry out work without the continuous supervision, compliance with the time schedule), initiative (the ability to discover the necessity of taking certain actions); creative thinking and introduction of new solutions. At the end of the appraisal sheet there is a blank space for the information about the adherence to the requirements of labor and industrial Hygiene, employee's achievements and professional career. There is also a place for a general appraisal and for the identification of employee's advantages and spheres of the planned professional training of the employee.

The appraisal sheet in „Hibiscus” is less complex than the others; however, it contains a wide palette of appraisal criteria. Alongside with personal information about the employee it contains a section, which has to be filled in by the employee and the superior (this section is the most complex, as compared to other sheets). In the section intended for the employee's appraisal the appraised employee is asked about the following: the scope of his professional duties, special achievements, failures and professional development (realized ambitions, intentions currently
implemented and planned and the preliminary conditions). The section intended for the superior's appraisal contains fourteen criteria appraised according to the 6-grade (1 – well below expectations, 6- excellent). These criteria were as follows: knowledge and professional skills, methodical background, proficiency in foreign languages, ability to plan and organize work, implementation of the assigned tasks on time, the ability to work independently, the feeling of responsibility, the acceptance of new initiatives, due care about own professional development, relations with fellow-employees, the approach to the customer, psychophysical condition, due care for own appearance, engagement into the development of the company and into its positive representation. The appraisal sheet is finished with remarks, conclusions, recommendations and suggestions of the superior.

The appraisal sheet in "Chrysanthemum”, just as the other sheets, contained general information about the employee, a general appraisal and commentaries of the superior and the appraised employee (in the final section of the sheet). However, its main part included the appraisal of seven criteria according to the 5-grade scale (definitely does not fulfill the criteria- excellently fulfils the criteria). The appraised criteria were as follows: professional preparation for the implementation of tasks (education, professional experience, readiness to improve professional knowledge), quality and quantity of accomplished work (an accurate organization and planning, the ability to arrange the priorities, efficient work in accordance with the schedule (efficient time management), solution of problems, initiative (the ability to identify problems, to select important facts and circumstances, to draw correct conclusions, to provide an innovative contribution in the form of new ideas); engagement (the approach to the implementation of duties, consistency in the accomplishment of tasks, acceptance of new challenges), team- work
ability (active participation in team work, harmonious collaboration in the group, respect for the others), communication skills (the ability to formulate ideas precisely, effective communication with the superiors and fellow-employees, the ability to construct effective oral communication, the ability to construct effective written communication); focus on customers (care for the customers, amicability / politeness, due care for the company image, due care for the place of work and appearance).

The appraisal sheet of the enterprise „Crocus” in its structure was similar to the appraisal sheet applied in "Chrysanthemum". It included the employee's self-assessment; the appraisal was carried out according to the 5-grade scale, but the appraisal criteria were widened and included three more criteria, namely:

- Effective work in changing environment (the employee works well under pressure and willingly accepts changes. He regularly achieves good results in spite of the changing environment. He helps to avoid problems by way of anticipation of eventual problem situations).
- Constructing of professional contacts with other departments (the employee searches for an opportunity to develop cooperation relations with other departments). The employee contacts with the employees from the other organizations, develops information exchange about common needs and means. The employee delivers information and provides assistance to other departments, tries to encourage and motivate the others.
- Instructing and advising (the employee establishes open, helpful and double-sided contacts with other employees, he carries out the regular instruction sessions consecutively and regularly, he tries to help other employees in improving their skills and knowledge, so that they can implement their work in the best possible way).
These three additional criteria were described very precisely, as compared to the others. There were no criteria of this kind in any other appraisal sheet. Two of them ("Constructing of professional contacts with other departments" and "Instructing and advising") seem to fit the group of criteria "Ability to the team work". However, the administration of this organization decided to separate them, probably, in order to emphasize their specific character. These criteria seem to be very up-to-date, as compared to the others, they are fully compatible with the knowledge management conception, due to their considerable importance in the support of a wide-scale cooperation (between departments), in the information / knowledge exchange (including tacit knowledge and learning through experience), in the estimation of the adaptation skills of the employee (minimizing the obstacles impeding the acceptance of any new initiatives).

Certain appraisal criteria (the common ones) were a bit less precisely characterized as compared with their characteristics in "Chrysanthemum". Such inaccuracy concerns the following criteria:

- Solution of problems, with no ability to select important facts and circumstances included,
- Focus on customers with no care for company image included.

It should be pointed out that appraisal sheets of all the enterprises in this group contained a clearly defined appraisal aim which generally emphasizes the following:

- Assisting the employee in his professional improvement,
- Supplying the employee with regular important information,
- Providing the employee with professional assistance in the sphere of professional self-improvement.
Next numerous group of enterprises were the research and development organizations which reached the third level of knowledge management—interactive systems, i.e. second most important level of knowledge management. This group consisted of four organizations: Mimosa, Butterfly orchid, Rose and Tulip.

The personnel appraisal sheets of the representatives of this group, similarly as those from the previous group, contained an introductory section with the information about the appraised employee and a final section with appraisal conclusions.

The appraisal sheet in the enterprise "Mimosa" contained eight appraisal criteria: significant knowledge, effectiveness of work, adherence to the standards of the organization, initiative, efficiency in time management, successful team collaboration, attitude to customers, and adherence to the discipline requirements. As the majority of appraisal sheets this one also contained the five-grade appraisal scale (from "requiring a major improvement" to "excellent").

The appraisal sweet in the organization "Butterfly orchid" structurally was very similar to that in "Mimosa". Eight criteria were appraised according to the five-grade appraisal scale (well below expectations- well above expectations). This appraisal sheet contained the following criteria: the ability to arrange priorities in activities, the ability to solve problems and to make decisions, the ability to collaborate with the others and to form a team, determination and consistency in the implementation of tasks, initiative and innovative approach, resistance to the stress, obligatoriness and precision, discipline.

The appraisal sweet in the organization "Rose" was the most specific in this group of research and development organizations, as it was divided into two parts. One of these parts contained three criteria (education, proficiency in English and PC). These criteria were appraised according to
three-grade scale. The other part contained descriptive appraisal of the following criteria: effective time management, the ability to comply with the work schedule, dynamism, initiative, creativity, ability to make decisions, collaboration with fellow-employees, punctuality and the desire to improve qualification.

The appraisal sheet in "Tulip" had the most complex structure, as it contained as many as sixteen appraisal criteria. Among them one can find the following: responsibility for assigned tasks, persistence in the accomplishing of goals, the ability to organize work, the ability to establish and support contacts, independence, the ability to work without regular control, initiative and introduction of changes \ innovations, the ability to act quickly, flexibility in the accomplishment of tasks, resistance to stresses, the ability to solve problems and to make decisions, communicative ability, the ability to collaborate, the ability to influence upon the others, the ability to soothe tension \ to resolve conflicts, willingness, engagement in the development of one's own professional qualification. These criteria were appraised according to the five-grade scale without the characteristics of each individual appraisal grade.

The remaining organizations formed the group with the lowest level of knowledge development practice. This group consisted of two research and development organizations: Iris and Calendula.

The appraisal sheet in the organization "Iris" contained one very general question directed at the appraised employee. This question was the following: How would you estimate the effectiveness of your work? The appraised employee had to select one of five possible answers: very high (effectiveness), high, satisfactory, requires improvement of certain aspects, but generally sufficient, insufficient. Besides, the following four questions were addressed to the appraised employee:
• What would you change in your work in order to accomplish your tasks better?
• What would you change in the work of your team?
• What would you change in the organization of your company's activity?
• What ways to improve your own qualifications do you consider the most sufficient? Name the sphere, the order and the desired term of proposed trainings, courses, etc.

This sheet was intended for the appraisal of the employee only. There was no place for the second appraisal stage in it, i.e. the appraisal carried out by the superior. There was no place for conclusions and recommendations in it either. Although this appraisal sheet was also meant to facilitate the development and collaboration- important elements for knowledge management sphere- however, it contained only the employee's wishes. There was no employee's appraisal regarded as a broad concept, there was just the employee's estimation of the effectiveness of his own work.

The appraisal sheet in "Calendula" had also a very simple structure. It contained just the following criteria: collaboration, the education level, obligatoriness, accuracy, the ability to organize tasks and the attitude towards customers. This appraisal sheet, in its turn, was intended for the superior, who could appraise the criteria according to the three-grade scale (poor – sufficient- high). It should be noted that the majority of the appraised criteria emphasized the technical aspect of the implemented work (four criteria). Only two criteria had a social character (collaboration and attitude towards customers).

Both appraisal sheets contained only fragmentary information about the employee, such as: name and surname, department. There was no
information, available in the appraisal sheets of the organizations from higher levels of knowledge management. Such information is as follows: the period of work in the company, the period of work at this position, the appraisal period, the date of the last appraisal, the results of the last appraisal, etc.

The composite characteristics of personnel appraisal sheets of the investigated research and development organizations were presented in Table 2.

Table 2. The composite characteristics of personnel appraisal sheets of the investigated research and development organizations

<table>
<thead>
<tr>
<th>Name of the enterprise</th>
<th>Appraisal aim</th>
<th>Detailed characteristics of the criteria</th>
<th>Self-rating</th>
<th>The appraisal of the superior</th>
<th>Conclusions from the appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chrysanthemum</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Butterfly orchid</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Hyacinth</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Hibiscus</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Iris</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Crocus</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Mimosa</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Calendula</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Rose</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Marguerite</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Tulip</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

Source: author's own investigation

For the purpose of the comparing and identification of common features of personnel appraisal sheets, applied by research and development
organizations of the same group, i.e. practicing knowledge management procedures on the same level, the appropriate modifications of their arrangement (represented in Table 2) was carried out. All elements remained the same, only the order of characteristics of certain organizations was modified, i.e. these organizations were arranged according to the achieved level of knowledge management, not alphabetically, as shown in Table 2. General characteristics of personnel appraisal sheets based on the criterion of knowledge management level is presented in Table 3.

Table 3. The complex characteristics of personnel appraisal sheets of the investigated research and development organizations (according to criterion of knowledge management)

<table>
<thead>
<tr>
<th>Lev</th>
<th>Name of the enterprise</th>
<th>Appraisal aim</th>
<th>Detailed characteristics of the criteria</th>
<th>Self-rating</th>
<th>The appraisal of the superior</th>
<th>Conclusions from the appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV</td>
<td>Chrysanthemum</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Hyacinth</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Hibiscus</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Crocus</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Marguerite</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>III</td>
<td>Butterfly orchid</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Mimosa</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Rose</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Tulip</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>I</td>
<td>Iris</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Calendula</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: author's own investigation
Table 3 became a very good benchmark for further comparative analysis. It was easy to distinguish the advantage of appraisal sheets applied in research and development organizations, which reached the highest knowledge management level, over the personnel appraisal sheets in other organizations (with a lower level of knowledge management). The difference seems drastic if we compare the organizations on utmost knowledge development levels (fourth and first). Personnel appraisal sheets applied in Chrysanthemum, Hyacinth, Hibiscus, Crocus and Marguerite had many common features. They were the closest to the ideal model of the personnel appraisal sheet. They contained a clearly formulated aim of the appraisal; they had a sufficient number of personnel appraisal criteria. These criteria were not presented as slogans but they were justified (specified) so that everyone can understand them in a similar way. Besides, more than the sheets of other organizations, these sheets contained specific and more important personnel appraisal criteria (from the perspective of knowledge management), such as psychophysical condition (Hyacinth, Hibiscus). This criterion is often ignored in personnel appraisal sheets, but it seriously affects the efficiency of the employee and his ability to implement new initiatives. These sheets to a great extent (like those of research and development organizations practicing knowledge management on the third level) measured a series of other criteria important for knowledge management, such as: possessed qualification, skill development, initiative and innovative approach to work, collaboration within the company, ability to analyze and interpret information and to draw logical conclusions, ability to solve problems, an approach to the customers, engagement in the development of company and its positive presentation, communicativeness. The fact that the opinion of the appraised employee (self-assessment) was also considered is an important feature of these personnel appraisal sheets. Moreover, each appraisal sheet contained
blank space for the conclusions summarizing the appraisal recommendations and other remarks, important for the employee’s further development.

What concerns research and development organizations, which occupy the basic level of knowledge management (first level), their personnel appraisal sheets are used for the implementation of the appraisal by the superiors (Calendula) or for self-assessment (Iris). Their level of accuracy is far from the norm. The structure of their appraisal sheets wishes much to be desired; therefore the effectiveness of the appraisal is highly doubtful. The employee is not aware of the goal of the appraisal; he has no opportunity to express his opinion about his own advantages and drawbacks (Calendula). He is not aware of the results of the appraisal, its impact on his future job and fate, etc. Therefore, the appraisal itself may be regarded as a mere pro forma action, a needless measure.

The appraisal sheets of the research and development organizations, which reached the third knowledge management level, are close to those of organizations from the fourth knowledge management. The majority of these their-level organizations take into account a considerable number of appraisal criteria, but these criteria are not precise, which causes a risk of their dissimilar interpretation and irregular results. Another disadvantageous feature of these sheets was a lack of a clear aim of the appraisal. However, their advantage was that they were designed both to the appraisal of the superior and to the self-assessment of the employee, and contained conclusions and recommendations for the future. One more advantage of these appraisal sheets was the criteria measured by them. Namely, these sheets take into account a series of criteria, which are important from the perspective of knowledge management, in a similar was
as the research and development organizations from the highest (the fourth) knowledge management level.

The arrangement of the basic characteristic features of personnel appraisal sheets of all investigated research and development organizations demonstrates obvious dependencies between applied appraisal tools, and the achieved level of knowledge management. As it is shown in the Table 2, all research and development organizations, the appraisal sheets of which contained the aim of the appraisal, conclusions drawn from the appraisal, criteria, important from the point of view of knowledge management, a part of the appraisal accomplished by the superior and the appraisal (self-assessment), as well as the developed (specified) criteria of measurement, reached the highest level of knowledge management—“platform” system of knowledge management.

Other group of research and development organizations, the appraisal sheets of which measured a number of appraisal criteria, important from the point of view of knowledge management, contained conclusions drawn from the appraisal and a section intended for superiors and for employees, reached the third level of knowledge management—interactive system of knowledge management.

The appraisal sheets in the rest of the research and development organizations were the poorest from the structural point of view. They measured only a small group of appraisal criteria; the majority of these criteria were not specific and important for knowledge management, they were not précised, and the employee was not acquainted with the goal of the appraisal and its concussions. These appraisal sheets should be referred to the group of “other” appraisal sheets, as they had no common features. Enterprises applying such appraisal tools reached only the lowest knowledge management level— the basic level.
It should be acknowledged that this analysis and the characteristics of interrelation between the personnel appraisal sheet applied in the research and development organization and the level of knowledge management achieved by the research and development organization is a **main cognitive goal of the present research** and a **confirmation of the basic hypothesis**, that the knowledge management level achieved by the research and development organization **depends on the personnel appraisal tool applied in this organization**. It was proved that in the enterprises, where the personnel appraisal sheet was close to the ideal model and considered the features specific for knowledge management, the level of knowledge management was the highest (levels IV and III).

The analysis of the empirical material lead to the conclusion that there are criteria of the personnel appraisal which are applied everywhere and at all the enterprises (ex.: meritorious knowledge, qualification, efficiency), and some of the criteria are important from the perspective of knowledge management (ex.: the ability to identify problems, to define important facts and circumstances, to draw correct conclusions; the innovative contribution in the form of new ideas, innovative approach to professional duties, persistence in the implementation of tasks, willingness to accept new challenges, active participation in team work, harmonious collaboration in the group, respect for the others, ability to formulate ideas precisely, effective communication with superiors and fellow-employees, ability to support oral communication, ability to carry out written communication, due care for customers), as they stimulate the development of certain knowledge management processes. There are also criteria which are applied very sporadically, however, their role in the development of certain knowledge management processes is very significant (ex.: psychological-physical condition). The results of this analysis enabled to identify the trend in the construction of personnel appraisal tools (which criteria are
evaluated?) in research and development organizations - that is, to implement the second cognitive goal of the present research.

Conclusions

Personnel appraisal in the research & development organizations – the best solution for practice

Continuous advance towards welfare is a moving force of new technological, ideological and conceptual solutions. One of such conceptions is knowledge management. The opinion that economic growth depends on the effective generation, acquisition, dissemination and application of knowledge was supposed to become the most principle way to achieve a balanced social and economic development, securing the improvement of living conditions. It is true that the importance of human capital was taken into account both by the development plans of national economies and strategic plans of enterprises. Although the developers of these plans started to regard human capital as a source of advantage in the competition between both countries and enterprises, knowledge management (alongside with all its benefits) is still not a sufficiently acknowledged and recognized process. Such skepticism is somewhat above comprehension, because practice shows that knowledge management (as a chief competitive advantage) brings expected benefits. The achieved results are beneficial to customers, employees and the enterprise (See Table 4).
Table 4. The benefits of knowledge management from the perspective of customers, employees and enterprise

<table>
<thead>
<tr>
<th>MAIN BENEFITS OF KNOWLEDGE MANAGEMENT</th>
<th>Customers</th>
<th>Employees</th>
<th>Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of customers’ satisfaction</td>
<td>Improvement of knowledge and skills of employees</td>
<td>Improvement of practices and processes</td>
<td></td>
</tr>
<tr>
<td>Facilitation of sale processes</td>
<td>Increase of employees’ satisfaction</td>
<td>Increase of the enterprise’s attractiveness at the labor market</td>
<td></td>
</tr>
<tr>
<td>Better access to products</td>
<td>Increase of innovativeness</td>
<td>Development of business activity</td>
<td></td>
</tr>
<tr>
<td>Improvement of relations with customers</td>
<td></td>
<td>Innovativeness in the sphere of products / services</td>
<td></td>
</tr>
</tbody>
</table>

Source: author’s own investigation
However, in spite of the voices contesting the adoption of knowledge management practices, this conception seems to be on of the most dynamically developing management conceptions.

The issue of knowledge management is not entirely recognized, however, it is obviously a complex process with multisided dependencies. In his previous works the author of the present research demonstrated significant interdependencies between knowledge management and human resources management. The most recent investigations, which were the base for the present research, demonstrate even more profound dependencies. The supposition that enterprises show a great interest in this new management conception is confirmed by reality. All investigated research and development organizations were engaged in knowledge management practices, and many of them achieved high levels of excellence—interactive systems and “platform” systems of knowledge management. Only two organizations reached just the first knowledge management level (basic). This situation is quite different from that in the previous investigations, according to which the majority of enterprises, seriously interested in knowledge management, achieved only the lowest knowledge management level (basic). However, one should be very cautious about making conclusions, as this change of situation does not have to imply a fast development of knowledge management, it may only be a result of deliberately selected investigation groups.

The investigations conducted by the author of the present research enabled to identify a close connection between the tool of periodic personnel appraisal applied by the enterprise and the achieved level of knowledge management at the enterprise. The results were surprising, as numerous common features of the personnel appraisal tools applied for the employees of the enterprises from the same knowledge management levels
were discovered. Thus, research and development organizations, which applied the appraisal tools with similar characteristic features, constructively were very close to the ideal model. These research and development organizations took into account appraisal criteria, specific to knowledge management, and occupied two highest knowledge management levels (interactive knowledge management system– level III and platform knowledge management system- level IV- the highest level). Organizations, which applied very scanty personnel appraisal tools with numerous structural drawbacks, achieved only the basic level of knowledge management.

It should be acknowledged, that the analysis of the relations between the personnel appraisal sheets applied in research and development organizations and the knowledge development level of this organizations demonstrates the achievement of the main goal of the present research and confirms its fundamental hypothesis, that the knowledge development level achieved by the research and development organization depends on the personnel appraisal tool applied in this organization. Certainly, it should be presupposed that there is a series of other factors / criteria affecting the knowledge development level of the organization, such as: management style of the enterprise, human resources management model, the type of organizational culture, etc. However, the applied appraisal tool, which reflects personnel policy and takes into account the above-named criteria, is a significant element in the development of knowledge management practices and the improvement of their level.

Besides, the results of the analysis enabled to identify the trend in constructing the personnel appraisal tools (which criteria are appraised?), apparent in knowledge management enterprises. The identification of this trend demonstrates the accomplishment of the
second goal of the present research. Moreover, the analysis of the empirical material demonstrated that there are wide-spread personnel appraisal criteria apparent in all enterprises (ex.: important knowledge, qualifications, effectiveness), and some of them are important from the point of view of knowledge management (ex.: the ability to identify problems, the selection of essential facts and circumstances, the ability to draw proper conclusions, the innovative approach in the form of new ideas, the appropriate approach to implemented duties, consistency in the implementation of tasks, acceptance of new challenges, active participation in team work, harmonious collaboration within the group, respect for the others, the ability to formulate the idea precisely, effective communication with superiors and fellow-employees, good oral communication skills, good written communication skills, care for customers, etc.), as these criteria stimulate the development of certain knowledge management processes. There are criteria which are applied very sporadically, however, their importance in the development of certain knowledge management practices is considerable (ex.: psychophysical condition).

The practical goal of the present investigation was to define recommendations concerning the projecting of the tools of the periodic personnel appraisal in knowledge–based enterprises. The results of the present research enabled to define the main characteristic features of the personnel appraisal tools, necessary for the achievement of good results in the implementation of knowledge management processes. These features are namely the following: clearly defined and precise appraisal goal, intelligibly explained to the appraising and appraised individuals; summing-up of the accomplished appraisal and appraisal conclusions (familiar to the appraised employee), consideration of the criteria important from the point of view of knowledge management. These criteria are as follows: professional preparation to the implementation of
professional tasks, problem solution skills, initiative, engagement, the aptitude to the team work, communicativeness, customer-oriented approach, etc. Besides, it is important to avoid presenting these criteria as slogans or generalized appeals; they should be properly specified/defined, and the whole appraisal should be (at least) carried out both by the superior employee and the appraised employee (self-assessment). One should acknowledge that these conclusions are not up-to-date, as literature in the sphere of human resources management described model tools many years before and emphasized a series of essential, fundamental features, effective tools of periodic personnel appraisal. Nevertheless, these results may be regarded as a verification and confirmation of theoretical assumptions. Moreover, in literary sources so far nothing has been mentioned about the importance of the exemplary implemented personnel appraisal process (or a personnel appraisal tool with the exemplary structure) for the purpose of the development of human resources management practices, so important in the creation of the stable competitive advantage.

Taking into account that the majority of research and development organizations achieved two highest levels of knowledge management (although it is difficult to generalize due to a small investigation group) and that the activities facilitating the development of knowledge management processes (periodic personnel appraisals) are characterized by relative easiness, one can expect a major increase in the effectiveness of functioning of research and development organizations. The results of the investigation demonstrate a positive picture of conditions and perspectives of functioning of these organizations. Only research and development organizations which achieved high levels of knowledge development, may be efficient and worth financing from state budget (certainly, only during the transition period, as the efficient enterprise should be all-sufficient: the sale of new solutions on the form of patents, the sale of new technologies,
etc., requiring no additional external financing) and able to compete at world research and development market. Only such organizations can contribute to the development of country’s economy and to the improvement of living standards of its inhabitants. The results of the present research are supposed to become the inspiration for many enterprises at the contemporary market- not only those which have knowledge creation as their goal (research and development organizations), but for all enterprises, which intend to survive at a strongly competitive and challenging market of the 21\textsuperscript{st} century. So far the alternative to knowledge management was not found; therefore enterprises should direct their whole effort to the development of knowledge management practices. As practice shows, one of the ways to achieve excellent results in this sphere is the efficient implementation of the periodic personnel appraisal processes. Such activities are fundamental for the development of employees and of the whole enterprise. Besides, these activities are directed at the achievement of better results in knowledge management. That is why the results of the present research should be widely disseminated and applied in practice.

**Bibliography**

ADVERTISING ACTIVITY OF FOREIGN COMPANIES AT THE POLISH MARKET – INNOVATIVE SOLUTIONS AT THE TIME OF INTENSIFICATION OF GLOBALIZATION PROCESSES

Robert Nowacki

Introduction

A decade after the period of economic transformation Poland became the country where practically all tendencies peculiar to any highly-industrial country were observed. These tendencies grasp not only changes in the sphere companies' activities, but also those referred to the sphere of consumption. Economic changes caused by globalization trends are also peculiar to polish economy. The consequences of globalization are obvious in the sphere of finances, technology, science and development, politics, legislation, culture, in social and economic life. The discussions of its followers and opponents have been lasting for ages. Each of these groups has a wide spectrum of arguments for and against globalization. Therefore it is difficult to estimate its consequences. However, one thing seems obvious – globalization has become an accomplished fact, its processes are lasting and will last in the future. They are impossible to hamper, as they are inevitable.

Globalization plays a peculiar role in the sphere of competition, regarded as an economic competition of companies at the world market. It manifests itself in the companies' ambition to implement the global strategy directed at the improvement of competitive ability. Advertising activity is one of the key elements of this strategy. Advertising market is one of the sectors, which face a peculiar influence of globalization processes and trends. Considering the saturation of markets with various forms of
advertising, we may risk a thesis, that these forms acquire a role of the major determinant of the development of advertising market.

Relationship between globalization changes and advertising management can be traced all over the world. These tendencies are also peculiar to Polish economy. Polish advertising market is relatively young, its history grasps only a few decades, however it undergoes deep-rooted changes. The pace of the development of polish advertising market in 1990s was among the highest in Europe. The main factors of its growth were the transformation of economic system into free-market economy and implementation of several reforms, related to the accession of Poland to the European Union. Consequently our advertising market has become the territory of the expansion of foreign investors, which developed their advertising activity within it, and this activity was based on global advertising. The result of this was the 46-times growth of Polish advertising market within seventeen years (from 103 mln USD in 1992 up to 4790 mln USD in 2009).

What concerns the major directions of the influence of globalization upon the advertising market we may trace three major interpenetrating spheres:

- Sphere of the advertising activity of companies, both international companies, which regard advertising as a consequence of the realization of the global strategy of enterprise management, and national companies, which regard globalization as a threat to their independence and therefore implement advertising activities as a form of competition with foreign companies,

- Sphere of consumers' behavior, related to the unification the consumption specimens and behavior patterns concerning advertising and the estimation of its influence upon social and economic development,
- Sphere of advertising services, manifested primarily by internationalization and globalization of functioning of companies offering such services, caused primarily by the appearance of global enterprises at Polish market; and these companies are clients of the networks of advertising agencies.

The first sphere seems to play the most important roles. Advertising activity of companies is a major factor of the development of advertising market. Analyzing the influence of the globalization upon advertising activity of companies functioning at the Polish market we should take into account its two main forms. The first one is related to the expansion of international corporations, which regard our market as a part of a global market, the second from concerns the family-owned companies and small foreign companies with a narrow scale of activity.

The author's interest in this issue is partially explained by his preceding scientific work (which accents upon the problems of advertising), and to a great extent – by the tracing of phenomena, which take place in the contemporary economies, not only in polish economy, but also the economies of other countries. The purpose of the present article is the presentation of the consequences of globalization processes for the further programming of advertising activity of foreign companies functioning at the Polish market, identified on the basis of empirical research implemented by the author.

Globalization Tendencies and the Development of Companies' Activity at Foreign Markets

The term globalization is defined in different ways and within numerous spheres: economic, political, social, cultural. Such many-sidedness and multilevel character of the globalization process is a major
factor which makes any it’s precise definition impossible. One of the popular conceptions in Poland was offered by B. Liberska (2002: 17), who termed globalization as „a series of processes leading to the intensification of economic political and cultural relations which cross all the borders”, and this conception involves the necessity to trace and manifest various – not only economic – implications. T. Sztucki (1998: 85) termed globalization as „formation of a new type of interrelations between companies, governments and societies”, accepting its progressive nature, which involves „events, decisions and actions, which take place in one part of the world and have consequence for individuals and entire societies even in the most distant parts of the world”. G. Gierszewska and B. Wawrzyniak (2001: 13) regarding globalization as a procedure of strategic management, define it as „a process of the change of the perspective analysis of rules and principles of behavior, events, positions and actions, recognized values from the national and international perspectives”. Considering the contemporary processes of economic integration in the global scale we cannot omit the definitions of globalization having their source in the international institutions. Thus, European Commission defines it as „a process, in which markets and products in different countries become more and more interdependent owing to the dynamics of exchange of goods and services, inflow of capital and technology” (Annual Economic..., 1997). Following A. Zorska (1998), we may enumerate the main features of globalization processes: multi-sidedness, complexity, multiplication, scaling (integrating), international interdependence, strong relation to scientific progress, technical equipment and organization, time and space compression, dialectical character, large number of levels and expanding international scope.
The influence of globalization seizes various spheres; the spheres which are the most important to companies were specified by experts of Lisbon Group (Granice konkurencji, 1996: 48):

- globalization of finance and owned capital, characterized by deregulation of financial markets and international mobility of capital;
- globalization of markets and strategies, related to the integration of economic activity, global search of components and strategic alliances, and, consequently, globalization of competition;
- globalization of technologies and researches and knowledge related to it;
- globalization of life-styles and consumption models, and, consequently, the globalization of culture;
- globalization of management and legislation regulations in the form of the development of a new generation of rules and global institutions.

All these losses are complex and have their own internal dynamics, and therefore it is very difficult to estimate the power and directions of their influence upon company management. Besides, we can see that all these processes take place simultaneously and are interrelated, therefore, owing to the multi-way impact (stimulation or limitation of management processes); they may cause various consequences for the company.

Emphasizing the economic component we may consider **globalization of markets** as the key factor. This statement appeared in 1980s in the article by T. Levitt, who noticed that technological changes and social, political and economic development, in the last decades led the world to the path which directs towards „the global village” or „consolidating community” – homogeneous, unified global market with homogeneous consumption tastes and product preferences (Stonehouse et al., 2001: 5; Levitt, 1983: 92-102). Nowadays globalization of markets is
primarily associated with the global market regarded as a single market of standardized products and services (Sztucki, 1998: 85). It is a consequence of the integration of national and regional markets into a single global market. This process leads to the interpenetration, scaling and interdependence of markets and internationalization of products, distribution, marketing and acceptance of global activity strategy by companies.

The globalization of markets consequently leads to the globalization of branches and sectors of economy. It takes place when the competitive position of companies in one country becomes dependent of the competitive position in other countries and vice versa, which is caused by the fact that the international industry is not just a series of branches located in different countries, but it is a chain of branches and markets which are the arena of competitive struggle of companies using international opportunities.

This causes the appearance of global companies with the scope of activities reaching far off the borders of individual countries, their main office is difficult to find, and the basis of their competitive advantage is the application of the principles of global marketing. The signs of their competitive ability have the form of the long-term perspectives and far-reaching opportunities considering the risks of the adoption of technological changes and large-scale investments, the creation of the strategic potential, which makes it possible to carry out international activities in the key sectors and acquiring the efficiency within the scope, considering the balance of costs and risks of global economic activity. Five factors specifying the globalization scale of these companies are the following: participation in the global market activities, availability of global products, global localization of activities, global competitive activities and global marketing (Yip, 2004). Considering their general
activity, this means that these companies are involved in a complex phase of internationalization, consisting in the functional integration of complex organization units at various organizational levels with different degree of hierarchical interdependence or independence. These organization carry out fragmentation of certain functions (research activity, production, sales marketing activity, etc.), and the concrete tasks are implemented by their individual units, which are able to implement these tasks on the global scale more efficiently. Organization, linking and coordination of activities is usually carried out via transnational networks (Porter, 1996: 22-23).

Analyzing globalization processes which take place all over the world, we cannot but analyze their consequences. Such analysis is even more justified if we bear in mind that this issue brings up numerous controversies. Not permeating into this issue, which is quite well described in Polish economic literature, we may just specify its most essential consequences for companies. Here we should enumerate the appearance of new competitive interrelations at the markets, requiring the qualitative changes from companies and unification of consumption patterns and customers’ market behavior regarded, on one hand, as a condition, and, on the other hand, as a consequence of globalization.

The complexity of globalization processes in the contemporary world and their impact upon the development of new competitive relations urges companies to modify their strategies of activity. In most cases it requires the permanent adaptation to the conditions of quickly changing environment. The conceptions of new companies (adapted to the challenges of globalization) are quite numerous; however it seems that the model of H. Bahrami, which takes into account the necessity of the acquisition of elasticity in companies’ activity, is the most suitable (Bahrami, 1996: 18). According to his concept, the model of a global company is based on the following issues: multiple management centers located in different
countries, tendency to apply experience acquired at various markets, formal independence of organization units, developed interest in global strategic alliances, diversified structure at various local markets and cosmopolite behavior of managers.

The development of the elasticity in companies’ activities leads to the development of the **global strategy**, which reflects the adaptation of the company to globalization. Due to its complex nature and difficulties in its adoption, global strategy is the best instrument of verification of the efficiency of company management. G. S. Yip, describing the conceptions of development and implementation of global strategies uses the term „triangular globalization”, which has the following angles: factors of the globalization within a sector, components of global organizations and instruments of global strategies and in its centre (as a random variable of these angles) we can see the balance of benefits and costs of globalization (Yip, 2004: 36-37).

Expanding over the global strategy we should bear in mind that this strategy is peculiar to a narrow group of companies, which carry out the expansion to foreign markets and apply the **geocentric orientation**. It consists in regarding foreign markets as a single world market, where, on one hand, we can see the lack of peculiar features reflecting the individual national markets, and, on the other hand, we can see the erasure of national and continental borders. The segmentation of customers is consequently directed at the separation of transnational segments, which omit the geographic factor. Consequently, marketing programs and procedures of activity are developed in relation to the whole international market, and their developers take into account submarkets and barriers, which are impossible to conquer (for instance, religious). Thus, their way of entering
the market, their offer and ways of functioning are similar in all countries which are the target of their market expansion.

In this way the main features **global marketing** which is an element of the global strategy of companies with the geocentric orientation. This definition was proposed by T. Levitt for the description of the activity of international corporations, functioning globally, however, not always in the unified (standardized) way (Levitt, 1986). The concept of global marketing follows from the belief in the extreme advantage of standardized marketing strategies over strategies developed for single markets. The nature of this concept lies in the disregard of difference between the customers functioning at national (local) markets. In case of extreme necessity the company applies a single, monolith marketing strategy in all countries, where they function, presuming that all the customers of one and the same product all over the world are the same. This concept has certain obvious advantages, which are as follows:

- the possibility to carry out large-scale activities and therefore to reduce costs;
- the improvement of the level of the efficiency of products and processes (In the opinion of Yip (2004: 271), “The development of the effectiveness of the program, however, may often be the most essential benefit caused by global marketing processes, as good marketing ideas are quite rare”);
- strengthening of preferences of mobile customers;
- improvement of market dynamics, which is caused by the development of consumption needs of societies;
- improvement of competitive ability owing to the concentration of resources around a small group of marketing programs and competitive struggle in numerous places of the world.

The basis of the implementation of the principles of global marketing is the specification of the **degree of standardization** (sameness or
unification) of individual activities and instruments. As it was already mentioned, the globalization of marketing activities does not necessarily mean the standardization of strategy. However, it is vitally important to specify the relations between standardization and individualization (adaptation) linked to the adaptation to the specific features of individual local markets. This relation is primarily determined by the similarity of conditions of activity linked both to the functioning within a certain micro-environment, and to the competitive environment. An important role is played by the image of the company’s country of origin and origin of its products, particularly in the situation of the existence of strong positive associations with the certain country and branch.

**Global advertising**

The remaining spheres of the influence of globalization upon market activity find their manifestation in the change of the conception of the company’s marketing activity. This concerns all marketing tools, including advertising. Consequently its new concept appears to be global advertising. Considering the entire set of marketing tools of global marketing global advertising is the consequence of the application of standardization procedures, concerning all the stages of the development of advertising strategy – from the creation of its idea up to the evaluation of its efficiency and effectiveness. The scope of this standardization is quite different. Its differentiation concerns both the progressing of all advertising processes of various companies, and the progress of each individual process implemented by a single company.

Numerous preconditions and advantages make up a proper justification of the application of the advertising standardization. Generally we may divide these preconditions and advantages into two main groups: those related to the marketing strategy of the company and those related to
the characteristics of market from the point of view of demand (Pietrasieński, 2005: 107-108). **Factors related to the marketing strategy of the company** are the following:

- creation and maintenance of a single image of the company within the whole its field of activity;
- the possibility of using the approved ideas, which were successful at the national market;
- the opportunity to project a single advertising campaign coordinated globally and bringing financial benefits (message communication program, purchase of media, preparation of advertising materials) and time benefits (reduction of preparation stage);
- standardization of the proposed products;
- reaction on the behavior of competitors.

Among the group of **factors related to the characteristics of market from the point of view of demand** we may mention the following:

- use of demographic, psycho-physical and cultural similarities of customers at various markets;
- reduction of the cultural distance between countries, which consequently leads to the similarity of needs manifested by customers in various countries;
- unification of consumption patterns;
- expansion of the English language all over the world;
- minimization of the feeling of disorientation among the mobile consumers travelling to various countries.

Considering the numerous factors, which support the application of global, standardized advertising, we should take into account numerous **barriers** within this issue. One of the key ones is the impact of factors
modifying the classical scheme of the influence of communication process (pic. 1).

Among these factors the key role belongs to **difference in cultural environment** of the company as a transmitter of advertising and that of its recipients. Considering the necessity to demonstrate the relationship between culture and advertising activity, we can define culture as „routine way of life, differentiating a society, interpersonal relations within it and society's reactions upon incentive signals from environment (including advertising signals)”. It consists of values, norms, ideals, symbols, adopted reactions, behavior, beliefs, institutions, peculiar to the society, which were formed as a result of society's traditions; it embraces language, art, aesthetics, customs, morality, which forms a certain arrangement of peoples' behavior and their world-view (Hanna and Wozniak, 2001: 523).

Difference in cultural preconditions (if no adapting actions are taken) causes the absence of the communication platform between the transmitter and the recipient of the advertising, which has a negative impact on the effectiveness of advertising messages (lack of the appropriate feedback). As the most common examples of such barriers, impeding the standardization of advertising we may enumerate the symbolism and meaning of words, idiomatic and speech expressions peculiar to a certain society, language slang used by certain social groups and sub-cultures, religious and cultural symbolism of signs, colors, specific character of purchasing traditions, life-style, etc.
Pic. 1. Communication Process at the International Market, Determining the Possibility of the Application of Standardized Advertising


Peculiar factor, the source of which lies not only in cultural preconditions, but also in economic and market preconditions, is the factor of difference in relation of local communities to advertising (behavior, preferences, expectation) – more rigorous and sublimated in wealthy communities and more developed economies (which causes the significantly higher level of customer ethnocentrism as a reaction to advertising activities), and more open in communities functioning in
countries with a lower level of economic development (more obvious openness and acceptance of advertising messages of the international character). This diversity causes the appearance of the patterns of advertising campaigns in different countries.

Alongside with cultural preconditions we should also take into account **diversity in development, quality and freedom of access to media infrastructure, character of the media market and level of advertising services** – they are particularly obvious in case of the expansion to less developed countries, which, as a rule, do not possess the appropriate potential in this sphere. They also impose certain **legal and administrative barriers**, which are often related to the possibility of the application of certain communication channels (from the point of view of their accessibility within the system of legal requirements); the source of these barriers lies in the difference in legal norms related to advertising in different countries (comparative advertising, use of erotic, personal image of women, children, use of certain materials containing the scenes of violence, prohibition of advertising of certain products, etc.).

The existence of these barriers causes the necessity of using various levels of **standardization and individualization of advertising** by companies functioning at foreign markets. The researches carried out in different countries show that even big international concerns, which use a typically global orientation in their activities, apply standardization of advertising activity only partially (just in 10% of cases) and this standardization manifests itself in the communication of advertising messages identical to those in the native country in the original language version or with an exact translation into the local language. The majority (over 3/4) decides to adapt their advertising activities to local markets by modifying illustrations, contents, conventions, characters, ways of
presentation advertising messages, idiomatic difference in their translations; part of companies (over 12%) constructs messages „from the beginning” retaining only the main topic (The research of the activities of global enterprises functioning at the Scandinavian market is described in the following article of Kanso and Nelson, 2002).

The selection of one of these two advertising standardization levels is determined by several factors. Referring to the concept of M. Harvey (1993: 58) we may enumerate several appropriate variables (pic. 2):

- variables characterizing product → the more universal the product is, the more desirable is the standardization of advertising,
- variables characterizing competitive environment – the level of the application of standardized advertising strategies by competitors and consequences of this application → the higher and the more effective this level is, the more desirable is the standardization of their own advertising,
- variables characterizing organization – the system of interrelations between the company’s headquarters (mother-company), regional offices and offices in every individual country → the stronger these relationships are, the bigger is the percentage of the advertising standardization,
- variables characterizing infrastructure of advertising services → the more similar it is in different countries, the more often the standardized advertising activities are applied,
- variables characterizing legislative limitations → the entire standardization is possible only in case of the unification of legislative requirements in advertising sphere (which is possible under the condition of the advanced economic integration of countries),
- variables characterizing social and cultural preconditions → the sharper the difference between economies and societies is, the more limited are the possibilities of the standardization of advertising activities.
Certainly, the possibility of the application of standardized advertising is not always the same. Product is the key determination factor here. Referring to the book by P. Kotler and articles by G. Belch and M. Belch (Kotler, 1997; Belch and Belch, 1993) we may enumerate the following products, which are the most suitable for global advertising:

- products advertised chiefly via visual tools, with the exclusion or limitation of verbal tools (such advertisements often contain slogans, which are not translated);
- trademarks, which can be promoted via values, metaphors and universal symbols, such as prestige, wealth, sex, attractiveness, joy, nostalgia.

(universalism of the applied attributes of advertising implies the universalism of associations related to advertising and product);
- advanced technological products, which require no reference on cultural heritage of certain societies, and in some cases such reference may deform the image of such products;
- products promoting positively regarded features of some nations, such as technology, solidity, precision, reliability, safety, temper, elegance, etc., the application of which makes up the best recommendation for the advertised product.

**Research methodology**

The presented preconditions of advertising activity caused by globalization changes have become the inspiration factor of a research, emphasizing the advertising activity of foreign companies at the polish market carried out in 2008. The main purpose of this research was the diagnostics of the scope and directions of the impact of globalization upon the development of advertising market in Poland seen through the prism of activities carried out by foreign companies within this field. The special purpose lied in the analysis of the global preconditions and processes of management of advertising activities in foreign companies functioning at the polish market. The key role was played by the analysis of the process of creation of companies’ advertising strategies (standardization or individualization of marketing strategies, global scope of using advertising services, etc.). The accepted concept was targeted at the addition of advertising globalization issue to the present knowledge about the development of advertising market in Poland.

For the purpose of the implementation of the research a questionnaire was composed; it consisted of over thirty questions related to
preconditions and assumptions of marketing strategies of foreign companies functioning at the polish market and globalization of their advertising activity and its influence on the competitive ability of these companies. In this issue we may point out two main research problems:

- the first problem concerned the advertising activity consisting in the transfer of patterns characterizing the progress of advertising processes in other highly-developed countries to the Polish market,
- the second problem was related to the attempt of obtaining the answer to the question which of two main advertising strategies (globalization or individualization) is more efficient at a very specific polish market.

214 foreign companies of difference sizes functioning at the polish market took part in the research: 41,1% were big companies, 33,2% – mid-size companies 35,7% belonged to the group of small companies (including 6,1% micro-companies). The researchers took into consideration the qualification system, which already existed in Poland, according to the Act, dated 2nd of July 2004 about freedom of economic activity and Act, dated 19th of November 1999 The Law of Economic Activity (with further amendments), which read the following: micro-companies are companies employing less than 10 employees with an annual turnover not exceeding 2 million euro or the entire annual balance not exceeding 2 million euro, small companies are companies employing less than 50 employees with an annual turnover not exceeding 10 million euro or the entire annual balance not exceeding 10 million euro, mid-size companies are companies employing less than 250 employees with an annual turnover not exceeding 50 million euro or the entire annual balance not exceeding 50 million euro, big companies are companies employing at least 250 employees with an annual turnover at least 50 million euro or the entire annual balance exceeds 50 million euro.
These companies represented three branches of activities – services (45.8%), production of non-food articles (37.9%) and production of food articles (16.4%). From the point of view of the problematic of the research the differentiation analysis of these companies was very important, if we consider their international scale of activities. About one third of companies (29.9%) are those with the largest territorial scope of activity, i.e. functioning at about 20 national markets. A smaller group of companies functioned at 11 – 20 countries (10.7%), in 6 – 10 countries (18.2%), in 3 – 5 courtiers (22.9%), therefore for these companies polish market, alongside with their national market, was a single area of foreign expansion (18.2%).

Owing to the fact that the development of multi-market economy in Poland caused the system transformation in 1980s and 1990s, it was very important to specify companies with a long period of functioning at the polish market. Thus, the researchers distinguished companies which appeared at the polish market before 1991, i.e. before or during the period of transformation reforms (14.5% of researched companies), in 1991–1995, i.e. during the period of the first years of the transformation of the multi-market economy (29.4%), in 1996–2000, i.e. during the period of stabilization of multi-market system (35.0%) and after 2000, i.e. during the period of a high intensity of competition typical to the common buyer’s market (21.0%).

**Innovative Communication Strategies of Foreign Companies in Poland**

The starting point of the analysis of the advertising globalization in foreign companies functioning at polish market is their **expansion concept**. The researches demonstrate that the majority of companies (51.9%) demonstrate polycentric orientation, i.e. they regard polish market as one of
the numerous areas of activity without any unification of marketing activities due to the existence of significant difference between these markets and buyers functioning at these markets. Typically geocentric orientation, peculiar to the entire globalization, is applied by only 17,3% of companies. The similar percentage (15,4%) is demonstrated by companies, which apply ethnocentric (export) or regional-central approach at the polish market. Therefore the product offer of these companies corresponds to their market orientation. Almost half of them (49,5%) offer absolutely the same products at the polish markets as at other markets. 29,9% have a wider offer containing products of polish manufacturers (as accessories). As much as 15,0% of companies apply quite different strategy; they emphasize the offering of polish products, supplemented by imported goods. 5,6% of companies apply the principle of the entire domination of the polish products in their offer.

Decisions related to the characteristics and origins of the offered trademarks involve certain implications concerning the accepted communication strategy. All these four communication strategies (Pickton, 2001: 131) at the international market are frequently applied by foreign companies functioning at the polish market. In most cases they declare the interest in global strategy, based on the cultural similarities of polish market and country of origin or other markets, at which the company functions, with the internal homogeneity of national cultures – the percentage of these companies is 29,0%. 26,2% of companies applied communication strategy of the global niche, based on a significant similarity within the context of international markets, but with an insignificant internal similarity. Multi-national strategy, which involves the existence of a significant homogeneity of national markets and significant difference between national markets, is applied by 23,4% of the researched companies. The smallest percentage of companies – 21,5% – in
their communication activity apply the **individualization concept**, which involves a significant difference both between individual countries, and cultural difference of communities inhabiting their territory.

We should point out the factor which influences on the communication concept, i.e. the **organization of the development of advertising processes**. Here we should consider two issues: the first one is the localization of decision-making competence in the sphere of advertising in Poland or other country, and the second one are the characteristics (origin) of agencies, which offer advertising services to companies. What concerns the first issue the companies declare the domination of polish organization units in the implementation of decision-making procedures, the declared percentage is 59,3%. Every third company declares the main foreign office of the company as a major decision-making body. Regional (not main ones) offices of companies located at the territory of other countries (6,1% of responses) serve as additional decision-making offices, as well as foreign offices which have no status of a central office (1,9%).

What concerns the issue of the use advertising services offered by specialized advertising agencies, we may see a far-reaching readiness of companies to cooperate both with local agencies (entirely polish ones), and with international (network agencies), agencies which provide services to the company at different international markets. 43,5% of the researched companies enjoy the assistance of agencies of both types. 37,4% trust only polish advertising service-providers, half as big was the percentage of companies which declare cooperation only with polish representative of international advertising networks, which provide services to companies in other countries.

No matter which of the concepts was applied by companies, advertising services provided at the Polish market are considered to be of
high quality. This statement is proved by the fact that over a half (56,5\%) of companies have practically no reprimands concerning their quality and declare their full satisfaction with their level. 40,7\% is the percentage of companies, which, alongside with a full satisfaction, notice certain inadvertency in advertising services. Only 2,8\% of companies demonstrated obvious dissatisfaction with the level of advertising services in Poland. Thus, generally we may emphasize the high level of development of advertising services in Poland. Within the period of twenty years of functioning at the polish advertising market their offer, measured by the number of active companies and the scope of their market offer, has developed significantly. This concerns both family-owned companies, and representative offices of international companies, which regard polish market as an important area of activities. This is proved by the fact that representative offices of almost all biggest advertising networks (except for Japanese) do function in Poland.

The consideration of the importance of the polish market and advertising activities carried out at it are manifested by the transfer of advertising messages created in Poland to other foreign markets. Such transfer is carried out by 55,6\% of researched foreign companies. However, in the majority of these cases (38,8\%) we deal with the sporadic actions of this type, but as much as 16,8\% of companies which declare the frequent implementation of these procedures can be regarded as a considerable achievement.

It is worth mentioning that the potential of the Polish advertising market from the point of view of foreign companies has not yet been used with the maximal efficiency. Every third of these companies (as much as 36,1\%) declare that the advertising costs in Poland are lower than in other countries with the market of the similar scope; as much as 15,9\% of
companies declare significant disproportions. At the same time only 9.8% of companies consider that financial resources spent for advertising in Poland are higher than at other similar markets. Half of all the companies declare the approximately equal volume of expenses for advertising.

**Standardization and Individualization as Alternative Concepts of Advertising Activity of Foreign Companies in Poland**

Considering the above-mentioned figures, we may state the scale and forms of the globalization of market activities implemented by foreign companies functioning at Polish market.

The **standardization of advertising activities** (at least partial) is declared by 60.8% of these companies (Table 1). Full standardization is declared by 17.8% companies. Primarily these are organizations with a large scale of activities at the international market (i.e. servicing numerous foreign markets). Among them we can find both the largest and the smallest companies. For the former it is an element of the global activities strategy, for the latter it is often a result of their striving towards minimization of costs of their activities in Poland. Thus, a full individualization is peculiar to 39.3% of companies.

We can estimate that within a large group of advertising messages, applied by foreign companies at the polish market **the share of standardized advertising messages** makes up 44%, 56% of which are messages based on individualization procedures.

What concerns the strategy of the globalization of advertising we may trace three **forms of standardization** consisting in the imitation of advertising messages identical to those applied in their native country: in the original language version, precisely translated into Polish or translated
with a peculiar attention to idiomatic difference. The latter one is the most often used, the former being the least frequent.

**Table 1. Level of Standardization of Advertising Activities of the Researched Foreign Companies in Poland (N = 214)**

<table>
<thead>
<tr>
<th>Advertising activities</th>
<th>Partially standardized</th>
<th>Individualized only</th>
<th>Standardized only</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size of the company</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 9 people</td>
<td>15,4</td>
<td>46,2</td>
<td>38,5</td>
</tr>
<tr>
<td>10 - 49 people</td>
<td>33,3</td>
<td>61,9</td>
<td>4,8</td>
</tr>
<tr>
<td>50 - 249 people</td>
<td>47,9</td>
<td>38,0</td>
<td>14,1</td>
</tr>
<tr>
<td>250 and more</td>
<td>47,7</td>
<td>28,4</td>
<td>23,9</td>
</tr>
<tr>
<td><strong>Branch of activity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food articles</td>
<td>37,1</td>
<td>51,4</td>
<td>11,4</td>
</tr>
<tr>
<td>Non-food articles</td>
<td>44,4</td>
<td>35,8</td>
<td>19,8</td>
</tr>
<tr>
<td>Services</td>
<td>43,9</td>
<td>37,8</td>
<td>18,4</td>
</tr>
<tr>
<td><strong>Year of the beginning of functioning at the polish market</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before 1991 year</td>
<td>45,2</td>
<td>29,0</td>
<td>25,8</td>
</tr>
<tr>
<td>1991 – 1995 years</td>
<td>41,3</td>
<td>44,4</td>
<td>14,3</td>
</tr>
<tr>
<td>1996 – 2000 years</td>
<td>48,0</td>
<td>32,0</td>
<td>20,0</td>
</tr>
<tr>
<td>After 2000 year</td>
<td>35,6</td>
<td>51,1</td>
<td>13,3</td>
</tr>
<tr>
<td><strong>The number of the serviced markets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 2 countries</td>
<td>38,5</td>
<td>51,3</td>
<td>10,3</td>
</tr>
<tr>
<td>3-5 countries</td>
<td>30,6</td>
<td>51,0</td>
<td>18,4</td>
</tr>
<tr>
<td>6-10 countries</td>
<td>38,5</td>
<td>48,7</td>
<td>12,8</td>
</tr>
<tr>
<td>11-20 countries</td>
<td>39,1</td>
<td>34,8</td>
<td>26,1</td>
</tr>
<tr>
<td>Over 20 countries</td>
<td>59,4</td>
<td>18,8</td>
<td>21,9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>43,0</strong></td>
<td><strong>39,3</strong></td>
<td><strong>17,8</strong></td>
</tr>
</tbody>
</table>


What concerns **individualized messages** most often they are created from their bases, with the preservation of their main idea. Much less important are the messages, where only certain key elements are modified, such as illustrations, scenario, plot, slogans, heroes, with other elements remaining unchanged. With a similar periodicity we may trace messages, where we see the entire individualization, consisting in the entire revision of all elements and the main idea.

The source of the standardization of advertising messages (if we abstract from its forms and scope) rests upon certain **preconditions**. The
most frequently one is the desire for the creation and support of a single image of the trademark all over the world – such desire is manifested by 48.6% of the researched companies (Table 2). It is particularly important both for companies with a large scope of activity from the point of view of territory and traditionally active at polish market, since the period preceding the transformation reforms, and companies, which are small from the point of view of the number of employees. One more essential reason for the standardization is the similar way of using products in various countries – the importance of this factor is proved by 42.1% companies. Their characteristics are similar to the characteristics of those involved in the first precondition; however, the only difference is that from the point of view of size it is primarily the characteristics of big companies.

30.8% of companies manifested, as the main precondition, the desire to apply the proved advertising ideas, which were successful at other markets. 25% of companies also declare the standardization of advertised products as the main precondition. A significant role is played by factors of the sphere of consumption. This concerns the existence of international segments of consumers (22.9% responses), existence of demographic similarity of recipients at various markets (19.2%), similarity of needs, preferences and behavior of customers all over the world (18.7%), cultural similarity of various countries (15.9%), the desire to soothe the feeling of mobile disorientation of customers travelling to different countries (11.7%), and the expansion of the English language, regarded as a universal language of advertising all over the world (7.0%). Other preconditions of market nature appear, such as social and economic similarity of markets (12.6%), and preconditions related directly to the organization of company’s activity: cost advantages related to the projecting of the advertising campaign and the purchase of media (11.7%), reaction on the behavior of competitors (10.7%), reduction of the
preparation period of the campaign (9,8%), innovative features of products, which can be easily standardized (7,5%), and the desire to apply the procedures of global coordination of advertising activities (6,5%).

Nevertheless foreign companies face different barriers limiting the standardization of advertising or even making it impossible (Table 3). These barriers lie primarily in diversities which are peculiar to societies in different countries. The assumptions concerning the unification of needs, preferences and behavior of customers do not always come to life. The disproportions of social nature are declared by every third foreign company. Most often these disproportions are manifested by language barriers (26,6% of responses), which often make literal translation of advertising texts impossible, forcing to search for the corresponding literal forms in the native language, which quite often distort the original message (Standhusen, 1994: 101). Cultural and religious differences are also of much importance (22,9%). As a matter of fact, globalization contributes to the mixing of cultures and leveling of disproportions between them, leading to the development of universal cultures, particularly so called low-context ones (Johansson, 1997: 91), their full unification is practically impossible.
Table 2. Reasons for the standardization of advertising activities of the researched companies (N = 214)

<table>
<thead>
<tr>
<th>Reasons for the standardization of advertising activities</th>
<th>Formation of a single image of the trade mark all over the world</th>
<th>The same way of using products at different markets</th>
<th>Application of ideas, which were successful at other markets</th>
<th>Standardization of advertised products</th>
<th>Availability of the international segments of consumers</th>
<th>Application of the demographic similarity of recipients in different countries</th>
<th>Standardization of needs, preferences and behaviour all over the world</th>
<th>Similarity of countries’ cultures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise size</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To 9 persons</td>
<td>53,8</td>
<td>38,5</td>
<td>38,5</td>
<td>38,5</td>
<td>-</td>
<td>38,5</td>
<td>30,8</td>
<td>-</td>
</tr>
<tr>
<td>10 - 49 persons</td>
<td>50,0</td>
<td>33,3</td>
<td>42,9</td>
<td>19,0</td>
<td>9,5</td>
<td>11,9</td>
<td>14,3</td>
<td>19,0</td>
</tr>
<tr>
<td>50 - 249 persons</td>
<td>47,9</td>
<td>36,6</td>
<td>26,8</td>
<td>31,0</td>
<td>25,4</td>
<td>16,9</td>
<td>22,5</td>
<td>22,5</td>
</tr>
<tr>
<td>250 and more persons</td>
<td>47,7</td>
<td>51,1</td>
<td>27,3</td>
<td>20,5</td>
<td>30,7</td>
<td>21,6</td>
<td>15,9</td>
<td>11,4</td>
</tr>
<tr>
<td>Activity</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food articles</td>
<td>54,3</td>
<td>45,7</td>
<td>45,7</td>
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<td>14,3</td>
<td>25,7</td>
<td>34,3</td>
<td>34,3</td>
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<tr>
<td>Non-food articles</td>
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<td>22,2</td>
<td>19,8</td>
<td>28,4</td>
<td>17,3</td>
<td>18,5</td>
<td>7,4</td>
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<td>41,8</td>
<td>38,8</td>
<td>32,7</td>
<td>30,6</td>
<td>21,4</td>
<td>18,4</td>
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<td>16,3</td>
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<tr>
<td>Year of start up on the Polish market</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
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<td>25,8</td>
<td>6,5</td>
<td>29,0</td>
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<tr>
<td>Years 1991 - 1995</td>
<td>50,8</td>
<td>44,4</td>
<td>31,7</td>
<td>19,0</td>
<td>22,2</td>
<td>17,5</td>
<td>19,0</td>
<td>15,9</td>
</tr>
<tr>
<td>Years 1996 - 2000</td>
<td>48,0</td>
<td>44,0</td>
<td>30,7</td>
<td>30,7</td>
<td>24,0</td>
<td>25,3</td>
<td>13,3</td>
<td>22,7</td>
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<tr>
<td>After 2000 year</td>
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<td>40,0</td>
<td>33,3</td>
<td>15,6</td>
<td>20,0</td>
<td>20,0</td>
<td>20,0</td>
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<tr>
<td>Number of market served</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 2 countries</td>
<td>46,2</td>
<td>43,6</td>
<td>23,1</td>
<td>10,3</td>
<td>5,1</td>
<td>15,4</td>
<td>17,9</td>
<td>23,1</td>
</tr>
<tr>
<td>3-5 countries</td>
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<td>30,6</td>
<td>30,6</td>
<td>28,6</td>
<td>22,4</td>
<td>16,3</td>
<td>20,4</td>
<td>14,3</td>
</tr>
<tr>
<td>6-10 countries</td>
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<td>41,0</td>
<td>35,9</td>
<td>23,1</td>
<td>15,4</td>
<td>12,8</td>
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<tr>
<td>More than 20 countries</td>
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<td>34,4</td>
<td>26,6</td>
<td>35,9</td>
<td>26,6</td>
<td>10,9</td>
<td>12,5</td>
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<td>TOTAL</td>
<td><strong>48,6</strong></td>
<td><strong>42,1</strong></td>
<td><strong>30,8</strong></td>
<td><strong>24,8</strong></td>
<td><strong>22,9</strong></td>
<td><strong>19,2</strong></td>
<td><strong>18,7</strong></td>
<td><strong>15,9</strong></td>
</tr>
<tr>
<td></td>
<td>Similarity of social and economic markets, at which the company functions</td>
<td>Cost benefits related to projecting of advertising messages and purchasing of media</td>
<td>Minor disorientation of consumers travelling to different countries</td>
<td>Reactions upon behavior and strategies of competitors</td>
<td>Reduction of time needed for the preparation of the advertising campaign</td>
<td>Innovativeness of products, which can be standardized</td>
<td>Expansion of the English language all over the world</td>
<td>Global coordination of the whole advertising campaign</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
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</tr>
<tr>
<td>Enterprise size</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>To 9 persons</td>
<td>23.1</td>
<td>-</td>
<td>7.7</td>
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<td>-</td>
<td>7.7</td>
<td>-</td>
<td>15.4</td>
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<td>9.5</td>
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<tr>
<td>50 - 249 persons</td>
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<td>9.9</td>
<td>4.2</td>
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<td>7.0</td>
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<td>10.2</td>
<td>8.0</td>
<td>6.8</td>
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<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
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</tr>
<tr>
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<td>11.4</td>
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<td>2.9</td>
<td>8.6</td>
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<tr>
<td>Non-food articles</td>
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<td>11.1</td>
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<td>1.2</td>
<td>6.2</td>
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<td>10.2</td>
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<td>5.1</td>
</tr>
<tr>
<td>Year of start up on the Polish market</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
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<td>7.9</td>
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<tr>
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<td>6.7</td>
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<td>After 2000 year</td>
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<td>6.7</td>
<td>4.4</td>
<td>6.7</td>
<td>4.4</td>
</tr>
<tr>
<td>Number of market served</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Up to 2 countries</td>
<td>2.6</td>
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<td>17.9</td>
<td>10.3</td>
<td>7.7</td>
<td>-</td>
<td>7.7</td>
<td>12.8</td>
</tr>
<tr>
<td>3-5 countries</td>
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<td>12.2</td>
<td>10.2</td>
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<td>10.2</td>
<td>8.2</td>
<td>10.2</td>
<td>6.1</td>
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</tr>
<tr>
<td>11-20 countries</td>
<td>17.4</td>
<td>4.3</td>
<td>8.7</td>
<td>13.0</td>
<td>8.7</td>
<td>8.7</td>
<td>-</td>
<td>4.3</td>
</tr>
<tr>
<td>More than 20 countries</td>
<td>12.5</td>
<td>12.5</td>
<td>12.5</td>
<td>10.9</td>
<td>14.1</td>
<td>10.9</td>
<td>6.3</td>
<td>3.1</td>
</tr>
<tr>
<td>TOTAL</td>
<td><strong>12.6</strong></td>
<td><strong>11.7</strong></td>
<td><strong>11.7</strong></td>
<td><strong>10.7</strong></td>
<td><strong>9.8</strong></td>
<td><strong>7.5</strong></td>
<td><strong>7.0</strong></td>
<td><strong>6.5</strong></td>
</tr>
</tbody>
</table>

Table 3. Barriers impeding the advertising activities of the researched companies (N = 214)

<table>
<thead>
<tr>
<th>Enterprise size</th>
<th>Difference between societies in various countries</th>
<th>Language barriers</th>
<th>Religion and culture barriers</th>
<th>Difference in legislation concerning advertising</th>
<th>Difference of quality of advertising services in countries</th>
<th>Difference in the freedom of access to advertising media</th>
<th>Insufficient efficiency of influence</th>
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<td></td>
<td></td>
<td></td>
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<td>23.1</td>
<td>23.1</td>
<td>15.4</td>
<td>17.9</td>
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<td>26.6</td>
<td>22.9</td>
<td>19.2</td>
<td>16.8</td>
<td>15.0</td>
<td>13.6</td>
<td>6.5</td>
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One more group of barriers is formed by the issues related to the development and functioning of advertising services market. Here I mean particularly the difference in legislation regulations, concerning advertising activities (19.2% of responses), and disproportions related to the quality of advertising services (16.8%) and in the development and freedom of access to advertising media (15.0%) which cause differentiation of the impact of advertising messages (13.6%).

Consequently, as it was emphasized before, part of foreign companies in Poland standardizes only certain elements of advertising strategy. Most often such standardization embraces the contents of the advertising campaign and advertising slogans (about 60% of all responses, manifesting the entire standardization). The most rarely standardized procedures were those related to selection and application of advertising media (within the context of arrangement and periodicity of application) – over 20% of companies note that these two procedures cannot be unified at all.

**Effectiveness of Advertising Activities of Foreign Companies at Polish Market**

The dilemma whether to standardize or to individualize the advertising strategy is very difficult to resolve definitively. The factors which determine the appropriateness of these two advertising concepts manifest themselves in the sales results of the advertised products. However, it is not always possible to estimate the efficiency of advertising activities exactly. In many cases it is impossible; what remains is the estimation of the efficiency of advertising activities through the prism of the implementation of the targets set by the company, though these targets are often subjective and not always measurable.
One of these purposes is the development of competitive advantage. The researched companies quite clearly demonstrate the belief in a positive impact of the globalization of advertising upon the development of the company's competitiveness, regarded as an ability to carry out an efficient (i.e. effective, beneficial and profit-proved) activity directed at the achievement of company's targets at the market competition arena (Stankiewicz, 2005: 36). This positive impact is shared by 61.7% of companies (Table 4).

**Table 4. The Influence of Global (Standardized) Advertising upon the Development of the Competitive Ability of Companies (N = 214)**

<table>
<thead>
<tr>
<th>Enterprise size</th>
<th>Definitely &quot;yes&quot;</th>
<th>Rather &quot;yes&quot;</th>
<th>Difficult to say &quot;yes&quot; or &quot;no&quot;</th>
<th>Rather &quot;no&quot;</th>
<th>Definitely &quot;no&quot;</th>
</tr>
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<tbody>
<tr>
<td>To 9 persons</td>
<td>23.1</td>
<td>30.8</td>
<td>38.5</td>
<td>-</td>
<td>7.7</td>
</tr>
<tr>
<td>10 - 49 persons</td>
<td>16.7</td>
<td>57.1</td>
<td>26.2</td>
<td>-</td>
<td>-</td>
</tr>
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<td>50 - 249 persons</td>
<td>18.3</td>
<td>42.3</td>
<td>32.4</td>
<td>5.6</td>
<td>1.4</td>
</tr>
<tr>
<td>250 and more persons</td>
<td>27.3</td>
<td>30.7</td>
<td>37.5</td>
<td>3.4</td>
<td>1.1</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Food articles</td>
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<td>48.6</td>
<td>25.7</td>
<td>5.7</td>
<td>-</td>
</tr>
<tr>
<td>Non-food articles</td>
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<td>37.0</td>
<td>35.8</td>
<td>3.7</td>
<td>-</td>
</tr>
<tr>
<td>Services</td>
<td>21.4</td>
<td>38.8</td>
<td>34.7</td>
<td>2.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Year of start up on the Polish market</td>
<td></td>
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<tr>
<td>Before 1991 year</td>
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<td>25.8</td>
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<td>-</td>
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<tr>
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<td>50.8</td>
<td>28.6</td>
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<td>1.6</td>
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<tr>
<td>Years 1996 - 2000</td>
<td>28.0</td>
<td>37.3</td>
<td>30.7</td>
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<td>1.3</td>
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<tr>
<td>After 2000 year</td>
<td>20.0</td>
<td>37.8</td>
<td>33.3</td>
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<tr>
<td>Number of market served</td>
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<td></td>
</tr>
<tr>
<td>Up to 2 countries</td>
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<td>56.4</td>
<td>-</td>
<td>2.6</td>
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<td>3-5 countries</td>
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<td>6-10 countries</td>
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<td>30.8</td>
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<tr>
<td>More than 20 countries</td>
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<td>1.6</td>
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<td><strong>22.0</strong></td>
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<td><strong>33.6</strong></td>
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These are mostly companies, which, due to their large size, territorial scope of activity are predestined to apply standardization procedures. Smaller companies more often demonstrate a more cautious approach, rather avoiding the clearly defined opinion. The lack of the positive impact of global advertising is manifested sporadically, however, it is peculiar that such opinion is more often demonstrated by medium-size and large companies.

This competitiveness manifests itself in companies' influence upon customers. Assuming that one of the key purposes of advertising is the development of customers' loyalty, the standardization of advertising is supposed to facilitate the achievement of this purpose. Considering the benefits of the achievement of this purpose companies, however, demonstrate a certain restraint. The positive impact of global advertising upon customers' loyalty level makes up 55,2%. The percentage of opponents goes up to 13,0%. About one third of companies are unable to formulate a clear opinion about this issue.

Thus, the application of global advertising contributes to the acquisition of a stronger position of a company at the market. This opinion is shared by 61,7% of companies. Only 11,2% have a different opinion, and 27,1% of companies are unable to formulate their clear opinion on this issue.

**Conclusion**

The issues presented in this article and related to the influence of globalization upon advertising activity of foreign companies at polish market clearly demonstrate, that this phenomenon is currently at its stage of development. Progressing globalization processes find their reflection in the activity of the most expansive companies. They apply their experience,
which they acquired at other, more mature and developed markets, and strive to improve their competitive advantage over polish companies and other foreign companies, particularly those, which do not apply globalization procedures in their advertising activity.

Estimating the scale of advertising globalization, we should emphasize the permanent trend of development of this phenomenon. Polish market is currently at the stage of the recognition of globalization processes; however, we may trace an obvious increase of advertising messages communicated in their original language versions. We may also detach a wider use of advertising messages, related to historical and cultural values, which are significantly far off from traditionally Polish ones. It seems that these messages fall on a fertile soil, because polish society becomes more and more associated with the image of euro-consumer with all that its implied consequences, including the increase of its sensibility to universal, global advertising messages.

References


Introduction

In the previous contributions, kleromarketing was defined as a complex of specific marketing activities priority-oriented at satisfaction of religious communities needs in the provision of goods and services of church members and congregations (all religious movements, church and societies, including sects, where, despite other economic and social fundamentals exist and run comparable socio-economic relations), as well as activities aimed at the acquisition, creation and administration of church property, developing and promoting the essential beliefs, religious ideology and religion soma.

There are three fundamental challenges arising in kleromarketing field for the new millennium. Firstly, to maintain membership base of particular religions and churches. Secondly, to compete within the great religious currents. Thirdly, decisive for the Christian denominations, an effort to unite. Not only under pressure of secularism and constantly strengthening islamification, but also because of the unity being an accelerator of economic profit.

Kleromarketing – 4 Pé Scheme

Kleromarketing offers specific products and services. These are divided into tangible PRODUCTS and services and spiritual services.

The products and services of tangible nature are considered to be the results of both church and outsourcing companies production, in order to
cover material and votive needs of a target group. This includes the establishment of organizations, associations and movements for achieving set goals.

Tangible products can be divided into 2 categories:

1. The products and goods for long-term use (buildings, equipment, altars and votive art objects), which church has been using for more than 5 years.

2. The products and goods for short-term use which are designed for a limited time use (textiles, ornates, patens, devotional objects).

Providing education, celebrating church services, administrating sacraments, consecrating sacramentals, creating and maintaining essential beliefs, propagation of religious ideology through the media and its own supporting means and institutions are counted as the spiritual services.

The **PRICE** - is the most flexible element of marketing mix, which is clear in the case of kleromarketing especially in generating incomes from the spiritual services. In the case of the tangible goods and services, the price calculation must be based on the defaults variables (the costs of production, distribution, reasonable profit, management and promotion of the product, output and volume of sale).

The situation seems to be more dynamic in the case of the spiritual services. Firstly, because the fees and spiritual intentions for services are tax-free and therefore their exact sizes are difficult to be estimated. Secondly, the price corresponding to economic and marketing standards for providing can’t be guaranteed. Thirdly, the purpose for which required financial means are used can’t be precisely defined. An annual management report of parish communities appears to be the only control mechanism, where the variables mentioned above may not be specified.
The PLACE - the question of distribution channels is in the case of the tangible goods and services identical to that of the standard marketing. Kleromarketing uses multiple distribution channels, namely a combination of direct and indirect distribution channels. The specific types of shops and establishments (shops with liturgical objects, literature, or cafés, tea rooms, schools, and physical wellness centers) are those with the specific atmosphere of their own particular religion, creed, or ceremony.

Second, no less important particularity is that certain types of the tangible, mainly consumer goods or services (books, alcohol, food...) are subject to the approval by top managements (hierarchy, religious leaders) or the bodies designated by them, whereas their content or composition must not contradict the essential beliefs, religious ideology, doctrine or tradition.

In the area of the spiritual services, the place is related to the marketing tactics of maintaining the essential doctrinal beliefs – specific religious Soma. It takes place in katas (KATA from latin prefix "kata-" means (from top to bottom), the place where the religion's own way convey doctrines and paradigm). These are largely the cult places (temples, chapels, monasteries, pastoral centers), but also the media and the premises created by the supporting means and institutions.

The PROMOTION – in terms of kleromarketing environment, marketing communication tactics are used to be aimed at acceptance of specific religious Soma. Its level of acceptance has a strong influence on the subsequent purchase of the physical goods, services, and spiritual services by religion members. Soma is created and maintained directly or through the media.
The direct creation and maintenance of a positive Soma is realized in katas and most often led by a cleric or religious leader. By the medium of ceremonials and rites, he mediates, creates and maintain Soma.

Indirect creating and maintaining a positive Soma is performed in the media in a standard manner by displaying and promoting the physical goods and services or spiritual services or a part of religious Soma (Baláž, 2010a).

**Kleromarketing – 4 CÉ Scheme**

In case of a marketing model "4CÉ" we build on P. Hornak and we implement the modeling the environment of kleromarketing. In the commercial 4 CÉ Scheme, the customer care is emphasized. Despite the fact that kleromarketing refers to a specific group of customers, the same applies even to this case - the lack of customers, manufacturers or service providers, or those who create and maintain substantial beliefs and religious Soma means a shortage of work. (Felegi and Horňák, 2006)

CUSTOMER – in case of kleromarketing, religion members are priority customers whose needs and services are satisfied by clerics and lay people. This also includes a marginal, believing but not belonging group showing interest in the tangible goods and services and spiritual services. The role of the provider and the manufacturer is, within limits, to meet the customer needs.

A specificity is reflected in the case of the spiritual services, where customers can request only the services that are not in contradictions with the teaching, history and essential beliefs of religions, and only those that the top management of religious communities (hierarchy) wishes to provide.
The COSTS - the question of costs in the case of the physical goods and services is identical to the cost of commercial companies. In the case of spiritual services, a part of it, associated with the management of tangible assets, is taken over by customers. They also take on the part of financial responsibility for material pleasures of clerics, lay people and clergy administrators. Customers are in this case led by the essential beliefs, which can be summarized in a phrase - the idea of piety. That is often translated into income in the form of intentions and gifts as it has been mentioned above.

CONVENIENCE – in case of kleromarketing, convenience is represented by accessibility of the physical products and services and spiritual services, in proximity to customers. This is reflected in the construction of katas for the spiritual services provision as well as specialized sites serving the tangible goods sale and the tangible services provision.

COMMUNICATION – means the transfer of a doctrine and the essential beliefs directly in katas, or indirectly through the media, as we have stated in paragraph - Advertising. It also includes supporting resource initiatives (collections, charity work) and institutions (associations, civic associations and non-profit organization), which in their own level and using their own means spread and complete a positive religion soma (Baláž, 2010b).

The kleromarketing model of NUMERI – The right of „a bigger one“ in Christian churches.

NUMBER – As far as the number of Christian church members is concerned, a little excursion into the past is needed. The church documents reflects two approaches in terms of quantity. A smaller number of different religious followers (whether outside or in the church) is called as sectarians
or heretics, but if the movement has grown in numbers, gaining masses and economical and political influence, marking has changed, in the socio-historical context, to „older brothers“ or „brothers in Christ“. This simple example illustrates how important the kleromarketing model of Numbers is, where the number represents a quantity which varies kleromarketing strategy in Christian churches against the competition proportionally.

Therefore, the issue of preserving number of members is crucial for maintaining economical, political and cultural influence of Christian churches, which is related to an historic survival of religious ideology and religion as a whole. Otherwise it will be continuously replaced by another forward-looking ideology that ultimately comes out of it (Islamification). This exchange is natural and historically inevitable. It very much depends on which ideology will survive and which one recedes into the background. Which one will be determining the economic, social and especially cultural direction of humanity. Awareness of these connections is the first step towards application of kleromarketing models to practice.

The SECULAR MARKET – maintaining and increasing membership base is fundamental for kleromarketing model of NUMERI. It is important to revive the essential beliefs, where it is historically and culturally acceptable. The environment of secularized countries is not "a lost territory", but rather a challenge and a new market. Thus, a space is worth more than anything. The secular generation of 60s, is being gradually replaced by a new young generation (target group), yearning for transcendence and mysticism. It is important to contract the potential market as soon as possible and ensure 'REMISIONS' (remission is a way of advertising (reporting again) essential religious beliefs where they lost their position on the market. Space for those activities arises by exchange of generations, and by a change of political, whether economical establishment. New conditions have paved the way for missionary activity
and acquisition) in these secular countries. No traditional means and the sacraments (baptism) can make a difference here. The global and local customs and new cultural, social and moral standards must be taken on by re-missions and it is necessary to transplant the essential beliefs into them. Not vice versa. The adoption of new secular practices into religious belief system will ensure revitalization and sustainability of the religion in a secularized environment. At the same time, it creates a space and position for the next period of time.

If Christian churches want to recruit new members, they must be open. They must change their petrified approach. They must reform and modernize their gone dogmas, conflicting traditions and beliefs of dubious material. For a younger generation a problem rests also in the lack of transparency in a management of dioceses (not only in South America) and in issues as unacceptable as sexual excesses and scandals. The young generation considers natural and desired an open religious community where are granted the consecrations of women and homosexual marriages of members and clerics. The young generation is strongly against the disordered secret and intimate ties of clerics in which is forced by a current hypocritical system. Tempora mutantur, et nos mutamur in illis. A needed internal change (internal PR) is externally visible and clear (as reflected in the external PR) and that change will attract a new generation of believers by itself. But if no changes happen, we can only expect a continued decline.

COMPETITION – in the terms of kleromarketing, all the major religions and their individual religious denominations and groups (sects) within the subsystems are in a competitive position to each other. A religious system that is not competitively depleted within the subsystem, has a competitive advantage over the religious system with such a burden. Although a subsystem burden provides greater fragmentation and
more modifications of essential beliefs, it will translate into the negative economic results and less stability of the religious system as a whole. Similarly, none of the religious system would exist without divided opinions.

The competitive advantage of a stable religious system is demonstrated in the unity of kleromarketing procedures, logistics management as well as external communication and lobby.

Summary

Kleromarketing a new perspective of church governance and management. It is worth to become the subject of wider debate. Even because, Europe has become a part of the organization of relationships between church and state. Churches and religious communities are aware of the fact that change is inevitable and only a matter of time. After establishing relationships with state, some of religious communities will have to deal with its own tangible property and assets more effectively and purposefully. In some dioceses, there already exist analysis and calculations about how it would be in the eventual failure of the financial support of the national budget. The result is not favorable for churches in any way.

Kleromarketing brings a new insight into interior of church structures and also points to change of essential beliefs to include the current social trends. Religion that has managed to succeed will play a prominent role in the European cultural environment.

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THE ORGANIZATIONAL CULTURE, A KEY FACTOR IN ENHANCING SMES DEGREE OF INNOVATION. THE CASE OF ROMANIA

Irina Purcarea
Marieta Olaru

Introduction

It is well known that small and medium enterprises play an important role in what concerns economic growth and providing new jobs. At the same time, it is highly important to acknowledge the important part played by innovation in SMEs endeavor to become more competitive. In this regard, the SMEs organizational culture might prove to be a catalyst for innovative actions. However, there are certain constraints or challenges that SMEs might be faced with in their “innovative undertaking”. In order to be able to become more innovative, SMEs must first identify those constraints that make this process difficult to achieve and then try to provide solutions to remove them.

1. Organizational culture and innovation

According to Edgar Schein (1999), organizational culture is developed over time as people in the organization learn to deal successfully with problems of external adaptation and internal integration. Culture, a powerful set of forces determining human behavior, starts with leadership and is reinforced with the accumulated learning of the organizational members.

Innovation happens through a process of exploring, trying and adopting. While trust and self-reliance may be the foundation of the
innovation culture, the superstructure is built on this formula for the exchange of value. Trust in the innovation culture does not guarantee success or freedom from pain and suffering. It implies that whatever happens, people are committed to facing it together and supporting one another through the process, often at the cost of some personal sacrifice.

A culture of innovation means that the organizations holds internal assumptions, values and management practices that foster developing new ideas into products, processes, objects, and services.

Employees in the innovation culture cannot escape their responsibility or the need to share some of the risk of innovation. It is important to stress the fact that employees must also be supported in this effort by policies, practices and resources that acknowledge this risk and provide space for experimentation.

Bryan Coffman (Building the innovation culture, Innovation Labs) emphasizes the importance of trust and self-reliance in building a culture meant to enhance innovation and introduces a simple questionnaire that adds some quantification to the issue:

On a scale of 1 to 10 with 1 being low and 10 being high,
1. How much do you trust your co-workers to support you?
2. How much do you trust your management to support you?
3. How much do you trust your employees to support you?
4. How much do you trust yourself to support the organization and the people in it?
5. How confident are you in your ability to survive organizational change, no matter what?
6. How self-reliant are you—how much can you depend on your own skills and abilities to help you navigate a world of change?
Langdon Morris (2007) points out the employees active engagement in filling three essential roles:

- „We look for insights to develop into ideas, and then into value adding innovations. This is what innovation’s Creative Geniuses do.”

- „We support innovation by helping creative people overcome the obstacles that otherwise inevitably impede their innovation efforts. This is what Innovation Champions do.”

- „And we define our firm’s expectations and policies to favor innovation. This is what Innovation Leaders do.”

Langdon Morris introduces several steps in spreading innovation within the organization.

The first step on the path must involve creating awareness through introspection. It is important for organizational leaders to understand themselves, and the way they support or block innovation, whether it is done individually or collectively. The initiation of this step can take anywhere from a single half-day conversation to a series of workshops taking place over a few months. But the rate of flow of new people through an organization means that innovation awareness must be built into hiring, training and advancement practices.

The second step refers to the implementation of new organizational processes to overcome innovation blockages.

In order for an organization to remain relevant and to compete in pursuit of its mission, creative ideas must be generated frequently and use its innovation process to realize the potential value of those ideas.
The author presents InnovationQuest as a powerful tool for creating innovations in response to very specific organizational issues, problems, and opportunities. At this point, the leaders of an organization generally have challenges they wish to address or problems they wish to solve. InnovationQuest “transforms inside knowledge and experience into compelling authority that can be broader, deeper, and more useful than any insights available from the outside.” This process therefore empowers
people within the organization to experience themselves as experts and innovators, and encourages them to carry innovative behaviors forward into others aspects of their work.

Step 3 acknowledges tools and structures that support the emergence of innovation by providing important structural foundations for long term results.

2. **Innovation in Romanian SMEs – the part played by the organizational culture**

An innovative organizational culture is one in which continuous improvement throughout the organization is the norm.

SMEs are well-known for their flexibility and their ability to respond to market conditions and seize opportunities that are often missed by larger organizations. If the management at a given company is rigid and opposed to change, you cannot expect the employees to be innovative. It takes consistent effort to foster a work environment that encourages the contribution of new ideas, suggestions and strategies from everyone at the company.

Organizational learning is one important component in enhancing innovation. As Tidd & Bessant (2011) point out, organizational culture and structure determines absorptive capacity in inter-organizational learning. Building knowledge networks leads to designing a platform that is meant to create the basis for innovation. Therefore, knowledge and information management has the potential to be a catalyst for innovation within organizations.

2.1 **The INOVEX national research project**

The paper findings relate to the research conducted within the national research project INOVEX „Increasing the quality performances
within cooperative processes in SMEs through expert systems in innovation engineering and management”, project carried out between 2007 and 2008 (Purcarea, 2010). This project was the result of collaboration between universities in Romania and representatives of the business environment, namely Technical University of Cluj-Napoca (coordinator), the Academy of Economic Studies Bucharest, Babeș-Bolyai University of Cluj-Napoca, Lucian Blaga University in Sibiu and SC Tecnoservice București SA enterprise. The main objective of the research conducted within this project was to identify the main problems/conflicts that Romanian SMEs are confronted with related to the business processes and providing the users with a relevant knowledge base which comprises innovative solutions to solving these problems/conflicts. At the same time, a software application was developed which delivers information regarding advanced innovation methods and innovative solutions for solving different problems SMEs might face in carrying out their activities. In order to fulfil the objectives of the research, a questionnaire-based study was conducted in SMEs in Romania, within the research project INOVEX. In this regard, using proper statistical methods, a sample of 1000 SMEs was determined, a sample representative for all fields of activity and all geographical areas of Romania. The enterprises were interviewed by the project team, at their headquarters, seeking to identify the most important problems/conflicts with which they confront in carrying out their processes. The problems/conflicts identified by the enterprises’ representatives were taken into consideration.

The questionnaire that was developed for the interview was structured on several sections, corresponding to the following categories of basic processes taken into account:

- leadership;
- strategy, policies, marketing;
- personnel management;
- management of resources (other than human resources);
- basic processes;
- employees’ satisfaction;
- clients’ satisfaction;
- society’s satisfaction;
- business performances.

Within each category, the sub-processes and corresponding activity modules were identified. Therefore, 92 sub-processes and 227 activity modules (categories of problems) resulted. The questionnaire allowed the identification of problems stated by the interviewed SMEs, by naming and shortly describing these problems within each process and sub-process, along with mentioning the severity and frequency with which the stated problems/conflicts appear.

2.2 Innovation-related constraints pertaining to Romanian SMEs organizational culture framework

The questionnaire developed allowed the identification of problems stated by the interviewed SMEs, by naming and shortly describing these problems within each process and sub-process, along with mentioning the severity and frequency with which appear the stated problems/conflicts.

The severity and the frequency of the identified problems/conflicts were rated on a scale from 1 to 5 (1 – the least severe and 5 – the most severe). The sample determined was representative for all fields of activity, namely trade, constructions, hospitality industry, Industry and energy, Agriculture, forestry and aquaculture, Transport and telecommunications and other services.
This paper focuses on the main constraints emphasized at the level of the processes selected, as a result of interviewing 150 enterprises by the Academy of Economic Studies Bucharest project team. The constraints selected apply to processes related to defining and developing the organizational culture within Romanian SMEs. Two modules were considered: evaluating the organizational culture and defining principles of the organizational culture.

For this paper, processes pertaining to the leadership section were taken into consideration, processes that are important to creating an organizational culture meant to enhance SMEs capacity for innovation. The processes considered for this paper were those processes important for defining and developing the organizational culture. The Romanian SMEs interviewed were requested to mention the constraints associated to these type of processes, along with the frequency and severity with which they occur. Therefore, the SMEs pointed out constraints associated with processes of evaluating the organizational culture as well as constraints identified at the level of defining principles which govern the organizational culture of the SMEs interviewed.

As shown in figure 2, 85.7 % of the constraints identified are considered to have a low degree of severity in the opinion of the SMEs interviewed, whereas only 14.2% are considered severe and no constraints related to defining and developing the organizational culture are mentioned as having a very high degree of severity.
The most frequent constraints possessing a high degree of severity relate to:

- unwillingness to develop the organizational culture
- no employees empowerment initiatives
- generation gap, mentality
- difficulty for staff to adapt to new structures, policies
- profit-driven organizations
- employees conservative spirit
- high degree of employee fluctuations

At the same time, Romanian SMEs pointed out an important issue they have to deal with, that is the inexistence of a strong alignment to the enterprise’s values and principles. New employees find it difficult to communicate with the staff previously employed and team spirit is not encouraged.

Another important aspect mentioned by the SMEs interviewed is that they experience difficulty in identifying all the processes that take place
and the interactions between them, especially those that deal with measuring, analyzing and improving the processes due to the lack of experience in conducting internal audits and taking preventive and corrective actions.

According to the SMEs interviewed, although there is a tendency to apply team building initiatives, the communication inside the organization is quite poor. The employees are reluctant to openly talk with their superiors when something goes wrong, they do so only when it gets worse and the chances to solve the problem are very low.

Conclusions

Micro, small and medium-sized enterprises are socially and economically important, representing 99 % of all enterprises in the EU. They also provide around 65 million jobs and contribute to entrepreneurship and innovation. Between 2002 and 2008, the number of SMEs in Romania has grown by 46% and employment in SMEs has also improved at a sizeably faster pace (31%) than in the European Union, on the average (12%). However, SMEs tend to face different difficulties when it comes down to innovating.

Looking at the constraints identified by the Romanian SMEs interviewed, the most frequent problem relates to the fact that SMEs do not engage in developing the organizational culture, show little interest towards providing a better alignment to the organizational values and principles. The management here should try to come up with initiatives for creating awareness among employees as well as encouraging employees to better communicate with each other and encourage team spirit among employees. All these aspects are very important to building an innovative culture and in doing so Romanian SMEs will become more and more competitive.
References:


• Tidd,J., Bessant, J. (2011), Managing Innovation: Integrating Technological, Market and Organizational Change, John Wiley & Sons
1. Introduction

Tourism is in a situation that some experts would name as “paradigm shift” situation not far from the economic and society globalization in general (Kuhn, 1982). Traditional tourism resources, comparative advantages (climate, culture, etc.) become less important comparing to other tourism factors of competitiveness. Information (or rather the strategic management of information), the intelligence (the ability of teams innovation in an enterprise), knowledge (know-how, or a culture) are new resources and key factors now in touristic enterprise competitiveness.

There are predictions that the most visited destinations in the world will not be famous beaches or traditional cultural capitals, but rather the products created by people. The predictable competition for the present tourism activity will not consist in the emergence of new exotic resorts, but rather the massive use of information and communication technologies more accessible to casual products, including travel and virtual experiences (Iordache, 2008).

In these circumstances it is natural for the touristic administration to be focused more on offer policies. The main purpose of the aggregate supply policies is to increase and improve the productive capacity of a country. Therefore, there is no longer a focus on creating internal and external demand, or improvements in demand and its management under the current economic cycle, or the policies focused on promoting tourism.
Globalization and increased competitive tourist market after the 80’s called for a continued improvement sharing characteristics like price/product, a steady trend towards quality and efficiency and lead to the emergence and development of new forms of organizing economic activity according to the market.

Clusters have become one of the most popular concepts of local and regional development for both research and practice (Bergman and Feser, 1999).

2. Tourism as a factor for regional development

Tourism is one of the fastest growing worldwide industries and the main source of income in foreign currency for an appreciable number of developing countries. By the vast human potential, natural materials and through multiples effects on areas of reference, tourism acts as a stimulating factor for development progress.

Long, socio-economic importance of tourism has been systematically ignored by many governments and people in general, but, over time, this recognition has intensified (Crouch and Ritchie, 1999). Today, tourism has proved an important source of value creation and employment (Botti et al., 2008).

On the economy of a country or area, the effects of tourism must be considered, in general, assuming that their relationship with the fundamental objectives of the entire economic system, can determine the contribution of tourism to the creation and using of the national income, its effects being the inflation, investment or diversification of structures economic role in increasing life quality (Iordache, 2008).

Tourism is an activity able to stimulate improvements in equipment travel (accommodation, food, communications, etc.), to influence business services (business, health, leisure), to increase the size of economic sectors
designated to meet tourism demand. By tourism we can value items such as landscape, climate, therapeutic mineral waters, cultural, factors that cannot be recovered in other fields. So is ensured the development of areas less rich in resources to enable their industrial development based on natural and human tourism resources, attracting tourists and leading to the emergence and development of tourist resorts. By arranging these resorts, tourism contributes to the economic increase and cultural areas and, therefore, to create better living conditions for local residents. It encourages the creation of food production (based on local products), use of means of production in that area, the preservation of customs and traditional crafts.

Because of its beneficial effects on the economy of the territories, tourism activity promotes inter-and intraregional disparities elimination, considered national or global, being a remedy for their prosperity on urbanization and housing construction, road planning, conducting public service, etc. For areas of destination, tourism is a means of increasing living standards, increase quality of life. Thus, it provides jobs for local residents, the recovered raw materials and agricultural, ethno-cultural traditions of the receiving areas, continue unabated commercial and regional culture through the development of folk arts, artistic ensembles, crafts.

Tourism does not affect the quality of life only directly but also indirectly through its interference with some branches (agriculture, industry, trade, etc.). Thus, tourism offers an outlet for surplus labor, it leverages the superior local products, it operates jointly with other sectors (industry, agriculture) non-conventional forms of energy, stimulating some branches producing consumer goods play a role in quality of life, tourism contributes to the development of competition, leading to improved quality standards by some economic sectors. By persuasion force which they exercise on tourist contacts with people in places chosen as the destination
of travel, tourists are aware of the realities of the places visited, cultivating a climate of mutual understanding between people, a form of direct link between people at home and especially internationally.

3. Cluster - a form of competitive organization

Competitive economic clusters are clusters formed spontaneously in a well defined geographical area. The process of concentration, both horizontally and vertically, result in significant competitive advantages (e.g. logistics, promotion of international trade, etc.). Although CLUSTERING companies is natural, governments can encourage the development of emerging clusters by supporting efforts that a group of companies can do to achieve the full potential merger.

On the other hand, they must strengthen the type of interference networks, particularly between foreign direct investment (e.g. multinational companies) and local SMEs for collaboration in the creation chain of companies with high added value to the economy (the link between inter-firm cooperation and competitiveness has been demonstrated and the European Commission, ENSR Enterprise Survey, 2003).

According to M. Porter, cluster is a geographical agglomeration of companies, suppliers, service providers and associated institutions in a particular field, linked by external factors and complementary of various types. Clusters can be located in any type of local communities in such a small group of towns, cities or common to region, state or border areas between countries.
Tab.1. Cluster initiatives

<table>
<thead>
<tr>
<th>The most common goals of cluster initiatives</th>
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<tbody>
<tr>
<td>✓ Development of communication networks between people and cluster</td>
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<tr>
<td>✓ Fostering communication networks between companies</td>
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<tr>
<td>✓ Creating a brand by region</td>
</tr>
<tr>
<td>✓ Providing support to business community</td>
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<tr>
<td>✓ Analysis of technical trends in this area</td>
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<tr>
<td>✓ Development companies through spin-off process</td>
</tr>
<tr>
<td>✓ Insurance companies with training in management</td>
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<tr>
<td>✓ Improving the production process</td>
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<tr>
<td>✓ Providing incubation services</td>
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<tr>
<td>✓ Study and analysis of clusters</td>
</tr>
<tr>
<td>✓ Organization of private infrastructure projects</td>
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<tr>
<td>✓ Making reports on cluster activity</td>
</tr>
<tr>
<td>✓ Supporting existing businesses in development</td>
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<tr>
<td>✓ Ensure a high degree of innovation</td>
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<tr>
<td>✓ Attract new firms and people scientists in the region</td>
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<td>✓ Export development of cluster</td>
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<tr>
<td>✓ Involving marketing specialists</td>
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<tr>
<td>✓ Improve the awareness of cluster companies</td>
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<tr>
<td>✓ Ensuring the technical type training</td>
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<tr>
<td>✓ Promotion of new discoveries in cluster</td>
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<tr>
<td>✓ Lobby of the State infrastructure</td>
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<td>✓ Improvement of regulatory policy</td>
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<td>✓ Lobby on the increase in subsidies region</td>
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<tr>
<td>✓ Coordination of State Procurement</td>
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<tr>
<td>✓ Establish new technical standards</td>
</tr>
<tr>
<td>✓ Decrease competition in cluster</td>
</tr>
</tbody>
</table>

The most rare goals in cluster initiative


Clusters are the result of mergers of companies so that they can produce higher synergies through their geographical proximity and their interdependence (Rosenfeld, 1997). Feser (1998) points out that cluster not only involves economic grouping of companies and institutions in a particular
sector but rather refers to relations that interconnect, which creates and reinforces certain competitive advantages. According to Porter (1998), a strong competitive advantage in a global economy increasingly depends on more local factors - knowledge, relationships, motivation, etc., in which, geographically, more distant competitors cannot compete. Porter (2000, 2003) reinforces his description, defining a cluster by a group of interconnected companies - suppliers, service providers and associated institutions in a particular field, linked by analogy and complementarities.

The advantages of these agglomerations called clusters / pole of competitiveness / network skills are many, some of them consisting of the following:

- reduce the individual costs of each company in the network;
- foreign savings achieved;
- member companies can increase turnover by offering joint products;
- can better protect mutual interests based on sustainable and competitive principles
- determine the collection of large sums of money to local / central budget, thereby generating a positive development and competitive and national, regional and local economies;
- plays a key role in improving living standards of both residents and management bodies.

In order to implement clusters is necessary to take into account several recommendations:

- definition of basic principles of cluster policies and their delivery mechanisms;
- promoting the idea of cluster formation of a correct vision on design and development tools to cluster;
- developing a unified system of indicators, the creation and operation of clusters;
more efficient use of donors as potential partners in various aspects of tourism development.

The experience of developed countries has shown that clustering processes serve as a basis for constructive dialogue between the industry and state enterprise, educational media, information, NGOs, etc. He has allowed increasing the efficiency of mutual relations in the process of innovation of the private sector, state trade associations, educational institutions and research.

**Graph.1. Clusters and economic policy**

Source: elaborated by the author

**General characteristics of clusters** are:

- are a limited form of regional economic activity within related sectors, usually related to some scientific institutions (universities, research and innovation, etc.);
- represent links (value chain) producing vertical, narrow specific areas in which common stages (interconnected) of the production process is
the core cluster (e.g., chain "supplier - manufacturer - dealer - customer"). This category includes firms and networks around the main (dominant);

- industries are established at a high level of aggregation (e.g. cluster airlines) or compatibility sectors still at a level of aggregation (e.g. cluster agro-tourist ").

Among the specific features clusters remember:

- companies of the group (cluster) have the same or interconnected areas of activity;

- areas may be different, but the common element is that in a region a particular type of industry or economic activity becomes dominant and performing;

- although these type relations between firms are competitive and they are specialized types, varieties like, between them produce a parallel phenomenon of cooperation, of association in areas that afford them all an increase of competitiveness, to create an optimal ratio Competition - cooperation between local firms or "cooperative competition" (usually, this competitive-cooperative behavior leads to great competitive advantages for the whole bunch of companies);

- between firms appears not only phenomena of imitation or copying rapid innovation, but also common infrastructure for innovation, universities and technology centers are essential;

- there is a capacity of association between firms and trust relationships maintained a favorable cultural portal environment, which reduces transaction costs and increase competitive advantages of each form of agglomeration;

- areas of cooperation may be training, management techniques and marketing, research - development and all that entails strengthening innovative capacity for all forms.
4. Tourism cluster’s features

Tourism cluster is a geographic concentration of interconnected companies and institutions through tourism activities. This includes suppliers, services, governments, institutions, universities and competitors (Capone, 2004). Beni (2003) defines tourism cluster as a set of attractions, less differentiated, concentrated in one geographical area, offering quality facilities and services, political and social cohesion by coordinating effective collective production chain and adopting an excellent management of the network of companies, which generate comparative and competitive advantages. For Novell and others (2006), the objective of a cluster is to mobilize travel companies, which generally operate independently in the creation, recovery and successful promotion of tourist product in a region.

Premises in tourism cluster development involve:

- the existence of competitive enterprises;
- favorable geographical location, natural potential, cultural traditions, gastronomy, sincere hospitality;
- key partners are concentrated in the vicinity;
- greater diversity of partners;
- existence of formal and informal links between cluster partners.

A tourism cluster is associated with a tourism product and a tourist destination. Costa (2005) adds that the cluster development in tourism should included the following components:

- **Static elements** represented by accommodation and restoration;
- **Mobile data elements for passenger services**, the agencies and tour operators, rent-a-car service;
➢ **Dynamic elements**, recreational, cultural and sport are primarily responsible for increased consumption.

According to Ferreira (2003) tourism cluster includes, in addition to specific activities of the tourism sector - accommodation, catering, transportation, entertainment and various attractions, operators and travel agents, guides, crafts, rental cars, and supporting activities such as organizational support services, transport infrastructure, education and training, consultancy and other business services. It requires participation and other actors than those specific to develop a tourism cluster (Brown and Geddes, 2007). For these authors, the government should encourage programs to attract private investment, and finance investments in infrastructure and promote regional tourism, because only such a cluster may develop and can ensure the competitiveness of tourist destinations.

**Clusters in tourism, not only can act in several forms:**

- **Geo**: initiation spatial cluster of economic activities beginning from local (e.g., cluster in tourism, mountain or coastal) and ending in the global (e.g. space tourism cluster);
- **Horizontal**: some industries / sectors can enter (are sub-networks) within larger clusters (e.g., system or the tour of operators of Hotels);
- **Vertical**: in clusters may be common stages of production / practical interconnection. It is important, in this case, is the network participant who is the initiator and executor's final innovation within the cluster;
- **Lateral**: the cluster to join different sectors, which may provide overall economic impact, resulting in new interior combinations (e.g., cluster-type conglomerate);
- **Technology**: compatibility branches, using one and the same technology (e.g., tourism cluster reservation system);
Focus: cluster of companies, focused on a centre-enterprise technology centre or educational institution (quality: this is not the essential reality of cooperation between companies, but how to cooperate). The network always, automatically, stimulates development of innovations. Conversely, there are networks where innovation processes are blocked and thus instead of raising, increase protection measures (secret technological, commercial, etc.). Mutual relationships with suppliers can stimulate innovation processes, but they can also be translated into expenses of partners and thus causing financial constraints.

Potential for cluster development should take into account the specific statistical criteria such as:

- turnover in the sector in the region compared to the turnover in the sector at regional / national levels;
- the rate of those employed in the sector;
- higher than average growth in the sector (annual data, compared sector);
- identification of a greater number of small start-ups in the area / sector;
- focusing an important group of bodies / institutions with competence in economic infrastructure development and / or providing services / training to local companies, operating in the area.

Identification methodology used to select a tourist area relevant to creating a cluster, is based on three main components:

- **physical proximity** (geographical concentration);
- **dominance of SMEs** - high concentration of small companies (SMEs number greater than the number of large companies);
- **inter-firm networks** in several interconnected industries.

In the "cluster" group companies have the same or interconnected areas of activity, but even if the fields are different, the common element is
that in a region a particular type of industry or economic activity becomes dominant and highly performing. Although relations between firms are competitive and are specialized type by type, there is a cooperation between them by associating it in areas that provide an increase in competitiveness, thus creating optimum ratio of competition - cooperation called “cooperative competition”. Phenomena occur not only between firms’ imitation and copying of rapid innovation, but also between the common infrastructure and innovation. Universities and technology centers are essential. There is a capacity of association and trust relationships that maintain an environment of mutual trust and, as a consequence, reduces transaction costs and enhance competitive advantages of each form of agglomeration. Areas of cooperation may be training, including management and marketing techniques, research-development and all that entails innovative capacity.

Impediments to the development of clusters:

- fear of investing, because of complicated informal relations, generated by local elites desire to keep everything under control;
- negative influences of general infrastructure, transport, telecommunications, SA;
  - not all tour operators are ready to implement innovative projects;
  - austere budget;
  - migration assets abroad.

Practical use of cluster phenomenon can be seen not only in developed countries like USA, Germany, France, Italy, but also in countries that have developed a regional tourism potential, focusing on one or more tourist resources (cluster spa, cultural, agro touristic etc.). It should be emphasized that the cluster phenomenon cannot occur in the order of the authorities, but is a response to government policy that promotes it. Forms to stimulate this process of state vary according to the
specific economy, but most are financial in nature, such as direct financing, loans, soft loans for policy and development research and scientific vision, innovation and advanced technologies. The main task of government is to improve and eliminate adverse conditions and eliminate impediments that stand in the way of innovation development (Iordache, Cebuc and Hoarcă, 2009).

**Graph.2. Cluster model in tourism**

Clusters have an impact on competition in three ways:

a) by increasing the productivity of companies in a given area;

b) by deriving the direction and pace of innovation, the future productivity will be affected;

c) by stimulating new business that will develop and strengthen that cluster.
One way of economic growth suggested by economists is the inclusion of tourism development among key branches in the regions or countries with economies in developing countries. Opening these markets for investment and international services is accompanied by substantial losses of income from each of the links in the tourism industry that creates value. Loss or leakage of revenue achieved in regional tourism is defined as amounts withdrawn from the expenditure of tourists for: taxes, repatriation of profits, imports of goods and services for business interest, wages paid outside the region. Loss of interest income is divided into the following categories (Iordache, 2004):

- **External leakage** - are targeted outside the tourist destination and regional industrial portfolio and are determined by: external financing (through loans or equity investments), payment of services provided by external suppliers (booking, marketing, transport, etc.).
- **Internal leakage** - usually attributable to imports of branches that form the tourism industry portfolio, the volume of tourism demand depends on the quality and diversity of the tourist and consumer goods (may be associated with the payment of external sources of capital and labor work);

- **Invisible leaks** - including the value opportunities missed or opportunity costs in their entering class: invisible financial losses (resulting from tax evasion), informal exchanges, investment and offshore deposits, damage to natural resources scarce, the potential cultural and historical heritage.

Long-term decline of those resources results in irreversible in regional, low quality tourist destination and life quality.

Tourism development strategy applied to the whole cluster system within a region is to:

- ✔️ **reduce leakage of revenue on each link of the network**. Clusters of interest include, in addition to sub tourism industry and other branches outside the sector, but have links with it through the process of economic exploitation of tourist resources.

- ✔️ **maximizing the value of newly created (added) at each link included in the cluster**. Regional tourism development strategy cluster requires focused attention to activities that generate the largest component of income losses: distribution, advertising and marketing of tourism products, information services, external transport services, hotel construction financing and construction of entertainment, media services, professional services, etc. These activities can be reduced, may be replaced or realized within the cluster.

The tourism industry relies on a variety of cross-regional and inter-regional ties, which constitute a cause of fragmentation in the sector policy and its integration in the various regional policies diffuse: balance of payments policy, monetary policy, policy planning, and environmental
policy. This causes underestimation contribution of tourism to economic growth and development and placement objectives of tourism development in a secondary position in relation to other economic objectives.

5. Conclusions

Macroeconomic policy needs to focus on tourism development actions initiated by government (government), but also cooperation between regions or countries which include tourism among economic priorities in order to achieve common goals by focusing their efforts and resources. Interest or lack of interest shown by public authorities to sustainable economic growth can be shown to a certain extent by tourism policy and its effects on short term (contribution to the economic development of the country or region), or long term - the strength of the economy before economic crisis, more competitive global market economy and improve country's image in the international community.

Most countries adopt strategies to support local economic development, including economic clusters through:

• programs that identify areas with potential for agglomeration of firms in the future and support to accelerate the process towards high technology;

• programs that provide support collaborations between the academic and research companies in a given area;

• programs to support SMEs in certain areas for groups of firms that come from this area;

• regional marketing programs that now, through these agglomerations are competitive not only between firms but also between regions;
• benchmarking competitive advantages (i.e. condition factor study in countries or regions of the world for industries with comparative advantages to measure their chances of long-term, to create clusters of specialized forms) - an important practical tool of economic policy, became decisive in allocation of resources by national and regional authorities;

• branch or regional marketing as aggressively, essentially from neighboring regions that abound in the market for a particular travel product.

The experience of developed countries shows that clustering processes serve as a basis for constructive Dialogue between the industry and state enterprise, educational media, information, NGOs, etc.. This allows efficient development of the mutual relations of the processes of innovation, management practices and specialized skills of staff.

Notes

Bank account that is held outside the country of the debtor (offshore bank) and is paid a share of revenues derived from exports to cover future debt service payments. The creditors are beneficiaries of these deposit accounts because they receive an additional guarantee of their loan having priority in debt service.

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Available at: http://www.rri.wvu.edu/WebBook/Bergman-Feser/contents.htm, 22.01.2009.


PROFESSIONAL PROFILE OF MODERN MANAGER – INITIATOR AND CREATOR OF INNOVATION

Jan Rajchel and Paweł Żukowski

Introduction

Twenty-first century is a time for economy based on knowledge and innovation. Any organization (business) must seek ways and means to help her keep at the forefront and make the organization competitive with other of similar type. An important role in achieving this goal play managers. In this article has been shown all the features and qualities which should characterize a modern manager. Among others has been characterized the role, functions and tasks of the manager in the company and indicated that a multidimensional profile of any manager should take into account the modern trend of civilization. It was proved that in a market economy in a globalized world, demands on managers are extremely broad and lies in the fact of understanding the strategy of the organization, including in particular, strategic marketing goals, yet he knew, how his activities could contribute to its success. The article also shows the qualities of senior managers, who are formulating a strategy for the organization and shaping the concept of its future, they must have - in addition to the knowledge and skills - imagination, courage and initiative, be enterprising, ambitious, operationally, eager for success. This alone makes the manager able to implement a variety of innovations.

Entrepreneurship in the most general concept - as Artur Kwasek believes - is “the process of organizing and doing business and to take the risk involved. However, the entrepreneur is someone, who takes action as
covered by the entrepreneurship, who organizes and runs a business and take the associated risks” (Kwasek 2007).

In attributive terms entrepreneur has a “spirit of enterprise”, which is defined as a set of specific of mental and psychological characteristics. These features include creativity, imagination and intuition, enthusiasm and energy, initiative, consistency and determination in action, the ability to take risks, ability to work in groups, and the ability to motivate.

In turn, in functional terms, the entrepreneur is a person “who organizes and directs the market projects and their implementation, taking risks in the hope of success. In particular, the entrepreneur is a person taking risks and acting under uncertainty, providing financial capital, an innovator, a user inputs, the decision maker, the conciliator, a manager or supervisor, organizer or coordinator of economical resources, allocating of resources for alternative use, the owner, the contractor” (Kwasek 2007).

The entrepreneur is a manager at the same time, so it's no wonder that he is constantly dealing with the basic functions of management: planning, organizing, motivating and controlling.

To succeed is not enough to be a man of ambitious, active, full of ideas and intentions. You must also have specific and extensive and useful business knowledge. But even the largest resource for news about business and management is not enough when you run out of imagination and ideas, enthusiasm and the will to act. Many large companies, realizing that small businesses can do better and more efficiently organize economic activity, and that they better compete in the market, try to use their experience in local characteristics of entrepreneur in small business.

This process is called corporate entrepreneurship (Kwasek 2007). Mentioned corporate entrepreneurship:
- motivates (or at least is trying to motivate) employees to discover and exploit new opportunities, and thereby to increase competitiveness;
- utilizes existing opportunities, even when it encounters the barrier of resources owned by the company;
- encourages the use of possibilities and simultaneously to minimize any negative consequences of possible failure;
- creates an informal internal and external networks in order to better organize and execute business processes.

Entrepreneurship requires a high degree of creativity, which means that the trader is steadily improve and develop their creative skills and the ability to creatively resolve problems (Kwasek 2007). Important role in this process is the mastering and application in practice of creative thinking techniques, the most important are: the drafting of the properties of the product, forced connections, morphological analysis, brainstorming and sinectics.

Morphological analysis is one of methods combining intuitive an analytical elements. This is a combinatorial method for representing a kind of simulator of the imagination. Morphological analysis is logical and analytical method to seek and achieve creative solutions to problems through systematic analysis of all possible solutions. See (Martyniak, 1999, p. 242).

Brainstorming is a one of so-called heuristic methods. They are creative problem solving methods. They are characterized by the use of intuition and teamwork to solve problems. This method is very useful in finding solutions to problems arising when implementing quality management system.

Sinectics is a method of creative problem solving, that uses the ability and capacity of human mind to string together seemingly unrelated
elements, which in turn motivate the mind to explore new ideas and solutions to the problem of our own choosing. The creator of sinectics is W.J.J. Guilford, who “discovered” a new metaphorical thinking. According to him, this is a technique which, in addition to metaphorical thinking allows to gain a new perspective of thinking. It especially characterizes creative people.

**Entrepreneur = innovator**

Speaking of entrepreneurs and entrepreneurial innovation also should be mentioned. *Polish Language Dictionary* (1983) says that innovation is “introducing something new, a newly introduced, novelty, novelty, reform”. Innovation is thus exposed to the implementation of creative thinking in the possibility of new combinations of means and forces of production. The specific function of the entrepreneur is the selection of new methods of doing business. Putting them into business practice is not something understood by itself. Discovery and selection of new ways of conducting economic activity is a separate process that requires a special explanation. The realization of new combinations of resources and productive forces is not automatic, but is a special feature of the entrepreneur. There is - as outlined by Artur Kwasek - close relationship between entrepreneurship and innovation. Should therefore not only reduce the occurrence of innovation to the process. It is also a term that includes not only the technological project, but also the economical ones. The basic forms of innovation include (Kwasek, 2007):

- introducing a new product and new methods of production,
- gaining a new market,
- mastering a new source of raw materials,
- change of organization.
Peter Drucker (1992) describing the innovations described it as “the specific tool of entrepreneurs, through which the changes make the opportunity for a new business or new services” (Drucker, 1992, p. 29). He further stated that “innovation is the specific instrument of entrepreneurship - an action which gives the resources to create new opportunities for wealth” (Drucker, 1992). Drucker also pointed out four types of changes that may be a potential source of innovative ideas. They are:

1. Unexpected both success and failure of projects, including the introduction of a new product, and unexpected external events, such as the change in the weather or the outbreak of war.
2. Lack of compatibility between existing reality and that of the assumed and projected. This inconsistency may be a source of new ideas.
3. Necessity to improve weak parts in the production process.
4. Surprising changes in the structure of industry or the market.

Additionally, introduced the concepts of two different types of sources of innovation: sources inside every organization, and sources associated with changes in the environment of the company (Kwasek, 2007).

Innovations - how concludes A. Kwasek - can mean (2007):

- introduction of new goods, previously unknown to the consumer or a new quality of existing goods;
- the introduction of new production methods, yet untested by experience in the manufacturing industry. The method must, however, arise from new scientific discoveries. It may also bring the new way of commercial services;
- Opening of a new market, i.e. a market in which a particular branch of production has not yet entered the country, regardless of whether this market already exists, or is still under construction;
• appropriation of new sources of supply of raw materials and semi-finished products, regardless of whether it is a source previously existed or was created for the first time;

• creating a new organization in branch of industry, such as building or its monopoly position or breaking it.

Sergiusz Sawin, CEO of Innovatika dealing with finding of new solutions and marketing them to businesses, in an interview with TEKLA PLUS believes, that “innovation is to create value through effective implementation of new ideas. Innovation begins with an idea that is new in that context - for the team, organization, or even the world. To this idea become an innovation must be effectively implemented.. But that's not all, because the key to success is that he created a new value for both my company and for my clients. Unfortunately, many such initiatives, it appears market failures as they arise in isolation from the one for whom they create value. We think about it as a product to sell, and not about who may need this product. The path from the product to the customer is wrong - you have to do the opposite”\(^1\).

In turn, it should be noted with regret that often business (entrepreneurs) are not convinced by the commercialization of knowledge. Often - as deemed Sawin – “He sees the world of science as not useful. Believes that the theories taught in universities are outdated, and the knowledge of students is too limited to be of any use it for business, so why waste time and money? It is a mistake, because the flow of “fresh blood” and ideas can create new value. If the business was also convinced of this, universities

\(^{1}\) *Innowator musi iść pod prąd*. Interview of Sergiusz Sawin by Filip Jurzyk published on the website: Academic entrepreneurship; is a page of the project “Promotion of the concept of academic entrepreneurship in Świętokrzyskie district” carried out under sub 8.2.1 Operational Programme Human Capital;
expect added value but development of commercialization and knowledge would be quicker” (http://przedsiebiorczosc-akademicka...).

Innovation can and should be made - according to Sawin - starting with the smallest things in the company's operations. With the introduction of innovative products we need to clearly understand to whom we want to address them. It should also be task thinking: what are the tasks our customers perform and how add the value to them. This client should be in the spotlight and the task he wants to achieve. It is also important to choose the team properly. People need to transmit on the same wavelength, it is even more important than their competences. If only people will understand each other, you can quickly improve other deficiencies.

In opinion of quoted Sawin, one can distinguish two types of innovators. One is the inner innovator who works for a large company and sees that it does not work as expected. Such a person should “feel” to see the potential for innovation and development for certain solutions. Unfortunately, very often such a person is like John Rambo in the jungles of Vietnam - alone, in a strange place without any support and dwindling resources. In addition, each step may be the very last. When such people are left to themselves, they only get frustrated. Therefore, it is advisable to invite others as co-authors of the revolutionary concepts to work together. “Even if I am the originator, it is good to invite others to participate, because then it is easier to overcome these barriers. The key to achieving innovation is the support of the board. If company management is distanced to each other and gives employees some freedom of action, we are on the way to create an innovative organization. If the Board believes that he knows all the best, then nothing will change. A major challenge, but our mission and goal is to provide support for innovators in the companies provide them with appropriate tools and knowledge” (http://przedsiebiorczosc...).
The external innovator is a free spirit, an entrepreneur who has a passion, an idea, but no resources to make it happen. This can also be someone who had a very important and unsatisfied need and, for lack of available products on the market, he decided to prototype solution, and then put into mass production. Therefore, my advice to all the external innovators - Sawin says - is as follows: “If you have a valid, unsatisfied need, which may be a massive need for and you have an idea of how to satisfy it, just prototype! Perhaps your solution will soon become a mass product” (http://przedsiebiorczosc...).

Five attributes of man, which, according to Sawin will be an effective innovator and an entrepreneur are: openness, humility, passion, willingness to continuous improvement, hard work - it features a person with potential. Those increase the chance of success.

Joseph Schumpeter just at the beginning of last century claimed that the manufacturers who are entering the market with new merchandise persuade potential customers to its acquisition, also added that the consumers themselves do not have the slightest effect on the emergence of new products. Consumers in the process of economic development play a relatively passive role. Schumpeter presented is as follows: "Railway lines have not appeared, as consumers took the initiative and expressed their effective demand for their services, preferring it over the postal service’s stagecoaches. Similarly, it is not the consumers, who first expressed the need and demand for electric lamps or on nylon stockings, travelling by car or plane, listening to the radio or chewing gum. The vast majority of changes in the structure of consumer goods have been forced by producers to consumers. The latter often resisted change and have yet to be properly “educated” through extensive subconscious advertising” (Schumpeter 1939; Maciaszek, O przedsiębiorczości...).
As Schumpeter considers - economic development can be initiated only when someone unexpectedly apply in practice, a new combination of means of production (innovation). Such a situation has occurred in five cases (Glapiński 2004, Maciaszek, *O przedsiębiorczości*...):

1. introduction of a new product or new kind of known commodity,
2. application of new methods of production or sale (not proven yet in a specific industry),
3. opening a new market (the market in which a branch of the industry was not yet represented),
4. gaining a new source of raw materials or sub components,
5. a new way to organize some sort of industry (egg, breaking the monopoly).

These cases above Schumpeter defined the phenomenon as a form defined in his book *Theory of Economic Development* (1960), as the new combinations, then as a project, and in publication of *Business Cycles* (1939, p. 162), has extended this notion of recognizing them as innovations.

It’s Just entrepreneur, who is considered author of combination of new means of production. Schumpeter differently from Adam Smith, Leon Walras, Alfred Marshall, Richard Cantillon and Jean Baptiste Say's silhouette outlined entrepreneur. In his view, “the entrepreneur is the only one, who actually carries out new combinations. However, it ceases to be the one who has organized his company and begins to lead it on a routine basis. Function of the entrepreneur is to reform or revolutionize the pattern of production through the use of new ideas or - generally speaking, unknowable before the technical capacity to produce a new product or manufacture of a known commodity with new methods, by providing new sources of supply of raw materials and new markets for manufactured
production, through changes of organization in the industry” (Schumpeter, 1995, p. 162).

It should be noted that, according to Schumpeter cited realizing innovation, being an entrepreneur is a special feature, the privilege of a relatively small group of people who have the qualities – “higher than normal advantages of mind and will. “Their action can forge a new model of life, new value systems, as well as a driving force in market economy” (Maciaszek, O przedsiębiorczości...).

Innovative economy

Although since the publication of Schumpeter's theory has passed more than half a century, his views have not lost their importance. Currently, there are talks about returning to his thoughts and ideas that were undoubtedly ahead of its time. So the entrepreneur is an innovator introducing changes (new combinations), which are the driving force of economic development” (Maciaszek, O przedsiębiorczości...).

Classics of the economy, such as Adam Smith and Karl Marx believed that capital is the driving force behind the market economy. The capital was regarded as the most important part of the economic system. Hernando de Soto - an economist - said that “capital raises productivity and creates the wealth of nations. This is life-giving blood of the capitalist system, the foundation of progress - and it seems that it is precisely the one thing the world's poor countries are unable to produce for themselves, regardless of innate enthusiasm and entrepreneurship” (H. de Soto 2002, p. 25).

Although entrepreneurship is a necessary but not sufficient, since with no property we cannot create new capital. Triad entrepreneurship - capital - ownership, are the three foundations of a healthy market economy.
Five important factors for regional development of small businesses are:

1. The close relationship of science and industry.
2. Significant economic decision-making autonomy.
3. Government's protectionist policies (subsidies, tax exemptions).
5. Regional traditions.

It is clear that the economy cannot consist only of a small business, as well as not all objectives can be achieved in small businesses, but we must promote and support at all costs to small local businesses. Economy is driven mainly by large enterprises (and perhaps even primarily). Gifford Pinchot popularized concept of so-called entrepreneurship, entrepreneurship within the organization, based on the creation within the larger organization of groups (a kind of “company within the company”), which shall have the right to innovate without constraints arising from hierarchical management system. They operate completely differently than the large bureaucratic corporations (Gwartney, Stroup 1994, p. 42).

The need to operate on a large, even global scale can be met through the coordination of activities of small companies, without the support of the big global capital. Through activities on a large scale is possible to retain the human dimension, allowing them to innovate and revitalize the local community (Maciaszek, O przedsiębiorczości...).

In the twentieth century in developed countries, the most popular form of a horizontal organization is an organization network. These organizations range from local to international, and sometimes even global. They are characterized by:

- prevalence of informal relationships,
- independence and autonomy of operation of subsidiaries,
- centralizing of obtaining information,
- central coordination of resource allocation between the operators.

Networks create competitive cost and technological advantage, reducing risk by increasing the flexibility of operation, that is rapid adaptation to change (Maciaszek, *O przedsiębiorczości*...).

Talking about innovation and entrepreneurship should be mentioned that the traders are able to process innovation only in a dynamic, growing economy, introducing technological advances and a better combination of factors of production.

And yet another aspect for the competitiveness of enterprises. It has long been known that the knowledge and its practical application has always been an important factor for socio-economic development and determined the steady progress of civilization. Magdalena Cyrek writes – “in the modern economy (...) knowledge becomes the most important input in the production process, a key factor in competitiveness appears to be the ability to integrate new knowledge in the manufacturing process and composing it with traditional productive factors” (Cyrek 2007, p. 13).

In the modern knowledge-based economy is required, “continued ability to conduct innovative, connected with the constant search for more efficient ways of activities. Despite the fact that innovation requires a systematic effort and good organization, how emphasizes P. Drucker, the initial advantage gained through rapid application and use of knowledge become permanent and irreversible, allowing to gain a sustainable competitive advantage” (Cyrek 2007; Drucker 1999, p. 151).

Specialists from the World Bank mention “on the development towards a knowledge-based economy prejudice, among others (Cyrek 2007, p. 19):
- economic and institutional regime, which provides incentives for efficient use of existing and new knowledge and entrepreneurship development;
- educated society that creates, shares and uses knowledge in a proper way;
- effective system of innovative companies, research centres, universities, consultants and other organizations, allowing for the growing global knowledge, it’s assimilating and adapting to local needs and creating new technologies;
- ICT to facilitate the efficient creation, distributing and processing of information”.

Modern enterprises and modern economies benefit of a wide degree of knowledge to facilitate business and create new technologies but also take all kinds of innovative efforts including a variety of research and development also building clusters, which are surfaces of knowledge transfer.

Katarzyna Szara writes, “companies are depositories and coordinators of knowledge. The greatest achievements appear in these economies, where the most perfect and the most skilful way will be discovered, learned and used new types of knowledge and other resources of intangible. The human head as the creator of the idea of innovation is born - the idea (see Figure 1), which finds the gear in tangible or intangible process” (Szara 2007, p. 54).
As you can see, knowledge is the most important resource of human potential. “Sources of innovative ways to increase the efficiency of the company should therefore be sought in the selection process of employees of the desirable characteristics of potential, including in particular those who are part of the crew member. Thus, referring to the contemporary model of employment in the enterprise, it seems important to identify those employees who may be deemed to be the main vehicle for intellectual capital. It is important that employees get engaged in taking innovative actions” (Szara 2007; Talgarski 1999, p. 114).
But knowledge itself is not important. Modern companies, regardless of the type of their activities, are now facing a serious problem, which is to find a way to differentiate itself from other companies. Among the many actions that can be implemented in order to achieve leadership position in the sector for the company, important role plays innovation, of which has already been said in this study. Competitive advantage is a key element in strategic management. It is the effectiveness of strategic management (including business managers) deciding on the position of the company, whether it applies also spectacular success or failure.

Slawomir Dybka says that the innovative potential of the company consists of two dimensions:

1. Internal innovation capacity:
   - staff (knowledge and experience, skills and qualifications and the way to manage the available resources, information management);
   - R & D (isolated cell research and development of activities of research and development, etc.).

2. External sources of innovation (Dybka 2007, p. 22; Żolnierski 2005, p. 6):
   - Universities and research and development units,
   - competitors,
   - suppliers/customers.

**Manager at the helm of the organization**

Mentioned earlier, that knowledge and innovation are extremely important for every organization, every business. But this is only properly trained people (mostly managers), who are able to lead an organization seamlessly in complex times of competition.
As Agata Pierścieniak and Katarzyna Szara write, “the key challenge facing today against the managers, is to ensure operating efficiency of the organization, which is an important element of a strategy for gaining competitive advantage. The company's success depends on managers (...) In the recent years Poland has seen a transformation of both political and economic, which meant that the concept of manager has taken much more importance” (Pierścieniak, Szara 2010, p. 7).

Joseph Penc states that “any organization, in order to continue its existence and operation, should be effective, so it should not only achieve the optimal relationship to its cost advantages, but also to liberate human energy and resources for the realization of investment objectives. This should ensure the efficiency of its business managers” (Penc 2005, p. 61).

Management of organizations in a global economy, globalization and governance, and growing wider and deeper integration processes makes managers of different levels of hierarchical multi-dimensional requirements in the sphere of competence, mainly in the field of knowledge, skills and experience - including managerial competencies, personality traits, ethical and moral behaviour (the system goals and values). In each organization is also desirable knowledge of psychosocial problems handed by managers, as the psycho-aptitude, intelligence\(^2\), professional activity prejudge the outcome of differences in learning and performance management in comparable operating conditions (see Figure 2). These requirements, however, are variable in time and space, and often remain in conflict, which makes it more difficult and complicates the management.

\(^2\) Intelligence should be understood as the ability to adapt to new circumstances and requirements, analytical and rational thinking, the perception of existing relationships and to draw appropriate conclusions, solving intellectual tasks efficiently and effectively, as well as variant formulating and selection of appropriate, adequate to the purpose and tasks, strategy and operational activities and the proper behavior in emergency situations (stress).
Modern managers can effectively perform their essential roles and functions of leadership and carry out tasks efficiently only when they have not only adequate knowledge and expertise, experience, desired set of characteristics of personality, ability\(^3\), intelligence, but also when one has mastered the basic, practical managerial skills, established as a habit. It should also be characterized by specific, of personal and interpersonal innate predispositions, imagination, courage, leadership potential, and this in order that he could smoothly manage the organization and be able to work with many institutions, meeting the expectations of its customers and partners, and carefully analyze the case competition in the market. Efficient interaction of manager with organizational behavior of subordinates also

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\(^3\) Abilities are general, being cognitive dispositions, biologically conditioned and the special ones, which - thanks to the activity of the human being - forming interaction of the central nervous system with the environment.
requires him to innate leadership abilities (Wachowiak 2001; Żukowski 2006).

On those grounds, the manager should be able to recognize, analyze and solve complex organizational and managerial problems and take appropriate decisions related to the efficient functioning and development of contemporary organizations. Management requires, above all, that he should be the assertive, creative and entrepreneurial person, opposing to the temptations of success and easy profit, responsible, calm, cautious and respectful relating to man, developed and perfected in itself is these positive attributes, while a courageous, tenacious and inspiring other employees to act, and tolerant to all forms of cultural diversity, should be a cosmopolitan. From the managerial skills of staff depends largely market success of the organization. Due to the ever-changing variety of elements of the environment and requirement of increasingly rapid and even immediate response, managerial work is the stress, especially difficult and responsible. It requires from any manager, as noted above, certain predispositions, psychological aptitude of specific personality traits, knowledge, skills and experience and also considering work value system in managerial activities. The success of the manager, and the organization, determine the quality of education, willingness to constantly improve and expand the general knowledge of management skills, which constitutes a serious and valuable knowledge of manager and the modern organization.

Achieving real success of a modern manager (not just financial) also requires the work of managerial conduct in accordance with recognized ethical and moral principles. True success in business achieve these managers - as indicated by historical experience - who have the knowledge, skills, experience, desired personality, intelligence, imagination, courage and leadership skills, but also are honest and decent, in their work
management guided by recognized ethical and moral principles. So the requirements placed on today's managers are multidimensional and are getting higher (Kuc 2004; Penc 2001; Szczupaczyński 1998; Żukowski 2005).

Manager in the organization fulfils at least the following tasks: interpersonal (establishing and maintaining contacts with other people), information (collection, processing and transmission of information) and decision-making (the availability of resources of the organization), as well as negotiating (negotiating skills). Functions performed by the manager outcome from the basic functions of organization management (planning, organizing, motivating, marketing and controlling) (Bartkowiak, Januszek 1999; Kubik 2005; Stoner, Freeman, Gilbert 2001).

Presented dimensional characteristics of manager should take into account the modern trend of civilization, which is characterized by a transition from the industrial and post-industrial stages of development to the phase of the information society. While the material basis of industrial development phase was the development of industry and post-industrial phase - the development of services, the basis for the economic development of information society are the intellectual resources, resulting from the knowledge of human individuals and teams. The modern manager should then also have (acquire) the skills of knowledge management in organizations.

The roles, functions and tasks of manager

Manager is a person with managerial capacities, who has an adequate knowledge and skills, including leadership, the desired personality and past experience in directing teams of workers' organizations and management in conditions of uncertainty and indeterminacy, in conditions of constant
volatility environment. Any organization, especially now in a globalized economy, needs an effective and efficient operational managers, mainly because they become creators of their success. The roles, functions and tasks faced by managers in terms of globalization and integration are very broad, and their implementation requires new knowledge and team skills, a great effort and sacrifice.

Work of director - manager itself mainly consists of setting goals and defining tasks, after examining the market, developing and making right decisions appropriate to the circumstances and resources, organize their implementation, motivating subordinates to work efficiently and effectively, and controlling. Manager is responsible not only for achieving the objectives and tasks, ensuring high productivity, efficient use of resources (production factors), but also for creating a friendly atmosphere, mutual trust, openness at work and the conditions that stimulate the initiative and entrepreneurship and sense of responsibility among subordinates. Manager's job is also to provide suitable conditions for the deliberate and harmonious cooperation and collaboration of workers in the team. His role also involves the right allocation of responsibilities and resources, monitoring and evaluation activities of employees. The worker should be confident that his work will be objectively assessed and the results will meet with due recognition. Manager's job is also to inspire, encourage and motivate the activities of subordinate employees, as well as eliminating obstacles to the implementation of tasks.

In a market economy of globalized world demands on the manager lies in the fact, that understanding the strategy of the organization, including in particular the strategic marketing goals, yet he knew, as he puts his action, could contribute to its success. Given the wide range of duties and responsibilities of managers, set of their specializations are formed, each of which requires continuous acquisition of knowledge and
expertise, continuously improve their skills and specializing in a certain range.

Every manager, regardless of the level of management, his position and his functions, need to be effective and efficient in managerial activities. It is because in this work, knowledge and managerial skills, personality, experience, intelligence, imagination, are the key elements, but their proper use is assessed after the performance (results). The effectiveness of a manager in each institution is of great value, because it brings a major contribution to its smooth functioning, success and development. Two important concepts - efficiency and effectiveness related to each manager are also considered as measures of success in management. Management is effective when the organization achieves its goals, and effective when, while adapting the principle of rational management, economically and carefully manages its resources held, achieving maximum results. Manager's job is to maintain a balance between efficiency and effectiveness. In order to manage effectively skilled manager should fulfill his basic managerial functions, while respecting the principles of management and applying the modern methods and techniques, as well as presenting the appropriate management style.

Ch. Coates has developed a task list of manager, of which the most important are (Coates, 1998):

- determine to which extent the institution is oriented towards customers, employees and all departments have sufficient knowledge about the needs and expectations of customers,
- assessing which of the ways adopted in institutions regarding measuring customers satisfaction are appropriate, whether the measurement is complete, and whether the flow of information from customers is efficient,
- involvement of all departments in the debate on the performance achieved by institution to meet the needs of customers,
- identify the main criteria that affect the efforts made by customers in purchasing decisions,
- research of directions and the pace of changing needs and expectations of customers in different segments,
- specifying whether accepted by institution customer and market segmentation is sufficiently detailed that the organization has accurate data on consumers behavior,
- examine whether the institution has increased strength and range of advantages relative to competitors and the criteria for the purchase of the institution should devote most attention to achieve an immediate and visible improvement over longer periods.

On the other hand - by PF Drucker - the task manager is:
- management by setting objectives,
- taking on more risk and a greater ability to calculate in advance all the risks and choose the best option,
- the ability to create an integrated team in which everyone is able to assess their performance and results in relation to a common goal,
- ability to quickly and clearly conveying information,
- motivating employees to work effectively,
- perception of economic, political and social developments in both domestic and global, and including them in their activities

and also (Drucker 1994):
- managing their own development and activities, learn new skills and improve their personal qualities and managerial work,
• managing employees by understanding their needs and expectations and the proper use of their knowledge, skills and talents for the good of the institution,
• Control the development of the institution by the knowledge of its mission and objectives, strengths and weaknesses of the organization and the potential opportunities and threats posed by the environment,
• problem solving, making decisions appropriate to the situation and putting them into effect.

The manager should make every effort to ensure that subordinated workers have their clarity of objectives and implementation of assigned tasks, or previously participated in their establishment. Manager's job is to create conditions that occurred compliance or high correlation of individual workers' objectives with the objectives of the institution. This will take place in an organization where, as far as labor productivity growth, improved productivity and profitability is improved to meet the needs of employees. Managers seeking to increase the attractiveness of products (manufactured goods and services) should first accept the tactics of customer orientation, to draw attention to their basic needs, wishes and expectations. Customer orientation must be the basis for formulating strategies the institution, its organizational structure, processes and procedures, as well as the development and use of knowledge - knowledge resource and skills, and experiences of entrepreneurial managers, and elaborating a system of employee motivation (Koźmiński, Piotrowski 2006; Stoner, Freeman, Gilbert 2001; Żukowski 2006).

An important task of managers is the objective evaluation of subordinates and fair highlighting and rewarding. Awards should be so distributed that served as incentive instruments to work effectively. In each institution should be developed defined, transparent system of staff
appraisal. The task of manager is also the ability to be proficient in the use of criticism as a tool for improving employee conduct, so as not to discourage them from working, and to stimulate the correct the mistakes and eliminate them in the future.

Effective managers is characterized by a particular feature, namely they have the clarity and understanding of the purpose and tasks of this part of the organization, for the functioning of which they bear responsibility. Focus their attention on certain sizes - gauges, such as on labor productivity and quality, modern products, the cost of manufacturing or service, profit, profitability, etc. They manage staff in such a way, that every employee can fully use their individual knowledge and capacity and available opportunities. Thus they obtain high efficiency of the team's work focused on achieving the key objectives throughout the organization (Banaszek 2006; Krzyżanowski 1999; Kubik 2008; Stoner, Wankel 2001).

Top-level managers in formulating strategy for the management of the organization - aligning the idea of its future, must have - in addition to relevant qualifications - the imagination, courage and initiative, be enterprising, ambitious, operationally, eager for success. Their level of professionalism - knowledge, skills and experience, as well as capacity and features presented above, depends mainly on the efficiency of operation and business condition of the organization (Koźmiński, Piotrowski 2006; Szczupaczyński 1998; Wachowiak, 2001).

**Elements of competence dimensions of modern manager**

Managerial skills are associated with each particular skills related to professional and social activities. Professional skills are combined with skills that are required of managers at various levels of management and their continuous development and improvement. Social skills of the
manager are associated with the search and selection of people, especially for managerial positions and the shaping of human relationships.

The importance of managers innate abilities and leadership skills have already noted FW Taylor in his study, separating the management skills of technical competencies.

He noted that with increasing levels of management in the organization increases the importance of management skills. And since studies of H. Fayol efficient and effective management skills of managers are systematically analyzed and evaluated, which led to the creation of many of their typology. One of the earlier typology of management skills (managerial) is classified by RL Katz. He distinguished the technical, social and conceptual managerial skills. The role and importance of selected groups of managerial skills vary depending on the hierarchical level of management. And so technical skills are required in solving specific operational tasks or to train employees and requires them to first-line managers (technical management level). Social skills (interpersonal skills) are important in shaping the appropriate relationship of manager with subordinates, customers, partners and other institutions. These skills, in particular, are required for middle level managers at the organizational level of management. At the highest hierarchical level of management (strategic), in turn, the most important role played conceptual skills of manager, because they are essential in planning, organizing activities, motivate employees and creative problem solving or in long-term, as well as in establishing and maintaining a variety of relationships with the environment - or society (Kuc 2004; Witkowski 1996; Rakowska, Sitko-Lutek 2000; Żukowski 1989).

A serious impact over the concretization of managerial skills have had studies of D. Whettena and K. Cameron, recognized as one of the most
innovative. They have singled out nine key management skills, grouping them into two categories: personal skills (improving self-awareness, managing stress, creative problem solving) and interpersonal skills (establishing communication in support of acquiring the knowledge and influence, conflict management, effective delegation, motivating others, group decision making) (Psychologiczne... 1996). On the basis of our research - using the results of D. Whetten and K. Cameron, and other scholars - we have distinguished, expanded and synthetically described fourteen key managerial skills (see Figure 3).

Isolating and development of personal managerial skills needs a deeper understanding of their own emotions and behaviour, and thus self-knowledge. Those skills manifest themselves in direct contact with employees, customers and other partners of the organization. For the management of personal skills we may include (Bartkowiak, Januszek 1999; Małyk-Musiał 2005; Rakowska, Sitko-Lutek 2000; Stoner, Freeman, Gilbert 2001; Wachowiak 2001; Żukowski 2005):

- development and improvement of self-awareness,
- managing emotions in difficult situations and stress,
- Innovative and creative problem solving,
- acquiring and developing new personal talent,
- creative use of specific knowledge,
- sharing knowledge and experience acquired,
- building personal authority and self-image.
Fig. 3. Key managerial skills

Source: own study based on data contained in the following publications: (Bartkowiak, Januszek 1999; Małyk-Musiał 2005; Rakowska, Sitko-Lutek 2000; Stoner, Freeman, Gilbert 2001; Wachowiak 2001; Żukowski 2005; Żukowski 2010).

Distinction and, in turn, development of managerial interpersonal skills are necessary, because they allow manager to establish and maintain
appropriate relationships and to organize cooperation and collaboration with employees, other members of the organization and its customers, contractors and other partners and institutions, which facilitates and streamlines of own tasks (Wachowiak 2001). As the interpersonal skills of manager should be considered (Bartkowiak, Januszek 1999; Małyk-Musiał 2005; Rakowska, Sitko-Lutek 2000; Stoner, Freeman, Gilbert 2001; Żukowski 2010):

- establishing of supporting communication and communicating with people,
- development of appropriate relations with employees and partners,
- organization of teamwork and decision making in group,
- effective motivating subordinates to work efficiently and effectively,
- the acquisition of knowledge, experience and influence in managerial work,
- delegation of authority to the decision to lower levels of management,
- early diagnosis and skilful management of conflict.

Development and improvement of self-consciousness - classified as manager personal skills - requires mainly the identification, in-depth analysis and assessment of their personal strengths and weaknesses, and conscious consideration of their potential for managerial work. Managing emotions in difficult situations and the stress associated with the skills to reduce tension and emotional coping and the use of experience in this field to improve self-awareness.

Innovative and creative problem solving combine analytical and rational thinking with a creative one, to be effective in an innovative way to solve problems arising in the management process. Acquiring and developing new personal skills requires skill acquisition, completion and assembly of the new development of specialized skills, especially personal
managerial skills, promoting innovation, improving processes, creating new opportunities and development of certain habits, which are necessary to the acceptable fulfillment of duties in the work of manager.

Figure 4. Managers knowledge...

Source: (Pierścieniak, Szara 2010, p. 40).

Depending on the needs, every manager must have knowledge of facts arising from the activities of the organization, and should know what knowledge will help build a competitive advantage to his organization for current or future markets (see Figure 4).

Creative use of expertise requires that the manager in managerial work has not only a keen interest in all the news and creatively exploit its knowledge and expertise, but also to fully benefit from the intellectual resources of both individual employees and teams of employees in profit-making organization and also create the appropriate mental attitude to the
creative use of scientific knowledge and practice the skills acquired by employees, as well as properly motivated (urged), his subordinate staff to conflict-free entry of new research approaches to practice (projects, patents, licenses and other solutions). Sharing knowledge and experience acquired requires the manager has it in an appropriate manner and transfers the acquired expertise and experience to his subordinates, especially lower-level managers to manage, create real opportunities for creative work of subordinates, as well as encourage them to self-study and become familiar with the broader new solutions for issues related to professional work (workplace), so that the skills of individual employees and work teams are converted into stocks of knowledge, serving the entire organization, increases the subordinates' experience and promote the implementation of the management practices of any innovation.

Building a personal authority and self-image are important personal skills for each manager that affects significantly the effectiveness of management. Manager should have - in addition to the formal authority that gives him the right to order (command), but not always forcing obedience - the personal authority. He earns it by expanding and improving knowledge and managerial skills, tactful conduct, truthfulness, justice, honesty, kindness, manners and other positive personal characteristics, as well as by the use of management methods and techniques, and the manifestation of management style adequate to the circumstances and conditions of management. These qualities and actions, gaining of work experience (professional) and developing leadership skills, as well as use of social influence are also conducive to creating a positive self-image of manager (Banaszek 2006; Bartkowiak, Januszek 1999; Kubik 2008; Rakowska, Sitko-Lutek 2000; Stoner, Freeman, Gilbert 2001; Żukowski 2006). Efficient management is the art of clear and concise formulation of
goals and skilful communicating with people. In the group of interpersonal skills, it is important to establish a communication and support effective communication with people, requiring the manager's ability to organize an efficient system to communicate with others quickly and effectively receiving and imparting information to employees and partners of the institutions, their understanding and influencing their behavior, listening carefully to others, to formulate a concise and logical presentation of thoughts and issues to be resolved. A professional manager wants effectively fulfill the functions of management and efficiently carry out tasks that should try to achieve communication constructive within organization. Forming appropriate relationships with employees and partners, organizing teamwork and group decision-making requires from manager in the work of managerial skills to establish transparent rules for forming professional relationships with subordinates and relations with partners of the institution. This also includes the ability to organize and conduct meetings, public presentation of the problems, their solutions, ideas, etc. Manager implements majority of the objectives and tasks, not by his personal performance, but through other people, subordinates. So one of the essential skills that are required of a modern manager is the ability to effectively motivate and encourage subordinates to creative, efficient and effective work, using appropriately chosen set of motivational tools.

Manager must have such an influence over subordinates, that they behaved in accordance with his expectations and achieving objectives and tasks of the institution. Gaining the knowledge, experience and influence in managerial work requires the ability to verify the expertise gained in practical activity, the consolidation of skills and habits useful in managerial work, the acquisition of social influence and authority of others in order to enhance management performance. Ability to effectively delegate decision
rights to lower levels of management requires the ability to identify management problems and to determine what tasks, when and to whom to allocate them, you can delegate authority, competence and responsibility which will be appropriate to the tasks assigned in order to apply efficient and effective management. Employees of organizations have different wishes, needs and expectations, and therefore represent different attitudes toward the organization, which may be contrary to its purpose and carry it towards many conflictual situations. In the organization they are unavoidable and can significantly reduce the effectiveness of its activities, if in due time cannot be identified, their causes identified and resolved. Therefore, an important skill of manager is to detect and skilful management of conflict, and thus early detection, resolving and eliminating, as well as coping with emotions in such situations (Banaszek 2006; Bartkowiak, Januszek 1999; Rakowska, Sitko-Lutek 2000; Stoner, Wankel 2001; Żukowski 2006).

Presented above, a professional model of a modern manager provides key, personal and interpersonal management skills that can be learned during training by developing new attitudes and behavior. In this presentation has been omitted technical skills that are acquired in a different way and shaping behavior of manager to a lesser extent concern. The importance of knowledge and team management skills to the efficiency and effectiveness of management is increasing steadily. This is due to the intensification of the processes of globalization and European integration and global as well as increasing complexity of technological processes (which also means technical), economic, social and environmental and cultural developments in contemporary organizations and the emerging information society, where improving the competitiveness of the economy and society, where knowledge and
intellectual resources of individuals and teams of human workers are most significant.

Ch. Prahalad distinguishes such skills and personal characteristics of manager:

- ability of conceptual and system oriented thinking,
- ability to operate in multicultural environment,
- readiness for lifelong learning,
- a set of positive personal qualities and high standards of behavior.

Each manager should have conceptual thinking skills allowing to see the relationship between various elements of the system, as well as forward-thinking and embrace the whole space of management issues. He should also have ability to summarize the information on both the strategic and operational sense, combining analytical skills with his own intuition and experience as well as balancing private interests and the common good. An important skill of manager in the context of globalization is the ability to operate in a multicultural environment here very helpful is the knowledge of whole diversity forms of culture and foreign languages. Globalization of management creates necessity to think in terms of intercultural and taking into account the fact that other cultures the system of shared goals and values may not necessarily be same, in which he is educated. Managers job requires continuous improvement of his knowledge and expertise, to acquire and develop new management skills. Managers must constantly be ready to accept new ideas, technology, design, good business practices and cultural values, they must seek opportunities for permanent learning. The duty of managers is to establish standards required by the values and behaviors. Hence it is necessary to the continuous improvement associated with in-depth knowledge of the institution and its area of operation, striving to make the supreme sacrifice in the work and its
effectiveness, the responsibility for their actions and the work of subordinates, sensitivity to human affairs, human relations and intercultural problems, tolerance of different cultures and encourage and support the development of colleagues and subordinates (Banaszek 2006; Kuc 2004; Szczupaczyński 1998; Żukowski 2010).

Our economy reports strong shortage of capable and modern educated managers with appropriate ethical and moral behavior. Currently, management is more about a formal position in the company than the power of intellect and high managerial skills. Many of the positions occupied by not very skilled managers, not very broad minded and with intellectual potential. They lack not only a strong personality, but basic knowledge and professional skills, intelligence, imagination and talent. The future, however, requires a different, more innovative and creative model manager. He should be more lead than manage (Kuc 2004; Zawiślak 2003).

He needs not only vision, authority, energy, imagination and the ability to formulate strategy, but also the ability to run the so-called soft factors, such as friendly working atmosphere, effective motivation of subordinates, friendly attitude towards change and economic and social progress, information and cultural empathy, affordability, originality, innovation, entrepreneurship, etc. Thus, manager must have a deep knowledge and mastery of the entire team skills in modern management, intelligence, creative imagination, courage, developed intuition, talent, and strong-willed, high aspirations and attitudes ethical and moral decision-making and actions that not only contribute to an increase in their profits but also to multiply the social welfare (common good).

From manager, how underlines P.F. Drucker (1994), „expected to be above all that will do what needs to be”. And it simply means that we expect from him performance in action. Centre for Creative Leadership in the U.S. based on two decades of cooperation with thousands of executives
representing various organizations formulated a set of characteristics (abilities), an effective manager, and they are as follows:

- increased awareness of his potential, a comprehensive knowledge of their strengths and weaknesses, how they are perceived by others and how to interact with others;
- encouraging others to provide feedback, which results in self-knowledge, helpful when revising activities;
- the desire to gain knowledge, which allows to change own perspective of looking and dealing, stimulates creativity and allows to think about things in a different way;
- work-life integration, leadership and life are closely linked very strongly,
- requirements of families and local communities should be integrated with the requirements of the job, the manager - the leader must ensure that he feels confident at all these areas, and correlate them with each other;
- Respect for difference of other people to operate effectively in an environment manager - leader must be aware of and sensitive to existing differences between people and situations, sensitivity to differences in language, in customs, habits and culture and value systems espoused by other people.

The organization has to draw energy to act on beliefs and enthusiastic of the leader. Managers therefore have to apply the management of liberating (called Liberation Management), which results from the flexibility of the organization and a positive attitude to the effort of workers, for specific objectives (tasks).

That raises the question of (model) a manager, how he is and what competences and management skills should he has to be able to meet demands of modern management. The current managers have mostly a
professional high school education or higher in economics or management or technical education in a given industry or law. Requirements from a modern manager are such as constant improvement of knowledge and expertise and to improve management skills. His duties relate primarily to the market analysis and other components of the environment, improving the system of information, especially information technology, planning and organization of marketing and product promotion. The manager is effective and achieves success in his managerial work if he has, in addition to general knowledge, specific skills training, especially management skills.

Figure 5. The most serious problems of manager

Source: (Pierścieniak, Szara 2010, p. 76).

Manager's job is characterized by many attributes, including that it is “very interesting, attractive financial terms, provide social position, allows the realization of their own ambition, can take the challenges, is creative, it allows for great freedom of action, releases creativity. On the other hand, the manager's job is extremely stressful, requires good health, assertiveness and resilience” (Stefaniak 2007; Pierścieniak, Szara 2010, p. 76) (see. fig. 5).
Among the many approaches found in literature can be divided into those kinds of leadership skills such as technical, interpersonal, conceptual, analytical and diagnostic (Bartkowiak, Januszek 1999; Coates 1998; Kubik 2008; Rakowska, Sitko-Lutek 2000; Stoner, Freeman, Gilbert 2001; Wachowiak 2001; Żukowski 2006).

Technical skills are the skills necessary to perform work (profession) or understanding how a particular work is done within the institution. Engineers, designers, technologists, accountants and other professionals have the technical skills necessary to perform the relevant work and occupations. They come to the basic technical skills, finishing in the way of relevant higher education. Then, they gain experience in real situations at work, perfecting their skills until they become truly effective managers, technologists, specialists in accounting, etc. according to their qualifications. Similarly, for example, top-level manager responsible for marketing management in a large organization is likely to begin a job as a sales manager. So that technical skills are required to understand or deal with specific tasks (work) (Koźmiński, W. Piotrowski 2006; Małyk-Musiał 2005; Żukowski 1989).

Manager's interpersonal skills are the skills of cooperation and interaction with people and influencing them. Managers spend much time in meetings and conversations with people, both within the organization and beyond. For these reasons, the manager must have the capacity to contact and communications with individuals and employee teams, understanding them and effectively motivate them for creative, efficient and effective work. As manager, promoted at work, he must be able to work effectively with subordinates and other managers, as well as persons on the higher levels of management of the institution. Due to the multiplicity and diversity of roles that managers must play, they should be able to work with suppliers, cooperatives, investors, customers and other
partners outside the organization. Thus, an interpersonal skill is the ability to organize effective communication - networking and collaboration, understanding the needs and motivate such individuals and work teams for creative, efficient and effective work (Bartkowiak, Januszek 1999; Rakowska, Sitko-Lutek 2000; Stoner, Freeman, Gilbert 2001; Żukowski 2006).

Conceptual skills involve the manager's ability to analyze and solve problems, anticipate future events and make informed decisions. Managers should have a specific intellectual potential, which allows them to perceive the complexity of the functioning of the institutions and the volatility of the elements of its environment, to understand how the individual, the organization of the various components work together to combine into one solid, functional integrity and recognize it in a comprehensive manner. Such an approach allows to think and act strategically, in a large scale and longer time horizons and take on the basis of strategic and operational decisions for the organization as a whole. Thus, conceptual skills are the skills associated with the imagination and the ability for abstract thinking.

Analytical and diagnostic skills of good manager - by A. Pocztowski and K. Kubik - are the skills to enable him to extract the essential ingredients of the problem under consideration, to identify them in various aspects (social, economic, legal, financial, ecological, cultural) and place the appropriate diagnosis and to take appropriate decisions and actions with regard to the prevailing circumstances and resources. Manager analyzes, identifies, diagnoses the problem arose in managing the institution, explores the symptoms, determine causes and develop on the basis of its rational solution (Coates 1998; Kubik 2008; Rakowska, Sitko-Lutek 2000; Wachowiak 2001; Zawiślak 2003; Żukowski 2006).

All of the above discrete types of management skills manager must master in order to manage effectively and efficiently. Already H. Fayol,
and also R.L. Katz pointed out that the importance of these skills varies depending on the level of management. The role of technical skills is particularly important at the lowest level of management, and conceptual skills to the highest. However, managers at all levels of management must possess strong interpersonal skills, without which human resources cannot be effectively managed (Stoner, Freeman, Gilbert 2001).

Slightly different view presents H. Mintzberg, who criticizes the traditional description of the role of manager. In his view, the manager is overloaded with responsibilities and basically they cannot effectively delegate them to lower levels of management. Hence he is overworked, many tasks performs alone, and inevitably his work is characterized by segmentation. So it was, and is now the factors that managers are people of very different personality traits, different backgrounds, different skills and managerial abilities and work experience.

In such circumstances it is difficult to develop a universal model of effective manager. Although R. Kreitner, for example, states that: manager’s success = potential x motivation x possibilities (Ziolo, Rachwała 2009; Szczupaczyński 1998). The potential is a general and specialized knowledge, managerial skills, experience, desirable personality traits manager, professed a system of goals and values and adherence to the proceedings ethical and moral principles. Manager must be sufficiently motivated to develop their careers, expand their knowledge and skills, gaining experience. For smooth functioning and success in business is also necessary to have certain capabilities, i.e. a specific position, an open career path, qualified personnel and adequate technical facilities and information, and sometimes research facilities.
**Specialization of managers in organization**

In the literature there are many different criteria for allocation of managerial staff in the organization, one of them is the manager's position in the organizational hierarchy management, while another level of relationship of manager with the basic activity of the institution. Due to the space occupied by the manager in the organizational hierarchy management can be distinguished (Koźmiński, Piotrowski 2006; Kuc 2004; Żukowski 1989):

- general managers (top-level management executives: presidents, vice presidents, directors, deputy directors),
- Managers of middle management level (average level managers: plant managers, heads of department and department managers),
- Managers of lowest level of management (first line managers: foremen, masters, heads of offices).

Managers in organizations serve multiple functions and perform tasks at different levels of organizational management. Given the wide range of duties and responsibilities of managers are formed set of specializations, each of which requires slightly different skills and continuous learning.

Work on senior management level (institutional, strategic) is generally complex and diverse. Their major task is to determine the purpose and strategy of the organization, strategic planning, establishing and maintaining relationships with the environment, as well as monitoring and analyzing the results of the whole institution. They take decisions on R & D, investment, entry to certain markets or to withdraw from these and other important strategic decisions. They usually represent a small group of executive staff, who is responsible for overall management of the organization.
Managers of the middle level of management (organizational) take operational decisions, communicate them to managers of lowest level management and oversee their implementation. They are responsible primarily for the implementation of policies and plans developed at the highest level of management (strategic) and to supervise and coordinate the management of lowest level managers, coordinate the work of various departments of services of supervision within the institution. Managers of the average level of management combine upper and lower levels of management organization and implement the strategies developed, and more precisely strategic plans. They constitute the largest group of managers in most organizations.

Managers of the lowest level of management - technical (first line managers) oversee and coordinate the work of production staff, devote this much of their time working. Their task is the implementation of decisions taken and the direct control process of tasks (Kubik 2005; Stoner, Wankel 2001; Żukowski 1989).

At different levels of the organization's management those in charge need a different proportion (ratio) of types of skills; at the lower levels of management are required more technical skills, and at higher levels – interpersonal and conceptual skills.

Due to level of relationship of manager with basic activity of the institution, we have: line managers and functional managers. Line managers are responsible for the overall activities of the managed entity, and functional managers – only for one single activity of the organization, such as manufacturing, refurbishment, investment, marketing or sales.

Managers working in different areas of the organization. In an institution - depending on requirements - at all levels of management managers may be responsible for administration, human resources, marketing, finance, operations and other activities. Marketing managers -
the managers working in the area associated with the function of marketing - acquiring customers and clients to sell products (goods and services) of the institution. This area includes the development of new products, promotion and distribution. Considering the important role of marketing in almost every institution can be said that to have effective managers in this area is crucial to the smooth operation, profit and development in institutions. Finance Managers - finance managers are mainly engaged in financial resources of the institution. They are responsible for activities such as accounting, finance, cash management, investments. In some areas of activity such as banking, finance and insurance, managers are particularly numerous.

Service managers - managers in the organization operationally involved in the development of systems for the production of goods or services and management of these systems. Typical scope of their responsibilities include: between other tasks, production preparation, manufacturing process control, raw materials, inventory, quality management, production, etc. HR managers - department managers of personal affairs are responsible for hiring and developing employees. Generally they deal with human resource planning, recruitment and selection of personnel, training and development, design, and premium pay systems, developing systems to assess employees, integration and promotion, handling, and release. Administrative managers - administrative managers are not tied to any particular specialty managers. Administrative managers are more versatile, have a basic knowledge of all functional areas of management and generally have no specialized training in any particular field. There are also many other types of managers. In many institutions there are specialized managerial positions which cannot be classified into one of the groups described.
PR managers (eng. public relations, publicity) deal with relations with the public and the media of social communication, and their job is to protect and improve the public image of the organization, its image. Managers of research and development co-ordinate the work of scientists and engineers working on research projects and implementation of modern technology and techniques in business and service organizations. Many areas of international management are coordinated by specialized managers for international management. The number, nature and importance of these specialized managers in individual organizations is very different. It is expected that with the development of international relationships and institutions of globalization and integration of the economy and manage the number and importance of such managers will systematically increase (Kubik 2008; Stoner, Freeman, Gilbert 2001; Żukowski 1989; Żukowski 2010).

Functions and tasks of leadership - by L. Sayles - have no clear boundaries exactly defined. The modern manager is rather diverse network of interdependent relationships and interactions than the prescribed level of management. Manager attempts to introduce order into the business or service organization, which in practice will result in a perfect state of dynamic balance. At present, only such managers who cope with uncertainty, ambiguity and variability feeling of indulgence, and are able to skillfully lead the game, that can never be won, but only carried out, can hope for complete success in the future (not just financial) in their managerial work.
Summary

The above considerations clearly show that under conditions of fierce competition between the organizations (companies) the only way to stay in business is to innovate and original ideas (products) that will attract customers. A huge role in promoting the organization play managers who can give direction for the company. "Today's rules of market economy dictate the need for education on a continuous basis. This applies both to staff ownership, especially small and medium-sized companies and managers. Increasingly, in the process of management and managerial skills is also participating personnel, including administrative positions, and workers. It is worth emphasizing this last item because it increases the effectiveness of management and the ability to use the considerable knowledge and skills of employees, allowing, for example for effective delegation of responsibilities” (Pierścieniak, Szara 2010, 94-95).

In the twenty-first century economy based on knowledge and innovation, manager is the one, who’s got a huge impact on the development of the organization, a person who has a unique opportunity to create his ideas.

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JOB SATISFACTION AND JOB PERFORMANCE – IMPACTS ON HUMAN CAPITAL

Kjell Age Gotvassli and Anne Sigrid Haugset

Introduction

The studies by the Nobel prize-winner in economics Garry S. Becker (1993) show that investments in human capital – the development of knowledge and skills – are of decisive significance for the economic growth of a region. The consequence of this is that in order to create economic growth it is necessary both to attract develop and retain human capital. Within macroeconomics there has not traditionally been a focus on knowledge and knowledge development as a basis of economic growth, but in the course of the 1990s a number of studies were presented that proposed the development and activation of human capital as an important motor for economic growth (Romer 1990; Davenport and Prusak 1997). Between 1990 and the present day there seems to have been an increasing focus in various studies on the importance of having knowledgeable and motivated staff as the basis for increased competitiveness and economic growth (Thurow 1996; Stewart 1997; Spilling 2007; Westeren 2008; Siggaard Jensen 2008).

These views are now so firmly held that in many respects they form the basis of the EU’s programme “The Europe 2020 Strategy”. The programme emphasizes that Europe’s future lies in a knowledge economy in which training, research and innovation are key elements for economic growth, work and competitiveness. Locally we find this again in the Regional Development Programme for the Norwegian county of North Trøndelag. In that context it is emphasized in several places that the basis
of continued growth, settlement and life enjoyment in North Trøndelag depends on knowledge development and on the creation of attractive jobs. Having access to a well-qualified workforce and managing to activate this workforce to productive purposes will therefore be an important factor for economic development in a region.

The basis of the knowledge economy is that the nature of critical resources in today’s organizations is no longer of physical and material character such as production resources and capital but has now changed to so-called knowledge capital or intellectual capital in the form of skills embodied in the individual employee (Becker 1993; Nonaka 1994; Nonaka and Takeuchi 1995; Rooney, Hearn and Ninan 2005; Western 2008; Siggaard Jensen 2008). OECD defines the knowledge economy as follows:

”Economics which are directly based on production, distribution and use of knowledge and information”. (OECD 1996)

The term “intellectual capital” is variously defined in the literature. A comparison of different authors indicates, however, a frequent three-fold division of the term, which then consists of the following components (Stewart 1997; Sveiby 1990, Edvinson 2002):

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<tr>
<th>Stewart</th>
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<td>Human capital</td>
<td>Individual skills</td>
<td>Human capital</td>
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<tr>
<td>Structural capital</td>
<td>Internal structure</td>
<td>Structural capital (organization)</td>
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<td>Relational capital</td>
<td>External structures</td>
<td>Structural capital (customer)</td>
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Figure 1 The term intellectual capital

Human capital is the capabilities of individual members of staff in terms of knowledge, skills and attitudes. An important point here is that human capital is not merely connected to formal education and so-called
explicit knowledge but is also to the highest degree connected to practical application in the form of implicit knowledge (Newell et al. 2002, Gouarly 2006). Structural capital consists of collaborations, systems, routines and rules, whilst relational capital consists of connections and relationships with customers, distributors, media, the authorities and other organizations. In addition to recognizing the importance of intellectual capital, a displacement of power has taken place in terms of who possesses and controls the critical resources – from employer to employees (Hillestad 2002). This means that very many organizations are faced with a new type of employee who is very conscious of his own value; such employees can be regarded as more demanding and less loyal to the company.

Rohlin et al. (1994) depicts the differences by saying that we are moving from yesterday’s industrial society to today’s knowledge society, in which learning and skills development are the most important factors. In the scholarly literature, access to a highly-qualified workforce and the development of attractive jobs are often related to the concept of job satisfaction (Humprey, Nahrgang and Morgeson 2007; Støren 2008). Job satisfaction refers to a person’s general, overall assessment of their own work situation and is thus largely an individual quality (Lock, 1983). There appears to be agreement that a high level of job satisfaction is closely related to the employee’s general motivation for their work and it is therefore very interesting to document which factors in work and working life are of most significance for an employee’s job satisfaction (Lawler and Hall, 1970, Tietjen and Myers, 1998; Saari and Judge, 2004). Kalleberg (1977) argues that one of the reasons for studying job satisfaction is in order to increase productivity. This would suggest that it is important to assess whether there is a clear connection between job satisfaction, motivation and performance/effectiveness at work (Judge, Thoresen, Bono and Patton, 2001; Wriht, Cropazano and Bonett, 2007).
Our reasoning is based on the following model:

![Analytical model diagram]

**Figure 2 Analytical model**

The starting point is a regression analysis employing data from the European Social Survey Round 3 (ESS - 3) (2006) to investigate which factors affect job satisfaction amongst Norwegian workers. The focus is also on what factors create job satisfaction and what drives job satisfaction in the workplace. In relation to the model, we will first take a theoretical examination of the concept of job satisfaction and examine the literature concerning job satisfaction and motivation.

We will award a relatively-large place in the discussion to the connection between job satisfaction and effective completion of work. Is it the case that there is a direct connection between perceived job satisfaction, motivation and performance? In the methodological section we will attempt to put into operation the technical concepts behind job satisfaction as seen in connection with the variables for ESS – 3. We will then present some hypotheses concerning what creates job satisfaction. Next, we will present the main results of the regression analysis. The article concludes with a discussion of the results of the regression analysis, what it is that creates
job satisfaction and what if any consequences this should have in terms of exploiting and activating human capital amongst employees.

**Job satisfaction**

Job satisfaction is extensively described in the literature (Hertzberg, 1987; Agho, Muller and Price, 1993; Locke, 1976, 1983; Deci and Ryan, 1985; Saari and Judge, 2004; Berge Matthiesen, 2005). Together with an attitude of dedicated interest in the organisation, job satisfaction is regarded as an important approach for understanding the individual within working life and organizations (Kaufmann and Kaufmann, 2009). Job satisfaction is often coupled with various aspects of working life such as motivation, performance, absenteeism, turnover and job design – what is it that creates “good work”? (Mitchell, 1974; Petty, McGee and Cavender, 1984; Perrachione, Petersen and Rossser, 2008).

There are many definitions of job satisfaction, but most contain a subjective assessment of personal needs and expectations in comparison to the reality experienced in connection with the job. Conrad’s definition involves a match between what the individual considers that they need and the rewards they actually receive from the job (Conrad, Conrad and Parker, 1985). We see here that it is the psychological expectations and the degree to which these are met that are at the core of the matter. Another definition, by Lock (1976), defines job satisfaction as a positive emotional state resulting from the individual’s assessment of the job or experiences with it. In addition, job satisfaction was dependent on the working environment, the opportunities to have expectations met and the attainment of values that are compatible with the needs of the individual. Others have emphasized job satisfaction as resulting from the degree to which aspects of the work meet personal needs (Smith, Kendall and Hullin, 1969). In summary, and somewhat simplified, job satisfaction has been described as the degree to
which people like (satisfaction) or dislike (dissatisfaction) their job (Spector, 1997) and this is often connected to various aspects of the job.

This is compatible with Thorsrud and Emery’s classic term “psychological demands to jobs” of 1970. Today this forms a part of the basis of the requirements for satisfactory working conditions in the Norwegian Working Environment Act (Bjørvik, 1993).

The need for substance and variation in the job, for being able to learn something, for taking decisions within one’s own area of work, for recognition, for seeing a connection between work and the world at large and that the job is a part of a desirable future are all identified by Thorsrud and Emery as fundamental requirements for a job in psychological terms, and as aspects that contribute to a job being experienced as meaningful by an employee.

Hertzberg’s two-factor theory is based on the existence of two sets of explanatory factors when employees consider satisfaction or dissatisfaction in their job (Herzberg, 1987). The so-called hygiene factors can create dissatisfaction but not satisfaction. The motivational factors, on the other hand, explain workplace satisfaction but not dissatisfaction. Satisfaction and dissatisfaction should thus be regarded as two different dimensions, the values of which are defined by different factors. The hygiene factors include the company’s policies and administration, management, working conditions, inter-personal relationships, salary, status, job security and work-life balance.

Motivational factors include performance, recognition, the work itself, responsibility, promotion and growth. Even though Herzberg’s survey has received very considerable scholarly attention and worldwide comment, according to Løvland (1999) there is little empirical support for the theory that we in fact are faced with two separate factors that determine motivation in respect of work.
A relatively normal method of studying job satisfaction is to divide the job into five areas: salary-related conditions, promotion/career, colleagues and social aspects of work life, guidance/leadership and job content (the actual work) – a division created by Smith, Kendall and Hulin (1969). Characteristics of the actual job (challenges, personal contribution and autonomy) are also identified by Parker (2003) as an important source of job satisfaction. We observe that many refer to the content of the job – the characteristics of the work – as an important determinant of job satisfaction. Highly-qualified individuals also identify the realization of professional values and ambitions (Støren, 2008).

The content of the job is also the aspect that has the greatest correlation with overall job satisfaction (Berge Matthiesen, 2005). Gender differences are relatively small in relation to perceived job satisfaction, even though the tendency is that slightly fewer women are satisfied with their jobs. Age, however, can be significant. Earlier research indicates that older employees are consistently more satisfied with their jobs than younger ones (Berge Matthiesen, 2005). This is explained by diminished expectations to work and is often mixed with a certain amount of resignation.

The employee’s personality type is also thought to affect job satisfaction. Maccoby (1988) uses the term social character types and his message is that different social character types require different kinds of motivation. Maccoby’s (1988) research indicates that the new generation of employee, which he terms self-developers, experience job satisfaction primarily under the following circumstances: responsibility and response in the workplace, opportunities for change and development, increased interest in the content of the work, team work in combination with personal development, fair and meaningful reward, involvement and participation. We also find much of this in the work of Deci and Ryan (1985) which
associates job satisfaction and motivation with empowerment, or empowering management (Thomas and Velthause, 1990). Here the emphasis is on autonomy, the experience of skills and mastery, meaningful work and influence.

As we see, job satisfaction is a concept with many approaches and which consists of many factors. Nevertheless, the model proposed by Hackman and Oldham (1980) can stand as a summary of the most important factors involved in job satisfaction and motivation. They speak of the motivational potential of work (MPW) as a function of skill variety (SV), task identity (TI), task significance (TS), autonomy and feedback in work. This can be expressed as follows:

\[
\text{MPW} = \left[ (SV + TI + TS: 3) \right] \times \text{autonomy} \times \text{feedback}
\]

Put simply, the motivational potential of work (the extent to which it provides motivation) consists of characteristics of the job itself – whether it is perceived as interesting and what opportunities exist for autonomy and feedback in the job. Job satisfaction reflects a kind of emotional state of satisfaction or pleasure connected with the job, whilst motivation is concerned with the activation of conditions in which power or energy is mobilised (creating drive-force) and with the expenditure of energy having a direction or a goal (Mitchell and Larson 1987). Job satisfaction is thus, as we see it, associated with the general aspects of the job whilst motivation is associated with special aspects (such as tasks and achieving goals). In research terms there is a great deal to suggest that this and other descriptions of the significance of job characteristics for motivation and performance are relatively well founded, even though it is difficult to demonstrate a direct and linear connection (Porter, 1973, Argyle, 1989).
Job satisfaction and performance

Theoretical analyses

In our model we propose a connection between job satisfaction, motivation and performance. This is naturally an area of enquiry that has occupied occupational researchers over a long period. Judge et. al (2001) describes it as the hunt for the work psychologist’s “Holy Grail”. Purely intuitively we can perhaps suggest that an employee who feels job satisfaction is a motivated employee and one who works effectively and creates results for the organization. In the 1950s and 1960s this was a generally accepted assumption, but theoretical and empirical studies gradually emerged that set out a more nuanced view of this.

We will now look at various theoretical models for the Job Satisfaction – Job Performance Relationship, before surveying some of the empirical studies dealing with this topic. The latter will be carried out primarily with reference to a number of meta-analyses that have been carried out in the area of job satisfaction and productivity.

Several authors have explored the connection between job satisfaction and performance (Lawler and Porter, 1967; Locke, 1968, Mitchell and Knudsen, 1973). In an often-cited article from 2001, Judge et al. (2001: 377-381) list seven different connections between ”Job satisfaction and Job performance”.

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Model 1 portrays a direct connection between job satisfaction and performance and is, as already indicated, based on the general opinion that had been predominant for some years. A number of subsequent studies reversed this opinion. Model 2 indicates that job performance leads to job satisfaction. Lawler and Porter (1967) claim that working and achieving goals subsequently leads to the experience of job satisfaction. Model 3 indicates a more complex interplay between job satisfaction and performance, but this model has been little portrayed in theoretical or empirical studies. Model 4 takes as its starting point that the connection between two factors is due to a third factor that is unmeasured but significant – a spurious connection. A factor of this sort may be, for instance, the degree of confidence in the situation. Many studies of the relationship between job satisfaction and performance are based on the input of a number of moderating factors. This is illustrated in model 5. An
attempt is made to detail these factors, but it is difficult to establish which the most important factors are. Factors such as salary, external and internal motivation, personality traits and career direction are often mentioned. Model 6 postulates that there is no connection between job satisfaction and performance: there are separate variables that do not influence each other at all. This assumption seems to enjoy very little support in the literature. The last model alleges that if we are to study the connection between job satisfaction and performance we must re-define both terms and, for instance, study different types of emotions and different types of performance. It may be the case that a general positive or negative attitude means more than job satisfaction in itself. Similarly, the concept of performance can be discussed by taking a broader starting point in a social commitment in which performance bears little relationship to traditional job satisfaction.

This survey of the connection between job satisfaction and performance shows how complex and difficult it is to identify definite connections between these aspects. Many studies that have been carried out have the weakness that individual specific aspects of job satisfaction have been studied and these have been related to general goals in productivity at work. It becomes apparent that these connections are consistently weak, but as Judge et. al (2001) points out, there are considerable problems with comparing something specific with something general, or vice versa. Both parts must occupy the same level, which means that in this instance it is necessary to contrast a total score for job satisfaction with a total score for performance.

Empirical analyses

A number of empirical analyses have dealt with the relationship between job satisfaction and performance. Some are concerned with the
experiences individual work groups have of their own working situation and the connection between this and performance. More recently some meta-analyses have also been carried out, using statistical techniques to sum up the results from a number of primary studies. Within certain areas such as psychology, pedagogy and health, meta-analyses have to a great extent replaced traditional review articles. Individual analyses show considerable divergence in the indicated degree of correlation between job satisfaction and performance. The correlation varies from small negative values to relatively-store positive values (Argyle, 1989). Within the relatively complex picture we have sketched of possible connections, such meta-analyses will be of great value in order to obtain a good overview over the many empirical studies that have been carried out. In our survey of such analyses we have primarily drawn on meta-analyses from 1974 up to 2007 (Mitchell, 1974; Petty, McGee and Cavender, 1984; Iffaldano and Muchinsky, 1985; Argyle, 1989; Judge et. al., 2001; Schleicher, Watt and Greguras, 2004; Saari and Judge, 2004; Wright, Cropanzano and Bonett, 2007; Humphrey, Nahrgang and Morgeson, 2007). These are relatively comprehensive assimilations of studies carried out on the connection between job satisfaction and performance. The analysis of Judge et. al takes into account 312 previous studies with 54 117 subjects, and the study by Humphrey, Nahrgang og Morgeson consists of an analysis of 259 previous studies including altogether 219 625 participants. Even though these studies show a certain amount of variation, the conclusion is that perceived job satisfaction is a good indicator for performance and efficiency at work. An employee who is satisfied with his or her job is also an effective employee. On average, the correlation between job satisfaction and effectiveness is about $r = 0.30 - 0.40$, which can be described as a moderate connection. On the basis of the theoretical survey we have conducted of core concepts such as job satisfaction, motivation and
performance, along with the survey of previous empirical research, it seems that we find some support for the model that we presented on page 3. We will now make a presentation and discussion of a regression analysis using data from the European Social Survey Round 3 ESS - 3 (2006) to investigate which factors influence job satisfaction for Norwegian employees. The focus is thus on what creates job satisfaction and on what drives job satisfaction in the workplace.

**From theory to hypotheses**

We have already examined the significance of human capital for economic growth. The idea of “getting the most out of” this resource will be an important competitive advantage and as such important for all organizations. Siggaard Jensen (2008: 134) puts it as follows: *In the knowledge economy financial capital is still an important element, but the challenge is how to transform human capital, social capital and intellectual capital into financial capital.*

This can be expressed as how we can use human resources to increase productivity. The main point is that in order to create development in a region, it is necessary both to attract, develop and keep a skilled and motivated workforce. On the basis of core features from the psychology of work, we have shown that an important factor in this work is to create attractive jobs with a great potential for motivation, and as such increase the opportunity for job satisfaction. Next, we have shown that there is a connection (if not necessarily strong, but at least demonstrated and moderate) between job satisfaction, motivation and efficiency in the workplace.

**Putting job satisfaction into operation**

We wish to use parts of the European Social Survey Round 3 ESS - 3 (2006) to investigate which factors affect job satisfaction amongst
Norwegian employees. The survey includes the following independent variables, amongst others:

- How satisfied with job/work balance
- How often the job is perceived as interesting
- How often the job is perceived as stressful
- The extent to which salary is perceived as unreasonable
- Perception of authority and influence (*)
- Number of years training
- Age
- Gender

(*) Authority and influence is a scale constructed on the basis of questions regarding the extent to which the individual can organize their own working day and opportunities to influence the activities of the organization (Chronbach’s alpha = 0.708).

The extent to which the job is perceived as interesting is concerned with characteristics of the actual work itself.

Whether there is leadership responsibility, the opportunity to influence organizational policy and the extent to which it is possible to organize one’s own work are all factors concerned with authority and influence. We see here that many of the factors located in the independent variables are found in the theoretical models associated with job satisfaction, especially in what is termed models of job characteristics, including the work motivation potential models by, amongst others, Herzberg (1987), Parker (2003), Spector (1987) and not least Hackman and Oldham (1980). A survey of this sort of the available variables compared to core elements of job characteristics should secure an acceptable conceptual validity.

Of the variables that are available through the data material, it is these that are expected to contribute to the explanation of job
satisfaction. We anticipate a positive effect from the following variables: satisfaction with the job/other balance, the opportunity to influence the organization and the opportunity to organize own work; whilst we anticipate that the experience of a stressful job and of being dissatisfied with salary in relation to effort and performance will have a negative effect on job satisfaction. On this basis we have formulated the following hypothesis which will be tested through the regression analysis.

Having an interesting job, leadership responsibility, the opportunity to influence the organization, the opportunity to organize one’s own work, a fair salary level and a good balance between job and other aspects of life will cause the experience of job satisfaction in an employee.

We anticipate that the motivational factors of an interesting job, authority and influence (Herzberg, 1987) will have a greater effect on job satisfaction than the hygiene factors of salary, job/life balance and work-related stress.

Results
We have carried out a stepwise linear regression analysis based on the Norwegian respondents who stated that they had paid employment at the time of the ESS:3 survey (N=1198). The dependent variable in the analysis is the perceived job satisfaction of the respondents, measured in values between 0 and 10, where 0 is extremely dissatisfied and 10 extremely satisfied. This variable is patents transformed (power = 2,2) to symmetry on account of the imbalance in response distribution (average value = 7,45).

The results of the regression analysis show the following:
<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Standardized Coefficient</th>
<th>Standard error</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>How interesting job</td>
<td>.485</td>
<td>.794</td>
<td>.000</td>
</tr>
<tr>
<td>How stressed job</td>
<td>-.056</td>
<td>.580</td>
<td>.015</td>
</tr>
<tr>
<td>Unreasonable salary against input/performance</td>
<td>-.093</td>
<td>.824</td>
<td>.000</td>
</tr>
<tr>
<td>Authority and influence</td>
<td>.150</td>
<td>.187</td>
<td>.000</td>
</tr>
<tr>
<td>Satisfied with work/other balance</td>
<td>-.363</td>
<td>1.893</td>
<td>.001</td>
</tr>
<tr>
<td>(Satisfied with work/other balance)²</td>
<td>.584</td>
<td>.156</td>
<td>.000</td>
</tr>
<tr>
<td>Age</td>
<td>-.069</td>
<td>.407</td>
<td>.003</td>
</tr>
</tbody>
</table>

*Dependent variable = How satisfied with the job (power = 2.2)*

*N = 1198, R² = .422*

Table 1 Results from the regression analysis

The main result in this analysis is that how much of the time the job is regarded as interesting has the strongest positive influence perceived job satisfaction. Also the experience of having authority and influence over one’s own working day and over the organization has a significant positive effect on job satisfaction. This effect is however far weaker than the effect of experiencing the job as interesting. These results are also illustrated in the graphs below. They demonstrate the connection between perceived job satisfaction and job interest and authority/influence, respectively.
Amongst other findings, the extent of the perceived balance between job and leisure time has a curvilinear influence on job satisfaction, in which those who are very satisfied with this balance report a somewhat higher degree of job satisfaction. Experiencing the job as stressful and not experiencing a fair level of pay for effort has a moderate but significant negative effect on job satisfaction. Increased age also appears to exert a weak to moderate negative effect on job satisfaction. Number of years in
education and gender has no significant influence on job satisfaction in this analysis.

Discussions

Causes of job satisfaction

Our theoretical survey of causes of job satisfaction shows that job satisfaction is a concept with many facets and approaches. A common threat, however, is that job satisfaction is often connected to qualities associated with the job itself – how interesting it is. Another important issue is that job satisfaction is positively affected by having authority and influence at work. This formed the background for our formulation of hypotheses concerning the various causes of job satisfaction. Our findings support most of the causal factors in the hypothesis concerning what creates job satisfaction amongst employees. Regression analysis shows that having a job that is felt to be interesting much of the time and having authority and influence in the workplace and its tasks has a positive influence on job satisfaction, whilst stress at work and the feeling of not receiving fair pay negatively influences job satisfaction.

As has already been commented, these are results which coincide both with theoretical analyses of job satisfaction and with the results of empirical studies in the area (Løvland, 1999; Berge Matthiesen, 2005; Judge et. al., 2001; Humphrey, Nahrgang and Morgenson, 2007). We expect that the factors identified by, amongst others, Herzberg (1987) as motivational factors should have the strongest influence on job satisfaction in the survey, and this hypothesis is fairly substantially supported by the results of the regression. It is the motivational factor that the job is perceived as interesting for much of the time that is clearly the most important causal factor of job satisfaction in the analysis. If the job is perceived as interesting for much of the time, job satisfaction increases.
Variation in this variable amounts to a change of 50.1 percent of the scale in perceived job satisfaction when the rest of the variables are set to average values. The relationship between experiencing having an interesting job and job satisfaction is curvilinear and the effect on job satisfaction of an increase in how interesting the job is diminishes higher up in the scale. An implication of this is that it will be most profitable for the employer to invest more in more interesting jobs for those who initially experience that their work is not very interesting. The effect is greater here than in making already fairly interesting jobs more exciting, given that the goal is increased job satisfaction.

Authority and influence, which are also motivational factors, also lead to greater job satisfaction but have far less effect on job satisfaction. This variable can altogether yield a change in job satisfaction of 10.3 percent of the scale, if all other variables are held at average values. Job satisfaction diminishes when there is a perception that salary is unreasonable. How reasonable or unreasonable the salary level is thought to be in relation to performance and effort creates a variation in perceived job satisfaction of 5.4 percent of the scale when other variables are held at average values. This finding is also clearly in accordance with Herzberg’s hygiene factors and other theoretical contributions.

**The significance of age**

In this analysis, increased age affects job satisfaction significantly but slightly in a negative direction. A variation in age between 20 and 67 years (the working life in Norway) creates a variation in job satisfaction of 4.4 percent of the scale, if other factors are maintained constant. Earlier research results are not unanimous in terms of the significance of age. Berge Mathiesen (2005: 170) suggests that increased age is normally associated with higher job satisfaction, and mentions resignation and
reduced expectations to working life as a possible mechanism for explaining the reported higher satisfaction amongst older employees.

There is also variation between different occupations in terms of the significance of age. In a survey of job satisfaction amongst a hospital’s nursing assistants, registered nurses and doctors respectively, it was seen that age had a positive effect on job satisfaction amongst the nurses and nursing assistants but a negative effect amongst the doctors.

**Educational level**

One of the independent variables that were included was level of education. This was included because from a theoretical standpoint it was assumed that employees with more education had higher expectations of how interesting the job should be and that they would to a greater degree than other workers emphasize on this as a cause of job satisfaction. Both the general theory of job satisfaction (Lock, 1993) and more specific discussions of the knowledge worker’s demands of their work (Newell et. al., 2002) support such a hypothesis. A number of studies of job satisfaction have included the employee’s educational level as one of the causal variables, but findings have been very variable and no clear-cut conclusions can be drawn. The studies show both positive effect, negative effect and no effect at all of educational level on job satisfaction (Vila and Garcia-Mora, 2005: 411).

In this analysis we do not find any significant connection between educational level and job satisfaction, when adjusted for age and aspects related to the actual work. Initial analyses show a significant but weak correlation (Pearson’s r = .102) between total years of education and authority and influence in the workplace. Educational level does not correlate with the other variables in the analysis for these Norwegian employees. One possible explanation is that having an interesting job is so
important for all employees that the level of education is relatively insignificant.

**Conclusion**

In relation to our introductory line of enquiry about economic growth, human capital, job satisfaction, motivation and workplace effectiveness, our conclusions from our survey of theory in this area, previous research and our own analysis are as follows:

Firstly, it is still the case that in order to create economic growth in an area such as North Trøndelag, for instance, it is very important to focus on human capital – workers with a good level of knowledge, high skills and experience. One way in which this occurs is for the employees to experience job satisfaction. Fundamental to this goal is the creation of interesting jobs and jobs that offer influence and authority.

Being able to realize professional values, professional goals, to use one’s abilities, to carry out tasks with which one can identify, and so on, are important factors for the experience of job satisfaction and motivation. We have also demonstrated that there is a connection between job satisfaction, motivation and performance. This means that in order to develop staff who perform well in their jobs one should attempt to develop jobs that are perceived as interesting and which offer job satisfaction.

A number of studies have also been carried out that suggest that using and developing the implicit and explicit knowledge of employees will have a positive effect on the organization’s output and competitiveness. Westeren (2008: 143), who has carried out a larger study at the Aker Verdal plant, puts it as follows: *The importance of knowledge to explain firm performance and competitiveness is reflected in a growing number of theoretical and policy oriented articles.*
Needless to say, there are also a number of other aspects that affect effectiveness and competitiveness, including technology and different management systems. In our work, however, we have focused on what creates job satisfaction and how this affects performance at work and how human capital in the form of experience, knowledge and skills can thus be used to improve competitiveness.

Secondly, our empirical analyses and those of others also show that creating job satisfaction is far more important than salary in terms of developing human capital. In a broadly-based analysis by NIFU-STEP about job satisfaction amongst the highly educated (Støren 2008) the following conclusion is reached:

"Summary – job satisfaction: Both the realization of professional goals, that is to say, subjective measures of how good a working situation one has, and objective goals such as aligning with the work market (relevant versus irrelevant work), professional values as well as seeing the benefit of one’s education, is of significance for job satisfaction. Of these the most important, however, is to realize one’s professional values – salary appears to have relatively little significance. Of particular importance for job satisfaction is the realization of professional ambitions, thereafter comes career direction and the fulfillment of social values related to a job.” (Støren 2008: 150).

If we think regionally it is the case that there is considerable geographic variation in commercial structures, job types and salary levels, often along the centre-periphery axis. Our analysis and those of others imply that if a region is both to attract, develop and retain a skilled and motivated workforce, a great deal of work has to be done to develop jobs that are regarded as interesting and which provide job satisfaction, rather than attempting to compete in terms of salary as the most important attraction.
References


on Values in Organizations. United States of America: Information Age Publishing, 175-204.


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